IRAN'S STRUGGLE FOR DEMOCRACY CONTINUES: AN EVALUATION OF TWENTY-FIVE YEARS AFTER THE REVOLUTION
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The disqualification of thousands of reformist candidates by the Council of Guardians for the seventh parliamentary elections on February 20, 2004 has resulted, according to most observers, in Iran's most serious political crisis in the past twenty-five years. But is this the end of the reform movement? Even from the regime's standpoint, trying to block change altogether will lead to a build-up of problems and opposition that could eventually bring down the Islamic Republic.

The disqualification of thousands of reformist candidates and subsequent results of the parliamentary elections in Iran in February 2004 is widely viewed as a major setback, if not a deathblow, to the reformist forces and their democratic agenda. The wave of reform efforts based on transforming the regime through electoral victories, which began with the election of President Muhammad Khatami in 1997, is seen by Iranians in general as well as foreign observers as having come to an end, or at least a period of paralysis.

However, the pressure for political democracy, social reform, and economic viability in Iran cannot be stopped. The population is politicized, and given the current economic and social problems, the only viable solution for the preservation of cultural Islam and the social status of the 'ulama themselves is to allow for gradual political, economic, and social reforms to forge ahead. Democratic reforms need not contradict Islam nor the fundamental role of the 'ulama as the guardians of Islam. A prolonged confrontation between the more traditional conservative thinkers and Islamists in the regime will undermine what both groups want--an Islamic Republic.

The 2004 election ended in an overwhelming victory for the regime's forces, which had disqualified those who could have beaten them. The biggest pro-reform faction, the Islamic Iran Participation Front, had most of its top leaders disqualified and did not take part. The crisis was compounded by the persistent socioeconomic problems and corruption faced by Iran. But in this case there was also widespread political apathy among the youth, the cornerstone of the electorate, which had swept President Khatami to power in 1997 and again in 2000.

A few days before the voting, on February 11, Iran's government marked the Islamic revolution's 25th anniversary with nationwide rallies. At one of these rallies, President Muhammad Khatami proclaimed that the country was at a crossroads. The adherents of one path, he said, want to ignore Iran's religious and cultural identity and copy the West, while those of a second, extremist, path ignore people's needs, views, and votes and "under the flag of the religion and values is overtly or
covertly struggling with freedom and
democracy and considers itself [to have
the] right to decide on behalf of the people.
The third way is the way of the Islamic
Republic of Iran in [the] true meaning of
the word. The result of our revolution was
the Islamic Republic of Iran."(1)

Khatami himself, however, became a
subject of criticism among many
disappointed reformists who had hoped he
would refuse to endorse the elections
unless they were free and fair. He could
have challenged Ayatollah Khamene'i, the
country's spiritual guide and the strong man
of the regime, by calling for the elections'cancellation or for officials to resign over
the issue. But such moves could have led to
political paralysis, widespread protests, and
even violence. In the end, he remained true
to his deep-rooted belief that only through
the rule of law and patience can the long
term goal of a truly democratic Islamic
Republic be realized.

Given the changes in the past 25 years
in the dynamics of state-society relations in
Iran, the "Talibanization" of Iran is very
unlikely, even with the conservatives' election victory and crackdown on the
opposition. Ultimately, the alternative to a
popular Islamic democracy is a religious
dictatorship that in the long run will
severely damage the 'ulama's political and
religious legitimacy, undermining Islam
itself and paving the way for a "Western-
style" secular democracy. This is
something both conservatives and
religious-nationalist reformists would like
to avoid. It is only through adoption of
democratic values, institutions, procedures,
and practices that the appropriate place of
Islam in society and politics can be found.

