*The manufacturing of carpets and rugs is an important element in Iran's economy.*
*Courtesy United Nations (John Isaac)*

*Artisan preparing ceramic bowls*
*Courtesy Nader Davoodi*

## Manufacturing

Modern manufacturing industries (plants and companies that produce or assemble durable and nondurable goods) were introduced under Reza Shah Pahlavi. Since then, manufacturing industries have generally grown faster than GDP. Their growth, however, has been correlated strongly with the growth of oil revenues. The oil revenue booms of the 1970s and 1990s were accompanied by high rates of manufacturing growth.

### *Small Industries*

Small, light industrial establishments (i.e., those having fewer than 10 employees) are located in both rural and urban areas. In FY 2003 about 426,000 small manufacturing establishments were in operation. They produced US$6 billion of durable goods, such as metal products, medical devices, and transportation equipment, and nondurable goods, such as food and beverages, textiles, leather, and paper products. In FY 2003 the total capital investment in small industry was US$187 million, the sector's value added was about US$3.2 billion, and small industry employed more than 1 million workers that year. Wage and salary earners made up 51 percent of the sector's total workforces, as compared to just 33 percent in 1977. Almost 100 percent of small manufacturing establishments were privately owned.

### *Large Industry*

Since their introduction into the Iranian economy during the 1930s, large manufacturing establishments have been mostly state-run enterprises, generally funded with oil revenues and indirect taxes. The growth rates of both small and large manufacturing concerns have increased significantly since the mid-1960s because of government investment in the manufacturing sector. Since the early 1990s, the government has used privatization and other incentives to increase the private sector's role in manufacturing. Major manufacturing establishment indexes (output, employment, and total compensation) showed significant gains during this period.

The 1996 census showed 13,371 establishments in the category of large industries (those having more than 10 employees). Some 1,329 in that category had more than 100 employees. By FY 2003, the number of establishments with more than 100 employees had increased to 1,797, of which

*Laborers weigh and process jute in a small mill.*
*Courtesy U.S. Information Agency*

1,397 were privately owned. The fastest growth rates occurred among manufacturers of durable goods, with the production of transportation vehicles and equipment showing the largest gain: Its index rose from 100 to 650 from 1996 to 2003. For example, from FY 2003 to FY 2004 the number of motor vehicles produced in Iran went from 531,461 to 753,378, an increase of more than 40 percent. In FY 2003 the total number of workers in large manufacturing establishments was about 1,026,000, about half of the total manufacturing employment that year.

Among Iran's most important large industries are the manufacture of petrochemicals and automobiles and food processing. The petrochemicals industry, dominated by the state-owned National Petrochemicals Company, has grown rapidly, with output in FY 2002 worth US$1.4 billion. The industry has received substantial foreign investment. Automobile manufacture has benefited from licensing agreements with European and Asian manufacturers. In 2002 the largest plant, Iran Khodro, built about 260,000 units, and several smaller facilities produced a total of about 240,000 vehicles. In 2005 Iran ceased production of the Paykan, which had been the chief domestic automobile model since the 1970s. In 2006 Khodro introduced the Samand model to replace the Paykan. The processing of agricultural products also is an important industry, dominated by domestic private firms. Among the major subsectors are grain processing and fruit and vegetable canning.

### *Heavy Industry*

Iran's heavy industrial factories produce metal products such as steel, aluminum, and copper; nonmetal intermediate goods; and finished industrial products such as tractors and construction equipment for both domestic and foreign markets. In the early 2000s, Iran's heavy manufacturing industry faced several serious challenges. First, it was largely dependent on imports for raw materials, spare parts, and equipment. Second, production standards were below international requirements, and therefore little excess production could be exported. Third, the concentration of heavy manufacturing industries in Tehran Province entailed high transportation costs for raw materials and finished products. Other problems associated with these industries were a lack of domestic competition (they were mostly monopolies or oligopolies), low productivity rates, low profits, insufficient internal investment,

relatively small size (hence, few economies of scale), and high demand for foreign currencies.

The country's first modern steel mill, with a capacity of 550 million tons per year, opened in Esfahan in 1972. This complex, which remains a key part of the industry in the early 2000s, included factories for sheet metal and shape metal and had a total capacity of 1 million tons. An aluminum plant with a capacity of 90,000 tons and a copper mill with a capacity of 120,000 tons were established in the early 1970s. In the 1970s, joint investments with East European countries and the Soviet Union led to the establishment of several plants to produce and assemble industrial machinery. Following the Revolution, most expansion of heavy industry occurred through joint investment with the United Kingdom, France, Germany, and Italy. The role of the private sector also increased; in 2004, for example, private-sector steel production reportedly was about 2 million tons, five times more than the previous year.

The steel industry, which is centered at Ahvaz, Esfahan, and Mobarakeh, has grown rapidly since 1990. In 2004 Iran produced 19 million tons of steel and steel products (8.5 tons of raw steel and 10.5 tons of treated steel and steel products). For the period covered by the fourth economic development plan (March 2005–March 2010), Iran planned to increase the production of steel and steel products to 36 million tons. Meeting this goal would require substantial increases in joint investment and private investment and the import of appropriate raw materials and machinery. However, between 1995 and 2002 the level of investment declined. This downturn indicated that in the early 2000s the sector's growth was lagging far behind other manufacturing industries, and that its potential for future growth was uncertain. In FY 2004 investment in the large and small basic metal industries was US$11 billion.

In addition to steel products, Iran produces aluminum and copper products. Between 1997 and 2004, the production of aluminum bars increased from 77,000 tons to 181,000 tons, 60 percent of which was exported. In the early 2000s, the availability of cheap energy sources was an incentive for Iran to be more aggressive in attracting private and foreign joint investment in aluminum production. In FY 2004 Italy's investment in aluminum production was US$345 million. For the fourth economic development plan, Iran set a production capacity goal of 240,000 tons of aluminum bars. In early 2005, the production capacity of aluminum increased to 230,000 tons, when the

second phase of the Al-Mahdi Aluminum Complex was opened. The fourth economic development plan calls for the production capacity of copper metal to increase to 350,000 tons. The total level of investment in this project was estimated at US$4.5 billion.

### Construction and Housing

Stimulated by growing oil revenues, the economic prosperity that began in the mid-1960s encouraged construction, mostly of urban housing units. Throughout this period, advances in construction trends closely followed those in the oil industry. Similarly driven mostly by increasing oil profits, the economic prosperity of the 1990s led to another boom in the construction industry. The construction industry is labor-intensive, with strong linkages to the extraction of materials such as sand and gravel.

Between 1995 and 2004, the construction sector contributed an average of 29 percent of GDP. The nominal value of government development expenditures for construction, housing, and urban development programs also grew during this period by an annual average of 31 percent, reaching a record US$467 million in FY 2004. Most government development expenditures were allocated to urban development programs, government buildings, and housing development projects. In FY 2004 the total investment in urban housing development by the private and public sectors was about US$7 billion, 95 percent of which was private investment. Despite banks' limited financial resources, their contribution to the financing of private-sector construction and housing activities grew noticeably in the early 2000s. Major cities, particularly Tehran, received a large portion of the banks' construction investments. Between 1995 and 2004, new housing development projects in rural areas received only US$8.6 million of public development funds, however. The fourth development plan calls for work on 200,000 of the 2.5 million rural housing units estimated to need major repair. In FY 2004, new housing construction fell 18,000 units short of projections.

## Services

In 2006 the value-added share of services, in constant prices, was 47.1 percent of GDP. Services include trade, lodging, and food services (30 percent), transportation and telecommunica-

tions (17 percent), finance and real estate (3 percent), professional services (27 percent), and public and household services (23 percent).

### Domestic Trade and Distribution

The government's role in trade and distribution was limited prior to the Revolution; it had monopoly rights to importation and distribution of only a few socially important commodities, such as sugar, tobacco, and concrete. (The specific commodities were not fixed over time.) The private sector controlled most trade, with a few major merchants and traders managing domestic distribution of 80 to 90 percent of certain products. After the Revolution, many transportation companies, banks, and insurance companies were nationalized, and because of other internal and external factors, the production and distribution system could not continue to operate as before. Government intervention in the production and distribution of many consumer goods increased, and a new trade and distribution system emerged. Under this new system, foreign trade was solely in the hands of local and national governments, and city and local councils and cooperatives controlled the distribution channels for many goods and services. After the Iran–Iraq War, the government relaxed its control over the distribution of goods and services, and the cooperatives' role was formalized and institutionalized. Price controls and subsidies have remained as public-policy tools to combat inflation and manage the prices of those key consumer goods that are perceived to be politically important.

In 2004 a total of 11,937 rural and urban cooperatives were in operation; they had 7.4 million members and 170,000 employees. In the early 2000s, rural cooperatives supplied their members with a variety of durable and nondurable consumer goods, such as food, chemicals, apparel, and leather products.

In 2002 some 1,470,070 trade establishments (4,821 of them public enterprises) engaged in auto repair, home appliance repair, and wholesale and retail trade, 17 percent of them in rural areas and 83 percent in urban areas. Less than 1 percent of these establishments had more than five employees; their total number of employees was 2,187,658 in 2002.

### Insurance

Before the Revolution, all insurance companies, with the exception of the state-owned Iran Insurance Company, were

privately owned. After the Revolution, private insurance companies with joint investments were nationalized and merged into one company. The nationalization of banking, insurance, manufacturing, and some other activities in the 1980s reduced the role of the insurance industry. During the 1990s, the private sector and joint ventures with foreign interests gained an increased role in the insurance industry. In the early 2000s, insurance companies in Iran offered a range of services such as health, freight, fire, and life insurance. Between 1997 and 2004, premiums received in the insurance market increased twelvefold; in the same period, the value of claims paid in the insurance market increased ninefold. In 2004 the insurance companies issued 14.9 million contracts, a 29.6 percent increase over 2003. The insurance market has been very concentrated; the top four firms control 97 percent of the market.

## Tourism

Iran's diverse cultures, climates, and historical sites have great potential to attract international tourists, and Iran is one of the safest destinations among developing countries. Although it is highly regarded for the diversity of its destinations and the quality of its historical-cultural sites, in FY 2004 only 700,000 foreign visitors (of whom reportedly only 200,000 were tourists) came to Iran, while 9.2 million Iranians visited other countries. In the early 2000s, Iran's share of the international tourism industry, 0.09 percent, ranked it seventy-sixth in the world. Religious sites have been among the most popular attractions. In the early 2000s, about 10 million people a year visited the shrine of Hazrat-e Masumeh, in Qom. This shrine, like others in Iran, has adequate regional infrastructure and facilities for large numbers of visitors. The island of Kish, located in the Persian Gulf west of the Strait of Hormuz, features what has become known as the Kish Free Zone. With most laws substantially more relaxed than those on the mainland, Kish has attracted growing numbers of foreign tourists and played a significant role in Iran's international commerce.

The Organization of Iranian Handicrafts was established in 2005 with the goal of increasing awareness of the significance of tourism in the Iranian economy through the sale of tourism-related products. In addition, the Cultural Heritage and Tourism Organization received government support to help it achieve its objective of increasing the economic contribution of the tourism industry. The fourth economic development

plan calls for the number of tourists to increase to 2.5 million, by means of visits of organized foreign groups. Foreign investment in tourism is increasing; entrepreneurs in countries such as Germany, Spain, Italy, and France have shown interest in investing in hotels and historical and entertainment sites.

In FY 2003 Iran had about 69,000 restaurants and 6,000 hotels and other lodging places; about 80 percent of these establishments were in urban areas. Some 875 restaurants and hotels were publicly managed by cooperatives and government organizations. More than 95 percent of restaurants and hotels had fewer than five employees, and only 38 had more than 100 employees. In FY 2002 this sector employed more than 166,000 people, 42,000 of whom worked in places of lodging. Of the 56,618 beds in all hotels, about half were located in three- to five-star hotels.

## Transportation and Telecommunications

Iran's topography, size, and inadequate internal waterways make the provision of transportation facilities expensive and challenging. Although the transportation system is capable of meeting general commercial needs, specific shortfalls exist (see fig. 9). Expansion of transportation facilities has occurred mainly in response to the needs of the oil and gas, military, and international trade sectors. In FY 2004 the transportation sector's value added was about US$8 billion, of which ground transportation accounted for 89 percent, water transportation 6 percent, and air transportation 5 percent. The total gross fixed investment in the transportation sector was about US$6 billion, 84 percent of which was for equipment.

### Roads

Between 1960 and 1979, Iran's roads and highways increased from 42,000 kilometers to 63,000 kilometers. During the Iran–Iraq War, roadways were expanded to 100,000 kilometers, and by 2003 the system had expanded to 179,990 kilometers, 100,000 of which were paved. Some 36 percent of Iran's roads are classified as main roads (highways and freeways). In 2004 public roads carried approximately 348 million tons of freight and the equivalent of 404 million people. Some 281,000 transport vehicles (76 percent trucks, 6 percent buses) moved cargo and passengers. There were 2,647 transportation enterprises,


*Figure 9. Transportation System, 2005*

139 of which were international companies and 1,093, cooperatives.

Since 1989, road construction has stressed ring roads around large cities and multilane highways between major metropolitan areas. The three national autoroutes are the A–1 across northern Iran, from the Turkish border on the west to the Afghan border on the east, and connecting Tabriz, Tehran, and Mashhad; the A–2 across southern Iran, from the Iraqi border in the west to the Pakistani border in the east; and the Tehran–Qom–Esfahan–Shiraz highway, which traverses central Iran from north to south.

Road expansion after the Revolution had spillover benefits to rural development, industry, and commerce, but it also facilitated rural-urban migration, particularly to Tehran and other major cities. Expanded use of motor vehicles and the lack of public transportation systems have contributed to increased air

and noise pollution since the mid-1960s. Stimulated by government subsidization of gasoline prices, the number of registered motor vehicles increased nineteenfold between 1986 and 2004. In 2004 the number of registered motor vehicles was 1,926,449, including 634,482 passenger cars. In 2006 about three-quarters of domestic freight moved by truck.

## Railroads

Foreign currency shortages, the financial burdens of war, and trade sanctions made it impossible for Iran to expand its railroads adequately in the 1980s, but railroad investment began to increase in the 1990s. In 2006 Iran had 8,367 kilometers of rail lines in good condition, compared with 5,800 kilometers in 1979. The five main lines of the system, most of which is single-track, radiate from Tehran: one runs south to Khorramshahr and Abadan at the head of the Persian Gulf; a second runs south to the Strait of Hormuz at Bandar-e Abbas; a third runs southeast to Kerman (with a route under construction in 2005 farther east to Zahedan, which was already connected to Pakistan's rail system); a fourth runs east to Mashhad and connects with the Central Asian rail system on the Turkmenistan border, and includes a spur to the east side of the Caspian Sea; and the fifth runs northwest to Tabriz and the border with Turkey, where it connects to the Turkish State Railroad and includes a spur to Azerbaijan's Nakhichevan enclave. Major rail lines connect the eastern city of Mashhad to the northwestern city of Tabriz and connect the Caspian Sea port of Bandar-e Torkaman to the Persian Gulf port of Bandar-e Khomeini.

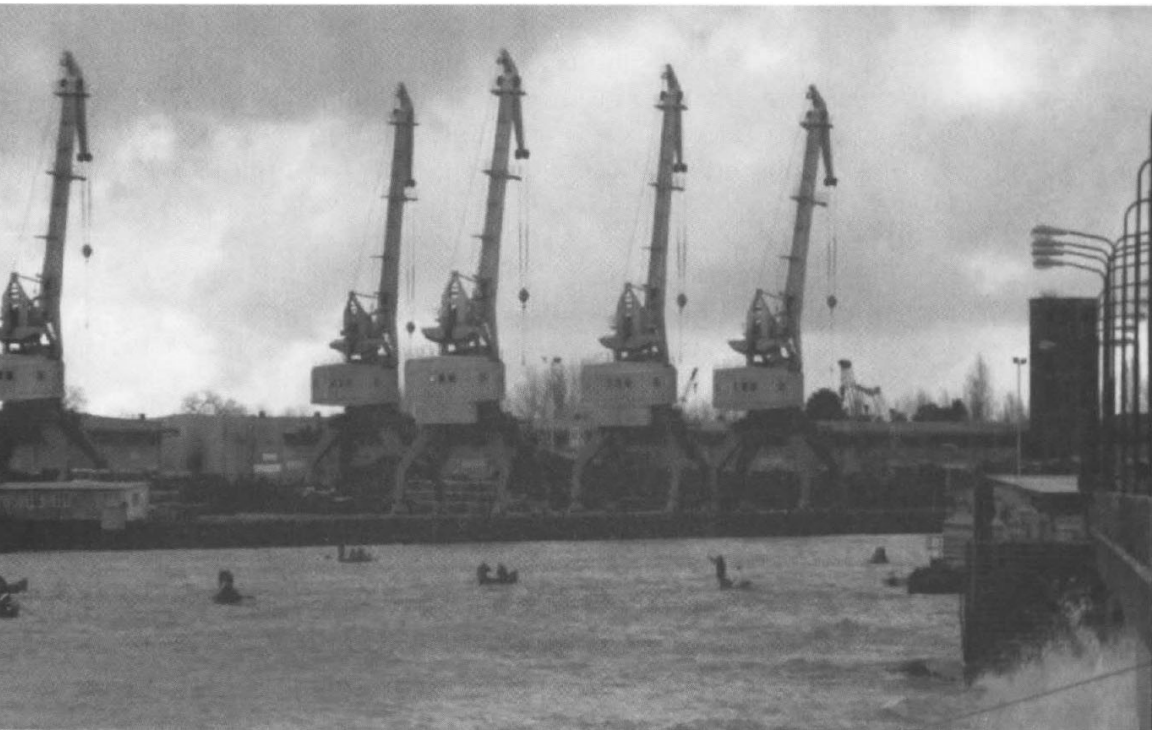
Between 1991 and 2003, the number of rail passengers increased from 8 million to 16 million annually. The fourth economic development plan calls for further expansion to 34 million passengers, including extensive purchase of new rail cars. The annual volume of freight transported by rail increased significantly from 1991 to 2006, accounting for nearly 25 percent of the country's domestic freight shipments. Oil and mineral products accounted for about 61 percent of the total net freight transported; industrial materials and products were next with an 18 percent share. The volume of industrial materials and products transported by rail increased by 81 percent from 1991 to 2003. The cost of railroad transportation to passengers and businesses was less than that of bus and truck transportation. As a result, railroads were overused for some

purposes, placing a financial burden on the government. To accommodate increased demand, in the early 2000s experts estimated that Iran needed 30,000 to 50,000 kilometers of railroads.

In 2005 the new Friendship Line reportedly was opened, providing access for Turkey and the Central Asian countries to Iran's southern coast. This 1,000-kilometer railroad links northeastern Iran to the south, bypassing Tehran and saving 800 kilometers. The Friendship Line complements an existing line that had linked Turkmenistan to Iran's main rail system. These two lines, linking Iran's northeast to its southeast, can be used by passengers and the manufacturing, mining, and steel industries. In 2006 a new rail line was under construction between Khaf in northeastern Iran and Herat in Afghanistan. Lines connecting Zahedan and Esfahan with Shiraz were scheduled for completion in 2007. A new rail connection with Armenia was in the planning stage. Construction of an ambitious North–South Corridor, linking Russia to India via Iran, was delayed by Iran's nuclear controversy.

### Water Transport

Iran has 14 ports, six of which are major commercial seaports—four in the south, on the Persian Gulf and the Gulf of Oman (Bandar-e Khomeini, Bushehr, Bandar-e Abbas, and Chabahar), and two on the Caspian Sea (Bandar-e Anzali and Now Shahr). In 2004 some 6,450 vessels entered Iranian ports, about 60 percent of them on the Persian Gulf. More than one-third of the total traffic (2,204 vessels) came through Bandar-e Abbas. The concentration of sea transportation through this port illustrates its strategic importance and the overuse of its infrastructure. In 2004 some 53 million tons of cargo were unloaded and 30 million tons loaded at Iran's main commercial seaports; 49 percent of the cargo loaded consisted of oil products. In 2004 Iran's largest shipping company, state-owned Islamic Republic of Iran Shipping (IRI Shipping), had 82 ships with a total of 2,944 tons of capacity. With its three affiliates (the Iran–India Shipping Company, the Caspian Sea Shipping Company, and the Valfajr–8 Shipping Company), IRI Shipping owned a total of 107 ships, with a cargo capacity of 3,257 tons and a passenger capacity of 3,058. Some 18 shipping cooperatives and 290 private sea transport companies also were in operation in 2004.



*A highway in Tehran*
*Courtesy Nader Davoodi*

*Bandar-e Anzali on the Caspian Sea*
*Courtesy Nader Davoodi*

## Air Transport

In 2006 Iran had 129 airports with paved runways, 41 of which were 3,000 meters or longer. Iran's international airports, which numbered nine in 2006, served about 4.3 million passengers on international flights in 2004. Some 67 percent of those passengers traveled on domestic airlines. Passengers carried from Iran by domestic airlines passed through more than 40 foreign international airports. About 9 million passengers passed through the country's airports on domestic flights. In 2006 the national airline, Iran Air, had a fleet of 35 aircraft and employed more than 7,500 personnel. Iran Air flew to 25 domestic destinations and 35 major cities abroad, carrying about 5.6 million passengers and 41 million tons of cargo. In the early 2000s, Iran Air suffered financial losses because of its inflated staff and inadequate technological investments. For example, in 2004 its labor cost was 48 times higher than that of Lufthansa, the German national airline, which reportedly offered eight times as many flights with a much smaller staff.

In May 2005, the new Imam Khomeini International Airport, the largest airport in Iran, was opened after long delays and about US$350 million of investment. The airport had an initial annual passenger capacity of 6.5 million; its final design capacity was 40 million passengers and 700,000 tons of cargo. However, the airport service and ground transportation were inadequate to allow operation at these levels. In the first phase of operations, the airport was able to land between 200 and 250 planes a day. During this phase, international flights were scheduled to be added gradually. At the end of the second phase of the project, the airport was to be competitive with other major international airports in the region.

## Electronic Media and Telecommunications

### *Radio and Television*

In 2005 the state-owned National Radio and Television Organization (Sazeman-e Seda va Seema) had sufficient radio and television transmission capability to reach about 95 percent of the population of Iran. In 2004 Iran had 92 radio stations with 123 main radio transmitters and nine substations for reaching overseas listeners. In addition, four short-wave radio stations with 28 transmitters were in operation. In 2002 some 28 television stations were in operation, sending signals from six main channels to about 7 million television sets. Access to interna-

tional satellite channels, introduced in the early 2000s, has provided Iranians in both rural and urban areas with greatly increased opportunities to obtain information. Although domestic data were not available, unofficial statistics suggested that at least 50 percent of households had access to international channels in 2005.

### *Telephone*

Since the introduction of telephone service to Iran, the demand for telephone lines consistently has exceeded supply. In 2004 Iran had 1.1 million intercity automatic telecommunications channels and 9,760 outgoing and 7,078 incoming international channels. Between 1987 and 2004, telephones installed in housing units, commercial units, and public buildings increased from 1.8 million to 17.7 million. During that period, the number of villages with telephone communication facilities increased from 2,329 to 41,109. Households and businesses subscribing to mobile telephone lines increased from 60,000 in 1997 to about 3.5 million in 2004. In 2006 an estimated 13.7 million subscribers had mobile telephone service. In 2005 Iran's telephone system remained inadequate to meet demand, but an ongoing modernization program was expanding services, especially in rural areas. Also, the widespread installation of digital switches increased the system's technical capabilities.

### *Internet*

In 1998 only nine businesses provided Internet services in Iran; all nine were in Tehran. In 2004 official records indicated that 800 Internet access services were operating in major cities. Internet businesses are divided into two categories: Internet cafés and Internet service providers (ISPs). In 2005 some 319 Internet cafés, 191 ISPs, and 94 unidentified Internet businesses were in operation; Internet businesses employed 1,831 full-time and part-time personnel and had 2,309 computer units. In 2002 Internet businesses served 7,100 customers a day and had about US$13 million in sales. Capital formation was US$3.5 million that year. Between 1997 and 2006, the number of Internet subscribers increased from 2,000 to 7.5 million. However, Internet censorship increased sharply after the election of Mahmoud Ahmedinejad in 2005.

## Energy Supply

Electric power plants were introduced to Iran during the late Qajar dynasty; by the turn of the twentieth century, several small power plants were operating in major cities. In 1964 the Ministry of Power and Electricity (renamed the Ministry of Energy after the Revolution) began managing the production, distribution, and consumption of electric power. Since the mid-1960s, rapid urbanization and growing economic activity have prompted increased production and consumption of electricity. Overall production reached 152 million megawatt-hours in 2004. That year, the nominal capacity of installed generators was 39,613 megawatts. Several new generating units came on line in 2005 and 2006.

In 2004 some 23 hydroelectric power plants generated 11 million megawatt-hours of electricity. Although the output of hydroelectric plants increased by 47 percent between 1987 and 2004, their share of total electricity output dropped from 33 percent to 6 percent during that period. The fourth economic development plan calls for an additional 6.4 million megawatt-hours of hydroelectric capacity by 2010. The electricity production of thermal power plants affiliated with the Ministry of Energy was 136 million megawatt-hours in 2004, an increase of 431 percent since 1987. During that period, natural gas has been the fastest growing source of electricity generation. Its share of the total rose from 8 percent in 1987 to 32 percent in 2004. In 2006 natural gas reportedly accounted for about 50 percent of domestic energy consumption (see Natural Gas, this ch.).

Iran has no capacity for nuclear power generation. Plans call for a series of nuclear reactors to be built. However, completion of the Bushehr plant, built with Russian technical assistance, has been jeopardized by disputes with Russia and international objections to the facility's potential for providing Iran with military-grade nuclear fuel (see Nuclear Issues, ch. 5).

Electricity is distributed to customers nationwide by nine regional organizations and the national Water and Electricity Company. The same state-owned company, Tavenir, oversees generation and distribution of power throughout Iran. Registered users of electricity numbered 18 million in 2004, an increase of 10 million users since 1987. This included 4.1 million registered rural users. In 1977 only 2,360 villages had access to electricity; by 2004 the number had increased to

47,359. Between 1989 and 2004, the consumption of electricity increased from 40 million to 114 million megawatt-hours. The largest consumers were households (33 percent), industry (32 percent), and agriculture (13 percent).

Subsidization of the production and consumption of electricity in Iran has caused over-consumption. In 2004, with the per capita energy consumption subsidy about US$230, per capita consumption of energy was 64 percent above the world average. Between 1967 and 2004, per capita consumption of energy increased by 5 percent per annum. The government projected that per capita consumption would grow at 7 percent per annum during the fourth development plan, the same rate as in the early 2000s. According to estimates, to satisfy demand Iran would have to invest US$20 billion in the energy sector, increasing its electricity production and distribution capacity to 55,000 megawatts. Aside from subsidized energy prices and the waste that they encourage, Iran faces the serious challenges of low energy storage capacity and obsolescence in distribution channels. In 2005 Iran's electric power industry continued to depend on foreign equipment, parts, and expertise, although to a lesser extent than in prior years. Iran is both an importer and an exporter of electricity. It has reciprocal relationships with Armenia, Azerbaijan, Pakistan, Turkey, and Turkmenistan. Both import and export levels have averaged about 2 million megawatt-hours annually.

## Fiscal and Monetary Policy

In the twentieth century, oil profits became Iran's primary source of both government and foreign-exchange revenue, as the country became integrated into the world economy through its oil industry. The industry became Iran's foremost income-generating economic activity as measured by national output. Thus, national fiscal and monetary policies and resource allocation became tightly linked to oil revenue. Government fiscal policies have been carried out through the development planning process.

### Fiscal Policy

Since 1964 budget preparation has been delegated to the Management and Planning Organization (MPO). In addition to the general budget, the MPO prepares fiscal positions of public enterprises and corporations. Since 1987 the MPO has

prepared the foreign-exchange budget and submitted it to the parliament with the annual budget. The general budget laws are designed with consideration for international crude oil prices and in conformity with the policies and strategies set out in the existing development plan.

### *General Government Revenues*

The structure of government revenues and expenditures has shifted as the fabric of the Iranian economy has changed. Between 1963 and 1979, oil revenue generated approximately 60 percent of total general revenues. Oil revenue continued to be an important component of general revenues after the Revolution.

