Iran does not hide its aspiration for regional prominence. The “20-Year Outlook” document released in the last year of the reformist Mohammad Khatami’s presidency makes Tehran’s objectives clear. The document outlines a road map for the country’s economic, political, social, and cultural developments. It calls for an Iran that will be an “inspiring model” for the Islamic world and in “the top economic, scientific and technological position in Southwest Asia (including Central Asia, Caucasus, the Middle East, and neighboring countries)” by 2025. Its vitality persists, with Iranians continuing to call it the “guiding document” ten years after its issuance.

The economic and political effects of global sanctions, aggravated by plummeting oil prices, are undermining those lofty ambitions, as are the continuing domestic institutional struggles within Iran. While the government has been able to make some adjustments and has made some steps toward stability, tensions remain among the power elite and between the government and the electorate. How quickly and well the governance structure addresses these issues will have a major impact on whether the country can play the leading role that the Iranians aspire to and whether it can remain an island of relative stability in a regional sea of political chaos.

### A VOLATILE REGION

Events of recent years have highlighted the relationship between Iran’s domestic politics—including its institutions and the role of economic policy—and its regional clout and aspirations. The country has struggled internally since the tumultuous period between 2009 and 2011 revealed just how contested its political system had become. In addition, like other regional powers, Iran’s leaders have appeared unsure of how to react to rapid political developments. Leader Seyyed Ali Khamenei first applauded the Arab Spring, terming it an “Islamic Awakening.” More recently, Iran has swung into an anti-revolutionary mode in the name of regional security and stability, supporting the governments of Syria and Iraq against their insurgencies. Tehran also dispatched its deputy foreign minister for Arab and African affairs to attend General Abdel-Fattah al-Sisi’s inauguration in Egypt in June 2014, a year after the army pushed aside an elected Islamist government.

Similarly, since the election of President Hassan Rouhani in 2013, Iran has tried to renew and improve relations with its Arab Gulf neighbors, the region, and beyond, and it could benefit from interests in Iraq it shares with regional actors and their Western allies. Yet these same actors continue to find threatening Tehran’s increasing influence in Iraq through its coordination of Shi’ite militias to fight the Islamic State group (ISG), the role it plays supporting the Bashar al-Assad regime in Syria and Hezbollah in Lebanon, as well as its alleged machinations in Yemen.
Much of this threat perception can be traced to the underlying consistency that characterizes Iran’s foreign and security policy, despite pivots depending on who has taken the presidential helm. This underlying consistency, in turn, stems from the evolution of Iran’s institutions, which give stability top priority. They have served as a bulwark against dramatically shifting fortunes for the last three decades while providing arenas in which deep differences of opinion about Iran’s relationship to the region and the world are negotiated. Without a doubt, Iran is feeling its way in the midst of a disintegrating regional architecture while facing a ruinous sanctions regime but is doing so by relying on institutions and decisionmaking processes that have become increasingly robust and developed in the face of international pressures that the country has been under since its revolution.

More recently, Iran got a boost from the sudden emergence of the ISG and its recognition as a dangerous global phenomenon. That has placed Iran’s policies toward Syria and Iraq in a different light, helping the country’s regional position and posture. The Iranian foreign policy and security establishment can now boast that its warnings regarding Syria’s “destabilization project” by the United States and regional powers such as Saudi Arabia and Turkey have proven prescient. It can also argue that its foreign policy is the most consistent in the region: pursuing systemic stability against brutal and destabilizing anti-systemic forces of terror.

That said, the Islamic Republic is still struggling to figure out how to punch at least close to its weight—in keeping with its revolutionary legacy, geographic size, and developed infrastructural links to the Gulf, South and Central Asia, and the Caucasus. Iran also has immense resources, a dynamic culture, and a highly educated population. To operate in its weight class, however, will require a nuclear accord that reverses long-standing policies intended to isolate Iran politically and pressure it economically. Furthermore, Iran can sustain this enhanced prominence only if it can keep its house in order. That is a tall order, and the peaceful management of the country’s highly contested domestic politics is key to a stable Iran with or without a nuclear agreement.

DOMESTIC INSTITUTIONS
Maintaining stability in Iran over the past three decades has been an enormous challenge. Iran has gone through a historical revolution, a destructive war that lasted eight years, an unprecedented economic chokehold, and political tumults during the presidencies of both Khatami and Mahmoud Ahmadinejad. Yet it has not succumbed to the violent divisions and civil wars that have swept the neighborhood. Furthermore, it has survived and arguably prospered by relying on in-
stitutions established in both pre- and postrevolutionary times. They are deep enough to continue functioning, even if not efficiently, in the midst of extreme pressure, and flexible enough to adapt to changing circumstances.