Moreover, the Iranian hardliners' insistence on Islam playing a central role in
politics, society, and foreign policy is
merited only if their "Islamic policies" in
pursuit of spiritual fulfillment are
accompanied by real socioeconomic
improvements. After all, what kind of
Islamic culture can blossom where poverty
and underdevelopment is present, popular
sovereignty is ignored or suppressed and
religious fanaticism is legitimated through
extrajudicial and/or manipulative political
practices? In Iran, it seems the minority is
suppressing the rights of the majority
through openly manipulating and abusing
democracy.(2)

But, as I have argued elsewhere, the
development of democratic ideals and
principles—for instance, the expansion of
universal respect for the political and civil
rights of the individual—does not occur
overnight but over decades and even
centuries. The development of such rights in
the West itself, where modern democracy
first emerged, has taken centuries to develop
into the present situation where political
democracy is equated with freedom. More
important, however, to the process of
democratic development, the expansion of
political and civil rights has been the result
of struggle and competition among
contending groups in society (e.g., labor,
women, minorities) over political power and
so socioeconomic resources.

It is only through a power struggle for the
extension of such rights that the opportunity
for contesting power, what Robert Dahl
called Polyarchy,(3) and eventually
democracy can emerge. The struggle for
democracy in Iran must be understood
within this broader context: the politics of
electioneering and establishing the
fundamental institutional framework for
competitive politics (e.g., parliament,
presidency), despite all its shortcomings and
even seemingly undemocratic features (e.g.,
the absence of real political parties, the all
too-powerful office of the rahbar or velayat-
i faqih) can, in the long run, develop more
democratic features. Moreover, the politics of
electioneering on its own is educational
and also mobilizes the populace at large.
This is not to argue that elections by
themselves mean that a democratic state exists or is on the horizon. But, it is inconceivable for a democracy to emerge without elections and electoral processes in place.\(^{(4)}\)

The degree of elite cooperation has been instrumental in the development of democracy in Western democracies. In the case of Iran and other late-developers, the sudden and rapid expansion of political participation coincided with immediate demands for liberalization that could easily degenerate into elite rivalry and infighting. The future of democracy in Iran thus relies heavily on the resolution of the ideological rivalry within and among the conservative and reformist political/religious elites in and out of government, which must have real implications for the distribution of socioeconomic resources and political power. The resolution of these differences can benefit both groups by preserving their socioeconomic privileges while promoting Iran's economic development and political democracy. In contrast, the failure to cooperate can lead to continuing political paralysis, slower economic development, social frustration, and relative international isolation.

Democratic rules and procedures need not necessarily be devoid of all religious norms, values, and moral codes. Khatami's insistence on the rule of law and civil society is correct and admirable, and so is his intention that Islam should play a central role in Iranian society to help counter excessive and unbridled secularism. This is a belief that he shares with religious and political conservatives in and out of the government. At the same time, however, the issue of secularism is being, perhaps deliberately, confused with popular sovereignty and political democracy by small numbers of influential religious and political conservatives who have enriched themselves through the existing systems.

Obviously, the separation of church and state in the West has not led to the separation of religion and politics. However, the interplay between religion and politics in democratic societies takes place within political and social institutions, is based on law and the consensus of the majority, and without the suppression of minority rights. Elections are mechanisms to ensure that the line of communication between the electorate and public officials are open, so that aggregate social preferences are given due weight in the political process and policy decision-making.

The participation of religious political parties in democratic political systems, however prone to controversy or difficult to manage in coalition building—as in Israel, Turkey, Lebanon, and Pakistan, among others—can take place without sacrificing democracy in the name of religious preferences. Similarly, the society as a whole must, through democratic procedures, decide, within the prevailing socio-cultural and historical context, the extent of secularization and liberalization of social and moral values. A free and democratic Muslim society, therefore, need not look and act like "excessive" liberal societies in the West.

Nevertheless, the "Islamization" of Iranian society has failed for the most part and the success of marryng Islam with republicanism remains in doubt. This is not so much because Islam and democracy cannot coexist, but because most traditionalist 'ulama continue to insist on building a modern, prosperous, and spiritual Iran without allowing for a national dialogue that can slowly but surely address issues of socioeconomic and political governance within an Islamic context and without advocating unbridled secularism. The slow progress in resolving some of the seeming contradictions between Islam and republicanism has been due fundamentally to the absence of a
national debate involving the 'ulama, the intellectuals, and the populace at large over the proper place and the role of Islam and the 'ulama in governance and overall state-society relations. (5)

In the long run, the Iranian populace should decide on the desired extent of "Islamization" of society and social values through legal and political avenues, but freedom to choose need not bring about the demise of all religious values and principles. Even among the industrialized democracies of the West, religion continues to shape social, legal, and political behavior in varying degrees and in different ways. The controversy over abortion in the United States or in Ireland, or whether French Muslims have the right to wear their Islamic hijab in state schools without undermining the French proud tradition of secularism, or the controversy in the United States over gay marriage, or the plethora of moral and religious questions in the field of genetics (most notably the controversy over human cloning), are but a few examples.