In FY 2004 total government revenue was about US$30 billion, 49 percent from oil revenue and 25 percent from tax revenue. Between FY 1988 and FY 2004, the share of tax revenue in government general revenue increased from 4.5 percent to 24.7 percent. Of that amount, 49 percent came from direct taxes and 51 percent from indirect taxes. An objective of the third development plan (March 2000–March 2005) was to increase tax revenue to 10.6 percent of GDP, thus reducing the government's general revenue dependency on oil exports. After the first four years of that plan, however, Iran remained as dependent on oil exports as before; tax revenue reached only 5.9 percent of GDP in FY 2004 and remained approximately the same in FY 2005. Among the causes cited for the failure to reach the tax revenue goal were a culture of self-reporting (1.8 million businesses and individuals self-reported their taxes in FY 2004), inadequate tax laws and technical capabilities, and corruption. Because the private sector plays a small role in economic activities compared with the state and because some government enterprises are exempt from tax reporting, the tax base has remained very thin. For example, government-linked charitable foundations, or *bonyads*, were expected to pay taxes of only about US$46 million in FY 2004, although those consortiums are believed to control about 40 percent of Iran's GDP. Overall, an estimated 50 percent of Iran's GDP was exempt from taxes in FY 2004. However, for the first time since the Revolution, in FY 2004 the government was able to collect 100 percent of tax revenue projected to come from direct and indirect sources (about US$7.3 billion).

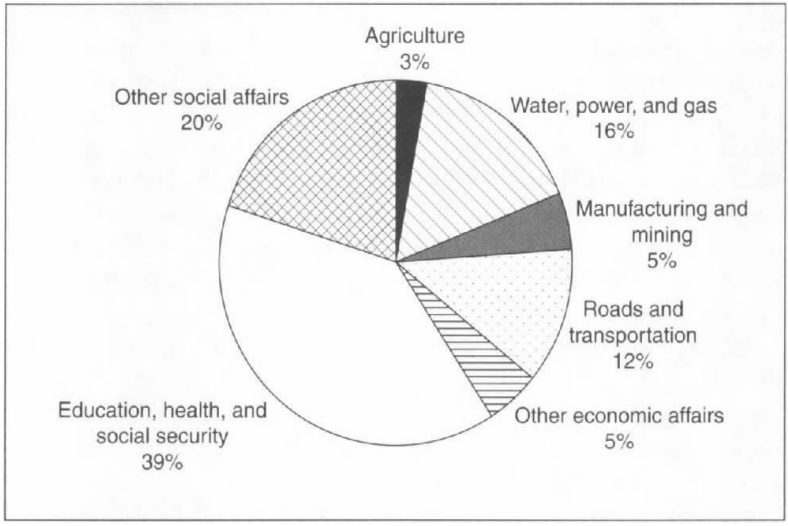
According to the budget law approved by the parliament, the total government budget for FY 2006 was expected to be

about US$180 billion. The general revenues approved by the parliament were about US$60 billion (a 7.5 percent increase over the previous year), and the revenues from government enterprises and corporations were estimated at US$106 billion, a 0.2 percent increase over the previous year. One of the sources of tax revenue estimated in the FY 2006 budget law was the tax on oil revenue (projected at US$2 billion to US$3 billion), which was introduced for the first time that year. The total tax revenue estimated in the FY 2005 budget law was about US$14 billion.

In October 2000, the parliament approved establishment of the Oil Stabilization Fund (OSF). The fund was to be financed from surplus foreign-exchange revenues received from oil exports in excess of the figures projected in the annual budget. Between 2000 and 2004, about US$20 billion was deposited in the OSF account. During the same period, US$11.4 billion was withdrawn from this account, with approval of the parliament, for extrabudgetary expenditures such as compensation for the Central Bank of Iran's claims on the government, repayment of matured government debts, and compensation to farmers for drought years.

***Government Expenditures***

A general trend toward increased government expenditures began in FY 1972. By FY 2004, total government expenditures had increased more than sevenfold, from US$4.5 billion to US$34 billion. Government expenditures may be divided into two groups: current, or operating, expenditures and capital, or development, expenditures. These two types of expenditure are distributed among four payment categories: general affairs, national defense, social affairs, and economic affairs. Within the development plans, government priorities reflected in budget law influence fluctuations in the relative share of each payment category. Because of changes in the classification of budgetary figures, comparison of categories among different years is not possible. However, since the Revolution the government's general budget payments have averaged 59 percent for social affairs, 17 percent for economic affairs, 15 percent for national defense, and 13 percent for general affairs. (For a breakdown of expenditures for social and economic purposes, see fig. 10.) The balance of the FY 2004 operating budget showed a deficit of about US$10 billion, 15.3 percent more than the FY 2003 operating budget. The main reasons for defi-




Source: Based on information from Iran, Statistical Center of Iran, *Iran Statistical Yearbook 1383* [2004–5], Tehran, 2006.

*Figure 10. National Budget Expenditures for Social and Economic Purposes, Fiscal Year 2004*

cit growth were an increase in the projected operating budget and a concurrent reduction of tax revenue from public enterprises and corporations. During FY 2004, total government development expenditures were about US$6.8 billion.

In FY 2004 central government expenditures were divided as follows: current expenditures, 59 percent, and capital expenditures, 32 percent. Other items (earmarked expenditures, foreign-exchange losses, coverage of liabilities of letters of credit, and net lending) accounted for the remainder. Among current expenditures, wages and salaries accounted for 36 percent; subsidies and transfers to households accounted for 22 percent. Earmarked expenditures totaled 13 percent of the central government total. Between FY 2000 and FY 2004, total expenditures and net lending accounted for about 26 percent of GDP.

## Banking and Monetary Policy

### *Structure of the Banking System*

In 1960 the Central Bank of Iran (CBI, also known as Bank Markazi) was established as a banker for the government, with

responsibility for issuing currency. In 1972 legislation further defined the CBI's functions as a central bank responsible for national monetary policy. In the 1960s and 1970s, the expansion of economic activity fueled by oil revenues increased Iran's financial resources, and subsequently the demand for banking services increased exponentially. By 1977, some 36 banks (24 commercial and 12 specialized) with 8,275 branches were in operation.

After the Revolution, the government nationalized domestic private banks and insurance companies. Bank law was changed under new interest-free Islamic banking regulations. The post-Revolution reduction in economic activity and financial resources required banks to consolidate. By 1982, this consolidation, in conformity with the Banking Nationalization Act, had reduced the number of banks to nine (six commercial and three specialized) and the number of branches to 6,581. Subsequently, the system expanded gradually.

The banking system in Iran plays a crucial role in transmitting monetary policy to the economic system. Each year, after approval of the government's annual budget, the CBI presents a detailed monetary and credit policy to the Money and Credit Council (MCC) for approval. Thereafter, major elements of these policies are incorporated in the five-year economic development plan.

In 2005 the Iranian banking system consisted of a central bank, 10 government-owned commercial and specialized banks, and four private commercial banks. In 2004 there were 13,952 commercial bank branches, 53 of which were foreign branches. Specialized banks had 2,663 branches. The CBI is responsible for developing monetary policy, issuing currency, and regulating national clearing and payment settlement systems. Commercial banks are authorized to accept checking and savings deposits and term investment deposits, and they are allowed to use promotional methods to attract deposits. Term investment deposits may be used by banks in a variety of activities such as joint ventures, direct investments, and limited trade partnerships (except to underwrite imports). However, commercial banks are prohibited from investing in the production of luxury and nonessential consumer goods. Commercial banks also may engage in authorized banking operations with state-owned institutions, government-affiliated organizations, and public corporations. The funds received as commissions,

fees, and returns constitute bank income and cannot be divided among depositors.

In FY 2004 the balance sheet of the banking system showed that total assets and liabilities were US$165 billion, an increase of 226 percent since 1976. In that year, bank assets were divided as follows: private debt, 34 percent; government debt, 16 percent; and foreign assets (90 percent foreign exchange), 22 percent. Liquidity funds (money and quasi-money) accounted for more than 39 percent of total liabilities.

### *The Stock Exchange*

The Tehran Stock Exchange is the main stock exchange of Iran. It began operation in 1968, dealing in shares from a small range of private banks and industries as well as government bonds and securities. The volume of transactions increased sharply during the 1970s as oil revenues grew, then shrank drastically after the Revolution's nationalization of banks and enterprises in 1979, followed by the Iran–Iraq war of 1980–88. In the 1990s, limited economic reform and privatization spurred substantial growth, interspersed with temporary reversals. The early 2000s saw another rapid expansion. Between 1996 and 2007, the number of companies listed on the exchange increased from 164 to 364.

Nevertheless, ongoing tight state control, large-scale inefficiency in the economy, and the high risk associated with foreign investment in Iran continued to limit the growth potential of the Tehran Stock Exchange. In 2007 that exchange remained smaller (total valuation US$42 billion) and less broad than all the major world stock exchanges. More than half of the capitalization is from heavy industry enterprises (automotive, chemicals, and metals), and foreign participation is minor. The Tehran Stock Exchange is directly under the control of the Iranian government, by virtue of the fact that the chairman of its High Council is the governor of the state-owned Central Bank of Iran. The bank's deputy governor also heads the exchange's board of directors. In 2005 fewer than 0.1 percent of Iran's registered companies were listed on the Tehran Stock Exchange, and fewer than 5 percent of Iranians owned stock. An ongoing modernization project aims at expanding the exchange's listings and improving transparency, in order to increase foreign investment. A set of exchange laws, heretofore lacking in Iran, have been proposed.

### *Efforts to Control Prices and Inflation*

In the late 1990s and early 2000s, inflation rates were high in Iran for several reasons: an increase in the volume of liquidity with respect to GDP growth, an increase in the level of imports and a decrease in the terms of trade, an increase in public and private spending, and fluctuations in oil export revenues. Since its establishment in 1960, the CBI has regularly published price indices on GDP deflators, consumer goods, and wholesale products. The price development indices published by the bank do not always reflect the true picture of price changes, because markets are regulated and controlled by other countries' governments. The highest inflation, averaging 23 percent per year, occurred between FY 1977 and FY 1998. The inflation rate in FY 2006 was 15.8 percent.

## International Trade and the Balance of Payments

Iran's international trade began a trend of consistent growth in the early 1920s, with imports competing freely in the domestic market. Trade expansion had several consequences. First, the growth of transportation infrastructure outpaced domestic production. This development reflects the need for infrastructure improvements required for oil and gas exports, and the subsequent import of goods and services. Second, the need for distribution channels for consumer goods led to the emergence of a small group of wealthy traders with both economic and political power. Third, with the growth of imports and domestic trade, financial services rapidly expanded to facilitate trade-related activities. Banks and insurance companies with foreign-exchange branches first grew in response to public and private foreign trade; their services later became available to manufacturers to facilitate the import of parts and machinery. Fourth, the significant volume of trade made import duties a major source of government revenue. This resulted in the emergence of sophisticated trade laws, import duty standards, and government offices specializing in imports and foreign trade. After numerous rejections for membership in the World Trade Organization, beginning in 1996, in mid-2005 Iran was approved for observer status, which could last for several years. In 2006 the United States set modification of Iran's nuclear program as a condition for full membership (see International Reactions to Iran's Nuclear Program, ch. 5).

## Imports

In FY 2006 Iran's international trade volume, including oil and gas, was estimated at US$109 billion. Imports totaled US$45 billion (about 23 percent of GDP) and total exports about US$63 billion (about 32 percent of GDP). Thus, the overall trade surplus was about US$18 billion. The surplus was diminished by a hydrocarbon deficit of US$32.7 billion. Between 2000 and 2005, Iran's imports increased by 189 percent. According to an Iranian government report, nonhydrocarbon exports increased by 43 percent in 2006 after reaching a record high of US$12 billion in 2005.

The value and composition of imports have shifted with time, reflecting a change in both policy and oil revenues. The end of the Iran–Iraq War in 1988 coincided with a change in Iranian trade and foreign-exchange policies and the introduction of a new economic development plan. Thus, some imported goods received preferential foreign-exchange rates, as did public and private business enterprises. A change in valuation methods and bureaucratic processes also made it easier to import parts and finished products. Between 1989 and 2004, import volume increased from 19.2 million tons (worth US$13 billion) to 30 million tons (worth US$27 billion). This rise, representing more than a twofold increase at constant prices, mirrored the increase in oil earnings over the same period. During that period, the value of imported goods per ton grew considerably.

Prior to 1979, Iran relied on industrialized countries for imported commodities. Countries of the European Community (EC; now the European Union—EU) accounted for 43 percent of the total, with West Germany, the United Kingdom, and Italy responsible for 74 percent of the EC portion. Since that time, import composition has shifted in response to changes in economic structure and trade policy, linkages between industries, consumption patterns in the public and private sectors, and the political climate. From 1997 to 2005, the average volume of imports of raw materials and intermediate goods declined to their lowest level since 1963. The share of imported consumer goods also had declined significantly since 1990. A factor in this trend is a significant increase in smuggling into Iran that began in the 1990s. Although no official statistics on illegal imports are available, official estimates of their value during FY 2003 varied between US$2 billion and US$9 billion. Since 1995, illegal low-priced imported consumer

goods have become a major problem for legitimate traders, domestic producers, and government officials.

As the proportion of consumer goods imports decreased, capital goods imports increased, reaching their highest-ever share level of 38 percent between 1997 and 2004. The increased share of imported capital goods may suggest that domestic manufacturing industries were unable to produce the tools and machinery needed for growth by the public and the private sectors. It also may suggest that the domestic currency was losing purchasing power while the values of major currencies were artificially held below true market value.

In 2005 a wide variety of goods were imported; chiefly food and tobacco, industrial raw materials and intermediate commodities, chemicals, other raw materials and intermediate commodities, and transport equipment and machinery. Since 1989 there has been a pronounced change in the origin of imports. The share of the EU remained high, at 40 percent; however, by 2004 Japan's share declined to 4 percent. Meanwhile, China and the Republic of Korea (South Korea) aggressively pursued the Iranian market, each exceeding Japan's share of total imports in 2005. Among the EU states, Italy and Germany in particular emerged as strong exporters to Iran, surpassing both Japan and the United Kingdom (see table 10, Appendix).

### Nonoil Exports

Any interruption of imports would significantly affect the daily lives of Iranians, for whom foreign goods have become essential. Trade disruption would not, however, cause foreign consumers to miss many of Iran's nonoil exports. Industrial goods exports from Iran have been limited to only a few items that are exchanged primarily through barter agreements. Historically, agricultural products and carpets have made up a major portion of nonoil exports in international markets at competitive prices (see table 11, Appendix). However, since the 1990s, the Iranian government and the private sector have marketed Iranian nonoil exports aggressively, significantly increasing the sale of those goods. Between 1998 and 2004, nonoil exports averaged about US$5.1 billion per year, with industrial goods holding a 52 percent share. In FY 2005 the value of nonoil exports totaled US$10.7 billion. Of that amount, 42 percent was contributed by the sale of industrial exports, including chemical, petrochemical, and metal prod-

ucts. The export share of agriculture was 18.4 percent, tourism 16.0 percent, and mining and metals 11.8 percent).

Despite an increase in nonoil exports, foreign market penetration has proven difficult for Iran's goods and services. In the early 2000s, nonoil exports averaged only 20 percent of total exports. In this period, the export of durable manufacturing goods remained especially problematic. For example, in FY 2005 the export of home appliances was less than 1 percent of domestic production. In the early 2000s, obstacles to increased nonpetroleum exports included income and price inelasticity of exportable industrial goods and the lack of infrastructure (such as permanent trade offices overseas and special financial facilities) on which to base expanded activities. Because of these factors, economic growth among Iran's trading partners did not necessarily increase their demand for Iranian goods, and domestic currency depreciation has not increased export revenues. Beginning in 2006, Iran's Khodro automotive company pursued an aggressive export strategy for its new passenger car model, the Samand.

Although Iran has relied on industrial countries for imports, export sales have been concentrated in a different group of countries and have shifted with time. Prior to 1979, the EU's share of Iran's nonoil exports was 30 percent, that of China and the Soviet Union (in the form of barter trade) was 29 percent, and that of the Organization of the Petroleum Exporting Countries (OPEC—see Glossary) countries was 9.7 percent. During 1980–88, the EU's average share increased to 41 percent, while political instability in Eastern Europe reduced barter trade with Iran by the countries of that region to 9 percent. In this period, Germany and Italy remained major importers of the country's nonoil exports. Beginning in 1995, the EU's share declined to 15 percent, while the share of OPEC nations increased to 18 percent. Between 2002 and 2005, Japan was Iran's largest customer, importing an average of 19 percent of the country's total nonoil exports; the next-largest customers were China (10 percent) and Italy (6.4 percent) (see table 10, Appendix).

### Balance of Payments and Debt

Although Iran's foreign-exchange balance has fluctuated primarily in response to oil revenues, the demand for foreign exchange (for imports and services) typically has exceeded the funds available. Beginning in 1990, foreign-exchange payment

statistics showed continuous increases with relatively few fluctuations in payments; foreign-exchange receipts varied primarily in relation to export volume and the prices of crude oil. For example, in 1998, following a reduction in the global demand for crude oil, Iranian oil revenue declined by 36 percent while imports increased slightly, resulting in a current account deficit of US$2.1 billion. In the other years between 1995 and 2004, increased oil revenue yielded a trade surplus, and both foreign-exchange receipts and foreign reserves increased continuously. The current account also was affected by nonoil exports and services, although to a lesser degree. In 2006 the current account surplus was US$13.3 billion. Between 1991 and 2004, the value of nonoil exports increased from US$1 billion to US$7 billion, 2.9 times faster than the value of oil exports during that period. Within the services account, travel receipts increased from US$61 million to US$1.4 billion, and travel payments from US$340 million to US$2.6 billion. Payments on investment income increased from US$157 million to US$1.2 billion.

Iran's capital account has shown more fluctuations than the current account balance because of short-term and long-term foreign borrowing, debt service payments (principal and interest) on international loans, and the current account status. After continuous growth during the previous five years, in mid-2006 the total amount of foreign debt was about US$18.6 billion. Of that amount, US$8.2 billion was short-term debt. Because financial market transactions are limited in Iran, liabilities are limited, and data on private-sector investment in foreign securities are also not available. In 2006 high oil prices raised Iran's foreign currency holdings to US$58.5 billion.

### The Foreign-Exchange System

After the Revolution, Iran adopted a complex multiple exchange-rate system, under which the Exchange Allocation Commission allocates foreign-exchange receipts (including nonoil exports and services) for government, commercial, and noncommercial purposes. The official basic rate of the rial (see Glossary) is pegged to the International Monetary Fund (IMF) special drawing right (see Glossary) without a link to the U.S. dollar. Since 1991 Iran's multiple exchange-rate system has been simplified and modified several times, reflecting international trade policy reforms and stable foreign-exchange receipts. For example, in 2000 external-sector policies aimed at

creating transparency in the foreign-exchange market, reducing trade barriers, and easing conditions for nonoil exports. In the early 2000s, foreign-exchange policy continued to focus on moving toward a unified managed exchange-rate system and elimination of the multiple rates system. By 2006 gross international reserves had increased from US$12.1 billion to an estimated US$58.5 billion.

### Foreign Direct Investment

Foreign direct investment (FDI) in Iran may be divided into the oil and gas industry and investment in other economic activities, including nonoil mining. Since the discovery of oil in Iran in the early twentieth century, exploration, extraction, and refining have been the major sources of FDI. Prior to 1979, such investments were arranged according to particular oil concession agreements or treaties. After the Revolution, the terms of such agreements between Iran and international companies changed, causing a temporary reduction in oil and gas investment. Although growth resumed in 1988, FDI in other sectors failed to reach pre-Revolution levels.

Low FDI has resulted from ambiguity in business laws, limited availability of credit, weak private-sector presence, political issues with FDI, and an unfavorable international political climate. In 2003 the approval of foreign investment in the Tehran Stock Exchange increased capital mobility and improved Iran's potential to attract foreign investment. Since that time, increased capital mobility within the Middle East has enabled Iran to attract more regional financial resources.

* * *

Although there have been many books in Persian and other languages analyzing the social, political, and cultural changes since the 1978–79 Revolution, no equivalent texts in any language deal with Iran's economic issues. In the case of economic statistics, the situation is the opposite. The international economic institutions, particularly the IMF, provide systematic statistics as well as some analysis on different aspects of the Iranian economy. The IMF's *International Financial Statistics Yearbook*, available in hard copy and on line, provides financial market statistics regularly. The Web sites of the *Tehran Times*

and *Payvand Iran News* provide statistics and short articles on current economic issues. *Gooya.com* provides access to Iranian daily newspapers and periodicals in English and Persian. Other sources are the Economist Intelligence Unit's annual country profile on Iran, the *Middle East Economic Digest,* and the Middle East Research and Information Project (MERIP).

In Iran several official sources of statistics and analysis in Persian and English are available in print and on the Internet. The Economic Research and Policy Department of the Central Bank of Iran (Bank Markazi) provides annual and quarterly reports (*Economic Trends*) and other publications in English that deal with economic issues and economic policies via its Web site. Its annual *Economic Report and Balance Sheet* is an indispensable resource for recent and historical data. This report also discusses recent economic trends and policies and provides comprehensive statistical data in its appendix. In addition, its annual publication *National Accounts* provides current and historical statistics on national and income accounts, and its annual *Household Budget Survey* provides unique information on urban-area household budgets in Iran by year. The Central Bank of Iran's *The Law of Usury (Interest) Free Banking* provides information on the banking system and its role and objectives in Iran and will complement *The Monetary and Bank Law of Iran,* also published by the bank. The Management and Planning Organization, part of the Statistical Center of Iran (SCI), is another excellent source of economic and social statistics. The SCI provides historical census data and the most recent data provided by government agencies and departments in its annual report, *Iran Statistical Yearbook.* The SCI also provides special census and survey data such as the *Census of Agriculture* and *Household Survey.* The entire data set is available in Persian and English on its own Web site. Since 2001 the state Management and Planning Organization's annual *Economic Report* has provided helpful annual publications on the performance of development plans.

Ervand Abrahamian's *Iran Between Two Revolutions* is a very valuable book on Iran's political economy in the twentieth century. Jahangir Amuzegar's *Iran's Economy under the Islamic Republic* is a comprehensive analysis of post-Revolution economic trends and policy initiatives, particularly during the period 1980–92; it includes detailed projected outcomes. Eric Hooglund's *Land and Revolution in Iran, 1960–1980* is a classic work on the social structure of rural areas and land reform issues.

Philip Parker's *The Economic Competitiveness of Iran* provides business indicators on productivity, costs, and revenues of Iranian industries in comparison with those of the Middle East and elsewhere in the world. (For further information and complete citations, see Bibliography.)

# Chapter 4. Government and Politics

*Two men who came to pay tribute to Darius, ca. 500 B.C., from a bas-relief at Persepolis*

THE ISLAMIC REVOLUTION OF 1978–79 brought dramatic change to the political atmosphere of Iran. Prior to the Revolution, the nation's government was a secular, pro-Western monarchy allowing substantial social liberties but using a strong security agency to maintain increasingly tight control over opposition forces. In the wake of the Revolution, Iran was transformed into a theocratic state whose fundamental law was that of the national religion and whose most influential government leaders were senior religious figures. In the decades following, the fundamental form of governance remained the same, but substantial struggles persisted over the day-to-day distribution of power and the roles of government agencies.

Beginning with its inception in early 1979, Iran's Islamic regime passed through five distinct phases before a surprising presidential election in 1997 altered the tone of governance more decisively (see Bazargan and the Provisional Government; The Bani Sadr Presidency; Terror and Repression; Consolidation of the Revolution; and The Rafsanjani Presidency, ch. 1). During that period, the regime's evolution was driven by the changing attitudes of the Iranian people and the strategies pursued by key leaders. Behind these factors stood more fundamental elements: changing social and economic conditions, the character of Iran's political institutions, and the international environment as seen from the Iranian perspective.

The unexpected election of Mohammad Khatami as president in May 1997 inaugurated a new phase of political liberalization, an eight-year period in which major political changes occurred. The changes advocated by the pro-Khatami politicians, who positioned themselves as reformists, threatened the power and status of many conservative political leaders. Following a period of disarray after the 1997 election, the conservatives gradually regrouped and began to use the courts to challenge and stymie reform initiatives. The conservatives took control of the parliament in the 2004 elections; a year later, a conservative candidate, Mahmoud Ahmadinejad, won a landslide victory in the presidential election. With his inauguration in August 2005, the political liberalization phase officially came to an end, and a new one, perhaps a phase of pragmatic authoritarianism, began.

## Political Dynamics

### A Reformist Comes to Power

In the presidential election of 1997, trends such as the formation of a centrist association of lawmakers called the Executives of Construction and the coalescing of progressive and democratic politicians around a reform agenda converged to catalyze the landslide victory of prominent reformist Mohammad Khatami. Khatami's unexpected election energized his supporters and led to the formation of two main political blocs, the reformists and the conservatives. Initially, there was a period of optimism and rapid change that some observers likened to the "Prague Spring" of 1968 in Czechoslovakia. Khatami named a reformist-dominated cabinet that soon was approved by the conservative-controlled parliament, demonstrating the powerful impact of his electoral victory. During his first few months in office, Khatami indicated that he intended to seek far-reaching political liberalization. The most important manifestation of this liberalization was a loosening of restrictions on the news media, which resulted in the emergence of a series of newspapers that strongly criticized the conservatives and even challenged the concept of *velayat-e faqih* (guardianship of the religious jurisprudence expert; see Glossary), the governing principle of the Islamic Republic of Iran (see Khatami and the Reform Movement, ch. 1). Khatami also broke an important taboo by calling for improved relations with the United States (see The United States and Iran, this ch.). Some Iranians responded to this looser atmosphere by challenging political and even cultural restrictions that had existed since 1979—speaking more openly about politics, interpreting Islamic dress codes less strictly, and stretching or ignoring gender roles.

### Conservatives Strike Back

The conservatives responded to liberalization with vigilante attacks against reformist leaders, lawsuits, forced resignations, and the closing of reformist newspapers. Despite these setbacks, the reformist position was strong enough to achieve the relaxation of regulations for the establishment of political parties. Eighteen parties joined to form the reformist Second of Khordad coalition, named after the Iranian calendar date of Khatami's election (May 23, 1997). A large number of reform-

ist clerics registered to contest the October 1998 elections for the Assembly of Experts, a body charged with selection and oversight responsibilities regarding the Leader (see The Leader or *Faqih*; The Assembly of Experts, this ch.). The credentials of most, however, were rejected by the Guardians Council, a body empowered to oversee the electoral process (see The Guardians Council, this ch.), ensuring a victory for the conservatives. The reformists' call for the creation of local legislative councils, which had been mandated in the constitution but never established, gained strong public support and, in 1998, parliamentary approval. Consequently, in February 1999 all cities and villages held local council elections. Reformists swept these elections amid a very high turnout, delivering another strong electoral mandate for the reformist movement.

Nevertheless, in early 1999 vigilantes continued to assault leading reformists at public functions; the judiciary arrested several reformists on dubious libel charges; parliament tried unsuccessfully to impeach Ataollah Mohajerani, the minister of culture and Islamic guidance who had virtually ended government press censorship; prosecutors arrested 13 Iranian Jews on charges of espionage; parliament gave preliminary approval to a bill imposing sharp limits on the press; and the judiciary closed down two popular newspapers.

### The Power Struggle Intensifies

In July 1999, police and vigilante attacks on student demonstrators at Tehran University led to riots in several districts of Tehran. Khatami banned demonstrations, but the protests continued. In reaction, a group of commanders of the Islamic Revolutionary Guard Corps threatened a coup d'état against Khatami (see The Islamic Revolutionary Guard Corps (IRGC), ch. 5). Hundreds of protesters were injured, and some 1,400 were arrested before order was restored.

Khatami stated that he would address the protesters' concerns and crack down on vigilantes, but he also reaffirmed his support for Iran's Leader, Sayyid Ali Khamenei, who charged that foreign enemies of Iran had instigated the demonstrations. Many protesters received long prison terms. However, Khamenei replaced the conservative judiciary chief Ayatollah Mohammad Yazdi with Ayatollah Mahmoud Hashemi Shahrudi, who promised to reform the judiciary.