To be sure, the increasingly complex institutional decisionmaking process has not been the only element of power for the Iranian state. Brute force and periodic crackdowns have also been powerful instruments of control. But these crackdowns, while showing force at any given moment, have not necessarily fortified the state. Instead, they have displayed that Iran’s political leaders are more fearful of domestic challenges than external ones and exhibited a sense of vulnerability. More significantly, these crackdowns have not led to a militarized or police state. In 2013, an established political institution and process—an election—brought the country back from the highly polarized brink to which the disputed 2009 election and Ahmadinejad’s unorthodox managerial practices and style had taken the country. Rouhani shares Ahmadinejad’s elevated sense of Iran’s strategic importance and significance as an indispensable power in the region and independent force in the world. But Rouhani differs significantly in his analysis of how to preserve Iran’s security, counter its isolation, and improve its standing in the region and world. These differences in foreign policy outlooks are deep. Their management in ways that have not torn the country apart can be explained only through the institutions that the Islamic Republic has been able to build.

In the national security arena, external pressures and threats have helped institution building. Consider the Supreme National Security Council (SNSC), which brings together officials from different institutions with different outlooks to debate and make decisions on how to respond to external threats and pressures. The SNSC has transformed the country’s foreign policy decisionmaking process from the one-man rule of the prerevolutionary era to a more collective and interactive enterprise. Major policy shifts, including cooperation with the United States in Afghanistan and improved relations with Saudi Arabia during the Khatami era, could not have happened without discussions within the SNSC and eventual buy-in from across the political spectrum. The latest example of institutional decisionmaking was displayed in relation to Iraq after the ISG’s takeover of Mosul. The SNSC managed differences of opinion over what to do and eventually different elements of Iran’s approach—political and military. To be sure, tasks were delegated. The SNSC secretary, Ali Shamkhani, coordinated Iran’s response to Iraq’s domestic political dynamics, which eventually led to exertion of pressure for

the removal of Prime Minister Nouri al-Maliki. The foreign ministry managed the relationship with the Kurdistan Regional Government, and the Iran Revolutionary Guard Corps Qods forces oversaw military support.

The SNSC also debated questions about the extent of Iran’s involvement in attacks against the ISG and coordination through officials in Baghdad of the logistics of the U.S. attacks against the ISG in Iraq. Rouhani chairs the SNSC, and on significant security issues, he must also have the agreement of the Leader. But not even Khamenei’s opinions on what should be done were generated independently of this process. He has the last word, but the decisionmaking process and elected officials who end up in the SNSC help shape and refine policy.

Similar dynamics are at play for economic policymaking, traditionally the purview of the executive branch, its economy-related ministries, and their interaction with the parliament. This interaction has been fraught with conflict and has not been the most productive in terms of consistency and efficacy. Rampant corruption, unaccountable government officials, ideological decisionmaking, and the existence of many nontransparent parastatal institutions have been integral elements of the Islamic Republic. At the same time, the Iranian state—which according to the latest figures employs 16.9 percent of the country’s labor force—has managed to expand its economic reach in terms of welfare, regulatory, and increasingly even extractive capacities in support of national objectives.

This reach now includes a nationwide registration system for identification cards relied on for all economic transactions, a computerized gasoline ration system, and monthly cash grants directly deposited in people’s bank accounts. Information gathered from these registrations and the institution of a value-added tax system in 2008 have gradually been used to expand government revenue from

6. Out of the 12 standing members of the SNSC, positions that can directly or indirectly change with elections include that of the president, the speaker of the parliament, the cabinet member in charge of budget and planning, and ministers of foreign affairs, interior, and intelligence. The president also appoints the secretary of the SNSC.
nonoil sources.\textsuperscript{9} To be sure, the attempt to reduce reliance on oil revenues was halted, even reversed, during the Ahmadinejad years largely due to his expensive populist policies, which required enormous oil revenues generated by high prices. But the sanctions regime and rapid drop in oil prices have forced reversals of expansionary budgets and institutional changes that Ahmadinejad made, and they were accomplished without much bureaucratic challenge. For instance, Rouhani has reinstated the Management and Planning Organization as the body responsible for preparing the country’s yearly budget along with medium- and long-term development plans and policies. Ahmadinejad dissolved this institution, which was established in the early years of Mohammad Reza Shah’s regime. Rouhani then resurrected elements of it within his executive authority, combining it with another organization in charge of government administration and hiring.\textsuperscript{10} With the reversal, this institution again returned to its focus on budget and planning. Whether this change will help turn around the ailing Iranian economy is unclear, but it is an example of how the country’s deliberative and administrative institutions adjust to help the economy limp along in the face of the sanctions regime.