There is, then, space for the existence of an "Islamic" Republic in Iran that respects democratic values and allows the citizenry to incorporate Islamic values into the political arena as well as their daily lives. Without a democratic framework, however, crises are going to become progressively more acute and lead to religio-political dictatorship, even more international isolation, and ultimately--and ironically--a total divorce (not separation) between Islam and politics that will realize the worst nightmare of both conservatives and reformists.

IRAN'S POLITICAL ECONOMY

The demise of the monarchy and the powerful families associated with it has resulted in the rise of a new religious class that controls the state ideology and apparatus. From the beginning, the foundation of the new state was based on economic populism and the "Islamization" of social and political institutions, in spite of Iran's religious, ethnic, and linguistic differences. The challenges to the new state after the revolution were also compounded by the American-led economic sanctions, a devastating eight-year war with Iraq, the flow of Afghan and Iraqi refugees, and rapid population growth and urbanization.

Among the state's public policy achievements have been providing the basic necessities of life to the poorest segments of Iran, including water, paved roads, and electricity. After the nationalization of banks, factories, and major industrial enterprises immediately following the revolution, however, the state came to rely heavily on the public sector to manage Iran's vast economy and provide social services. In the political arena, the top leadership's insistence on marrying Islam with Republicanism created added challenges, slowly leading to the ideological polarization of political and social forces within both the state and society. The public sector has been incapable of creating enough jobs and meeting the demands of the public for the basic necessities of life, and worse yet, the vested interests of the economic elites in Iran resist attempts at privatization. This is most evident in the existence of foundations (Bonyads) that are in charge of vast resources and accountable to no one but Ayatollah Khamene'i himself.

As Forbes Magazine reported in July 2003, "With 9 percent of the world's oil and 15 percent of its natural gas, Iran should be a very rich country. It has a young, educated population and a long tradition of international commerce. But per capita income today is 7 percent below what it was before the revolution and Iranian economists estimate capital flight (to Dubai and other safe havens) at up to $3 billion a year." The sad state of the Iranian
The report blames the clerical elite for mismanaging Iran into senseless poverty. However, a closer look at Iran's political economy reveals a complex interplay among domestic, regional and international factors shaping the dynamism of Iran's political economy and reveals serious problems but also great potential.

Iran is the Middle East's second-biggest producer of oil, relying on oil and gas for more than 80 percent of export earnings, and its economic growth is heavily influenced by oil prices. Higher oil prices during the twenty-first century's opening years helped an economic boom, with higher prices pushing growth to 7 percent in 2002 and 2003. The non-oil sector has also shown signs of growth. Iran has invested heavily in health care and education, achieving standards above the regional average.

The gap between male and female literacy has narrowed among the younger generation. Women now make up an estimated 60 percent of students enrolled in higher education, although the number of women working remains well below the number of men. Women have had the vote since 1963, and until the February 2004 parliamentary elections, there were 13 female members of parliament.

Iran has more telephones and personal computers per 1,000 people than the regional average, although the spread of televisions and mobile phones has been comparatively slow. There has also been rapid growth in internet use, with one in ten people now thought to have some access to the Web. Overall, Iran is making progress towards its Millennium Development Goals. It is "on track" in the following areas: halving the proportion of people suffering from hunger and undernourishment, eliminating gender disparity in education, reducing by two-thirds the under-five and infant mortality rates, and halving the proportion of people without access to improved water resources. It is slipping back, however, in ensuring that all children complete primary education and in terms of the net primary-school enrollment ratio.