In preparation for the February 2000 parliamentary elections, the Second of Khordad coalition registered slates of mul-

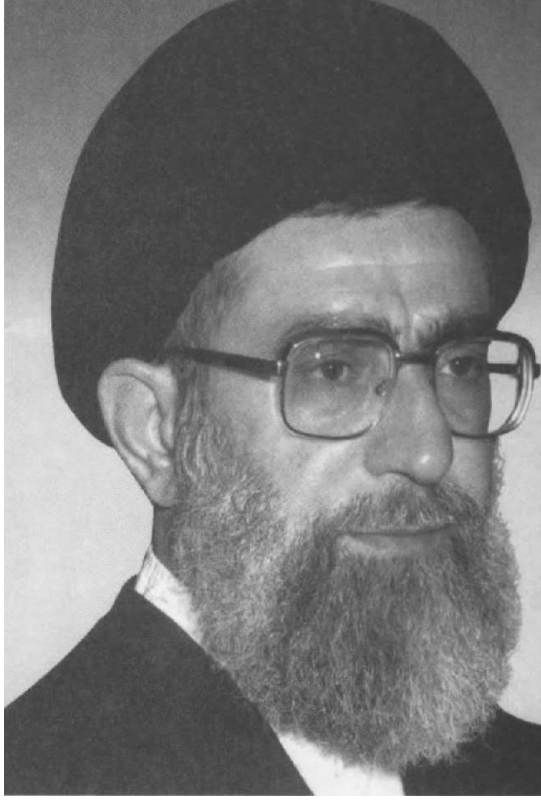
tiple candidates to thwart potential Guardians Council vetoes. The conservatives in the judiciary and parliament closed reformist newspapers, raised the voting age from 15 to 16 to reduce the youth vote, and arrested Abdullah Nuri, the most popular reformist candidate, on spurious charges. When former president Ali Akbar Hashemi Rafsanjani announced his candidacy for one of the 30 at-large seats in Tehran, the major conservative political organizations backed him, hoping that he would be named speaker and thus prevent the reformists from taking control of that office. Despite the backing of the centrist Executives of Construction, Rafsanjani failed to gain reformist support (see The Centrist Faction, this ch.).

Because the Guardians Council unexpectedly vetoed only a small number of candidates, the Second of Khordad coalition achieved a decisive victory in the elections, winning 71 percent of the seats filled in the first round, while conservatives won only 21 percent. More women and fewer clerics won seats than in the 1996 parliamentary elections, and voter turnout was 80 percent. These results mirrored those of the 1997 presidential election and the 1999 local council elections, confirming that the reformist movement enjoyed overwhelming popular support.

### The Reformists Retreat

When the new parliament convened in May 2000, it elected as its speaker the moderate reformist cleric Mehdi Karrubi. Karrubi quickly unveiled a broad agenda of reforms, starting with revision of the press law passed by the previous parliament. Khamenei then publicly opposed revision of the press law, and the judiciary closed several more newspapers and arrested several journalists on libel charges. Parliament nevertheless began work on a revised press law, leading Khamenei to demand that it cease its efforts. Karrubi reluctantly complied, provoking strong protests from some reformists. In the following months, the judiciary closed more newspapers and arrested more journalists. It pressed libel charges against numerous reformist leaders, including several members of parliament, despite their constitutional immunity from prosecution. These actions demonstrated that the conservatives were determined to stop the reformists and that the judiciary remained a potent weapon in their arsenal.

In blocking liberalization, the conservatives also drew upon the powers of the Guardians Council, which, in addition to vetting political candidates, was empowered to vet laws passed by



*Sayyid Ali Khamenei (Leader, 1989–)*
*Courtesy Iran Interests Section, Embassy of Pakistan, Washington, DC*

the parliament. The conservatives' success in blocking reform and the reformists' inability to challenge them left the Iranian public—especially young people—increasingly disappointed with Khatami and his allies. In addition, new laws embodying neoliberal economic reforms often had cost jobs in newly privatized industries. They also had reduced the incomes of farmers, who had come to depend on subsidies that the reformists had reduced or rescinded. As a result, the reformist coalition began to fray after the 2000 parliamentary elections. Many student leaders and some older reformists called for a more confrontational approach or even a break with Khatami, while low-income groups abandoned the reformists en masse (see Government Institutions; Political Parties and Civil Society, this ch.).

The reformist leadership pursued a strategy of "active calm" during this period, pressing firmly for reform but avoiding confrontational actions that might give the conservatives a pretext for cracking down even further. The main political arena now was parliament, which passed legislation on matters such as the status of political crimes, defendants' rights, prison conditions, press protection, and reform of the intelligence division of the Ministry of Information and Security. However, in this period the Guardians Council vetoed or sharply diluted all major

reform legislation, and the Expediency Council (in full, the Council for the Discernment of Expediency; the organization empowered to mediate disagreements between parliament and the Guardians Council) generally backed these decisions. With the reformist leadership seemingly powerless to advance its program, fissures began to emerge in the Second of Khordad coalition and the main reformist student organization, the Office for Consolidating Unity. Some reformists became increasingly critical of Khatami, Karrubi, and other moderates and openly questioned whether the Islamic regime could be reformed.

Frustrated by his lack of power, Khatami entered the June 2001 presidential election only at the last minute. The Guardians Council disqualified all but 10 of the 814 registered candidates. Khatami's nine opponents spanned the range of conservative opinion. Khatami again scored a decisive victory, winning 77 percent of the vote, although voter turnout fell to 67 percent from the 83 percent level of the 1997 presidential election.

### Khatami's Second Term

Khatami's re-election had little impact on the power struggle between reformists and conservatives. The Second of Khordad coalition continued to pursue its "active calm" strategy, working mainly through parliament to promote reform and avoiding confrontation. The conservatives continued their attacks on the press and the reformist politicians, blocking political reform initiatives but supporting many economic reform policies. In the fall of 2001, the judiciary brought charges against reformist members of parliament, issuing summonses for 60 members to appear in court. In response, Khatami issued a statement warning the judiciary that this move violated the constitution, and some reformist leaders called for a referendum on the matter. A constitutional crisis was averted when Khamenei intervened, compelling the judiciary to back down and respect parliamentary immunity.

Throughout 2002, the judiciary continued to bring charges against reformist leaders and closed more reformist newspapers. In July it convicted 30 members of the Iran Freedom Movement, a reformist group that predated the Revolution, on charges of plotting to overthrow the Islamic regime and banned the organization. The reformists' ongoing failure to achieve their political goals despite their electoral success

increased frustration among reformist leaders and their supporters; President Khatami even talked openly about resigning. Reformists favoring a more proactive approach called for confrontation with the conservatives and threatened to break with Khatami and the moderates. Common Iranians, many of whom were beginning to experience the negative consequences of the economic reforms, increasingly expressed disappointment with the reformists' agenda and declared that they no longer would vote for them.

In the February 2003 local council elections, reformist candidates in Tehran and other major cities were defeated decisively, although most were reelected in small towns and rural areas. A new conservative party, the Islamic Iran Builders Council, portrayed itself as pragmatic and apolitical during the campaign and swept the Tehran council elections, although voter turnout was only 12 percent of the electorate in the city. Elsewhere, voter turnout fell from a national average of 57 percent in 1999 to 29 percent. In general, voter turnout was higher in rural districts than in large cities, reflecting stronger public interest in races that were less politicized and where local councils made decisions on issues that voters deemed important.

Especially in Tehran, the results of local council elections emboldened the conservatives and left the reformists frustrated and divided. In the following months, the Guardians Council vetoed two bills Khatami had proposed, aimed at weakening the Guardians Council powers and strengthening those of the presidency. The Expediency Council sharply increased the Guardians Council's budget, enabling it to set up a nationwide network of election-monitoring offices. The judiciary arrested more reformist leaders, closed more newspapers, and began to block reformist Internet sites. Security personnel and vigilantes again attacked student protesters. In a rare triumph for the reformists, human rights lawyer Shirin Ebadi won the Nobel Peace Prize in October and quickly began to use her high-profile position to promote political and civil rights reforms.

The growing popular disenchantment reflected in the February 2003 local council elections prompted Khatami and the reformists to focus on economic development programs, but the efforts were too late to bear fruit before the 2004 parliamentary elections. A total of 8,144 candidates, most of them affiliated with a reformist party, registered to compete. In early January 2004, the Guardians Council disqualified 44 percent of

the registered candidates, including almost every prominent reformist and 80 incumbent members of parliament. Under pressure from Khamenei, the Guardians Council reinstated 1,075 (30 percent) of the candidates it originally had disqualified, although no prominent reformists were among them. Of 210 incumbent deputies in parliament, a total of 75 remained disqualified, including President Khatami's brother.

### The End of the Khatami Era

The first round of the parliamentary elections occurred on February 20, 2004, with more than 5,600 candidates competing for 290 seats. Karrubi, one of the few nationally known reformists who had not been disqualified, organized a nationwide list of 220 reform candidates, the Coalition for All Iran, but no one on the list won a seat. In all, only 39 reform candidates won in the first round and nine more in the second round, giving the reform bloc 17 percent of the total seats. The conservative Islamic Iran Builders Council was the big winner, picking up 154 seats in the first round and adding 43 in the second round to obtain a 68 percent majority in the parliament. The remaining 15 percent of seats were distributed among independents, a majority of whom were more conservative in their political views than the Islamic Iran Builders Council. Overall voter turnout was 51 percent, with higher participation rates in small towns and villages than in large cities.

The 2004 elections marked the end of Khatami's efforts to promote political reform and the beginning of a new era of conservative domination, inaugurated when the new parliament convened in late May and elected as its speaker the head of the Islamic Iran Builders Council, Gholam Ali Haddad Adel, who had led a small conservative bloc in the 2000–4 parliament. Adel's declared intention was to concentrate on improving the economy, and under his tutelage the parliament enacted several economic programs that restricted or reversed the neoliberal economic reforms enacted by the previous parliament. But conservatives both in the parliament and the judiciary also continued to focus on their reformist opponents. The judiciary began another crackdown on Internet sites and banned several more newspapers. A number of prominent reformist politicians and student leaders were arrested. The parliament approved three conservative nominees for the Guardians Council, including one who had been rejected twice by the previous parliament. In August Khamenei reappointed

judiciary head Shahrudi and three members of the Guardians Council, signaling his approval of their records. The parliament challenged the authority of two cabinet ministers and approved a no-confidence measure against another. It also placed heavy restrictions on foreign investment, revised the five-year development plan passed by the previous parliament, and began efforts to put the Ministry of Information and Security under control of the judiciary.

In the run-up to the June 2005 presidential election, two main reformist candidates emerged: Mostafa Moin, a former cabinet minister, and Mehdi Karrubi. Many centrists backed former president Rafsanjani. Several conservative candidates emerged, including Ali Larijani, who resigned as head of Iran's state radio and television service; Mohammad Qalibaf, chief of the national police; and Mahmoud Ahmadinejad, who had served in the Islamic Revolutionary Guard Corps during the Iran–Iraq War, was elected to the Tehran city council in 2003, and later was chosen the capital's mayor.

Of the six candidates, Rafsanjani won a plurality in the June 17 balloting, but he got only 21 percent of the total. Ahmadinejad, who had conducted a populist campaign, narrowly gained second place by outpolling Karrubi, 19 percent to 17 percent. Because no candidate obtained a majority, a second round of balloting was held between the two highest vote-getters. In the June 24 second-round vote, most reformists unenthusiastically backed Rafsanjani because they feared that Ahmadinejad might win. Ahmadinejad stepped up his populist message, downplaying his conservative political views, promising to help the poor and to fight corruption, and repeating the theme that it was time for a new generation with fresh ideas to come to power. Iranian voters responded to these themes by strongly backing Ahmadinejad, who won 62 percent of the second-round vote. Ahmadinejad's victory was not only a decisive defeat for Rafsanjani but also for the "establishment" of conservative and reformist politicians who had been contesting power among themselves since 1979. Ahmadinejad was inaugurated in August 2005 and formed a cabinet consisting mostly of men with reputations as pragmatic technocrats.

## Government Institutions

Iran was one of the first countries outside Europe and the Americas to adopt a constitution. Adopted in 1906 after a peaceful revolution against absolutist rule, Iran's first constitu-

tion established a constitutional monarchy, a popularly elected parliament, and a government headed by a prime minister. However, this constitution was ignored after 1925 by Iran's monarchs, who exercised almost unlimited authority (see The Constitutional Revolution, ch. 1).

The Islamists who led Iran's 1978–79 Revolution sought to abolish the monarchy and establish an Islamic republic, based on Ayatollah Khomeini's concept of *velayat-e faqih.* In the summer of 1979, a constitutional assembly drafted a new constitution that would establish the institutional apparatus for an Islamic republic, although one with strong democratic features. The draft constitution called for a mixed presidential-parliamentary system, universal adult suffrage, strong guarantees for civil and political freedoms, elected local councils, and a Guardians Council chosen by parliament, whose purpose would be to ensure that elections and legislation were compatible with Islamic law.

Seeking to strengthen the Islamic aspects of the constitution vis-à-vis its popular-sovereignty provisions, Islamist delegates made two crucial changes to the draft. First, they created the office of *faqih* (religious jurisprudence expert; see Glossary), also referred to in the constitution as the Leader of the Revolution. This office was to be vested in Khomeini during his lifetime. Then it would be occupied by a *marja-e taqlid* (a "source of imitation" in all religious matters), who would be chosen by an elected council of high-ranking Shia clerics, the Assembly of Experts. The Leader's responsibility would be to exercise general supervision (*velayat*) over the government of the Islamic Republic to ensure that its policies and actions adhere to Islamic principles. Based on his superior knowledge of Islam and Islamic law, the Leader's authority would be superior to that of any other official. Since the death of Khomeini in 1989, the degree of that authority has been the central political debate in Iran. Conservatives generally maintain that the authority of the office is absolute, while reformists assert that the constitution and any amendments approved in popular referenda limit the Leader's powers.

The Islamists also expanded the powers of the Guardians Council to veto parliamentary bills and made it an independent body, half of whose members must be clerics appointed by the Leader. These two changes gave ultimate authority over the state to the Leader and, more broadly, to Shia clerics. Although in theory the Leader would be responsible to an elected body,

*President Mahmoud Ahmadinejad*
*Courtesy Iran Interests Section,*
*Embassy of Pakistan,*
*Washington, DC*

the Assembly of Experts, this stipulation did not establish effective popular sovereignty because the Guardians Council vets candidates for elections to the assembly, and its members must be clerics. The revised constitution allowed for an elected president and parliament, political parties, women's suffrage, and many other democratic features of the draft constitution. However, it also included a number of changes sharply limiting civil and political rights. The constitution was approved in a December 1979 referendum.

During the 1980s, two important shortcomings of the 1979 constitution became increasingly clear. First, the document called for an elaborate system of checks and balances that, given the bitter factionalism that emerged during this period, produced institutional paralysis (see Consolidation of the Revolution, ch. 1). In February 1988, Khomeini tried to eliminate the primary source of paralysis by creating the Expediency Council, which he empowered to mediate disputes between the parliament and the Guardians Council. However, the structure and prerogatives of the Expediency Council remained very much in dispute, and other potential sources of paralysis still existed. Second, as Khomeini's health deteriorated, it became increasingly clear that no other *marja-e taqlid* had sufficient cha-

risma or loyalty to the Islamic regime to succeed him as Leader. The constitutional guidelines governing succession therefore urgently needed revision.

To address these issues, Khomeini created a constitutional review panel in April 1989 to revise the constitution. The panel made several important changes. It eliminated the potential for conflict between the prime minister and the president by abolishing the office of prime minister, transferring its duties to the presidency, and strengthening the presidency in other ways. It clarified the structure and prerogatives of the Expediency Council. It dropped the requirement that the Leader be a *marja-e taqlid* and eliminated the possibility that a council of clerics could permanently assume the powers of the Leader. It expanded the Leader's powers in certain ways but removed his unilateral ability to dismiss the president and dissolve parliament. The panel made other changes as well, notably restructuring the judiciary and creating a Supreme National Security Council (SNSC), headed by the president and empowered to oversee foreign, defense, and intelligence policy. These changes were approved overwhelmingly in an August 1989 referendum. In 2006 the members of the SNSC were heads of the three branches of government; the chief of the Joint Staff of the Armed Forces; the head of the Planning and Budget Organization; two representatives nominated by the Leader; the ministers of foreign affairs, interior, and information and security; representatives from the army and the Islamic Revolutionary Guard Corps (IRGC); and any additional minister particularly concerned with a given issue. Among other policy functions, the SNSC is the lead agency on development of nuclear technology. The secretary of the SNSC is ex officio Iran's chief spokesman in international negotiations on the nuclear issue.

### The Leader, or *Faqih*

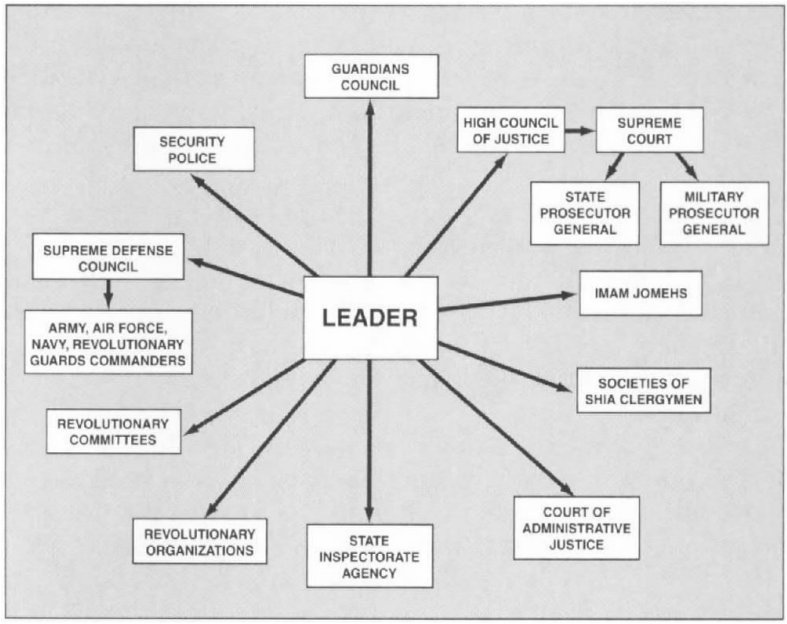
The Leader of the Revolution is Iran's chief spiritual guide, exercising ultimate authority over the state apparatus and all political matters (see fig. 11). As enumerated in Article 110 of the constitution, the Leader's powers and responsibilities include: setting general state policy guidelines and supervising their implementation; declaring war and peace; commanding the armed forces; appointing and dismissing the six clerical members of the Guardians Council, the head of the judiciary, the head of state radio and television, and the commanders of

the armed forces; overseeing the activities of the Expediency Council; and confirming the suitability of presidential candidates, certifying the presidential candidate elected in a popular vote, and dismissing a president found incompetent by parliament or convicted of violating the constitution by the Supreme Court.

In addition, Article 177 empowers the Leader to initiate and supervise the process of revising the constitution. The revisions are to be drawn up by a council whose members represent each branch of government, together with additional appointees of the Leader. The revised constitution then is submitted for approval by majority vote in a national referendum.

The Leader is assisted by an office with some 600 employees. In addition to a large administrative staff, this office includes 10 prominent special advisers who assist in areas such as foreign policy, military affairs, economic policy, and cultural matters. Closely connected to this office is a network of some 2,000 representatives of the Leader, who are attached to all government ministries, provincial governorates, branches of the armed forces, embassies, parastatal foundations and organizations, religious organizations, and major newspapers. The representatives monitor the activities of these bodies on behalf of the Leader to ensure that his policy guidelines are followed. Most of these representatives are Shia clerics. The Leader's office also includes the Central Council of Friday Prayer Leaders, which oversees the Friday prayer sermons given throughout the country each week. These sermons, especially the Tehran Friday prayer sermon, are the primary mechanism through which Iran's leaders explain their policies and try to mobilize and influence the Iranian public.

Finally, the Leader's office supervises a variety of parastatal foundations and organizations. The most important are: the Bonyad-e Mostazafin (Foundation of the Disinherited), a huge conglomerate that controls an estimated US$12 billion in assets and employs some 400,000 workers, and whose proceeds are intended to help the poor and the families of men killed in the Iran–Iraq War; the Imam Khomeini Relief Committee, a large social welfare organization that provides assistance to disadvantaged Iranians; the Supreme Council for Cultural Revolution, a body charged with ensuring that cultural materials used in the schools and on state television conform to Islamic values; and the Islamic Propagation Office, which seeks to promote Islam and the principles of the Islamic Republic by publishing




Source: Based on information from Shahrough Akhavi in Nikki R. Keddie and Eric Hooglund, eds., *The Iranian Revolution and the Islamic Republic*, Rev. ed., Syracuse, 1986.

*Figure 11. Appointive Powers of the Leader*

books and other materials and sponsoring speaking engagements by clerics.

## The Assembly of Experts

The Assembly of Experts consists of 86 Shia clerics who have a strong record of scholarship and loyalty to the Islamic regime and are elected for eight-year terms in popular elections overseen by the Guardians Council. Articles 107 and 109 of the constitution empower the assembly to select the Leader, applying three criteria: The candidate must possess a distinguished record of Islamic scholarship, a sense of justice and piety, and "right political and social perspicacity, prudence, courage, administrative facilities, and adequate capability for leadership." Article 111 authorizes the Assembly of Experts to dismiss the Leader if it determines that he no longer meets these qualifications or is unable to fulfill his duties. The assembly meets at least once annually and in considerable secrecy, mainly to review the performance of the Leader.

## The President and Cabinet

Articles 113–142 of the constitution cover the selection and powers of the president and cabinet ministers. The president is the country's second-highest official, after the Leader, with responsibility for implementing the constitution and heading the executive branch of government. Presidents are selected for four-year terms in popular elections and can serve no more than two consecutive terms. The president must be a practicing Shia Muslim of Iranian citizenship and origin who supports the Islamic Republic and has appropriate personal qualifications. Although the constitution does not explicitly state whether a woman may serve as president, the Guardians Council disqualified women who registered as candidates in the presidential elections of 2001 and 2005.

The president appoints a cabinet consisting of the heads of the government's 21 ministries, who must be approved by parliament, as well as an unspecified number of vice presidents, who are not subject to parliamentary approval. Cabinet ministers can be dismissed either by the president or in a no-confidence vote by a majority in parliament. Article 110 stipulates that the Leader can dismiss the president after either a vote by two-thirds of the deputies or a finding by the Supreme Court that the president has violated the constitution. If the president is dismissed, resigns, or dies in office, the first vice president takes over until a new president is selected.

## The Parliament

Articles 59 and 62–90 of the constitution cover the selection process and responsibilities of the parliament (Majlis—see Glossary; also known as the Supreme Consultative Assembly). Popular elections for parliament are held every four years. Seats are distributed among the country's 290 constituencies, each of which elects one deputy. In theory, each constituency has a population of just over 200,000. The actual distribution of seats favors cities, with Tehran being divided into 30 at-large constituencies. Five of the 290 seats are reserved for deputies who represent Iran's religious minorities: Christians (three seats), Jews (one seat), and Zoroastrians (one seat).

The parliament is empowered to enact laws within the framework specified in the constitution, based on bills forwarded by its members, the cabinet, or the judiciary (on judicial matters only). The parliament can vote only if two-thirds of

its members are present. All legislation is subject to approval by the Guardians Council. The parliament is authorized to question cabinet ministers and approve or dismiss them. It also can authorize popular referenda with a two-thirds vote. The parliament cannot be dissolved, and members are immune from arrest or prosecution for expressing their views in parliament or otherwise carrying out their duties. The presiding officer of parliament is the speaker, who is assisted by two deputies and a system of 22 permanent committees. Select committees can be established when necessary.

### The Guardians Council

The composition and responsibilities of the Guardians Council are enumerated in Articles 90–99 of the constitution. The council consists of six Shia clerical experts in Islamic law and six Shia laypeople with expertise in various areas of law, each serving a six-year term. The Leader appoints the six clerical members. The six lay members are chosen by the parliament from a list of candidates nominated by the head of the judiciary, who in turn is a cleric appointed by the Leader.

The Guardians Council has three main responsibilities. First, it is empowered to determine whether parliamentary legislation is compatible with Islamic law and with the constitution. Only the six clerical members make the determination with respect to Islamic law; all 12 members judge a law's compatibility with the constitution. Second, the council is empowered to interpret the constitution, with decisions requiring approval by at least nine of the 12 members. Third, according to Article 99, the council is responsible for supervising elections to choose the Assembly of Experts, the president, and the parliament, as well as referenda. Based on the guidelines of Article 108, the council drew up a law on the first Assembly of Experts elections, which were held in 1982. Subsequently, the assembly itself was solely responsible for amending this law. Article 110 gives the council responsibility for confirming the qualifications of candidates for the presidency. The Guardians Council has no constitutional mandate to supervise local council elections (see The Electoral System, this ch.).

### The Expediency Council

Articles 110–112 of the constitution specify the three main duties of the Expediency Council. First, it mediates between parliament and the Guardians Council when these two bodies

cannot reach agreement on legislation. Second, it serves as an advisory body to the Leader, who is required to consult with it in setting general policy guidelines and resolving problems that cannot be remedied by conventional means. Third, it temporarily assumes the duties of the Leader if he is incapacitated, and it plays a similar role during the transition from one Leader to another. The president, the speaker of the parliament, and several other high-ranking officials are automatically members of the Expediency Council. The Leader appoints additional members for five-year terms.

## The Judiciary

From early 1979 until the end of 1982, revolutionary courts played a key role in suppressing political activity deemed counterrevolutionary. Following the failed uprising by the Mojahedin-e Khalq (People's Fighters) and some secular leftist groups in June 1981, the revolutionary courts arrested thousands of suspected opponents; many were sentenced to prison or even death in trials that lacked due process protections for the defendants. The overall situation created an atmosphere of intimidation that silenced critics of the proceedings. Subsequently, as regular civil, criminal, and special courts developed and adopted routine procedures, the role of the revolutionary courts diminished.

Articles 156–174 of the constitution cover the composition and powers of the judicial branch of government. The head of the judiciary is appointed by the Leader for a five-year term and must be a *mojtahed*—an authority on Islamic jurisprudence (see Glossary). The judiciary head has extensive powers, including responsibility for overseeing all activities of the judiciary, appointing the prosecutor general and all judges and Supreme Court justices, drafting legislation pertaining to judicial affairs, and nominating candidates for minister of justice. The minister of justice, who is chosen by the president from among the nominees, is responsible only for overseeing the administration of the ministry and coordinating relations between the judiciary and other branches of government. The chief justice of the Supreme Court and the prosecutor general also serve five-year terms and must have the status of *mojtahed.* The Supreme Court oversees the operations of 33 branch courts, to which the chief of the Supreme Court assigns cases. Branch courts are not regional in jurisdiction; all but two are located in Tehran.

Public courts, the most active judicial entities, try conventional civil and criminal cases at province and local levels. Iran also has numerous courts authorized to try and discipline persons perceived as threats to the political status quo. The revolutionary courts were established in early 1979 to cover general political offenses and matters involving national security. Special courts were established under Articles 172 and 173 of the constitution for members of the security forces and government officials. Overseen directly by the Leader, the Clerical Court was established in 1987 for cases involving members of the clergy, including those charged with "ideological offenses." Such offenses include interpretations of religious dogma that are not acceptable to the establishment clergy and activities, such as journalism, outside the realm of religion. The Press Court was established in the late 1990s for cases involving the mass media. It closed several reformist newspapers in the early 2000s (see Human Rights, this ch.).

Although the constitution provides for an independent judiciary, in practice the judicial branch is influenced strongly by political and religious institutions. Defendants have the right to public trial, choice of a lawyer, and appeal. Judicial authority is concentrated in the judge, who also acts as prosecutor and investigator to the exclusion of legal counsel. Judges must be experts in Islamic law. The prosecutor's office initiates suits against persons charged with attempting to undermine the system of government, a broad category of crimes that includes slandering or insulting leading government or clerical figures. In the early 2000s, reformers tried unsuccessfully to gain Majlis approval for the introduction of jury trials. Juries function only in specific cases related to the media. The revolutionary courts have authority to hold suspects for long pretrial periods and without benefit of counsel. Charges often are vague, such as "antistate activity" or "warring against God," and lawyers have complained of being harassed and even imprisoned.

### The Problem of Dual Sovereignty

The structure of government institutions in Iran places authority over the state partly in the hands of the Iranian people and partly in the hands of Shia clerics. This configuration may be described as "dual sovereignty." All major political institutions—the Leader, the Assembly of Experts, the president, the cabinet and ministries (including the security forces), the parliament, the Guardians Council, the Expediency Council, and

the judiciary—are held accountable, directly or indirectly, to the Iranian people through elections. Similarly, all of these institutions are held accountable to members of the Shia clergy through the appointment and oversight functions of the Leader, the Assembly of Experts, and the Guardians Council. Indeed, the constitution is quite ambiguous about sovereignty, as reflected in the wording of the key section on this matter, Article 56: "Absolute sovereignty over the world and man belongs to God, and it is He who has made man master of his own social destiny. No one can deprive man of this divine right, nor subordinate it to the vested interests of a particular individual or group. The people are to exercise this divine right in the manner specified in the following articles [of the constitution]."

Because of this ambiguity, the extent to which state policy reflects the will of the Iranian people or that of clerics has been determined by political practice. Since the advent of the Islamic regime, the Shia clerics associated with Ayatollah Khomeini's vision of an Islamic regime, together with their lay allies, have used government institutions to advance their views and interests, thereby sharply limiting popular input into state policy making. They have done so mainly through their control over the office of Leader, the Guardians Council, and the judiciary.

The constitution gives the Leader far-reaching power. Ayatollah Khomeini and Khamenei have wielded this power in ways that have favored their clerical allies. During his tenure, Khomeini almost invariably sided with them in their disputes with secular figures. This tendency was particularly noticeable in the process of writing the constitution. Subsequently, Khamenei strongly supported the conservatives in their disputes with President Khatami and his reformist allies. Both Leaders failed to restrain the security forces and the judiciary, which routinely work outside the law to suppress popular protest movements. Although the Assembly of Experts theoretically has oversight power over the Leader, it has yet to use this power to hold Khamenei accountable to the Iranian public. In fact, the requirement that members of the assembly be Shia clerics, together with the Guardians Council's efforts to screen candidates in elections to this body, has ensured that the assembly's actions reflect the views of the clergy.

The Guardians Council has acted to block initiatives that it has perceived as threatening to clerical prerogatives, contrary to Islam, or harmful to private property rights. It has made extensive use of its power to review legislation, blocking parlia-

mentary initiatives in the 1980s to redistribute income and land and, more recently, bills to expand and protect civil rights. Although the Expediency Council is empowered to override the Guardians Council's vetoes, its heterogeneous membership of elected and appointed officials has greatly hindered its ability to reach consensus. This was especially true during the Khatami administrations, when conservative and reformist membership was nearly equal. The Expediency Council rarely overruled Guardians Council vetoes of key political reform legislation while Khatami was president.

Since its inception, the Guardians Council also has had responsibility for vetting candidates for political office. It has used this authority to disqualify all candidates it deemed insufficiently committed to the Islamic regime. Since the early 1990s, the members of the Guardians Council have been clerics and lawyers committed to the conservative interpretation of the institution of *velayat-e faqih* as vesting paramount or even absolute authority in the Leader. They have disqualified candidates who did not share this view, most notably prior to the 1992 parliamentary elections, the 1998 Assembly of Experts elections, the 2004 parliamentary elections, and the 2005 presidential election. Occasionally, the Guardians Council's actions have provoked such controversy that the Leader has felt compelled to intervene, as Khomeini did several times in the 1980s. The most tangible example was in 1988, when Khomeini created the Expediency Council as a mediating agency between the parliament and the Guardians Council. Since becoming Leader in 1989, Khamenei also has intervened to restrain the Guardians Council. For example, he ordered the council to accept the results of the 2000 parliamentary elections when the council seemed determined to nullify the victories of many reformists. In 2004 Khamenei demanded that the council review its disqualification of candidates for the parliamentary elections.

## Local Government

Iran is divided into 30 provinces (*ostans*), which in 2007 were subdivided into a total of 321 counties (*shahrestans*). Each county encompasses one or more incorporated cities (*shahrs*) and several rural districts (*bakhshs*). There were 705 incorporated cities in 2003; the total number fluctuates, however, as large villages obtain municipal status and new towns are annexed by nearby large cities. A total of 842 rural districts

encompassed 68,000 villages and 2,000 farms, the latter defined as localities in which only a single family resides. As was also the case before the Revolution, Iran's provinces are administered by a governor general appointed by the central government. The governor general, in consultation with the Ministry of Interior, appoints the governor of each county in the province, and, in consultation with the latter, the chief of each rural district. Prior to 1999, mayors and other urban officials also were appointed, but in most villages the village head (*kadkhoda*—see Glossary) was chosen by either election or consensus. In addition to the formal structure of local government, which was under the indirect supervision of the Ministry of Interior, in many areas the Leader's representatives, the Friday prayer leaders, and the commanders of the security forces also exercised considerable influence independently of the government officials.

In the 1990s, the emergence of a strong movement for political decentralization increased pressure for the implementation of Article 100 of the constitution, which provides for popularly elected local councils. Accordingly, the parliament passed a law in 1998 detailing selection procedures and the duties of local councils. This law provided for local councils to be elected for four-year terms in all cities and large villages, with small villages in proximity to each other sharing councils. Provincial, county, and district councils then would be made up of representatives from the city and village councils in their areas of jurisdiction. The city and village councils would appoint their own mayors and village heads. The powers of the councils would supersede those of the central government in the affairs of each administrative unit. Local council elections were held throughout Iran in 1999, 2003, and 2007.

## The Electoral System

The constitution does not further clarify the role of the Guardians Council in presidential and parliamentary elections, stating only that the procedures for these elections will be specified in laws. The parliament has drawn up election laws that give the council considerable authority over national elections. As a result, the council exerts far more influence over presidential and parliamentary elections than is implied by the "supervisory" role stipulated in the constitution. For example, the parliamentary election law of 1984 divides responsibility for administering parliamentary elections between the Guardians

Council and the Ministry of Interior in ways that give the council a preeminent role. The law states that the council's supervisory role is "general and extends to all stages and regards all affairs related to [parliamentary] elections." Under the 1984 law, the council established the Central Oversight Committee, which reviews the credentials of all candidates according to vaguely worded criteria and verifies the authenticity of ballots. The Ministry of Interior and provincial officials are empowered to appoint executive committees in each election district to review candidates' credentials, staff and maintain voting facilities, and report election-related crimes to the Central Oversight Committee. Although the council and the ministry therefore can review and reject candidates, the Guardians Council has used this power much more assertively than the Ministry of Interior. Indeed, exercise of its vetting power is the main way in which the council has exerted control over parliamentary elections. Other provisions of the election law limit candidates to one week of campaigning, stipulate that voting is by secret ballot, provide for a second round of voting for each seat where no candidate receives 25 percent of the first-round vote, and set the minimum age for voters at 16.

The presidential election law, enacted in 1985, is broadly similar to the parliamentary law, except that the constitution gives the Guardians Council explicit authority to vet presidential candidates. As in parliamentary elections, the Guardians Council has general supervisory authority, and its Central Oversight Committee reviews candidates' credentials and verifies the validity of ballots. The Ministry of Interior's executive committees operate voting facilities and report election-related crimes to the Central Oversight Committee. Like the law on parliamentary elections, the presidential election law limits campaigning to one week, calls for a secret ballot and a second round of voting if no candidate wins a majority, and sets the minimum voting age at 16.

When parliament was developing procedures in 1998 for the first local council elections, the Guardians Council did not have the administrative capacity to supervise races for some 200,000 positions throughout the country, so it did not demand a supervisory role. Instead, the parliament created the Local Elections Supervision Board to oversee these elections. This body, which was headed by a conservative cleric, made some effort to block reformist candidates in 1999 and 2003, although to little effect. As in presidential and parliamentary

elections, the Ministry of Interior operates the voting facilities and reports crimes in connection with local council elections.

The only referendum since establishment of the Guardians Council was held to approve the constitutional revisions of 1989. The procedures for that vote were decreed by Ayatollah Khomeini and not by statute. No laws governing referenda exist.

## Political Parties and Civil Society

Article 26 of the constitution authorizes the existence of political parties and other civil society organizations, so long as they do not violate "the principles of independence, freedom, national unity, the criteria of Islam, or the basis of the Islamic republic." These general guidelines can be interpreted very broadly. Legislation permitting the establishment of parties was not adopted until 1998, following President Khatami's election. Nevertheless, a variety of partylike organizations and other civil society institutions have existed since the beginning of the Islamic regime, and many more have emerged since 1998.

Although in the early 2000s Iran had many parties and civil society organizations, none developed a broad base of popular support. Rather than parties, Iranians generally have preferred to identify with political factions, whose positions have evolved over time as the views of their supporters have changed. A changing constellation of parties and other civil society organizations embody these factions, representing narrow constituencies in formal or informal coalitions with like-minded organizations. Besides three main political factions, several minor factions exist that are largely or entirely outside politics. Various factions also exist among the many Iranians living abroad.

### The Reformist Coalition

The 18 reformist parties of the Khatami era evolved from the Islamic leftist faction of the early 1980s to the mid-1990s. After Khatami was elected in 1997, these reformist parties established the Second of Khordad coalition, which became the reformists' main political vehicle. The coalition had two main parties. The Islamic Iran Participation Party (IIPP; Hezb-e Mosharakat-e Iran-e Islami) was established in 1998 by a group of reformist intellectuals and activists to promote Khatami's reforms, with Mohammad Reza Khatami, the president's

brother, as its leader. The IIPP has tried to appeal to a broad range of Iranians. The Mojahedin of the Islamic Revolution Organization (MIRO; Sazman-e Mojahedin-e Enqelab-e Islami) was established in April 1979, when several small Islamic leftist groups united to create an organization to defend the newly established Islamic regime. The organization disbanded several years later but was reestablished in the early 1990s with a new agenda that stressed democratic practices over popular sovereignty guided by an elite vanguard. The MIRO has had a narrow following, consisting mainly of progressive-minded Islamists. The reformist faction also encompassed a number of smaller parties, including the Islamic Iran Solidarity Party (Hezb-e Hambastegi-ye Iran-e Islami) and the Islamic Labor Party (Hezb-e Islami-ye Kar).

Although it was not a party, the Militant Clerics Association (Majma-e Ruhaniyun-e Mobarez; short form Ruhaniyun) worked closely with the Second of Khordad coalition. The Ruhaniyun was a Shia clerical organization that broke off from the Combatant Clerics Association in the 1980s to pursue a reformist political agenda that stressed civil liberties and accountability of government personnel and institutions. During the 1990s, members of the Ruhaniyun began advocating democracy. In 1997 they supported the candidacy of Khatami, a member who was elected as the group's secretary general after he completed his eight-year tenure as president in August 2005.

The Office for Consolidating Unity (OCU; Daftar-e Takhim-e Vahdat), Iran's largest student organization, was created by Islamist students in 1979. It strongly supported Khatami from 1997 until after the parliamentary elections of 2000, when the OCU split into two wings. The larger wing, Allameh, broke with Khatami and advocated a more confrontational approach toward the conservatives. The smaller wing, Shirazi, favored Khatami's course of compromise with the conservatives.

Several civil society organizations also backed the reformist coalition. These included cooperatives, labor unions, professional associations, and women's organizations. Among the better-known groups were the Association of Iranian Writers and the Society for the Defense of Human Rights.

### The Centrist Faction

In the early 1990s, a group of pragmatic protégés of President Rafsanjani emerged as a third faction, occupying a position between the Islamic reformers and the Islamic

conservatives. They established the Executives of Construction (Kargozaran-e Sazendegi) before the 1996 parliamentary elections but won few seats. The Executives of Construction supported Khatami in 1997, and some of its members joined his cabinet. Several members became prominent reformist leaders, but the organization remained ambivalent about the reformist movement and gradually split into reformist and centrist wings. The Executives of Construction did not try to organize as a mass party and never cultivated popular support. Nevertheless, some individual members have enjoyed a national following. The party actively supported Rafsanjani in the 2005 presidential election, organizing rallies and other public events for him in Tehran and the provinces.

### The Conservative Coalition

The conservative bloc is a heterogeneous grouping united on two issues: a strict interpretation of the constitution, especially the clauses empowering the Leader, and protection of private economic activities. Many older conservatives belonged to prerevolutionary Islamic organizations such as the Islamic Warriors (Fedayan-e Islami) and the Islamic Nations Party (Hezb-e Mellal-e Islami); younger ones were active in Islamic student groups in the late 1970s. The conservatives' main focus is on protecting the Islamic cultural restrictions implemented under the Islamic regime and the prerogatives and lifestyle of Iran's traditional classes, which they believe are threatened by the reformist movement and its efforts to promote political and economic reforms. The conservatives have a small but devoted base of support among the bazaar (see Glossary) merchants, urban religious families, and small farmers. Four political organizations have drawn significant conservative support.

The Combatant Clerics Association (Jameh-ye Ruhaniyat-e Mobarez; short form Jameh) was established in 1979 by Khomeini's clerical followers. A group of reform clerics broke off in the 1980s to form the Militant Clerics Association, leaving the Jameh dominated by conservatives. Its members are clergy who prefer strict, rather than liberal, interpretations of Islamic legal codes. The Islamic Coalition Organization (Jamiat-e Motalafeh-ye Islami; short form Motalafeh) was originally a coalition of traditionalist guilds and other organizations based in Iran's bazaar community before the Revolution. It advocates cultural restrictions and bazaar-oriented economic policies, and it is closely tied to the conservative Shia clergy. The Sup-

porters of the Party of God (Ansar-e Hezbollah; short form Ansar) is an extremely conservative vigilante group notorious for assaulting and intimidating reformist leaders. Most of its members are war veterans who believe passionately that the authority of the Leader is absolute and must be obeyed without question, a position that puts them into direct conflict with the reformists. Ansar also opposes foreign cultural influences. The Islamic Iran Builders Council (Etelaf-e Abadgaran-e Iran-e Islami; short form Abadgaran) was created to contest the 2003 local council elections. Most of its members are technocrats who espouse economic development and pragmatic leadership. Abadgaran led the conservatives to victory in the 2004 parliamentary elections and the 2005 presidential election. The organization tends to take a flexible, moderate position on cultural issues.

The conservative faction also includes many smaller parties and civil society organizations, such as the Followers of the Line of the Imam and the Leader (Peyrovan-e Khatt-e Imam va Rahbari) and the Moderation and Development Party (Hezb-e Etedal va Towse'eh). Various guilds and professional and religious organizations, mainly associated with the bazaar community, also belong to the conservative faction.

### Other Political Groups

Several relatively minor political groups exist in Iran but are largely or entirely excluded from politics. The "religious nationalists" (*melli mazhabi*) are Islamic modernists who support the Islamic regime but advocate transforming it into an Islamic democracy. Iran's leaders generally have tolerated this faction, although some of its members have been arrested. The most important religious nationalist organization has been the Iran Freedom Movement (Nezhat-e Azadi-ye Iran), which led the provisional government in 1979 but was marginalized as the Revolution became more radical. Most of its leaders were arrested in 2002, and the organization was banned. Several members were allowed to run as individuals in the 2003 local council elections but did poorly.

Politicians who favored either a secular democracy or reestablishment of the monarchy were repressed or went into exile in late 1978 and early 1979. Several political organizations advocating these views exist outside Iran, ranging from secular democratic organizations descended from the venerable National Front (Jebhe-ye Melli) to monarchist organizations supporting

Reza Pahlavi, son of the last shah. These organizations appeal mainly to Iranians in expatriate communities in North America and Europe. They generally have few contacts inside Iran and no organized support there. Various Marxist, Islamic socialist, and ethnic organizations also exist outside Iran. Most of these organizations are remnants of guerrilla groups that participated in the Revolution or formed shortly afterward but soon turned against the Islamic regime and were repressed severely in the early 1980s. The most important is the Mojahedin-e Khalq (People's Fighters), whose leader, Masoud Rajavi, fled to France in 1981 and subsequently relocated to Iraq, where he established a base and began cooperating with the government of Saddam Hussein during the final years of the Iran–Iraq War. This relationship with the Iraqi government made the Mojahedin deeply unpopular inside Iran, where the organization was believed to have few underground followers. The Mojahedin remained in Iraq after the U.S.-led invasion of 2003. The U.S. forces first took custody of the organization's base and seized all weapons, then allowed the dwindling force to remain, against the wishes of the Iraqi provisional government.

### Civil Society Organizations

Iran has developed a strong tradition of civil society activism since 1979. Numerous nongovernmental organizations (NGOs) work with international groups on such issues as consumer protection, cultural heritage, economic development, education, the environment, media, publishing, science, trade, and women's rights. NGOs that work on legal and political issues are watched closely by judicial authorities and have experienced official harassment, but other NGOs generally operate freely. Civic organizations in cities and towns include community development groups, parent-teacher associations in schools, social services groups, and sports associations. More informal, voluntary organizations include thousands of cultural, religious, and social groups that meet weekly, monthly, or seasonally.

## Human Rights

Article 4 of Iran's constitution stipulates that all laws must be based on fundamental Islamic principles. The six clerical members of the Guardians Council are empowered to ensure that this provision is observed. Articles 12 and 13 state that the offi-

cial religion of Iran is Twelver Shiism, but members of the other major branches of Islam and the Christian, Jewish, and Zoroastrian religions are free to practice their own faiths (see Shia Islam in Iran, ch. 2). In matters of personal status (e.g., marriage, divorce, and probate), such individuals are to be judged by principles based on their own faiths. Article 24 guarantees freedom of the press, except "when it is detrimental to the fundamental principles of Islam or the rights of the public." Article 27 guarantees freedom of assembly, except in circumstances that are "detrimental to the fundamental principles of Islam." Article 38 bans all forms of torture. Article 165 states that all trials should be open to the public, except in cases in which this would undermine public morality or discipline or both parties request a closed trial.

Despite these constitutional guarantees, in many instances civil liberties were not protected during the early years of the Islamic Republic. More than 500 high officials, military officers, and secret police agents from the shah's regime were executed after summary trials in 1979. In the summer of 1980, the discovery of alleged plots within the military to overthrow the government led to wide-scale arrests and the execution of more than 100 officers condemned by hastily convened tribunals at which no defense was allowed. According to Amnesty International, in the year following the abortive uprising of the Mojahedin in June 1981, nearly 3,000 persons were executed following their summary trials as Mojahedin members. During the 1980s, almost all opposition organizations were suppressed; civil and political freedoms were sharply curtailed, the independent press was shut down, intellectual and artistic expression was heavily restricted, and members of the Baha'i faith were persecuted. Harsh punishments such as flogging, justified as "Islamic," were applied for violations of social mores and relatively minor crimes such as nonobservance of public dress codes, consumption of alcoholic beverages, petty theft, and premarital sex. Robbers could have their fingers amputated, and adulterers could be executed by stoning.

Beginning in the late 1980s, the judiciary began to monitor prisons and courts with the aim of ensuring respect for the constitutional rights of the accused in practice. Consequently, the human rights climate improved, and by the mid-1990s political executions had ceased. Nevertheless, Iran remained among the leading countries in executions, averaging 100 per year in the 1990s. Crimes for which offenders received capital punishment

included murder, rape, treason, and adultery. Human rights lawyers such as Shirin Ebadi maintained that torture—usually in the form of prolonged solitary detention—and other arbitrary legal practices continued to occur, even though they were contrary to law.

The improvement in human rights conditions initially continued under President Khatami. However, during the Khatami administration the judiciary charged many reformist political leaders and newspaper publishers with slander, and their trials provoked considerable controversy about arbitrary trial procedures, mistreatment in prison, and restrictions on the right of expression. As the reformists became increasingly bold, the conservatives responded by enacting new laws on slander under which reformist leaders subsequently were arrested and reformist newspapers closed down.

The reformists' victory in the February 2000 parliamentary elections, which posed a serious threat to the conservatives' political control, led to an intensification of arrests and media closures. Two cases of extrajudicial killing in 2003 focused international attention on Iran's legal practices. One case involved the execution of two Iranian Kurds accused of membership in Kurdish armed opposition groups. The other involved an Iranian photojournalist, Zahra Kazemi, who died after being severely beaten in prison. Because Kazemi was a Canadian citizen, her death galvanized the international human rights community. Nevertheless, in the early 2000s political executions and other politically motivated killings did not play a major role in preserving the Islamic regime or influencing relations among the various political factions.

In the early 2000s, irregularities in Iran's legal system were widespread and had an extensive impact on the country's politics. Reformist and dissident political activists frequently were arrested and prosecuted on vague charges of insulting prominent individuals or threatening national security. Amnesty International reported "scores" of arrests of this sort annually. Defendants often were held for long periods without trial. Dozens of instances of torture were documented each year. Trials in political cases usually failed to meet minimum due process standards. Defendants often were denied access to lawyers and family members; lawyers were prevented from seeing crucial evidence and sometimes prosecuted for their work; outside observers were barred from the courtroom; sentences sometimes were inappropriately harsh; and juries were not used in

legal proceedings. Although reformists and dissidents almost always were convicted, the few vigilantes or security personnel who came to trial usually were acquitted or given light sentences.

From 2000 to 2004, reformists tried to use their control of the parliament to eliminate some irregularities, introducing legislation to specify what kinds of political activity were illegal and to outlaw torture. They also proposed that Iran join the United Nations Convention on Torture. However, the Guardians Council vetoed each of these bills. The Iranian government also often prevented international human rights organizations from entering the country to examine human rights conditions.

Irregular methods used to silence political activists and bar them from engaging in politics encouraged self-censorship by other activists. By 2005, many prominent reformist leaders and dissidents had been arrested, imprisoned, harassed, or prevented from holding public office; all politically active Iranians understood that they might face such harsh treatment if the positions they advocated irritated politically powerful conservatives.

Restrictions on freedom of association also have had a powerful impact on politics in Iran. Although many political parties and other civil society organizations exist, any group that in the opinion of conservative officials does not support the Islamic regime is banned from political activity (see Political Parties and Civil Society, this ch.). Independent trade unions also have been banned. In addition, the judiciary, the security forces, and conservative vigilante groups have sharply limited the ability of Iranians to hold demonstrations and strikes, and permits for such activity are denied regularly. Security and vigilante groups often attack and arrest protesters and strikers. Hundreds of student protesters have been arrested; some have been severely beaten, imprisoned for long periods, and tortured. These restrictions on freedom of association apply almost exclusively to reformist politicians and opponents of the Islamic regime. Because reformists and regime opponents have little institutional power and rely mainly on mobilizing popular support to exercise influence, these restrictions strongly benefit the conservatives.

Many aspects of Iran's criminal justice system violate internationally accepted human rights standards and are opposed by Iranian human rights activists. In the early 2000s, some punishments, widely regarded as inhumane or inappropriate, were suspended but not legally rescinded. In addition, numerous

legal practices are widely regarded as discriminatory toward women. These include stipulations that a woman's testimony is worth only half that of a man; that the monetary compensation for a woman who is killed, accidentally or otherwise, is one-half the compensation for a man who is killed; and that a woman must receive permission from an adult male relative to marry or to obtain a passport. Women also have fewer rights than men in divorce and child custody cases.

Publicity about human rights intensified after lawyer Shirin Ebadi was awarded a Nobel Peace Prize in 2003 for her work inside Iran on behalf of women's, children's, and prisoners' rights. Mahmud Hashem Shahrudi, head of the judiciary, appointed a special judicial investigator to examine conditions in the courts and prisons. The report, made public in 2005, confirmed that "un-Islamic" practices such as torture and violations of defendants' rights were a continuing problem that needed to be addressed through an educational program directed to Iranians involved in law enforcement, criminal investigations, and prosecutions.

## Mass Media and the Arts

After a brief flourishing of the press following the Revolution, beginning in 1981 Iran's leaders gradually closed down or took over all newspapers and magazines that expressed opposition to the Islamic regime. Consequently, during the early and mid-1980s, the Iranian news media reflected only a narrow range of views. Iran's new leaders also inherited the monarchy's state-controlled radio and television media and continued to exercise tight control over its content.

Restrictions on the press began to ease somewhat in the late 1980s, when Mohammad Khatami was minister of Islamic culture and guidance and permitted a limited degree of relaxation to occur. This trend accelerated considerably in the early 1990s, especially with the publication of the newspapers *Salaam* (Peace) and *Asr-e Ma* (Our Era) and the magazine *Kiyan* (Foundation), which played crucial roles in the emergence of the reformist faction. The press flourished again after Khatami was elected president in 1997, and many pro-reformist newspapers appeared. However, in 1999 the conservative-controlled judiciary began to close down these newspapers and arrest some journalists and editors. Thanks to new laws on slander and the overt support of Khamenei, these closures and arrests increased sharply in April 2000 (see Political Dynamics, this

ch.). By early 2005, more than a hundred newspapers had been closed and scores of journalists and editors arrested. In its annual report for 2004, the press watchdog organization Reporters Without Borders summarized the mixed status of Iran's news media, describing Iran as "the biggest prison for journalists in the Middle East, with harsh censorship but also a prolific and vigorous written press that is clearly helping the growth of civil society."

Of the major newspapers published in Iran, *Kayhan* (World), *Ettela'at* (Information), *Resalat* (Prophetic Mission), and *Jomhuri-ye Islami* (Islamic Republic) reflect the views of the conservative faction, while *Hambastegi* (Together) *Mardom Salari* (Free People), and *Shargh* (The East) have a reformist tone. The judiciary closed *Salaam, Asr-e Ma, Kiyan,* and many other major reformist newspapers and magazines. However, it generally allows some reformist publications to remain open at any given time, typically closing one after a few months but allowing new ones to open. In addition, four English-language newspapers are published in Iran: the conservative *Kayhan International* and *Tehran Times* and the reformist *Iran News* and *Iran Daily.* Newspapers opposing the Islamic regime or even reflecting the "loyal opposition" perspective of the religious-nationalist faction have not been granted publishing licenses.

All radio and television media inside Iran are under the control of a state agency, Islamic Republic of Iran Broadcasting. The head of this agency is appointed by the Leader, and the content of political programming reflects generally conservative views. In 2005 Iran had six national television channels and seven national radio stations, which offered programming on a wide range of topics. Iran also broadcast radio and television programs in Arabic, Kurdish, Turkish, English, Hebrew, and other languages to nearby countries and, by satellite and the Internet, to a global audience.

Iranians who own shortwave radios seek access to foreign broadcast media. Persian-language radio broadcasts are beamed into Iran by many governments, including those of the United States, Britain, France, Germany, Russia, Israel, China, and Japan. These broadcasts, especially those of the British Broadcasting Company and Voice of America, are popular among some Iranians. Exile opposition organizations also make radio broadcasts into Iran, usually with the help of foreign governments. However, in the early 2000s these broadcasts decreased considerably as the organizations grew weaker and

the United States reduced or ended funding. In 2003 the overthrow of the government of Saddam Hussein in Iraq, which had hosted some opposition broadcasts, further reduced the range of available broadcasting. Several evangelical Christian stations and a Baha'i station also broadcast into Iran. The Iranian government jams some but not all of these foreign transmissions.

Foreign satellite television broadcasts also are watched by Iranians who have the means to purchase satellite dishes. The estimated 1.5 million satellite television receivers in Iran can pick up a wide range of foreign programming, including many commercial and government-owned news channels and a broad variety of entertainment programs in various languages. In the early 2000s, many Persian-language stations were established outside Iran to broadcast into Iran and to the Iranian diaspora. Mainly located in Los Angeles, many of these stations have a strong monarchist orientation. The U.S. government's Voice of America also broadcasts Persian-language television programs into Iran. The Iranian government tried to curb access by outlawing satellite dishes and antennas in 1995, but enforcement stopped in 1997. Thus, in 2005 satellite receivers remain ubiquitous in wealthy urban neighborhoods. At that time, surveys indicated that as many as 12 percent of Iranian adults had access to satellite television.