With its large population, state-dominated economy, and the U.S. trade sanctions, Iran's GDP per capita is much lower than that of other regional oil producers, such as Bahrain, Kuwait, and the UAE. Iran ranks 106th on the UN's index of overall human development, well behind such oil producers as Saudi Arabia and Venezuela, as well as countries with much lower GDP per capita, such as the Philippines and Uzbekistan. Today, because of rapid population growth, two-thirds of the country's population is under 30 and job creation has lagged. Moreover, self-imposed limits on imports to promote self-reliance and to save foreign exchange, as well as black marketeering, economic mismanagement, and the presence of a large, inefficient public sector, have led simultaneously to high rates of unemployment and inflation, hurting large segments of the population.

Inflation, about 16 percent in 2002, has hit particularly those such as teachers and civil servants whose wages are not driven by consumer prices. Unemployment is a serious problem, with about 28 percent of 15–29 year olds out of work, and high rents are also a concern for the young. Unemployment and inflation have seriously undermined the standard of living for most Iranians, contributing to widespread bribery and corruption, late marriages (because couples simply cannot afford it), and drug abuse and addiction.

An estimated two million Iranians use drugs and heroin injection is believed to be responsible for the rising HIV/AIDS rate among the prison population. According to the Iranian Coroners Organization, 1,039 people died of drug-related causes in the third quarter of the Iranian year that began on March 21, 2003. Furthermore, drug
trafficking costs Iran more than $2 billion a year, with 3,300 soldiers and police officers killed in attempts to curb drug imports from neighboring Afghanistan, which is responsible for two-thirds of global opium production. Contrary to expectations, the fall of the Taliban in Afghanistan has actually led to higher levels of opium production.\(^{11}\)

The Islamic foundations run a large segment of Iran's economy, which, in 2002, accounted for an estimated 20 percent of the nation's $115 billion GDP. For example, the Mostazafan & Janbazan Foundation (Foundation for the Oppressed and War Invalids) is the second-largest commercial enterprise in the country, trailing only the state-owned National Iranian Oil Company. The foundation employs about 40,000 workers and has over $10 billion in assets. The largest real estate holding charity organization, the Razavi Foundation, owns vast tracts of urban real estate all across Iran as well as hotels, factories, farms, and quarries. Some Iranian economists estimate its holdings at $15 billion or more.\(^{12}\) Some of these foundations have also grown into influential forces that block any economic privatization and reform attempts and are usually exempt from taxation and any parliamentary investigation. Perhaps the most notable example is the aforementioned Foundation for the Oppressed and War Invalids, which is under the authority of Ayatollah Khamene'i.

In the 1980s, the state particularly relied on these foundations and its other institutions like Sipah-i Pasdaran, Bunyad-i Shahid, and Basij to rally popular support for its policies and to discredit its opposition. The Revolutionary Guards (Sipah-i Pasdaran), for example, made the state less dependent for its national security on the regular army, whose loyalty to the new Islamic government was suspect. The Oppressed and War Invalids Foundation, meanwhile, through government subsidies and various charitable activities, rallied support among the urban and rural poor for the new regime. The Martyr Foundation (Bunyad-i Shahid) was set up to disperse economic and social assistance to the families of the war veterans and those martyred for the revolution, while the Mobilization Corp (Basij) recruited young Islamic zealots to help control the general population, as well as to assist in post-war reconstruction efforts. Powerful economic units with extensive connections to the ruling political personalities are now a strong force for maintaining the economic status quo and resisting efforts toward privatization.\(^{13}\)

Influential political leaders have also enriched themselves and their families and friends at a time when the average Iranian must hold two or more jobs to make ends meet. Among the beneficiaries of the average Iranian misfortunes is Mohsen Rafiqdoost, who heads up the Noor Foundation. This foundation owns numerous apartment blocks and makes an estimated $200 million importing pharmaceuticals, sugar, and construction materials. The most notable example, however, is the wealth accumulated by former president Rafsanjani and his family. Paul Klebnikov of Forbes Magazine observed:

The 1979 revolution transformed the Rafsanjani clan into commercial pashas. One brother headed the country's largest copper mine; another took control of the state-owned TV network; a brother-in-law became governor of Kerman province, while a cousin runs an outfit that dominates Iran's $400 million pistachio export business; a nephew and one of Rafsanjani's sons took key positions in the
Ministry of Oil; another son heads the Tehran Metro construction project (an estimated $700 million spent so far). Today, operating through various foundations and front companies, the family is also believed to control one of Iran's biggest oil engineering companies, a plant assembling Daewoo automobiles, and Iran's best private airline (though the Rafsanjanis insist they do not own these assets).(14)