The Internet has become another important means of access to foreign media for many Iranians. A 2005 study estimated that as many as 7.5 million Iranians had access to the Internet at that time. Most heavy Internet users are below age 35. Most of these users patronize Internet cafés, which became common in Tehran and other large cities in the early 2000s. Iranians use the Internet to gain access to the many Persian-language news and cultural sites and chat rooms that emerged in the early 2000s and to exchange e-mail and make inexpensive telephone calls to friends and relatives abroad. Many Iranian political organizations and activists have established Web sites or blogs, which often contain highly informative and sharply critical material. The Iranian government has arrested some Internet commentators and blocked some of their Web sites. It also has attempted to block some foreign-based Persian-language Web sites and pornographic sites, with limited success.

Iran's writers, filmmakers, and other artists also face limits on freedom of expression. Publishers are not required to submit book manuscripts to the Ministry of Islamic Culture and

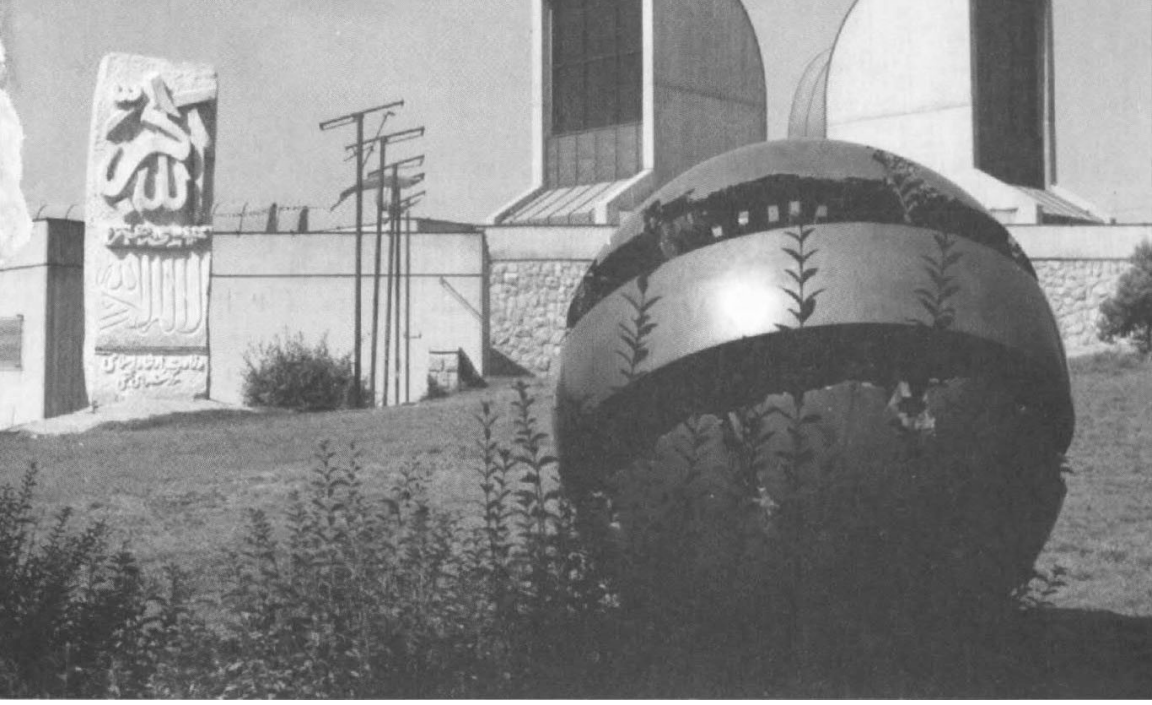
Guidance for prepublication approval, but they risk prosecution and heavy fines if the ministry revokes distribution of a book after its publication. A considerable amount of critical material was published in Iran in the early 2000s, including some incisive works by investigative journalists. About 35,000 new titles were published annually in that period. In contrast to book publishers, filmmakers, most of whom depend heavily on government subsidies for their work, are obliged to submit scripts and film proposals to the Ministry of Islamic Culture and Guidance for review. Nevertheless, Iran has an internationally acclaimed film industry. Iranian filmmakers produce subtle films that are often implicitly critical of the regime. Some of these films have been banned in Iran but granted licenses for distribution abroad. Iran also has a vibrant community of painters and other visual artists, with many galleries and an excellent contemporary art museum in Tehran. Some of their work also has a critical tone, although most of Iran's visual artists avoid politically sensitive topics.

## Foreign Policy

After the election of President Khatami in May 1997, Iran's foreign policy continued to follow the general approach that had emerged during the last year of Rafsanjani's presidency (see The Rafsanjani Presidency, ch. 1.). Khatami and his foreign minister, Kamal Kharrazi, continued to seek better relations with Europe and with most pro-Western countries in the region. They tried to improve Iran's relations with the United States, which had been characterized by mutual suspicion and an absence of diplomatic ties since 1980. Beginning in the Khatami era, Iran's efforts to normalize relations with the United States have been impeded by ongoing U.S. suspicions that Iran supports groups such as Hizballah in Lebanon, is opposed to the Middle East peace process, and is pursuing a secret nuclear weapons program. In Iran, too, the worldview of many key officials has been shaped by nationalism and even xenophobia, and such leaders continue to distrust the United States.

### Relations with Europe

Although Iran's relations with the countries of the European Union (EU) had been harmed in 1989 by Khomeini's fatwa (religious opinion) against British author Salman Rushdie



*Modern Art Museum, Tehran*
*Courtesy Nader Davoodi*

(based on Rushdie's characterization of the Prophet and his family in the novel *Satanic Verses*) and by assassinations of prominent Iranian political dissidents living in Europe, President Rafsanjani tried to improve ties during the 1990s. These efforts suffered a serious setback in April 1997, when a German court implicated top Iranian officials in the 1992 assassination of four Iranian Kurdish dissidents in Berlin. Germany and many other countries of the EU responded to the judicial finding by withdrawing their ambassadors from Tehran and suspending the EU's "critical dialogue" with Iran.

After his inauguration, President Khatami moved quickly to repair relations with the EU countries. In November 1997, Iran and the EU reached an agreement under which all EU ambassadors would return to Iran. The EU also soon authorized a resumption of ministry-level contacts with Iran, although the critical dialog remained suspended. Iran conducted intense negotiations with Britain in this period over the Rushdie affair, and in September 1998 British officials announced an agreement under which the Iranian government would not enforce the death threat against Rushdie. Although the fatwa was not revoked, British officials expressed satisfaction with the agreement. Further, the assassinations of Iranian exiles that had

begun in Europe in the early 1990s now had ceased. Despite potentially harmful U.S. economic sanctions, European businesses continued to increase their involvement in Iran after Khatami was elected, and many European NGOs became more involved in Iran as well.

Iran's relations with the EU countries did not improve during Khatami's second term. The arrest and trial of Iranian reformists who had participated in an April 2000 German Green Party–sponsored conference in Berlin on democracy in Iran raised concerns in Europe pertaining to human rights in the Islamic Republic. Furthermore, the August 2002 revelations that Iran had secretly built plants to enrich uranium and extract plutonium led the EU to reassess relations with Iran. A subsequent International Atomic Energy Agency (IAEA) inspection found that Iran's nuclear program was very advanced. Even though the IAEA said that Iran had the right, as a signatory to the Nuclear Non-Proliferation Treaty (NPT), to enrich uranium to use as fuel in a civilian nuclear power program, it criticized Tehran for failing to report its enrichment activities and requested that Iran provide the IAEA with information on how it had obtained the centrifuges used in enrichment experiments. Following this report, Britain, France, and Germany, acting on behalf of the EU as the "EU3," began negotiations with Iran aimed at persuading it to suspend its uranium enrichment activities voluntarily.

In 2003 the EU3 and Iran reached an agreement whereby Iran consented to suspend uranium enrichment activities voluntarily in return for verbal assurances that it would be offered a long-term trade agreement. In June 2004, citing a lack of progress in talks on a permanent agreement, Iran announced its intention of resuming uranium enrichment. This decision set in motion a new round of Iran–EU3 negotiations that yielded a new voluntary suspension agreement in November 2004. In return, the EU3 promised that talks on a permanent agreement would be held in tandem with talks on an overall trade agreement and support for Iran's application for membership in the World Trade Organization. When talks made no progress on nonnuclear issues, in 2005 Iran again announced resumption of certain uranium fuel processing activities. Iran rejected a comprehensive proposal for trade in August, on the grounds that the proposal did not deal with the issue of U.S. economic sanctions, which were harming Iran's economy. A stalemate then developed, with the EU3 contending that Iran's

rejection of the proposal had ended the negotiations while Iran asserted that it was willing to continue talking. In mid-2006, the United Nations (UN) Security Council reacted to the IAEA's appeal of the stalemate by demanding that Iran suspend uranium enrichment. When Iran failed to meet the UN deadlines and renewed European diplomatic efforts failed, the Security Council imposed limited sanctions in December 2006. No substantial progress was made to resolve the issue as of late 2007.

### Relations with Neighboring Arab Countries

After Khatami was elected, Iran also made concerted efforts to improve its relations with neighboring Arab countries. These relations had begun to thaw under Rafsanjani, and considerable progress had been achieved in bilateral relations with Kuwait, Oman, Qatar, and Saudi Arabia. According to scholars of Saudi foreign policy, the Saudi attitude toward Iran began to change in 1995, after the Saudi government decided to improve relations with its own Shia minority. As Saudi leaders ceased to view their Shia minority as a potential security threat, they gradually perceived Iran less as a source of subversion among this minority. This new attitude then eased the way for improved relations. The symbolic manifestation of the new cordiality was an exchange of official visits by the two heads of state in late 1997 and early 1998. This unusual exchange was followed in May 1998 by a comprehensive cooperation agreement and in April 2001 by a security agreement between the two countries.

Iran's relations with most other Arab countries also improved in the 1990s. Unrest among the majority Shia population of Bahrain, which the Sunni (see Glossary) monarchy there viewed as a security threat, had persisted throughout the 1980s and early 1990s, and the government suspected Iran of providing clandestine support to Bahrain's Shia dissidents. Saudi Arabia's rapprochement with its Shia minority put pressure on the government of Bahrain to accommodate some demands of its Shia majority. As sectarian tensions abated in the mid-1990s, the concerns of Bahrain's rulers about potential Iranian subversive activities eased considerably, and this led to relatively amicable relations by the late 1990s. Iran even established a better relationship with its archfoe Iraq, as the two countries exchanged most or all of the remaining prisoners from the war they had fought in the 1980s. They also held sev-

eral high-level diplomatic meetings between 1997 and 2002. In the early stages of the 2003 conflict in Iraq, Iran adopted a neutral stance (see Contemporary Security Policy, ch. 5).

The only Persian Gulf Arab country whose relations with Iran did not improve substantially was the United Arab Emirates (UAE), which continued to dispute the sovereignty of three islands in the Persian Gulf, Abu Musa and the two Tunbs. The dispute over the islands had been dormant until 1992, when the UAE accused Iran of violating the 1971 accord on shared sovereignty of Abu Musa and also demanded that Iran end its occupation of the Tunbs. Although the dispute has persisted as an irritant in Iran–UAE relations, it has not affected trade between the two countries. The UAE, principally the emirate of Dubai, annually exports consumer goods valued at several billion U.S. dollars to Iran.

### Relations with other Middle Eastern Countries

In the late 1990s, Iran began a dialogue with Egypt, which had been a bitter foe since the early days of the Islamic regime. The normalization of relations between Iran and Egypt was stalled for several years by Iran's refusal to rename a Tehran street honoring the assassin of Egyptian President Anwar Sadat. Although Iran's parliament finally voted to change the street's name in January 2004, other issues stalled the resumption of full diplomatic ties. Nevertheless, Iran's relations with Egypt improved substantially between 1997 and 2005. Meanwhile, relations with Egypt's southern neighbor, Sudan, which were not close during most of the 1980s, became cordial after a 1989 coup brought to power a military government allied with a Sudanese Islamist political party led by Hasan al-Turabi. However, relations deteriorated gradually throughout the 1990s because of Turabi's persistent criticism of Shias for not being "complete Muslims." Relations with Sudan improved after that country's rulers broke with Turabi and his followers in late 1999.

Iran continued to have a good working relationship with Syria under Khatami, despite Syria's secularist orientation. Trade (primarily Iran's concessionary sales of oil to Syria), tourism (particularly the visits of several thousand Iranian pilgrims per year to Syria), and a shared view of Middle Eastern security issues were important aspects of this relationship. Prior to 2005, Syria was a main conduit for Iran's relations with Lebanon. The largest religious community in multiconfessional

Lebanon is composed of Shia Muslims, and Iran's interest in this group's welfare long predates the Islamic Revolution of 1978–79. Beginning in the early 1980s, Iran maintained direct relations with both Lebanese Shia armed political factions, Amal and Hizballah, sometimes mediating conflicts between the rivals. Following the end of Lebanon's 15-year civil war in 1990, that country's central government tried to persuade Iran not to provide direct assistance, especially arms, to Amal and Hizballah. But Lebanon's de facto political dependence on Syria meant that Iran could ignore the government's entreaties. The withdrawal of all Syrian military forces and intelligence agents from Lebanon in 2005 and the presence of Hizballah as a political party in the coalition government that came to power in Lebanon in July 2005 reinforced Iran's position in Lebanon. Iran reportedly lent support to Hizballah's conflict with Israel in mid-2006.

In the early 2000s, Iran's relations with Lebanon and Syria were intertwined with its policy toward Israel. Iran has supported the position of both countries that the Israeli occupation of parts of their territories (part of southern Lebanon from 1978 until 2000 and Syria's Golan Heights since 1967) is illegal under international law, as is the Israeli occupation of the Palestinian territories known as the West Bank, along the Jordan River, and the Gaza Strip. Like Lebanon and Syria, Iran held that the creation of Israel in 1948 on land that a UN partition resolution had allotted to a Palestinian state was a violation of that resolution and therefore illegal. For that reason, Iran refused to extend diplomatic recognition to Israel. In fact, one of the very first foreign policy initiatives of the provisional government in February 1979 was to rescind the de facto recognition that the shah had granted to Israel in the early 1960s and to turn the Israeli trade mission in Tehran over to the Palestine Liberation Organization (PLO). Iran's relations with the PLO ended a year later, when the PLO expressed support for Iraq's invasion of and subsequent eight-year war with Iran. After Israel and the PLO signed the Oslo Accord on mutual recognition in 1993, President Rafsanjani announced a position that remained Iran's official policy on Israel and the Palestinians for the remainder of his term and throughout the Khatami administration: The peace process did not provide a just procedure for dealing with the issue of Palestinian refuges from 1948, but Iran would not oppose any agreement with Israel that the Palestinian people accepted. The regime of Mahmoud Ahmadine-

jad, however, took a harder overall line toward Israel, expressed by several virulent attacks in presidential speeches.

The peace process between Israel and the PLO had collapsed by winter 2001; PLO officials then established clandestine contacts with officials in Iran about obtaining weapons for the police forces of the governing Palestinian Authority. In January 2002, Israeli commandos intercepted the freighter *Karine A* in the Mediterranean Sea, carrying 50 tons of Iranian weapons. The Khatami government denied any involvement in the shipment, whose origin remained unclear. Whatever its origin, the *Karine A* affair, occurring only a few months after the September 11, 2001, terrorist attacks in the United States, had a fateful impact on the U.S. perception of Iran's role in the fight against terrorism.

With a few notable exceptions, Iran's relations with the other non-Arab countries in the region have been pragmatic, if not cordial, both during and after the Khatami presidency. In the 1980s and early 1990s, Iran and Turkey maintained diplomatic relations and engaged in considerable trade, despite the fact that armed Kurdish groups, particularly the Kurdistan Workers' Party (known by its Kurdish initials, PKK), staged attacks in both directions across their mutual border, and despite the Turkish government's avowed secularism and close relations with the United States and Israel. During the Khatami era, Iran's relations with Turkey remained good, with increased trade and Turkish investment in Iran. In the wake of the U.S. occupation of Iraq, Iran and Turkey have increasingly shared anxiety about increased activity by their respective Kurdish minorities. However, in the winter of 2006 Iran abruptly cut deliveries of natural gas to Turkey, and Turkey's public position against Iran's nuclear program also caused friction. Turkey's growing security cooperation with Israel is another matter of concern for Iran, as is competition with Turkey over pipeline routes from the Caucasus Mountains.

### Relations with Neighbors to the North and East

Iran has enjoyed generally good relations with Russia and most of the other former Soviet republics since the breakup of the Soviet Union in 1991. In 1995 Russia agreed to finish construction of a large nuclear power reactor in the southern Iranian city of Bushehr, despite intense opposition from the United States. Russia's extensive trade with Iran has included the sale of military equipment. In addition, the two countries

cooperated closely between 1996 and 2001 to support former Afghan government forces fighting against the Taliban government in Afghanistan. Iran meanwhile continued to maintain a cordial relationship with the former Soviet republics of Central Asia, building important pipeline and rail connections with Turkmenistan, for example.

The one country among its northern neighbors with which Iran has not had cordial relations is Azerbaijan. Iran provided de facto assistance to Armenia during the 1992–94 war between Armenia and Azerbaijan over the Armenian-populated province of Nagorno–Karabakh in Azerbaijan. That war was a disaster for Azerbaijan, ending with Armenia in control not only of Nagorno–Karabakh but also of the Azerbaijani territory between Armenia and Nagorno–Karabakh. Possibly in retaliation, Azerbaijan has not cooperated with Iran on issues of concern to Tehran, such as the decline of caviar-producing sturgeon and increased pollution of the Caspian Sea. Furthermore, newspapers and politicians in Azerbaijan continue to assert territorial claims on Iran's Azeri-speaking provinces of East and West Azarbaijan. Although such claims are not official, they have provoked angry responses from Tehran. Iran has cultivated closer relations with Armenia in economic and transportation policy, building a new pipeline and a new railroad across the mutual border.

Iran's relations with its eastern neighbors have been complex. In Afghanistan, the Taliban seized Kabul in 1996 after defeating the various Tajik, Uzbek, and Hazara militias that subsequently formed the Northern Alliance in a small area of northeastern Afghanistan outside Taliban control. Iran supported the Northern Alliance because it disliked the Taliban's puritanical, anti-Shia Islamist ideology and believed that the Taliban was a tool of Pakistan. In August 1998, Taliban forces executed several captured Iranian diplomats. In response, Iran massed some 250,000 troops along its Afghan border and seriously contemplated invading the country. In subsequent years, Iran continued to work against the Taliban, even cooperating with the United States in the overthrow of the Taliban government in late 2001 (see The United States and Iran, this ch.). In 2006 Iran was supporting anti-Taliban and anti-U.S. conservative forces in Afghanistan in an effort to solidify its influence in that country.

Iran and Pakistan maintained correct relations in the 1980s and early 1990s, but tensions existed between them as they sup-

ported different Afghan resistance forces against the Soviet-backed government in Afghanistan. After 1992, Iran also believed that Pakistan was largely responsible for creating and supporting the Taliban. Suspicions about Pakistan led Iran to develop closer ties with India, which also helped support the Northern Alliance. Trade between India and Iran became important by the 1990s, and the two countries began to discuss plans to build a pipeline to transport natural gas from Iran to both Pakistan and India. In 2003 the two countries signed a comprehensive partnership agreement, and India has not been critical of Iran's nuclear program. Plans for a pipeline route and the financing of construction costs were finalized in 2005.

Despite Iran's reservations about Pakistan's policies in Afghanistan, sometime in 1992 or later A.Q. Khan, the head of Pakistan's nuclear program, began to sell Iran plans and technology for producing nuclear fuel enriched to levels suitable for use in weapons. This activity only was revealed in 2002 by the government of Pakistan, which claimed no prior knowledge of the secret sales. The revelations caused Iran to admit that it had constructed an elaborate network of facilities for conducting research and experiments on nuclear fuel cycle activities.

### The United States and Iran

The United States broke diplomatic relations with Iran in April 1980, during the hostage crisis, and relations had not been restored as of late 2007. Secret talks occurred between the United States and Iran in the mid-1980s, but their premature revelation was an embarrassment for both countries. Consequently, even though the talks had been approved at the highest levels in Tehran and Washington, some Americans and some Iranians involved in them were punished by their respective governments. New, tentative overtures toward normalizing relations were undertaken during the presidential administrations of George H.W. Bush and Ali Akbar Hashemi Rafsanjani, but these did not bear fruit by the end of Bush's term in 1993. The administration of William J. Clinton, which followed, had a more suspicious view of Iran. In early 1993, it announced a policy of dual containment to isolate both Iran and Iraq. Two years later, an executive order forbade U.S. firms and individuals from trading or having any financial transactions with Iran, and in 1996 the Iran–Libya Sanctions Act (ILSA) expanded economic sanctions against Iran. Consequently, when Khatami

took office as president of Iran in 1997, the United States was not positioned to respond quickly to the opportunities his administration presented.

In a series of statements during his first few months in office, Khatami called for better relations with the West and, specifically, closer ties with the United States. In an extraordinary interview broadcast in January 1998, he expressed "great respect" for the American people, condemned the use of terrorism, and again called for closer U.S. ties. American officials reacted cautiously to these overtures, making a few minor gestures such as listing the Mojahedin-e Khalq as a terrorist organization. However, the United States continued to insist that any bilateral discussions with Iran focus on its nuclear program, its alleged support for terrorist groups, and its opposition to the Israeli-Palestinian peace process—preconditions that Iran had rejected repeatedly in the past. A few weeks after Khatami's interview, Khamenei further undermined the prospects for rapprochement in a major speech, stating that the United States was Iran's "enemy" and making it clear that he opposed better relations as long as Washington continued to act "arrogantly" toward Iran. Other conservatives quickly joined Khamenei in denouncing the United States, thereby politicizing the issue of U.S relations and making it difficult for Khatami to move forward. However, while relations between the two governments remained problematic during this period, many U.S. NGOs became much more active in Iran.

In June 1998—more than a year after Khatami was elected—U.S. Secretary of State Madeleine Albright laid out a "road map" to achieve better bilateral relations. U.S. officials made several minor gestures toward Iran during 1998 as well, declining to apply sanctions to third-country firms investing in Iran (as provided for in the ILSA), working with Iranian officials in a UN committee on Afghanistan, and removing Iran from the U.S. list of countries involved in illicit drug transit or production. In April 1999, the United States authorized sales of food and medicine to Iran. Iranian officials generally found these gestures positive but considered them small steps that did not address the crippling economic sanctions that remained in force. Moreover, faced with increasing criticism from the conservatives beginning in 1998, Khatami and his allies concluded that whatever benefits might result from responding positively to these limited U.S. actions were outweighed by the high domestic political costs of doing so.

Despite Iran's tepid response, U.S. officials continued efforts to promote rapprochement until the Clinton administration left office in January 2001. The high point of this initiative came in March 2000, when Albright officially acknowledged the U.S. role in overthrowing Iranian prime minister Mohammad Mossadeq in 1953, lifted restrictions on U.S. imports of Iranian food products and carpets, and identified areas where the United States and Iran could cooperate. However, Albright also pointedly criticized Iran's "unelected officials"—an obvious reference to Khamenei and other key conservatives. Predictably, Khamenei's negative reaction to Albright's speech nullified the important concessions she had made.

When George W. Bush was elected U.S. president in November 2000, the prospects of continued rapprochement with Iran seemed good. However, the Bush administration did not continue its predecessor's efforts. The administration's review of Iran policy was interrupted by the terrorist attacks of September 11, 2001; Iranian officials expressed deep sympathy over the loss of life and then gave assistance to the United States as it attacked the forces of the Taliban and the terrorist group al Qaeda in Afghanistan. Iran facilitated U.S. contacts with the Northern Alliance, allowed U.S. forces to use Iranian territory and airspace for various purposes, and worked closely with U.S. officials to set up a post-Taliban government. Although Iran clearly had an interest in helping to overthrow the Taliban, the Iranian assistance seemed to be a deliberate, positive gesture toward the United States.

Before the Bush administration decided on whether to reciprocate Iran's gesture in Afghanistan, the *Karine A* incident of January 2002 had the effect of putting Iran into the camp of supporters of terrorism, as seen from the U.S. perspective. Several weeks later, in his State of the Union address, Bush linked Iran with Iraq and North Korea in an "axis of evil." Iranian officials were angered that the United States had ignored the assistance they had provided in Afghanistan and had put Iran in the same category as Iraq, whose government, in their view, had committed acts of incomparable brutality.

The "axis of evil" characterization initiated a new period of mutual recriminations between Iran and the United States. Although Iran did not end its cooperation with the United States in Afghanistan, contacts were scaled back considerably, and misunderstandings were more common than consensus

during 2002 and 2003. Iranian forces arrested some al Qaeda members who fled into Iran.

Iraq became another arena for cooperation and conflict with the United States. On the one hand, Iran did not welcome the prospect of a large American military force occupying Iraq. On the other hand, it did welcome Saddam Hussein's removal from power and the opportunity for Iraq's Shias finally to gain representation in national government. Iran's main ally in Iraq was the Supreme Council for the Islamic Revolution in Iraq (SCIRI), which had been based in exile in Iran since 1980, and whose militia returned to Iraq soon after the U.S. invasion of March 2003. Iran's relations with the SCIRI have provided it with influence in Iraq, but Iraq's large Shia community (estimated at 55 percent of the country's population) did not unite around a single political party.

The initial U.S. victory in Iraq prompted some official talk in Washington of the need for "regime change" in Iran. This language put Khatami and the reformists on the defensive, forcing them to demonstrate their loyalty to Iran by denouncing the United States as strongly as did the conservatives. By 2004, however, the rhetoric had abated, and both Iran and the United States seemed to have reverted to ambivalent attitudes toward each other. Washington continued to cite the need for "freedom" in Iran while simultaneously stressing the value of negotiations with Tehran on its nuclear program. In March 2005, Bush agreed with his EU allies that they should offer Iran a carrot if it would abandon efforts to enrich uranium for fuel: The United States would drop its opposition to Iran's application for membership in the World Trade Organization. In 2006 and 2007, there was persistent media speculation about a possible U.S. attack on or invasion of Iran, as tensions continued and negotiations failed to resolve issues.

Tensions around the nuclear issue diminished in the fall of 2007 when an official U.S. government intelligence report declared that Iran likely ceased work on its nuclear weapons program in 2003. However, the Bush administration maintained that the nuclear program represented an ongoing danger because of Iran's continued enrichment of uranium and that Iran's support of terrorist organizations in the Middle East remained unacceptable.

* * *

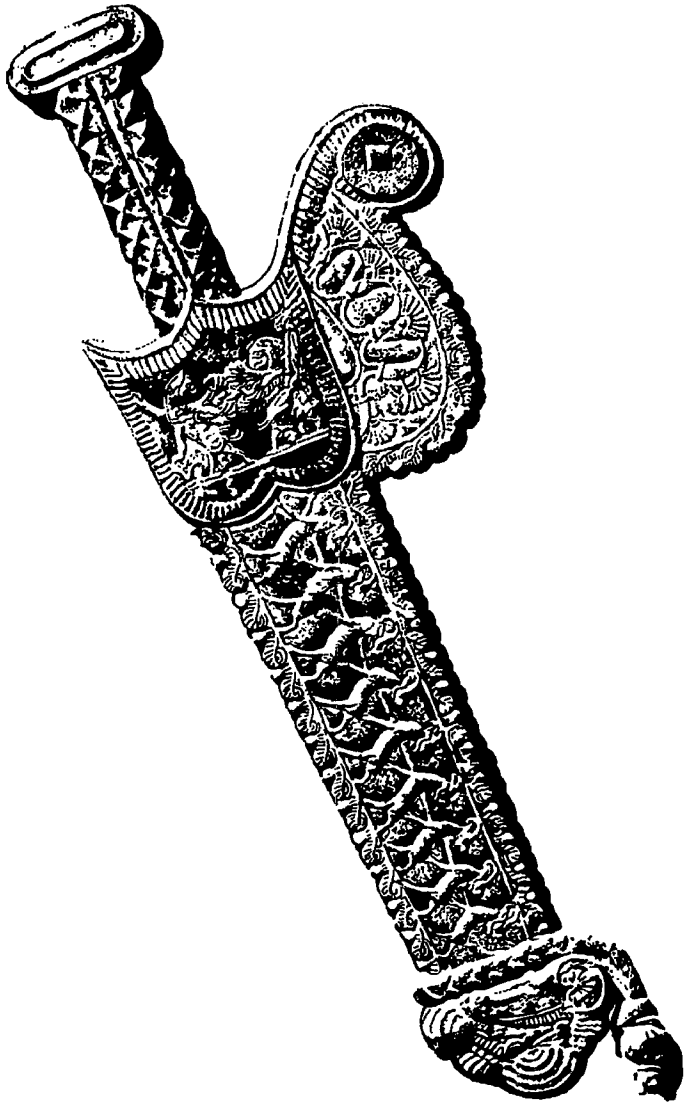
The most comprehensive analysis of Iran's political dynamics, especially the development of the political struggles between the reformists and conservatives during the 1990s, is Mehdi Moslem, *Factional Politics in Post-Khomeini Iran.* An updated account, which covers Khatami's second administration and the initial months of Ahmadinejad's presidency, is Ali Gheissari and Vali Nasr, *Democracy in Iran: History and the Quest for Liberty.* Several journalists who were stationed in Iran for a year or more also have written informative accounts of post-1999 politics; these books include Geneive Abdo and Jonathan Lyons, *Answering Only to God: Faith and Freedom in Twenty-First-Century Iran;* Christopher de Bellaique, *In the Garden of the Martyrs;* Azadeh Moaveni, *Lipstick Jihad;* and Afshin Molavi, *The Soul of Iran.* For a thorough description of Iran's governmental institutions, see Wilfried Buchta, *Who Rules Iran?* This book may be supplemented by Bahman Baktiari's *Parliamentary Politics in Revolutionary Iran: The Institutionalization of Factional Politics,* a detailed analysis of the first and second postrevolutionary parliaments, and Kian Tajbakhsh's article on local government councils, "Political Decentralization and the Creation of Local Government in Iran."

On the development of political parties and civil society organizations, articles by the following scholars provide useful insights: Hossein Akhavi-Pour and Heidar Azodanloo, Mark Gasiorowski, Arang Keshavarzian, Farhad Khosrokhavar, and Azadeh Kian-Thiébaut. An interesting account of the legal campaign to institutionalize basic human rights protections is the memoir by Iran's Noble Peace Prize laureate, Shirin Ebadi, *Iran Awakening.* Specific human rights issues are covered by Ervand Abrahamian in *Tortured Confessions* and Reza Afshari in *Human Rights in Iran.* On this topic, also see the annual reports of Amnesty International, Middle East Watch, and Reporters Without Borders. Mass media and the arts, especially cinema, are covered in Hamid Dabashi, *Close-Up,* as well as in the collection of articles, *The New Iranian Cinema,* edited by Richard Tapper.

The article by Arshin Adib-Moghaddam, "Islamic Utopian Romanticism and the Foreign Policy Culture of Iran," provides a succinct overview of the ideological premises that underlie the foreign policy of the Islamic Republic of Iran. Other aspects of general Iranian foreign policy are analyzed in articles contained in the edited volume by Eric Hooglund, *Twenty Years of Islamic Revolution.* U.S.-Iranian relations since the 1978–79 Revolution are examined in William O. Beeman, *The "Great*

*Satan" vs. the "Mad Mullahs": How the United States and Iran Demonize Each Other*; James A. Bill, *The Eagle and the Lion*; and in articles by Eric Hooglund, R.K. Ramazani, and Gary Sick. The issue of Iran's nuclear development program is discussed in Ali Ansari's *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East.* (For further information and complete citations, see Bibliography.)

# Chapter 5. National Security



*A sword and scabbard from a bas-relief at Persepolis, ca. 500 B.C.*

UNTIL THE MID-1960s, IRAN'S NATIONAL security strategy had an internal focus. The primary objective was to develop and deploy a strong national military that would put a conclusive end to resistance by tribal groups, which, as late as the 1920s, had maintained autonomy over portions of the Iranian countryside. After suppressing the last major tribal rebellions, the military began to focus on potential external threats. In 1968 two developments combined to elevate the Persian Gulf region as a primary security concern: the announcement by Britain that it would withdraw its military forces from the Persian Gulf sheikhdoms and grant its protectorates there full independence, and a coup d'état by the Sunni Baathist Party in Iraq. By the early 1970s, Iran was providing military support to a Kurdish uprising in northern Iraq against the Baathist regime and had dispatched a contingent of troops to Oman to oppose an antimonarchical movement that had occupied the southern half of that country. Although a 1975 treaty temporarily resolved the problems with Iraq, the Islamic Revolution of 1978–79 weakened Iran's internal and external security. Within a few months after the Revolution, counterrevolutionary groups, tribes, and various ethnic minorities were engaging in armed conflict with government security forces. Then, in September 1980 Iraqi ground troops moved across the entire Iran–Iraq border, beginning a costly eight-year war of attrition that has had a lasting effect on Iran's security policy.

After 1979, a combination of internal instability and external pressures resulted in a state structure that relied on a strong military to deter foreign threats and assert domestic authority. Factional politics and increasingly problematic relations with the international community further complicated Iran's security policy. The Iran–Iraq War taught Iran that military independence was vital and that command of the air was the most important factor in military success. In the decades following the war with Iraq, Iran coped with an international arms embargo by piecing together military technology and incomplete inventories of weapons, vehicles, and aircraft. Meanwhile, it slowly assembled a missile force capable of ensuring regional domination. Concerned that Iran had clandestinely developed facilities to process nuclear fuel potentially applicable to nuclear weapons manufacture, the international community

applied various diplomatic and economic strategies to persuade Iran to discontinue its uranium enrichment program. The controversy over the nuclear energy program has strongly influenced Iran's overall national security policy.

## The Armed Forces

### Historical Background

#### *The Military under the Pahlavi Shahs*

Iran's twentieth-century army was formed by Reza Khan, who became minister of war in 1921, prime minister in 1923, and shah in 1925, taking the name Reza Shah Pahlavi (see The Era of Reza Shah, 1921–41, ch. 1). Supposedly created to defend the country from foreign aggression, the army became the enforcer of Reza Shah's internal security policies against rebellious tribes and political opposition groups. Between 1924 and 1940, Reza Shah allocated between 30 and 50 percent of national expenditures to the army. He not only purchased modern weapons in large quantities but also created an air force and a navy as branches of the army in the 1920s. With the introduction of the new services, the army established two military academies to meet the ever-rising demand for officers. The majority of the officers continued training in Europe, however. By 1941 the army stood at 125,000 troops, five times its original size. Considered well trained and well equipped, it had gained a privileged role in society. Disloyalty to the shah, evidenced by several coup attempts, was punished harshly. The public perceived the military mainly as a tool to uphold the shah's dictatorial regime.

Disproving the high reputation of Iran's armed forces, in August 1941 British and Russian forces invaded Iran when Reza Shah, who had declared Iran neutral in World War II, refused to expel German nationals from the country. In three days, the invading forces decimated the Iranian army and completely destroyed the fledgling air force and navy. With his institutional power base ruined, the shah abdicated in favor of his 22-year old son, Mohammad Reza Shah (r. 1941–79 as Mohammad Reza Shah Pahlavi) (see World War II and the Azarbaijan Crisis, ch. 1).

Reza Shah's abdication in favor of his son did not slow the modernization of the army. In 1942 the United States sent military advisers to Iran to aid the new shah in reorganizing his

*Members of the shah's Imperial Iranian Armed Forces*

forces, thus establishing a relationship between the armed forces of the two nations that would last until the Revolution of 1978–79. Beginning in 1946, the parliament (Majlis—see Glossary) put limits on the military budget to keep the army from resuming its role as a base of political power. Although determined to build an effective military establishment, the shah was forced to accept the managerial control of the parliament. Mohammad Mossadeq, who with the support of the parliament gained the posts of prime minister (1951) and minister of war (1952), dismissed officers loyal to the shah. With the assistance of British and U.S. intelligence, however, officers who had been dismissed overthrew Mossadeq in August 1953 and re-installed the shah, who had fled the country (see Mossadeq and Oil Nationalization, ch. 1). Within two years, the shah consolidated his control of the armed forces. In this period, separate commands were established for the army, air force, and navy; all three branches of the military embarked on large-scale modernization programs that continued to the end of the shah's reign in 1979.

After the 1953 coup, the shah instituted an unparalleled system of control over all his officers. The monarch not only made all decisions pertaining to purchasing, promotions, and routine military affairs but also restricted interaction among

his officers, who were forced to deal individually with their ruler. However, the absence of leadership at the general staff level and below that resulted from this practice literally paralyzed the military as the Revolution gathered momentum in the fall and winter of 1978–79 (see The Coming of the Revolution, ch. 1). In response to numerous mass demonstrations, the army lashed out heedlessly, killing and injuring numerous civilians. The most infamous such encounter occurred at Jaleh Square in Tehran in September 1978, shortly after martial law had been declared in Iran's major cities. In response to these incidents, demonstrators "attacked" army units, deployed to maintain order, with flowers. This tactic demoralized troops and caused conscripts to desert en masse.

In early February 1979, continued mass demonstrations brought about a declaration of neutrality by the military, leading to the collapse of the government left in power when the shah fled Iran in January. Installed in its place was a provisional government named by revolutionary leader Ayatollah Sayyid Ruhollah Musavi Khomeini. Within days, Khomeini and several other religious leaders announced that the armed forces had "returned to the nation" and cautioned against indiscriminate vengeance against service members. Nevertheless, large numbers of the shah's former officers were dismissed or fled the country.

### *The Postrevolutionary Period*

The new government took prompt steps to reconstitute the armed forces. Intent on remolding the shah's army into a loyal national Islamic force, Khomeini made radical changes in the senior officer corps and at the command-and-control level. Troops who had heeded Khomeini's appeal to disband were called back in March 1979, and a new command group of officers with impeccable revolutionary credentials was established. General staff personnel were called back to coordinate the reorganization; division and brigade command positions were promptly filled by reliable officers. Only the personal guard units of the shah were permanently disbanded.

To protect the new regime from counterrevolutionary threats during the period when the military was being reformed, a parallel military institution, the Islamic Revolutionary Guard Corps (IRGC) or Revolutionary Guards (Pasdaran; in full, Pasdaran-e Enghelab-e Islami), was formed. The IRGC has been the most loyal and dominant armed force in Iran

since the Revolution. Originally created as a protector of the regime, the IRGC became a full military force during the Iran–Iraq War (see Special and Irregular Armed Forces, this ch.). As a separate and parallel organization that eventually developed its own air and naval divisions, the IRGC became a rival of the regular armed forces. In 1989 this anomaly was resolved with the merger of all the military forces under a single command. A new position was created for the officer who would lead the combined forces: chief of staff of the armed forces and commander of the Gendarmerie (rural police). The influence of the IRGC on this joint structure is reflected in the fact that through the end of 2007 every person holding the position of armed forces chief of staff has been a senior IRGC officer.

When war with Iraq broke out in September 1980, the Islamic Republic of Iran was both internally and externally vulnerable and had no real defense strategy. Because Iran had neither expected nor prepared for the war, Iraqi troops easily occupied parts of oil-rich Khuzestan Province. Having discarded its alliance with the United States in 1979 and joined the Non-Aligned Movement, Iran fought the entire war without significant military support from a friendly state, except for tactical support from Syria. In its search for weapons, the regime was even forced to deal, clandestinely, with putative enemies such as Israel and the United States. Politically, too, Iran had very few friends and soon entered into a phase of international isolation, even among Islamic countries.

The Iran–Iraq War helped to lay the foundations for the geopolitical and military conditions that influenced many of the security decisions of the 1990s. The war highlighted the international isolation of Iran's new government and the regional pressures exerted by surrounding regimes. Furthermore, the war with Iraq forced Iran to address the problem of having two separate armed forces, one professional (the army) and the other voluntary and politically motivated (the IRGC). Coupled with a history of foreign intervention, manipulation, and exploitation, the events of the 1980s reinforced the desire for military self-reliance.

The presidency of Ali Akbar Hashemi Rafsanjani, which began in 1989, saw substantial reorganization of Iran's national security establishment in response to the shortcomings revealed by the Iran–Iraq War. A central aim of this process was to professionalize Iran's irregular forces and reform them into a conventional military organization (see Command and Con-

trol, this ch.). In the 1990s, the military reassessment process also emphasized acquisition of missiles and weapons of mass destruction (WMD), with the aim of making Iran capable of waging war independently of outside suppliers (see Arms Acquisition; Military Doctrine, this ch.).

Beginning in 1991, international events presented new considerations for Iran's national security policy makers. The Persian Gulf War of 1991 brought large numbers of U.S. troops close to Iran's borders. The terrorist attacks of September 11, 2001, again brought U.S. forces to the region, this time in both Afghanistan and Iraq. After lending some assistance to troops of the United States and the North Atlantic Treaty Organization (NATO) in Afghanistan, Iran remained neutral toward the U.S. invasion of Iraq in 2003 (see Contemporary Security Policy, this ch.).

### Command and Control

Early in his presidency, Rafsanjani took steps to streamline the army while encouraging the professionalization and institutionalization of the IRGC. In effect, the IRGC's ground forces were reorganized into 21 infantry divisions, 15 independent infantry brigades, 21 air defense brigades, 3 engineering divisions, and 42 armored, artillery, and chemical defense brigades. Some 21 new military ranks (from private to general, divided among the categories of soldiers, fighters, officers, and commandants) also were created.

In 1989 the IRGC and the professional armed forces were amalgamated under the Ministry of Defense and Armed Forces Logistics (MODAFL). This measure dissolved the separate ministry that had run the IRGC, placing its command structures within the new MODAFL. The creation of the MODAFL allowed the regime to minimize potential threats from the revolutionary IRGC. Also, the assignment of ranks was a first step in professionalizing the IRGC, with the ultimate goal of further unifying the armed forces under a comprehensive defense umbrella. In further reforms, the Rafsanjani regime expanded the Joint Chiefs of Staff and created the General Command of the Armed Forces Joint Staffs. These changes strengthened the institution of the Joint Staff Office. Although resentment between the IRGC and the regular army still existed in the early 2000s, the Rafsanjani reforms resulted in more cooperation between the two forces.

Under Article 110 of the constitution of 1979, the Iranian head of state (the Leader of the Revolution) has full authority to appoint and dismiss the chief of the Joint Staff, the commander in chief of the IRGC, and as many as two advisers to the Supreme Defense Council (SDC), the body responsible for strategic planning and development of military and defense policy. On the recommendation of the SDC, the Leader also can appoint or dismiss the commanders in chief of the ground, naval, and air forces. The Leader also has authority to supervise the activities of the SDC, and, on its recommendation, to declare war and mobilize the armed forces. As Leader, Khomeini maintained the role of final arbiter, but he delegated the post of commander in chief to the president (see The President and Cabinet, ch. 4).

Article 110 stipulates that the SDC consist of the president, minister of defense, chief of the Joint Staff of the Armed Forces, commander in chief of the IRGC, and two advisers appointed by the Leader. Other senior officials may attend SDC meetings to deliberate on national defense issues. In the past, the minister of foreign affairs, minister of interior, commanders in chief of the air force and navy, and others have attended meetings. The council has representatives at operational area and field headquarters to provide political and strategic guidance to field commanders. SDC representatives may veto military decisions.

There are two chains of command below the SDC: one administrative, the other operational. To some extent, this dual chain of command is a holdover from the organizational structure of the Imperial Iranian Armed Forces, which was modeled on the U.S. division of powers between the administrative functions of the service secretaries and the operational functions of the secretary of defense and the chiefs of staff. In addition, government leaders saw this structure as a way to limit friction between the regular military and the IRGC.

In this dual structure, the MODAFL handles administrative matters for the entire armed forces. The administrative chain of command flows upward from senior unit commanders (division, wing, and fleet) to intermediate-echelon service commanders and to service commanders in chief and their staffs. Similarly, during its existence the Ministry of the Islamic Revolutionary Guard Corps handled the administrative affairs of the IRGC. The operational chain of command flows upward from senior unit commanders (operational brigades in the case of

combat units) to the ministry staff officers. Even though the Ministry of Defense oversees the entire armed forces, the IRGC continues to benefit from a unique and distinguished status compared to the regular army. After the election of Mahmoud Ahmadinejad as president in June 2005, there was some indication that the operational chain of command would be weakened in order to mitigate the decision-making authority possessed by operational officials.

## Decision Making

Iran's decision-making system is a complex of competing influences whose conflicts are resolved through a culturally prescribed consensus procedure. Power distribution within the system rests on the personal relationships of the primary actors rather than on a formal set of rules and regulations. The complex relationships within the hierarchy of the regular military and the parallel IRGC military organization, and the relationships of those organizations with informal power centers, are based on clan and family. Nevertheless, the decisions of military leaders generally are heavily influenced by decisions conveyed to them before their "deliberation" process begins. Because the Leader's judgment rarely is questioned, no system of checks and balances exists in most cases. Senior religious figures often involve themselves in military decision making, which has resulted in unsuccessful outcomes when expert analysis was contravened. The hierarchical system, maintained by the emphasis on consensus, discourages "rogue actions."

## Organization, Size, and Equipment

### *Army*

The estimated force level of the regular army increased from 325,000 in 2001 to 350,000 in 2007 (see table 12, Appendix). Of that number, an estimated 220,000 were conscripts. Most of the personnel who gained combat experience in the Iran–Iraq War had left military service by the mid-1990s. Experts do not rate Iran's military training highly, so the potential combat performance of the ground forces is unknown.

After the Revolution, the army underwent a structural reorganization. The ground forces of the Imperial Iranian Armed Forces had been deployed in six divisions and four specialized combat regiments that were supported by more than 500 helicopters and hovercraft. Following the Revolution, the army was

renamed the Islamic Iranian Ground Forces (IIGF). In 2006 the IIGF comprised four armored divisions, each with three armored brigades, one mechanized brigade, and four or five artillery battalions; six infantry divisions; two commando divisions; one airborne brigade; one special forces brigade; six artillery groups; and aviation support units.

Prior to the Revolution, Iran had purchased matériel for its ground forces from many countries, including the United States, the United Kingdom (UK), France, the Federal Republic of Germany (West Germany), Italy, and the Soviet Union. With access to many of its traditional suppliers restricted during the Iran–Iraq War, Iran made selective purchases from a wide variety of suppliers, including the Democratic People's Republic of Korea (North Korea), China, Brazil, Israel, and the Soviet Union. The diversity of the weapons purchased from these countries greatly complicated training and supply procedures. Nevertheless, by 2000 Iran had done much to restock its arsenal, most notably by the addition of 72 combat aircraft and 108 heavy artillery weapons.

Iran's army relies primarily on main battle tanks of Soviet manufacture, together with some from China and the UK and 100 domestically produced Zulfiqar tanks (see table 13, Appendix). Armored units suffer from a lack of spare parts for their foreign tanks and from the obsolescence of most models, although the size of the armored force increased significantly in the late 1990s. The Zulfiqars and the Soviet T–72s on which they are based are the most advanced main battle tanks in the arsenal. Most of Iran's armored personnel carriers (APCs) and armored vehicles, together totaling 1,250 units in 2006, are Soviet models, supplemented by the 1960s-vintage U.S. M–113 and the domestically produced Boragh APC, which is based on a Soviet armored vehicle, the BMP.

Iran's artillery units depend heavily on towed rather than self-propelled guns. The predominant type of towed artillery is the M–46 field gun (985 of which were in service in 2006), first produced in the 1950s by the Soviet Union and China. More than two-thirds of self-propelled artillery pieces are U.S.-made M–107 and M–109 howitzers. Nearly all of Iran's multiple-rocket launchers are 107-mm and 130-mm pieces from the Type 63 series, developed by China in the 1960s. Some launchers of Iranian origin also are in service. Most of the 1,700 operable antiaircraft guns are of Soviet manufacture. The surface-

to-surface rocket arsenal includes modified Soviet Scud–Bs and several models of domestic origin.

Most of the aircraft flown by the army's aviation units are U.S.-made holdovers from the Pahlavi era. Some helicopters of Italian manufacture and 25 Russian-made Mi–8 and Mi–17 helicopters have been added.

### *Navy*

Because of the need to defend the Persian Gulf waterway, the navy is an essential combat arm. However, in 2007 that branch, always the smallest of the three services, had only about 18,000 personnel (including 2,600 in naval aviation and 2,600 marines), most of whom had limited experience. The navy operates bases at Bandar-e Abbas, Bushehr, Khark Island, Bandar-e Anzali, Bandar-e Khomeini, Bandar-e Mah Shahr, and Chabahar. The capabilities of the navy have been limited by insufficient resources. Spare-parts shortages have plagued the navy more than the other services because Western naval matériel is less widely available on world arms markets than matériel for the other branches. In particular, arms import limitations in the late 1990s and early 2000s hampered development of amphibious warfare capabilities.

With some of the navy's ships and weapons more than 50 years old, modernization is essential to achieving force readiness. In 2001 naval authorities announced that to achieve naval self-sufficiency Iran would begin building naval craft equipped with rocket launchers, as well as advanced gunboats and destroyers and missile launcher frigates. However, that plan had not materialized by mid-decade. In 2005 some 10 French-built Kaman missile patrol boats, carrying Chinese C–802 surface-to-surface missiles (first acquired in the 1990s, now being manufactured in Iran), were in service. Three 30-year-old Alvand guided missile frigates, four 35-year-old minesweepers, and two 35-year-old Bayandor corvettes also were in service. The operational capabilities of all those vessels were regarded as poor. The navy had no fixed-wing combat aircraft, and its reconnaissance aircraft were all at least 30 years old. All naval air equipment suffers from parts shortages and poor maintenance. Iran is believed to have manufactured sophisticated mines, using Chinese and Russian technology, which could be used to block the strategically vital Strait of Hormuz (see fig. 12). In 2005 the navy had three Soviet-era Kilo-class attack sub-

marines. A new type of minisubmarine called the Qadir went into limited production in 2005.

### *Air Force*

In the early 2000s, Iran's air force was relatively small, with an estimated 52,000 active personnel (including 15,000 assigned to air defense units) and an aging fleet of combat aircraft. After suffering severe losses in the Iran–Iraq War and losing access to U.S. equipment, Iran made some improvements in its combat aircraft fleet in the early 1990s by purchasing fighter jets from Russia, its main supplier of such items since the Revolution. The arms import reductions of the late 1990s and early 2000s resulted in a failure to modernize the air force and ground-based air defenses.

After a steady buildup by the shah in the 1970s, the air force had about 450 modern aircraft and nearly 100,000 personnel, making it the most advanced of Iran's three services. Because most of the new equipment had come from the United States, a significant portion of Iran's aircraft probably were cannibalized for spare parts during the first decade after the Revolution. The air force also was reorganized and substantially reduced in size during this period.

Iran acquired some Chinese and North Korean aircraft in the late 1980s, and in 1991 it made its last large-scale purchase of combat aircraft, consisting mainly of Soviet-made fighter and attack jets in the MiG–27, MiG–29, MiG–31, Su–24, and Su–25 series. A few Su–25 fighter jets reportedly were delivered to the IRGC in 2003. In the early 2000s, the most important combat element of the Iranian air force consisted of 30 Su–24 Fencer and 25 MiG–29A Fulcrum fighter jets. An estimated 80 percent of these Soviet-era aircraft were serviceable during that period. The air force also had seven Su–25 Frogfoot ground attack fighters of Russian manufacture. In 2005 Iran had only about 150 aging U.S.-built aircraft left. These included 65 F–4D/E interceptors and 60 F–5E/F fighters, about 60 percent of which were rated as serviceable in 2002. Iran has long tried to maintain its U.S.-made fighters, despite the U.S. arms embargo, by purchasing spare parts through third parties. Reportedly, in 2004 Iran ordered a number of Super–7 fighters, an upgrade of the J–7 design developed by China's Chengdu Aircraft Corporation. A 2005 arms agreement with Russia provided for modernization of MiG–29 fighter jets and Mi–8 helicopters. Some of the MiG–29s had been flown by the Iraqi air force to

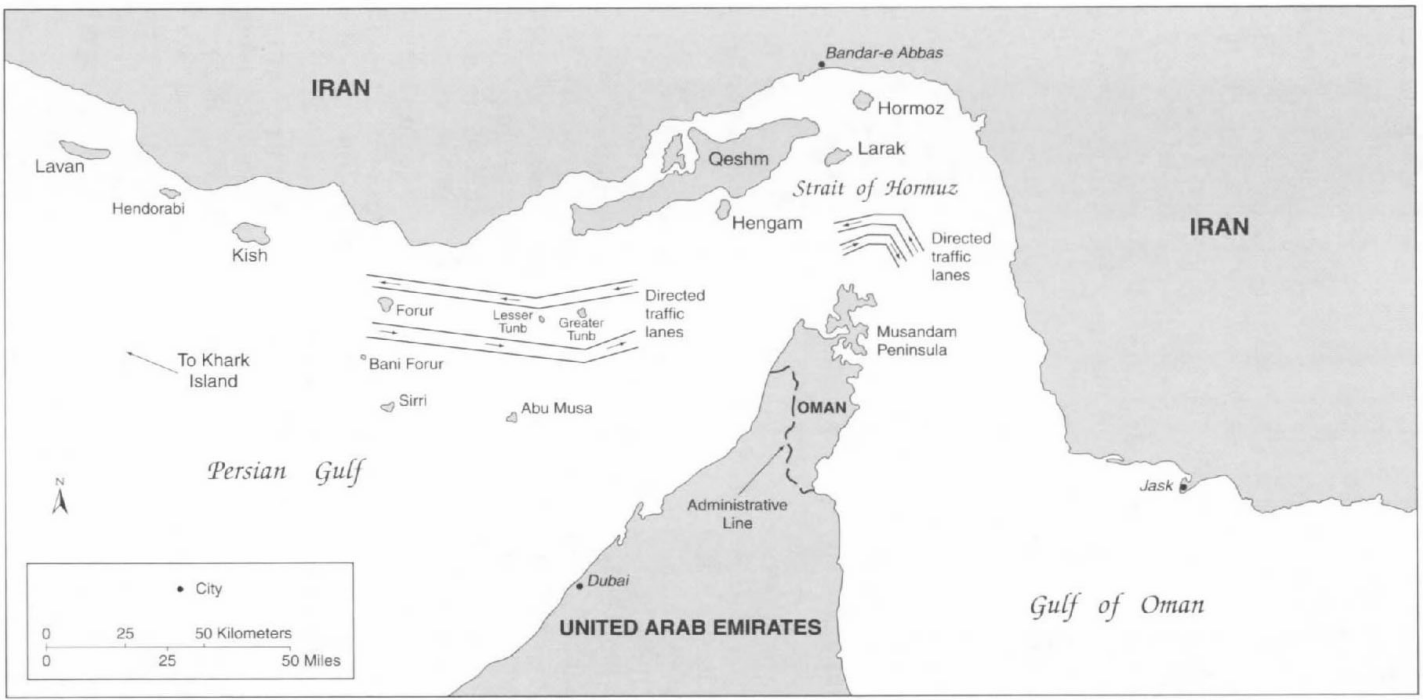



*Figure 12. Strait of Hormuz and Vicinity*

Iran for sanctuary during the Persian Gulf War. Iran purchased the remaining fighters and the helicopters in the early 1990s. The air force has limited air refueling capability.

In 2007 some 14 military air bases were in operation. Air force combat forces were organized in nine ground-attack fighter squadrons, five fighter squadrons, and one reconnaissance squadron. The air force's primary maintenance facility is located at Mehrabad Air Base near Tehran. The nearby Iran Aircraft Industries has supported the air force maintenance unit and provided spare parts. Several less important facilities are located at air bases in the south and near Tehran (see Arms Acquisition, this ch.).

## Special and Irregular Armed Forces

The stresses that the Iran–Iraq War placed on Iran's military establishment were an important factor in the growth of the Islamic Revolutionary Guard Corps (IRGC) and another unofficial military group, the Basij, or Popular Mobilization Army, a subordinate to the IRGC. After existing in parallel during the 1980s, these two organizations were merged as part of the comprehensive force unification in the 1990s. However, the IRGC retained substantial independence as an auxiliary military force.