Iran's foreign policy in the past 25 years has for the most part adversely affected its domestic politics and damaged its pace of socioeconomic development. But, largely due to the reformist dominated Parliament and the administration of Khatami since 1997, improvements have been made in restoring and pursuing more pragmatic and less ideological foreign policies. In principle, Iran remains committed to the Palestinian cause and the propagation of Islamic ideals, but is now more cautious in balancing its ideological rhetoric with its pragmatic national interest. Iran's relations with the Persian Gulf states, and the Arab world in general, have improved drastically. Likewise, for the most part Iran has been able to neutralize U.S. efforts to isolate it in the international community with its active diplomatic engagement and expansion of ties with the Russian Federation, the European Union, India, China, and other major actors.

Iran has thus far escaped the attention of the architects of the war on terrorism, despite the presence of U.S. forces on its immediate borders and U.S. mistrust of its policies. The controversy over Iran's nuclear problem, however, remains explosive and can potentially undermine Iran's efforts to reduce its international isolation through the European Union's policy of "constructive engagement." Iran's nuclear program remains a major worry to the United States, Israel, and the wider international community, especially in light of the recent revelations that chief Pakistani nuclear scientist Abdul Qadeer Khan marketed nuclear know-how and materiel to Iran.(15) The United States also remains concerned about Russia's decision to continue the $800 million deal to build Iran's Bushehr nuclear power plant.

Given Iran's dependence on investments in its huge oil and natural gas industries, the cost of socioeconomic development of isolation can be immense. Ninety percent of Iran's trade earnings still come from oil export, with carpets and pistachios as major non-oil exports. Iran's estimated 812 trillion cubic feet (tcf) of proven natural gas reserves is second only to those found in Russia, and natural gas accounts for half of Iran's energy consumption. The government plans to spend billions of dollars investing in the oil and natural gas sectors. Despite its huge oil reserves, Iran's nine operational oil refineries (as of January 2003) had a mere total capacity of 1.47 billion barrels per day (bpd), meaning that Iran is currently facing a shortage of gasoline and is forced in the short run to import its shortfall from abroad.

The energy sector remains the major source of attraction to foreign investors, although under Iranian law, foreign companies are allowed no more than 49 percent of Iranian oil refining assets. This is bypassed through a policy of "buy back," which allows for foreign investment and ownership for the duration of the contract.(16) In spite of U.S. sanctions, Iran has attracted investment in its energy sector from French, Italian, Russian, Japanese, and Malaysian companies (among others). The signing on February 18, 2004, of a $2.8 billion agreement with Japan to develop the Azadegan oil field was a major victory for Iran's energy sector, which overcame U.S. pressure to convince Japan not to forge ahead with the deal.
The defeat of the reformists in the parliamentary election can hurt Iran's efforts to attract foreign investment and engagements. The conservatives have already been emboldened by the widespread international criticism of the U.S. unilateralist approach in its declared war on terrorism and in its difficulties in securing Afghanistan and Iraq. The conservatives in Iran and especially in its top political leadership, however, must take note that the reformists' policy of engagement has been successful in countering the U.S. pressure and in promoting Iran's national interest, all this without compromising its fundamental ideological principles and while still acting as a prominent voice for the cause of Islam and Muslims.

Twenty-five years after the revolution, Iran is still struggling to build the just and prosperous "Islamic" society Ayatollah Khomeini and the Shi’a clerical leaders envisioned. The takeover of the state ideology and apparatus by the 'ulama and their allies has led to the creation of an expanded network of personalities and institutions united by their common "Islamic" ideology and privileged economic and political positions in society. But the 'ulama are no longer perceived as sincere men of God and immune from corruption. Overall, "the clergy's direct involvement in state affairs has made it the main target of blame for the ills of society and the state. The cleric's mismanagement of the economy, their almost totalitarian control over the country's cultural life, and above all the abuse of power have severely undermined their once untarnished moral authority."(17)

Society in Iran in the meantime has gone through drastic socioeconomic and cultural changes, much of it because of the ideology and policies of the state itself. Iranian society today is dynamic and burgeoning with an energetic young generation more concerned with sociopolitical freedom and tangible material gains than spiritual fulfillment through living an "Islamic" life. Iranians remain concerned with their future, and like people elsewhere, they mostly care about their families and their economic well-being.