### The Islamic Revolutionary Guard Corps (IRGC)

With the downfall of the monarchy in 1979, many of the shah's generals left Iran or were executed or purged. As a result, during the war with Iraq the officer corps was depleted, and Iran struggled to reorganize its field forces. The IRGC emerged in early 1979 as a force of about 10,000 men dedicated to preventing a counterrevolutionary coup by elements loyal to the deposed shah, especially within the military. After receiving official status in May 1979, the force was used to suppress the growing influence of largely leftist and ethnic armed groups within Iran, such as the Fedayan-e Khalq (People's Warriors), the Mojahedin-e Khalq (People's Fighters), Peykar, Komela, and a Kurdish group, the Peshmerga. The IRGC subsequently assumed an important military role in the Iran–Iraq War.

As a parallel military and defense force, the IRGC required an independent general staff and related military administrative personnel. Years of trial and error transformed the IRGC

into a force rivaling the Iranian army, although both forces theoretically were under one defense ministry. Unlike the members of the regular army, the rank and file of the IRGC initially were recruited among Khomeini supporters. Those individuals then received special compensation to extend their service after the Revolution.

Gradually, the IRGC evolved into a versatile military force entrusted with preserving the accomplishments of the Revolution through an expanding range of activities. (The regular army, by contrast, retained the primary function of safeguarding Iran's territorial integrity and political independence, as prescribed by the constitution.) Under the Ministry of the Islamic Revolutionary Guard Corps, which existed from 1982 to 1989, the IRGC became the leading institution for weapon system procurement in Iran. In the early 2000s, most weapon system purchases continue to fall under IRGC jurisdiction, rather than that of the regular military. Since the 1980s, the IRGC has played a role in military training and exercises and in nonmilitary activities such as the installation of gas pipelines in regions where no private-sector contractor is willing to work. An intelligence branch of the IRGC cooperates with the government's official security agency, the Ministry of Information and Security (MOIS; see Internal Security, this ch.). The IRGC's training in land and naval asymmetrical warfare made it a valuable asset as Iran incorporated that type of combat more fully into its military doctrine in the early 2000s.

The IRGC had an estimated 125,000 active personnel in 2007. The Qods Corps is a shadowy intelligence and military organization of the IRGC. Directly responsible to the Leader, Qods is suspected of being active in Iraq, together with IRGC and MOIS forces, since the U.S. occupation of that country in 2003, and it is suspected of having a role in several major terrorist attacks against Western targets in the 1990s. Qods agents have been reported in the Middle East, South and Central Asia, North Africa, and Europe.

### The Basij

During the war with Iraq, the Basij emerged as a volunteer force organized and staffed by civilians to provide support to the IRGC and the regular military. Originally formed in late 1979 in response to Khomeini's call for a volunteer militia to confront an expected U.S. invasion, the Basij fielded an estimated 550,000 troops in the Iran–Iraq War and suffered 36,000

*Troops of the Revolutionary Guard Corps in Qasr-e Shirin*
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fatalities. The force has recruited mainly among young people, including many who drop out of high school to join. Young volunteers receive significant incentives to join the Basij. Senior political leaders often have praised the Basij for its contributions to various civilian projects such as earthquake relief work. The force is available for any situation deemed an emergency or a threat to national security. In case of war, the regular armed forces would engage the enemy first, followed by the IRGC and then the Basij. Among the Basij's domestic missions have been encouraging and enforcing the Islamization of society, nighttime patrolling of urban streets and intersections, and policing of areas where young people gather, such as universities and the sites of weekend and summer youth activities.

At the conclusion of the Iran–Iraq War, the government faced the need to reintegrate hundreds of thousands of young Basij volunteers into Iranian society. One solution was to use the Basij for reconstruction work, particularly under Iran's first postrevolutionary five-year economic development plan (see Glossary) implemented by the Rafsanjani administration. This provided Basij members, who were mostly from the lower class, with an income and a role serving the Revolution. The second solution was to assign the Basij the duty of upholding Islamic

norms. In 1992 a law was enacted giving Basij members authority to arrest alleged perpetrators of felonies and deliver them to the police. This function, carried out mainly in major urban areas, integrated the Basij into Iran's law enforcement structure. However, since the law's inception the authority of the Basij has expanded to include monitoring of a wide variety of "suspicious" everyday activities of citizens. This monitoring function has included arrests of women who fail to observe the Islamic dress code and men who consume alcoholic beverages.

The IRGC, the Basij's original sponsor, no longer relies on the Basij as a military force because of its low training level. However, the IRGC has continued to encourage the Basij to participate in military groups and maneuvers. In 2007 the Basij had about 300,000 personnel, including 40,000 active personnel; they were authorized to carry small arms only. According to estimates, this force, mainly composed of youths, could expand to as many as 1 million members in the event of a national emergency.

## Arms Acquisition

In the early 2000s, most of Iran's conventional military equipment was outmoded or in poor condition. The regular upgrades that occurred during the reign of the shah no longer were possible after the Revolution, and the Iran–Iraq War destroyed an estimated 50 to 60 percent of land force equipment. Beginning in the 1980s, access to foreign arms supplies has been haphazard. As a result, some types of equipment have been upgraded while others have been neglected.

### Arms Imports

Historically, the role of imported matériel in supplying the regular armed forces has been broad, vital, and controversial. After World War II, the preponderance of U.S.-made weapons led to a dependence on the United States for support systems and spare parts. Because foreign technical advisers were indispensable for weapons operations and maintenance, the cessation of U.S military cooperation in 1980 was difficult for Iran. After the war with Iraq, Iran felt the need to strengthen and diversify its military hardware, but it lacked funds for a comprehensive buildup. Because of the cost of the Iran–Iraq War, U.S. economic sanctions, fluctuating oil revenues, and unwise economic policies, Iran's military procurement budget at the end

of the 1980s was about half its prewar size. Iran was forced to depend heavily on low-grade weapons imports. During the 1980s, Iran was able to circumvent the U.S. embargo somewhat through third-party purchases of spare parts for U.S. military equipment, as well as additional U.S. missiles. Unverified reports alleged that Israel agreed to sell Sidewinder air-to-air missiles to Iran, as well as radar equipment, mortar and machine gun ammunition, field telephones, M–60 tank engines and artillery shells, and spare parts for C–130 transport planes.

In the 1980s and 1990s, other countries directly or indirectly supplying weapons to Iran included Syria (which transferred some Soviet-made weapons), France, Italy, Libya (which provided Scud missiles), Brazil, Algeria, Switzerland, Argentina, and the Soviet Union (later, Russia). Most purchases were arranged in international arms markets. Despite embargoes, some matériel from West European countries reached Iran. West European states often wished to keep communication channels open with Iran, even during periods of difficult political relations.

Although Iran's procurement budget increased significantly beginning in 2000 as oil prices increased and economic conditions improved, in 2003 Iran reached an all-time low in expenditures on imported combat technology (see Gross Domestic Product; The Petroleum Industry, ch. 3). Between 1996 and 1999, Iran signed new arms agreements valued at US$1.7 billion, but for the period 2000–3 the total was only US$500 million. Since the early 1990s, the main foreign supplier has been Russia, which between 1992 and 2004 signed arms contracts with Iran valued at US$7 billion despite pressure from the United States to limit such transactions. In November 2005, Iran signed a US$1 billion arms purchase agreement with the Russian government.

After 2000 Iran continued to focus its arms imports on advanced weapons and missile technology. In the early 2000s, China reportedly developed several new types of tactical guided missiles, mainly for use on missile patrol boats, specifically for sale to Iran. In 2004 Iran began negotiations with North Korea for the purchase of the Taepo–Dong 2, whose estimated range of 4,000 to 6,500 kilometers would make it Iran's first intercontinental ballistic missile. A major part of a 2005 arms agreement with Russia called for the delivery and installation of 29 TOR–M1 missile defense installations, costing

US$700 million. The TOR–M1 detects low-flying missiles that evade detection by conventional radar systems. It also operates against fixed-wing and rotary-wing aircraft and aerial drones.

### Domestic Arms Production

The Iran–Iraq War and the subsequent Western arms embargo stimulated the full reorganization and expansion of Iran's defense industries. As imports remained at low levels in the early 2000s, domestic arms production played an expanding role in military procurement.

In late 1981, the revolutionary government placed all of the country's military industrial enterprises under the authority of the Defense Industries Organization (DIO), which replaced the Military Defense Organization as the oversight agency for military factories. In 1983, however, the IRGC received authority to establish its own military plants, ending the DIO's monopoly. The following year, IRGC plants began producing a variety of arms and military supplies, a function that continued in the 2000s.

Beginning in the 1990s, Iran has manufactured a variety of rockets, missiles, and multiple-rocket launchers, some based on imported technology such as the Soviet Scud–B rocket, and others fully developed by the Iranian arms industry. A mutual defense treaty concluded with India in 2003 promised technical assistance for Iran's domestic manufacture of aircraft, tanks, and artillery. The missile development and manufacturing arm of the DIO is the Aerospace Industries Organization (AIO), based at Arak, whose 13 large manufacturing plants also produce a wide variety of weapons, ordnance, and equipment for Iran's military and for export. The AIO is responsible for development of the long-range Shihab–3 missile. Domestically produced surface-to-surface missiles reportedly in the arsenal in 2005 were the Oghab, Shahin, and Nazeat, the last of which was developed with Chinese technical assistance. Since 2002 the Iran Helicopter Support and Manufacturing Industry has built small numbers of the Shabaviz 2075 transport helicopter, the Shabaviz 2061 reconnaissance helicopter, and the Shabaviz 2091 attack helicopter, all based on designs of the U.S. firm Bell Helicopter. The Iran Helicopter Support and Manufacturing Industry also has rebuilt U.S.-made Chinook transport helicopters acquired in the 1970s and 1980s. In 2001 Iran began production of the Azarakhsh fighter plane, an upgraded version of the U.S. F–5. Plans called for production of 30 such air-

craft in the early 2000s. Iran is believed to have developed a substantial submarine manufacturing infrastructure, the first product of which was the Qadir minisubmarine in 2005. In 2006 two such vessels were known to exist.

## Missiles

Beginning in the 1990s, Iran's leaders have cited the expansion of missile capability, based on a combination of domestic and foreign technology, as a high priority of national security. Iran's desire to acquire missile capability does not derive from a perceived threat from Iraq, but rather from Israel, a regional power that has cited Iran as a threat since 1991. In 2004 Minister of Defense and Armed Forces Logistics Ali Shamkhani explicitly stated that Israel was the potential target of the Shihab–3 missile, which Iran could mass-produce, he said, very efficiently. Shamkhani also emphasized that his task was not to devise offensive military strategies but to develop "defensive capabilities." In 2004 and 2005, statements on the purpose of the Shihab–3 by other political and military leaders were similarly ambiguous.

The domestically manufactured Shihab–3, which became fully operational in 2000, can reach Israel. In 2004 Iranian officials claimed that the range of the Shihab–3 missile had been extended to 2,000 kilometers, a substantial improvement over the previous version. The missile's capability to carry chemical, biological, or nuclear warheads extends its threat value. In the early 2000s, Iran reportedly obtained 20 North Korean liquid-fuel engines to power the Shihab–3, although that number of engines is inadequate for serial production of the rocket. The number of Shihab–3s in Iran's possession is unknown.

In recent years, with North Korean and Russian assistance Iran has started building and developing its own Scud–B and Scud–C surface-to-surface missiles, whose respective ranges of 300 and 500 kilometers enable them to reach any capital city in the Persian Gulf. In 2006 an estimated 300 such missiles were in Iran's arsenal. Reportedly, in the 1990s China sold Iran large quantities of missile guidance devices. Shihab–3 missiles test-fired in 2004 are a variation of the North Korean Nodong, whose range is about 1,300 kilometers. Reportedly, a Shihab–4 variant, whose range is estimated at about 2,500 kilometers, was at an early production stage in 2006. A Shihab–5 variant would have a range of about 3,400 kilometers.

## Internal Security

During the tumultuous period between the Islamic Revolution of 1978–79 and 1989, the statements and actions of Ayatollah Khomeini were reliable indicators of political developments in Iran. In a time of political upheaval and war with Iraq, his charismatic guidance set the framework for an Islamic republic. The death of Khomeini in 1989 exposed factional politics that had been contained by the cryptic and authoritative nature of his recommendations. This crisis occurred at the same time that economic and social difficulties threatened the internal stability of the country. In this context, the role of internal security agencies increased. Nominally, the Ministry of Information and Security (MOIS) was designated the chief intelligence agency of the state. However, in the 1990s and early 2000s other, more covert agencies are believed to have performed vital intelligence functions to protect the regime.

### Intelligence Services

Especially after the upheavals of the early 1950s, the shah was intensely concerned with matters of internal security (see Mossadeq and Oil Nationalization, ch. 1). He thus authorized the creation of one of the most extensive systems of law enforcement in the developing world. The forces of the Gendarmerie (the rural police) and the National Police grew in size and responsibility. In addition, the secret police organization, SAVAK (in full, Sazman-e Ettelaat va Amniyat-e Keshvar; Organization for Intelligence and National Security), gained notoriety for its excessive zeal in maintaining internal security. But, as in the case of the regular armed forces, the shah's management style virtually eliminated coordination among these agencies. A favorite approach was to shuffle army personnel back and forth between their ordinary duties and temporary positions in internal security agencies, in order to minimize the possibility of an organized coup against the throne. Cultivating an image of mystery and fear, the Iranian law enforcement agencies were perceived as powerful tools of the shah's absolute power—a perception that fostered deep resentment among Iranians.

Formed under the guidance of U.S. and Israeli intelligence officers in 1957, SAVAK developed into an effective secret agency whose goal was to sustain the government of Iran as a

monarchy. At its height, SAVAK was a full-scale intelligence agency with more than 15,000 full-time personnel and thousands of part-time informants. SAVAK was attached to the Office of the Prime Minister, and its director assumed the title of deputy to the prime minister for national security affairs. Although SAVAK was officially a civilian agency, many of its officers served simultaneously in the armed forces.

After years of underground operation against opposition groups, SAVAK was a primary target for reprisals when those groups came to power in 1979. Khomeini officially dissolved the organization that year. Some 61 SAVAK officials were among 248 military personnel executed between February and September 1979.

To make intelligence gathering more publicly responsible, the new regime replaced SAVAK with the Ministry of Information and Security (MOIS). The ministry's primary role in foreign policy has been to support like-minded religious groups abroad and to suppress Iranian dissidents. Constitutionally, the MOIS has the authority to gather information and to act against perceived conspiracies against the Islamic Republic. Although open information on the MOIS is limited, the defense of the regime from internal threats is a primary function. After the election of Mohammad Khatami as president in 1997 increased the power of reformist factions, the MOIS was steadily purged of hard-liners. Against this trend, conservatives applied constant pressure to strengthen the security organization. Although the publicly acknowledged security establishment always has been the MOIS, since 1997 an undefined security force, often referred to as "officers in civilian clothes" or "unofficial civilian forces," has existed parallel to the official agency. Members of this force intervene to suppress domestic disturbances such as demonstrations and strikes and to serve generally as an instrument for preventing political dissent and civil unrest.

### Law Enforcement

In the years following the Revolution, the two national police forces, called the Gendarmerie and the National Police, were under operational control of the Joint Staff of the armed forces. Joint Staff members also were empowered to integrate regular and paramilitary forces into operational planning. Beginning in 1987, the two police forces gradually lost the national defense role that they had played in the early 1980s. In

1991 the Gendarmerie and the National Police were combined to form the Law Enforcement Forces (Niruha-ye Entezami-ye Jomhuri-ye Islami), which since 1991 have fallen under the authority of the Ministry of Interior and now also are known as the Islamic Republic of Iran Police (IRIP). Smaller rural units of the IRIP correspond in function to the former Gendarmerie, whose duties were mainly outside urban areas. The officials comprising the IRIP are appointed by the Leader, and during the administrations of President Khatami the IRIP acted autonomously on some occasions. Following the deaths of demonstrating students in 1999, Sayyid Ali Khamenei (Leader, 1989–) appointed former air force commander Mohammad Qalibaf chief of the IRIP. Qalibaf remained in that position until he resigned in 2005 to be a candidate in the presidential election. Although consolidation of law enforcement and internal security agencies in the IRIP reduced bureaucratic red tape and fostered interagency cooperation, the final decision-making power of the Leader sometimes has hindered effective law enforcement because Khamenei lacks expertise in domestic security policy. Including border patrol units and marine police, the IRIP had about 40,000 personnel in 2005. In 2006 Iran announced plans to restructure and decentralize the IRIP in order to improve operational efficiency.

The Police–110 rapid-response unit, established under the IRIP in 2000, is responsible for maintaining social order and responding to emergencies in urban areas. The unit frequently has raided social gatherings deemed threatening to domestic security or in violation of Islamic law.

## The Military's Relations with Society

The 1953 military coup against Mohammad Mossadeq, and the close relationship of the military with the shah, instilled in Iranians an abhorrence of military control of political policy. Consequently, the defense establishment adopted a policy of silence on political issues. This stance remained unchanged after the Revolution, with popular support. Like previous regimes, the administration of President Mahmoud Ahmadinejad, who was elected in 2005, has made a practice of excluding the military from day-to-day politics.

Despite the tradition of noninvolvement, beginning in the 1990s the IRGC, the Basij, and the regular military began efforts to redefine their respective relationships with Iranian society. The regular military has continuously presented itself

as above factional politics as it provided manpower and technical assistance in civilian projects, capitalizing particularly on the remediation of damage incurred during the Iran–Iraq War. In contrast, as the proclaimed defenders of Islamic ideology, the IRGC and the Basij have felt compelled and entitled to engage in the political arena. For example, the latter organization took the position that President Khatami's reform proposals were challenges to the loyal supporters of the Islamic Republic and Khamenei.

By the early 2000s, the ideology that motivated the establishment of the IRGC had faded, decreasing the authority of the organization and the concept that the ideals of the Revolution should be protected by such an activist organization. However, beginning with the parliamentary elections of 2004, and especially since the election of former IRGC officer Ahmadinejad as president in 2005, there has been an attempt to increase the IRGC's role in internal and external policy making. Many former IRGC commanders gained seats in parliament in 2004, and under Ahmadinejad the IRGC has substantially increased its influence in the Supreme National Security Council (SNSC), the agency that coordinates defense and national security policies.

## Defense Economics

Under the Islamic Republic, the armed forces budget has been prepared by the Ministry of Defense and Armed Forces Logistics in consultation with the Supreme Defense Council (SDC). The president, who also is a member of the SDC, submits the completed package to the Majlis for debate, approval, and appropriation. The ability of the Islamic Republic to commit resources to military modernization and enhancement is contingent on the success of the overall Iranian economy. The intrinsic problems of Iran's economy, however, are extremely difficult to rectify and were not ameliorated in the early 2000s by increased income from Iran's most valuable export, oil (see The Economy after the Islamic Revolution, 1979–, ch. 3). Iran's defense budget for 2006 was estimated at US$6.6 billion, up significantly from the 2004 level of US$5.6 billion.

During the reign of the last shah, high military expenditures caused severe popular discontent. Income from the oil boom of 1973–74 was disproportionately invested in military procurement at the expense of industry, agriculture, and education. Particularly in the rural areas, the civilian population disap-

proved of the privileged status granted to the military establishment. Despite constructive civilian activities by the armed forces (especially in education), Iranian society in general never shared the shah's commitment to a buildup that drained the treasury.

The Revolution failed to change this pattern, except for cancellation of arms procurement commitments in the first year of the new regime. At that time, the government abandoned many military projects because they involved contracts with U.S. corporations and because the Khomeini regime identified the government's first priority as satisfying the needs of the masses.

This trend was rapidly reversed, however, with the revolutionary government's first war budget in 1981. By 1987 all defense expenditures for the year, including those of the IRGC and Basij and payments to the families of war casualties, totaled as much as US$100 billion. Expenditures dropped sharply to US$6.8 billion the year after the cease-fire. However, beginning in 1989 Iran again increased procurement of arms, largely from the former Soviet Union, as well as domestic production of strategic missiles. Within the context of new external pressures in the Persian Gulf region, this policy reflects a realignment of priorities from addressing fundamental economic ills to responding to security pressures related to the Persian Gulf region. Beginning in 2003, the presence of U.S. forces both to the west in Iraq and to the east in Afghanistan has magnified the importance of military funding decisions. Because of changes in how military spending is categorized, statistics for the early 2000s are speculative. For instance, it is likely that any significant expenditures on Iran's nuclear arms program would have been concealed under energy production expenses.

## Military Doctrine

The fundamental principles of Iran's military doctrine were laid out in the regulations codified for the armed forces in 1992, under the title "Iran: Complete Regulations of the Islamic Republic of Iran Armed Forces." Because Iran's armed forces and equipment were exhausted by the war with Iraq and subsequent arms resupply was severely limited by an international embargo and by Iran's poor economic position, the 1992 doctrine depended heavily on a deep supply of manpower, the strategic advantages provided by the nation's geography, and the patriotic ideology inherited from Ayatollah Khomeini. The

primary goals of the doctrine were defensive: to protect the territory of Iran and the practice of Islam on that territory. Increasingly in the 1990s and early 2000s, Iran's long-term historical effort to preserve influence in its region was focused on ending what it considered the most urgent threat to that influence: the U.S. presence in the Persian Gulf region. In the early 2000s, the doctrine still relied on manpower, territory, and ideological fervor, and the fundamental goals remained the same. However, by 2000 the offensive and defensive phases of the doctrine had been refined by external events and by Iran's improved financial and technological resources.

## The Legacy of the Iran–Iraq War

In the aftermath of the war with Iraq, changes in Iran's regional, political, and geo-strategic situation required adjustments of military strategy and defense doctrine for which the revolutionary government was unprepared. However, the Iran–Iraq War had the positive result of highlighting grave military shortcomings. The war proved to the government that without a system of alliances Iran needed more aggressive "defensive" weapons, or some type of WMD, that could deter a ruthless enemy such as Iraq's president Saddam Hussein. During the war, Iraq had used its missile capability to hit Tehran and other targets, while Iran could hardly respond. In the last stages of the war, Iraq also used chemical weapons to inflict severe casualties on Iranian troops and civilians.

The war experience enabled Iran to identify two military prerequisites: access to high technology to enhance military capacity and military self-reliance. During the war, the lack of replacements for U.S.-supplied aircraft, coupled with Iraq's missile attacks, further motivated a shift of emphasis from aircraft to missiles.

After the Iran–Iraq War, Iran's security policy generally shifted from revolutionary adventurism to a more conservative, less confrontational approach. However, this policy faced a new strategic environment after the U.S. military presence in the Persian Gulf began to expand in the early 1990s. The conflict with the United Arab Emirates over the Persian Gulf islands of Abu Musa and the Tunbs, the steady buildup of Iran's capacity to threaten tanker traffic, Iran's development of long-range ballistic missiles, and allegations of an active WMD program in Iran alienated the Persian Gulf states and the West. Furthermore, after the Persian Gulf War of 1991, Iran confronted a

strong coalition dominated by the United States and continued exclusion from the Gulf Cooperation Council, the regional security organization that included all the other Persian Gulf states except Iraq when it was founded in 1981.

## Contemporary Security Policy

The military doctrine that Iran has chosen in the postwar years includes a narrow range of options that focus mainly on deterrence. The emphasis on self-reliance has placed a higher priority on domestic arms production and on a small number of foreign military supply relationships. The quest for international military prestige through conventional and (potential) nuclear missile capability has led to regional and international isolation that contradicts the doctrinal goal of improving relations and security within the Persian Gulf region.

Until the Persian Gulf War, most threats to Iran involved regional territorial disputes or conflicts with neighboring states. The arrival of U.S. troops in the region in 1991 created a new strategic situation in which Iran felt insecure. Although U.S. troops withdrew from Iraq later that year, during the 1990s the direct and indirect influence of the United States in the region combined with Israel's maturing missile programs to exacerbate Iran's insecurity. To the west was the still-hostile Iraqi regime of Saddam Hussein, and, in the second half of the decade, to the east was the hostile, fundamentalist regime of the Taliban in Afghanistan. Although Iran moderated its public revolutionary stance during this period, the doctrine of protecting Islam came to involve supporting such Islamic organizations as the Palestinian Hamas and the Lebanese Hizballah. However, links with these groups had the result of further isolating Iran. At the end of the 1990s, the Iranian government shifted its doctrine to emphasize joint military operations with neighboring countries, with the goal of reducing U.S. influence in the region. This approach met with considerable skepticism among adjacent states, and international events soon overtook Iran's efforts in that direction.

The terrorist attack on the United States of September 11, 2001, had a strong impact on Iran's military thinking. After September 11, the United States, which Iran continued to perceive as its principal enemy, received an outpouring of international sympathy, during which it established a military presence in Afghanistan. Against a background of deep internal political divisions, Iran's sense of encirclement intensified. The U.S.

*Severe damage inflicted on the port of Khorramshahr by Iraqi forces in October 1980*
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invasion of Iraq in 2003 exacerbated Iranian insecurities. Iran responded with increased claims about a U.S. psychological war against the revolutionary government and warnings that it would retaliate for hostile military acts.

In 2001 Iran had taken a conciliatory approach toward the war in Afghanistan led by the United States, offering limited assistance to U.S. and North Atlantic Treaty Organization (NATO) troops. On the issue of the threatened U.S. invasion of Iraq, however, Iranian policy makers believed that national security was at stake and a clear position was needed. To ensure international control of Iraq's ostensible WMD arsenal, Iran advocated a solution involving the United Nations rather than military action. It also opposed a unilateral attack by the United States because such an action might create a precedent for attacking Iran itself. The Iranian government took the position that Iraqi political boundaries should remain intact and that the people should choose their own government. Factors in this position were Iran's fears that a potential Kurdish state in northern Iraq would arouse internal instability among Iran's Kurds and that a pro-U.S. government in Iraq would encourage antiregime sentiment in Iran (see Other Indo-Iranian–Speaking Groups, ch. 2).

Realizing that a U.S. invasion of Iraq might be unavoidable, Iran adopted a stance of active neutrality. Under this policy, which temporarily strengthened Iran's role regionally and internationally, the Iranian government first used diplomatic means to attempt to circumvent the invasion, then rejected the use of force against the invasion once it materialized. Because of the unexpected difficulties experienced by the U.S. occupation, Iran continued to benefit from that complicated situation in subsequent years.

Because of ongoing concerns about a potential preemptive military strike by Israel on its nuclear facilities, Iran accelerated development of its defensive capabilities, despite uncertainties about the range, targeting, and effectiveness of missiles such as the Shihab–3. The Iranian government made unsubstantiated claims about the potential of the Shihab–3 to discourage attack and to otherwise improve Iran's regional bargaining position. Both the exaggerated claims about its ballistic missiles and the renewal of uranium enrichment had the goal of bolstering Iran's geopolitical stature by calling attention to its military potential. The advancement of the nuclear program appeared to transcend party ideology within Iran, even as other aspects of military doctrine became subject to heated debate.

In the wake of the 2003 U.S. invasion of Iraq, Iran's military doctrine included three basic objectives: to foster long-term recovery from the Iran–Iraq War by enhancing the stability of the region; to defend Iranian territory and interests against any form of external intrusion or attack; and to safeguard Islamic values and the nation's right to live in freedom (as defined by Islamic laws) "without resorting to military operation." Beginning in 2003, increasing alarm about a possible U.S. invasion led to expansion of Iran's capacity to fight an "asymmetrical war," in which an invading force would be absorbed into Iran and then subjected to guerrilla warfare, supplemented by attacks against the enemy's interests overseas. The basic elements of such irregular warfare would be surprise, speed, and security. Presumably to advance its irregular-warfare capability, Iran started to increase recruiting of new Basij personnel in 2004 and incorporated irregular operations into the training of regular military units. In any case, the ground forces' outmoded armor and artillery support, and their heavy dependence on mobilization of IRGC forces, severely limited Iran's potential to fight a conventional land war.

The naval phase of Iran's military doctrine emphasizes utilization of the geographical configuration of the Persian Gulf in asymmetrical warfare. Iran's limited naval resources are to be used for small-scale attacks on military and oil-related targets and blockades of oil shipping in the gulf. Small attack boats, minisubmarines, and mines are key elements in this strategy. The air phase of the doctrine has two main elements: ballistic missiles and air defense. The missile force is the main element of the air doctrine. Its value is to be enhanced by the intimidation effect of rhetoric hinting at weapons of mass destruction, increased range, and possible targeting of Israel or the capitals of Persian Gulf states. Air defenses have been strengthened only minimally since they were found wanting in the Iran–Iraq War. Iran has sought to maximize its limited air-defense forces by strategic location, hardening, and concealment.

## Nuclear Issues

Iran's official position is that it has no program for the development of nuclear weapons and never would use such weapons. However, certain aspects of its civilian nuclear power program, especially its development of facilities for the conversion of uranium to nuclear fuel, were not disclosed to the International Atomic Energy Agency (IAEA) until 2002, long after they had been constructed and become operational. This lack of disclosure aroused suspicion in the United States and member countries of the European Union, as well as elsewhere, that Iran was using the development of nuclear reactors to generate electric power as a cover for the clandestine development of nuclear weapons. Iran denied that this was the case, however (see Relations with Europe; The United States and Iran, ch. 4). As of late 2007, no documentary evidence had confirmed that Iran's military doctrine includes a scenario for the use of nuclear weapons. However, if Iran had a nuclear weapons program, only a very limited number of political and military leaders would know of its existence.

Before the Revolution, the shah's government contracted with the German corporation Siemens to build a nuclear power plant at Bushehr on the Persian Gulf (see fig. 8). When the Revolution halted the project, 85 percent of the first reactor was complete, but it sustained serious damage in the Iran–Iraq War. When the Islamic Republic attempted to resume work in the late 1980s, Siemens declined to participate, and Iran turned to Russia to complete the plant. The agreement

reached between the Iranian and Russian governments in 1995, worth an estimated US$800 million, was attractive to Russia because it established a nuclear market in the Middle East. The station was to include a 1,000-megawatt light water reactor, and Russia was to provide 2,000 tons of uranium fuel. Completion of the first reactor, originally scheduled for 1999, was delayed several times, causing friction between Iran and Russia. A 2005 addendum to the agreement provided for Russia to train several hundred Iranians to run the plant. The delay of scheduled fuel deliveries from Russia and late payments by Iran further set back the opening of Bushehr, until at least 2008. Meanwhile, Iran announced plans to build a large number of additional nuclear power plants.

### International Reactions to Iran's Nuclear Program

As early as the 1990s, a lack of transparency regarding nuclear activity was a major factor in Iran's international isolation. In October 2003, Iran acknowledged that it had enriched small quantities of uranium using imported centrifuge components and had conducted plutonium separation experiments without declaring these activities to the IAEA. Iran never has agreed that it seriously violated its obligations under the Nuclear Non-Proliferation Treaty (NPT), to which it is a signatory, and it has continuously asserted that its nuclear program is permissible under the treaty because it is intended for producing energy. Despite ongoing inspections, the IAEA was not able to resolve all questions about Iran's compliance. Meanwhile, Iranian conservatives were advocating withdrawal from the NPT; former president Mohammad Khatami resisted such pressure, but conservative President Mahmoud Ahmadinejad, who succeeded Khatami in 2005, displayed a more ambivalent attitude. In 2005 and 2006, Iran threatened to withdraw if its right to nuclear technology were not recognized.

In 2005 the failure of Iranian officials and those of the United Kingdom, France, and Germany to reach a mutual agreement on the nuclear issue created an international impression of an ongoing cover-up. Soon after Ahmadinejad assumed office in August 2005, he ended Iran's unilateral commitment to cease uranium enrichment activities at the Esfahan nuclear conversion plant; a renewal of that activity was announced in February 2006. Iran justified construction of nuclear facilities by citing a need to process domestically extracted uranium for use in the 30 nuclear power plants that

nominally were in the planning stage. The decision to build those plants enjoyed national support and was approved by both reformist and conservative factions within the regime.

The secret nature of the project to give Iran nuclear technology, the limitations on available technology, fear of a U.S. or Israeli military response, and the U.S. military presence in the region combined to make rapid completion of the Bushehr nuclear project a key goal. Project completion also was important because the Bushehr reactor had become a symbol of national pride. However, the project was slowed by Russia's concerns about jeopardizing its relations with the West.

## Nuclear Facilities

International concerns have focused not on the Bushehr site but on several other nuclear facilities, whose existence Iran confirmed only in 2002, after it was revealed that Pakistan's leading nuclear scientist, A. Q. Khan, had provided Iran with crucial information on making nuclear weapons. Iran disclosed its previously undocumented facilities in a report to the IAEA in 2002, then agreed to open the sites for IAEA inspection in 2003 and 2004. According to the IAEA, several of these facilities were involved, or could be involved, in the nuclear fuel cycle, thus requiring IAEA monitoring to ensure that their products are not diverted for use in the manufacture of weapons-grade fuel. Concerns about such diversion were not allayed when the IAEA discovered in 2005 that Iran had partial documentation for preparation of the explosive core of an atomic bomb.

It is known that Esfahan, at the center of the Iran nuclear controversy, has reactors designated for university research and the burning of highly enriched uranium, as well as a Chinese-made uranium hexafluoride conversion facility. (Uranium hexafluoride is a key compound in uranium enrichment both for energy and weapons production.) The Esfahan reactors serve the Nuclear Technology Research Center, Iran's largest nuclear research facility. Besides the threat posed by the conversion facility, Esfahan attracted attention because its scientists may have requested military-grade plutonium from China in the 1990s and because a portion of the nuclear facility is believed to be concealed underground, beyond observation by the IAEA.

Moallem Kaleyah, the primary fissile material production center in Iran, has been under intense international scrutiny

and heavily guarded by the IAEA in 2006–7. Previously, the center, strategically located in a mountainous region northwest of Tehran, had been suspected as a probable facility for the development of nuclear weapons.

In 2005 a heavy water manufacturing facility was in the last stages of construction near Arak, southwest of Tehran. The heavy water could supply a reactor manufacturing bomb-grade plutonium. Although existence of the Arak facility per se was not a violation of international rules on nonproliferation, its potential role prompted an international call for construction stoppage after the site was discovered in 2002.

* * *

The *Military Balance*, published annually by the International Institute for Strategic Studies, and similar publications such as the yearbook of the Stockholm International Peace Research Institute (SIPRI), remain the best sources for recent data on the size, budget, and equipment of the armed forces of Iran. Other sources provide information on aspects of complex national security issues. *Iran's Security Policy in the Post-Revolutionary Era*, by Daniel Byman, Shahram Chubin, Anoushiravan Ehteshami, and Jerrold Green, is of great value, as are Anthony Cordesman's *Iran's Military Forces in Transition* and *Iran's Evolving Military Forces*. Three recent works of particular value are *Iran: Time for a New Approach*, a task force report of the Council on Foreign Relations by Zbigniew Brzezinski, Robert Gates, and Suzanne Maloney; a journal article by Steven R. Ward, "The Continuing Evolution of Iran's Military Doctrine," which provides an extensive discussion of the motivations and conditions that shaped military doctrine in the early 2000s; and Mehdi Moslem's *Factional Politics in Post-Khomeini Iran*. Although somewhat outdated, Wilfried Buchta's *Who Rules Iran? The Structure of Power in the Islamic Republic* remains a unique work on the anatomy of political power in Iran. Kenneth M. Pollack's study of U.S.-Iranian relations, *The Persian Puzzle: The Conflict Between Iran and America*, also is of interest.

In regard to Iran's military industry and weapons technology and other security-related matters, the analysis and data provided by the Global Security Web site and its online library on Iran are most helpful for current conditions and updates. Simi-

lar information is provided by the on-line database of the Institute for Science and International Security.

In the absence of daily access to Iranian newspapers and journals, one should consider sources in Persian (Farsi), including the Islamic Republic News Agency and other Iranian journals and newspapers available on the Internet. Most, if not all, Persian sources available on the Internet are free and do not require a subscription, although in many cases archive availability is limited. (For further information and complete citations, see Bibliography.)

# Appendix

Table

*Table 1. Metric Conversion Coefficients and Factors*

| When you know | Multiply by | To find |
|---|---|---|
| Millimeters | 0.04 | inches |
| Centimeters | 0.39 | inches |
| Meters | 3.3 | feet |
| Kilometers | 0.62 | miles |
| Hectares | 2.47 | acres |
| Square kilometers | 0.39 | square miles |
| Cubic meters | 35.3 | cubic feet |
| Liters | 0.26 | gallons |
| Kilograms | 2.2 | pounds |
| Metric tons | 0.98 | long tons |
| | 1.1 | short tons |
| | 2,204 | pounds |
| Degrees Celsius (Centigrade) | 1.8 and add 32 | degrees Fahrenheit |

*Table 2. Population of the Eight Largest Cities, Preliminary Census Data, 2006*

| City | Population |
|---|---|
| Tehran | 7,160,094 |
| Mashhad | 2,837,734 |
| Esfahan | 1,573,378 |
| Tabriz | 1,523,085 |
| Karaj | 1,460,961 |
| Shiraz | 1,279,140 |
| Qom | 1,046,961 |
| Ahvaz | 841,145 |

Source: Based on information from Iran, Statistical Center of Iran, *Preliminary Report on Census of Population and Housing for 1385* [2006–7] [in Persian], Tehran, December 2006.

*Table 3. Population of Principal Cities, 1996 Census*

| City | Population |
|---|---|
| Tehran | 6,758,845 |
| Mashhad | 1,887,405 |
| Esfahan | 1,266,072 |
| Tabriz | 1,191,000 |
| Shiraz | 1,053,025 |
| Karaj | 940,968 |
| Ahvaz | 804,980 |
| Qom | 777,677 |
| Kermanshah | 673,000 |
| Orumiyah | 435,200 |
| Zahedan | 419,517 |

*Table 3. Population of Principal Cities, 1996 Census (Continued)*

| City | Population |
|---|---|
| Rasht | 417,000 |
| Hamadan | 401,000 |
| Kerman | 384,991 |
| Arak | 380,755 |
| Ardabil | 340,386 |
| Yazd | 326,776 |
| Qazvin | 291,117 |
| Zanjan | 286,295 |
| Sanandaj | 277,808 |
| Bandar-e Abbas | 273,578 |
| Khorramabad | 272,815 |
| Eslamshahr | 265,450 |
| Borujerd | 217,804 |
| Abadan | 206,073 |
| Dezful | 202,639 |
| Kashan | 201,372 |
| Sari | 195,882 |
| Gorgan | 188,710 |
| Najafabad | 178,498 |
| Sabzevar | 170,738 |
| Khomeynishahr | 165,888 |
| Amol | 159,000 |
| Neyshabur | 158,847 |
| Babol | 158,300 |
| Khoi | 148,944 |
| Malayer | 144,000 |
| Bushehr | 143,641 |
| Qaemshahr | 143,286 |
| Sirjan | 135,024 |
| Bojnurd | 134,835 |
| Maragheh | 132,217 |
| Birjand | 127,604 |
| Ilam | 124,346 |
| Saqqez | 115,394 |
| Gonbad-e Kavus | 111,253 |
| Saveh | 111,245 |
| Mahabad | 107,500 |
| Varamin | 107,233 |
| Andimeshk | 106,925 |
| Khorramshahr | 105,936 |
| Shahrud | 104,765 |
| Marv Dasht | 103,579 |
| Zabol | 100,887 |
| Shahr-e Kord | 100,488 |

Source: Based on information from Iran, Statistical Center of Iran, *Report on Census of Population and Housing for 1375* [1996–97] [in Persian], Tehran, 1998.

## Table 4. Ethnic and Linguistic Groups, 1996

| Ethnic Group | Language | Population[1] | Percentage of Total Population |
|---|---|---|---|
| Persians | Persian | 38,900,000 | 64.8 |
| Azerbaijani Turks | Azeri Turkish | 9,500,000 | 15.8 |
| Kurds | Kurdish | 4,100,000 | 6.8 |
| Lurs[2] | Luri | 3,410,000 | 5.7 |
| Afghans[3] | Persian, Pushtu, and Turkic dialects | 1,408,000 | 2.3 |
| Baluchis | Baluchi | 1,000,000 | 1.6 |
| Arabs | Arabic | 1,000,000 | 1.6 |
| Fars Turks[4] | Turkic dialects | 600,000 | 1.0 |
| Turkmens | Turkic dialects | 500,000 | 0.8 |
| Armenians | Armenian | 300,000 | 0.5 |
| Assyrians | Assyrian | 32,000 | 0.05 |
| Other | Various | 50,000 | 0.08 |
| TOTAL | | 60,000,000[5] | 100.0[5] |

[1] Estimated.
[2] Lurs include Bakhtiaris and other Luri-speaking tribal groups as well as non-tribal Lurs.
[3] Afghans include refugees who entered Iran between 1979 and 1989 and their Iran-born children.
[4] Group includes, in order of size, Qashqais, Afshars, Baharlus, Inanlus, Abivardis, and others.
[5] Column does not add to total because of rounding.

Source: Derived from statistics on primary language reported as being spoken at home in Iran, Statistical Center of Iran, *Report on Census of Population and Housing for 1375* [1996–97] [in Persian], Tehran, 1998, passim.

## Table 5. Non-Muslim Religious Minorities, 2005

| Religious Minority | Language | Estimated Population |
|---|---|---|
| Armenian Christians | Armenian | 300,000 |
| Baha'is | Persian, Azeri | 250,000 |
| Assyrian Christians | Assyrian | 32,000 |
| Zoroastrians | Persian | 32,000 |
| Jews | Persian, Kurdish | 30,000 |
| Protestant Christians (Anglicans, Evangelicals, Presbyterians) | Persian, Azeri | 10,000 |

Source: Adapted from tables and data in Iran, Statistical Center of Iran, *Iran Statistical Yearbook 1383* [2004–5], Tehran, 2006.

## Table 6. Employment by Economic Sector, Selected Years, 1956–2004
(percentage of total workforce)

| Sector/Year | 1956 | 1976 | 1986 | 1996 | 2004 |
|---|---|---|---|---|---|
| Agriculture | 56.3 | 34.0 | 29.0 | 22.8 | 21.7 |
| Total Industry | 20.1 | 34.2 | 25.3 | 30.7 | 30.6 |
| Manufacturing | 13.8 | 19.0 | 13.2 | 17.5 | 16.5 |
| Construction | 5.7 | 13.5 | 11.0 | 11.3 | 12.3 |
| Services | 23.6 | 31.8 | 45.7 | 46.5 | 47.7 |
| Total Employment, in thousands | 5,908 | 8,799 | 11,002 | 14,572 | 22,400 |

Source: Based on information from Iran, Statistical Center of Iran, *Iran Statistical Yearbook*, Tehran, various years and sections.

*Table 7. Gross Domestic Product by Sector, Selected Years, 1960–2006*
(in percentages)

| Category/Year | 1960 | 1978 | 1990 | 2004 | 2006 |
|---|---|---|---|---|---|
| Hydrocarbons* | 38.3 | 35.6 | 16.4 | 11.8 | 18.7 |
| Agriculture | 23.5 | 8.6 | 19.5 | 14.1 | 11.2 |
| Industry and Mining | 7.8 | 15.5 | 17.0 | 24.0 | 23.0 |
| Services | 30.4 | 40.3 | 47.1 | 50.1 | 47.1 |

*Includes oil and gas extraction, refining, and distribution.

Sources: Based on information from Iran, Central Bank of Iran, Tehran, various publications, http://www.cbi.ir.

*Table 8. Destinations of Crude Oil Exports Before and After the Revolution* (in percentages)

| Destination/Period | 1971–76 | 1998–2003 |
|---|---|---|
| Western Europe | 42 | 30 |
| Japan | 33 | 22 |
| Asia and Far East except Japan | 5 | 34 |
| United States | 12 | 0 |
| Africa | 6 | 4 |
| Other countries | 2 | 10 |

Sources: Based on information from Ebrahim Razzaghi, *The Iranian Economy*, Tehran, 1988, and Iran, Central Bank of Iran, *Summary of Economic Activities*, various years, http://www.cbi.ir.

*Table 9. Production of Major Crops, 2001–4*
(in thousands of tons)

| Crop/Year | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|
| Wheat | 9,459 | 12,450 | 12,900 | 11,031 |
| Sugar beets | 4,649 | 6,098 | 5,300 | 5,140 |
| Barley | 2,423 | 3,085 | 3,100 | 3,186 |
| Rice | 1,990 | 2,888 | 3,300 | 3,552 |
| Sugarcane | 3,195 | 3,712 | 3,650 | 5,415 |
| Seed cotton | 412 | 345 | 330 | 114 |
| Pistachios | 112 | 249 | 310 | 51 |

Source: Based on information from Economist Intelligence Unit, *Iran Country Profile 2006*, London, 60.

## *Table 10. Main Commercial Partners, 2002–5*

| Export Partners, Percentage of Total | | | | |
|---|---|---|---|---|
| Country/Year | 2002 | 2003 | 2004 | 2005 |
| Japan | 19.5 | 21.3 | 18.4 | 16.9 |
| China | 9.7 | 9.5 | 9.7 | 11.2 |
| Italy | 7.3 | 6.1 | 6.0 | 6.2 |
| South Africa | 4.2 | 3.9 | 5.8 | 5.5 |
| **Import Partners, Percentage of Total** | | | | |
| Country/Year | 2002 | 2003 | 2004 | 2005 |
| Germany | 16.9 | 10.8 | 12.8 | 13.9 |
| China | 4.7 | 8.3 | 7.2 | 8.3 |
| Italy | 6.2 | 8.0 | 7.7 | 7.1 |
| United Arab Emirates | 9.6 | 7.8 | 7.2 | 6.7 |

Sources: Based on information from *Europa World Year Book 2005*, London, 2220, and Economist Intelligence Unit, *Iran Country Profile 2006*, London, 2006.

## *Table 11. Composition of Nonoil Exports, Selected Years, 1963–2003* (in millions of U.S. dollars)

| Category/Year | 1963 | 1977 | 1989 | 2003 |
|---|---|---|---|---|
| Agriculture | 373 | 264 | 522 | 1,414 |
| Carpets | 108 | 114 | 345 | 573 |
| Industrial Goods | 106 | 153 | 122 | 3,268 |
| TOTAL | 634 | 540 | 1,044 | 6,755 |

Source: Based on information from Iran, Central Bank of Iran, *Summary of Economic Activities*, various years, http://www.cbi.ir.

## *Table 12. Armed Forces Personnel by Service, Selected Years, 1979–2007*

| Service | 1979* | 1984 | 1986 | 1999 | 2001 | 2003 | 2007 |
|---|---|---|---|---|---|---|---|
| Active Armed Forces | 415,000 | 555,000 | 704,000 | 545,000 | 513,000 | 520,000 | 545,000 |
| Army | 285,000 | 250,000 | 305,000 | 350,000 | 325,000 | 325,000 | 350,000 |
| Navy | 30,000 | 20,600 | 14,500 | 20,600 | 18,000 | 18,000 | 18,000 |
| Air Force | 100,000 | 35,000 | 35,500 | 50,000 | 45,000 | 52,000 | 52,000 |
| IRGC | n.a. | 250,000 | 350,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Total Basij | n.a. | 2,500,000 | 3,000,000 | 200,000 | 200,000 | 300,000 | 300,000 |
| Active Basij | n.a. | n.a. | n.a. | 40,000 | 40,000 | 40,000 | 40,000 |

*Prerevolutionary figures.
n.a.—not available.

Source: Based on information from International Institute for Strategic Studies, *The Military Balance*, London, various years.

*Table 13. Selected Weapons of the Armed Forces, 2005*

| Service | Weapon | Number |
|---|---|---|
| Army | T-54 and T-55 Main Battle Tank | 540 |
| | T-72 Main Battle Tank | 480 |
| | Chieftan Mk-3 and Mk-5 Main Battle Tanks | 100 |
| | M-47 and M-48 Main Battle Tanks | 168 |
| | Zulqifar Main Battle Tank | 100 |
| | Scorpion and Towsan Light Tanks | 80 |
| | BMP-1 Armored Infantry Fighting Vehicle | 210 |
| | BMP-2 Armored Infantry Fighting Vehicle | 400 |
| | BTR-50 and -60 Armored Personnel Carriers | 300 |
| | M-113 Armored Personnel Carrier | 200 |
| | Boragh Armored Personnel Carrier | 140 |
| | M-101A1 Towed 105-mm Gun | 130 |
| | D-30 Towed 122-mm Gun | 540 |
| | Type 54 Towed 122-mm Gun (Chinese) | 100 |
| | M-46 and Type 59 Towed 130-mm Gun | 985 |
| | D-20 Towed 152-mm Gun | 30 |
| | M-114 Towed 155-mm Gun | 70 |
| | GHN-45 Towed 155-mm Gun | 120 |
| | 2S1 Self-Propelled 122-mm Gun | 60 |
| | M-109 Self-Propelled 155-mm Gun | 180 |
| Navy | Kilo Submarine | 3 |
| | Alvand (Vosper) Frigate | 3 |
| | Bayandor (PF-103) Corvette | 2 |
| | Kaman (Combattante) Missile Craft | 10 |
| | Hejaz Mine Layer | 2 |
| Air Force | F-4D and F-4E Fighter Aircraft | 65 |
| | F-5E and F-5F Fighter Aircraft | 60 |
| | Su-24 MK Fighter Aircraft | 30 |
| | Su-25K Fighter Aircraft | 7 |
| | Mirage F-1E Fighter Aircraft | 24 |
| | F-14 Fighter Aircraft | 25 |
| | F-7M Fighter Aircraft | 24 |
| | MiG-29A and MiG-29UB Fighter Aircraft | 25 |

Source: Based on information from International Institute for Strategic Studies, *The Military Balance 2004–2005*, London, 2005, 124–25.

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Europe/Radio Liberty, *Iran Report*, http://www.rferl.org/reports/iran-report; Reporters Without Borders, http://www.rsf.fr/country-43.php3?id_mot=92& Valider=OK; and U.S. Department of State, *Country Reports on Human Rights Practices*, http://www.state.gov/g/drl/hr/c1470.htm.)

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# Glossary

barrels per day (bpd)—Production of crude oil and petroleum products frequently is measured in this unit, which often is abbreviated bpd or bd. As a measurement of volume, a barrel is the equivalent of 42 U.S. gallons. Conversion of barrels to tons depends on the density of the specific product in question. About 7.3 barrels of average-density crude oil weigh one ton, and seven barrels of heavy crude have an equivalent weight. Lighter products such as gasoline and kerosene average about eight barrels per ton.

bazaar—Term referring to the area of an urban center where merchants and artisans traditionally sold their wares and, beginning in the nineteenth century, to the influential class of society to which merchants and artisans belong.

economic development plan(s)—Iran's economic development plans have been of varying lengths and have had various nomenclature. Under Mohammad Reza Shah, five plans were completed, and a sixth was in progress at the time of the Islamic Revolution of 1978–79. The Islamic Republic has had formal five-year economic development plans since 1990, the fourth of which began in March 2005. The plans begin and end in March in accordance with Iran's fiscal year (*q.v.*) and the Iranian calendar year (*q.v.*).

*faqih*—An expert in religious jurisprudence, specifically a Shia (*q.v.*) cleric whose mastery of the Quran, the traditions of the Prophet and the Twelve Imams, and the codices of Shia Islamic law permit him to render binding interpretations of religious laws and regulations. A prominent *faqih*, chosen by a body of senior *faqihs*, is empowered to rule as the Leader of the Revolution in accordance with the concept of *velayat-e faqih* (*q.v.*) enunciated by Ayatollah Khomeini.

fiscal year (FY)—Coincides with the Iranian calendar year (*q.v.*), which runs from March 21 through March 20.

gross domestic product (GDP)—The total value of goods and services produced within a country's borders during a fixed period, usually one year. Obtained by adding the value contributed by each sector of the economy in the form of com-

pensation of employees, profits, and depreciation (consumption of capital). Subsistence production is included and consists of the imputed value of production by the farm family for its own use and the imputed rental value of owner-occupied dwellings.

gross national product (GNP)—Gross domestic product (*q.v.*) plus the income received from abroad by residents, less payments remitted abroad by nonresidents.

*hejab*—Modesty in attire, generally interpreted by the Shia clergy to mean that by age 10 females must cover all their hair and flesh except for hands and face when in public. In the Islamic Republic, *hejab* became a symbol of the rule of Islamic law over society and a source of irritation in some social circles.

*hezbollahi(s)*—Literally, a follower of the party of God. *Hezbollahis*, originally followers of a particular religious figure, eventually came to constitute an unofficial political party. Although they often acted like vigilantes in breaking up meetings of politicians whom they deemed too liberal, they were not an irregular military or paramilitary group.

imam—Among Twelver Shias, the principal meaning is a designation of one of the 12 legitimate successors of the Prophet Muhammad. Also used by both Shias (*q.v.*) and Sunnis (*q.v.*) to designate a congregational prayer leader or cleric.

Iranian calendar year—The Iranian calendar is a solar calendar that begins each year at the vernal equinox (usually March 21). The Iranian calendar begins counting years from 622 A.D., the year of Muhammad's flight from Mecca to Medina. The current Iranian calendar year, which began in March 2008, is 1387.

*kadkhoda*—In rural Iran, a village headman; also used as the title for leaders of some tribal clans.

madrassa—A religious college or seminary that trains students in Islamic jurisprudence.

*mahriyeh*—A stipulated amount of money and/or property that a groom provides his bride according to their marriage contract.

Majlis—A term used in two senses: the legislative body of imperial Iran, which included a senate and an elected lower house of representatives, or the lower house alone. After the

Revolution of 1978–79, the Islamic Republic abolished the senate, retaining an elected lower house known as the Majlis.

*maktab*—A primary school operated by Shia clergy.

*mojtahed*—In Shia religious law, a religious leader who has achieved high status by passing through a series of prescribed stages of education and experience, and thus is worthy of emulation and entitled to issue rulings and decrees.

*mostazafin*—Literally, the disinherited; originally, a religious term for the poor, which subsequently was popularized.

mullah—General term for a member of the Islamic clergy; usually refers to a preacher or other low-ranking cleric who has not earned the right to interpret religious laws.

Organization of the Petroleum Exporting Countries (OPEC)—An organization encompassing 12 of the world's major oil-producing countries: Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC coordinates the petroleum policies of its members, with the exception of Iraq, whose oil production has not been included in OPEC production agreements since 1998. OPEC members account for about two-thirds of world oil reserves and more than 40 percent of world oil production.

rial—Basic unit of Iranian currency. Between 1984 and 2001, Iran had multiple exchange rates, including official and unofficial rates. Since 2001 there has been a single exchange rate. In late February 2008, the exchange rate was about 9,400 rials to the U.S. dollar.

sharia—Islamic canon law. Among Shias (*q.v.*) the sharia includes the Quran and the authenticated sayings of the Prophet Muhammad and the Twelve Imams.

Shatt al Arab—"The Stream of the Arabs," Arvandrud in Persian, a river about 200 kilometers in length, formed by the confluence of the Euphrates and the Tigris at the town of Qurnah in southern Iraq. The southern end of the river constitutes the border between Iraq and Iran. Control of the waterway has been a source of friction since at least the seventeenth century; it was a major cause of the Iran–Iraq War of 1980–88.

Shia(s)—A member of the smaller of the two great divisions of Islam. The Shias supported the claims of Ali and his line to

presumptive right to the caliphate and leadership of the world Muslim community, and on this issue they split from the Sunnis (*q.v.*) in the first great schism of Islam. Later schisms produced further divisions among the Shias.

special drawing right—A standardized monetary unit used by the International Monetary Fund (*q.v.*) for the transactions of several international institutions. It is standardized against all currencies using it rather than the home country's currency and is drawn from a pool of contributions by member countries.

Sunni(s)—A member of the larger of the two great divisions of Islam. The Sunnis, who rejected the claim of Ali's line to leadership of the world Muslim community, believe themselves to be the true followers of the sunna, the guide to proper behavior that includes the Quran and the words of the Prophet Muhammad.

*velayat-e faqih*—The guardianship of the religious jurisprudence expert. The concept was elaborated by Ayatollah Khomeini to justify political rule by the clergy.

White Revolution—Term used by Mohammad Reza Shah Pahlavi to designate the program of economic and social reforms that he initiated in 1963.

# Index

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