A poll by Siyasat-i Raz reported on July 23, 2002, that the greatest public concerns were inflation, unemployment, and the resulting problems. Of the people surveyed, 74.6 percent said that economic issues were the biggest societal problem. Almost 50 percent said that inflation is their biggest concern, 18 percent complained about unemployment, and 10 percent mentioned corruption. When asked to prioritize their concerns, however, unemployment came out ahead of inflation and high prices.(18) The economic hardships, compounded by social pressures limiting self-expression and freedom of thought, have led to widespread cynicism and mistrust of the political leadership. When Reporters Without Borders published its first worldwide press-freedom index in October 2002, Iran was ranked 122 out of 139.(19)

The government of Khatami has strived, with limited success, to champion privatization and to break Iran's isolation within the global political economy. Iran's long-term economic success depends on large domestic and foreign investments in oil and gas, petrochemical and heavy industries, railroads and ports, and information technology. But the real source of economic growth and prosperity in Iran is the potential consumption power of the middle class and the unrealized entrepreneurial potential of small-business owners. The government should encourage the expansion of business entrepreneurs and the privatization of public sector holdings.

Iran's exports outside the oil industry are limited and trade alone is not the
answer to its chronic economic problems. Longer-term economic development in Iran demands foreign investment and expanded trade, which is impossible without pragmatic foreign policy behavior.

CONCLUSION

Political Islam can participate and positively contribute to the process of democratization in Iran and elsewhere in the Muslim world, should the rules of democratic politics be put in place, institutionalized, and practiced. But the cost of inaction and allowing the hijacking of popular sovereignty and individual rights through orchestrated parliamentary elections, not to mention years of "judicial dictatorship," is to sanction the continuing abuse of Islam in the name of Islam. Power has transformed political Islam in Iran into religious/political factionalism and economic cronyism.(20)

Viable options to realize an "Islamic Republic" require policies not only promoting economic prosperity, social harmony, and spiritual fulfillment but also international cooperation with regional and global actors. Nothing short of the expansion of popular sovereignty within Islamic principles can resolve Iran's long-term problems. The monopolization of political power and significant economic resources and wealth by personalities, powerful families, and wealthy elites—all with connections to influential members of the government—can only damage Islam and the welfare of the Iranian people.

The biggest challenge is to find the appropriate place of Islam in society and politics. The removal of the institution of the monarchy, the rise of clerical rule, and the overall social and economic changes in the past 25 years have all left Iran in a place totally different from both its recent past and its history going back to the early 1500s when Shi'a Islam became the state ideology that united Persia under the Safavid dynasty. There are severe economic and social problems in Iran and the polarization of politics in the past 25 years has damaged efforts to realize a true "Islamic Republic." Iran has the potential and the capacity to overcome much of its current problems, but the price of failure can jeopardize the very essence of the Republic, Islam, and the 'ulema.


NOTES

3. The term Polyarchy was first coined by Robert Dahl and refers to a political system where both the opportunity for participation and contestation for political power among elites are widely open. See, Robert Dahl, Polyarchy: Participation and Opposition (New Haven, CT: Yale Univ. Press, 1971).


15. The *Financial Times* reported on February 12 that IAEA inspectors had found undeclared experiments including a new type of uranium-enrichment centrifuge design in Iran. The *Washington Post*, *Los Angeles Times*, and *New York Times* added details to this story in their February 13 editions. They reported that UN inspectors had discovered documents for a sophisticated uranium enrichment machine referred to as P2 or G2, depending on the source. This discovery resulted from the investigation into the activities of Pakistani nuclear scientist A.Q. Khan. See RFE/RL, *Iran Report*, Vol. 7, No. 7 (February 16, 2004).


20. See Abootalebi, “Civil Society and Iran's Quest for Democracy.”