**ARCHITECTURE OF POWER AND INSTITUTIONAL TENSIONS**

The government adjusts despite deep tensions among the country’s institutions. It is worth mentioning two institutions in particular—elections and the office of the Leader—designed to manage or moderate political competition, conflicts, and systemic contradictions. Their failure to perform their tasks proved disastrous in 2009, while their adjustments became a source of stability in 2013.

The combined presidential and municipal council elections of 2013 were the thirty-first election in the 35-year history of the Islamic Republic.\textsuperscript{11} Elections have been the method of choice for managing popular participation, socializing the newer generations into the Islamic Republic, and regulating and ultimately negotiating inter-relite competition. In 2009, electoral politics failed in all these objectives. The significance of the 2013 election lies less in the election of a centrist president and more in the reaffirmation of the legitimacy, value, and functionality of this foundational institution.

Recent changes in electoral cycles include turning them into biannual affairs through

\begin{itemize}
  \item The Islamic Republic’s extractive capacity is still very low in comparison to, for instance, its nonoil producing neighbor Turkey. According to the head of Iran’s tax organization, the weight of taxation only falls on 40 percent of the country’s gross domestic product. The rest—including large religious and economic foundations—either fail to pay taxes or are not required to. But again, the sanctions regime and the rapid drop in oil prices have forced the state to seek more taxes. The government has announced its intention to broaden the base for nonoil tax revenues from six to ten percent of the Gross Domestic Product. International Monetary Fund, *Islamic Republic of Iran: IMF Country Report No.14/93*, April 2014, http://www.imf.org/external/pubs/ft/scr/2014/cr1493.pdf.
  \item This was established in 1948 and originally named the Plan Organization, then the Plan and Budget Organization. Ahmadinejad disbanded it in 2007.
  \item That includes the three founding elections held in the immediate postrevolution years regarding the change of regime, the election of Constitutional Assembly, and the approval of the Islamic Constitution.
\end{itemize}
the aggregation of various elections. Elections previously accentuated political competition when they were held almost every year. The slower pace helped rationalize the electoral process. All the same, the problem of who and which political forces can participate in the electoral process remains. That undoubtedly will become a source of tension and conflict unless the conservative Guardian Council, which vets candidates, makes a further adjustment and allows a broader spectrum of candidates to run for office. If it cannot, then it will continue to keep the Islamic Republic vulnerable to and hobbled by periodic and unpredictable outbursts. The security forces of the Islamic Republic may be able to continue to control crowds dissatisfied with electoral outcomes. But the systemic inability to quiet the Iranian political elite’s dissatisfaction with the rules of game will assure dysfunction of a political system paralyzed by intense procedural disagreements at the top.

Meanwhile, the office of the Leader poses two problems for the future of the Islamic Republic. The first concerns the length of the term of the occupant, which is effectively for life. The second relates to the question of transition in that office after years of power aggregated by the person who holds that office. Not surprisingly, lack of rotation has proved a recipe for accumulation of power and expansion of reach of the person who occupies that office. While many observers of Iran tend to reduce the Leader’s office to the personality and ideological orientation of the office holder, the much deeper problem is constitutional. The Iranian constitution has created two executives, one of which effectively has a life term while the other changes every eight years (and potentially even every four years). Rotation of the Leader is possible only in case of death or mental or physical incapacity to perform constitutional duties as determined by the Council of Experts.¹²

This does not mean that the president—explicitly identified in the constitution as the second most important person after the Leader—lacks substantial power. In fact, the powers of the elected president include the power of the purse and control of the government’s vast bureaucracy. Those powers spawned the deepest conflicts of the country, first in the early years of the Islamic Republic and then in the second term of Ahmadinejad’s presidency. Unless these two executives find a way to work with each other, their conflicts are bound to reverberate up and down the institutions of the Islamic Republic.

The problem lies in the constitutional ambiguity that exists regarding the two executives’ power and authority. The Leader is the commander-in-chief, appoints

key civilian and military officials, and determines the general policies and direction of the Islamic Republic. He can also step in to resolve conflicts among the three branches of government. He can delegate the resolution of conflicts that cannot be addressed through “normal” means to the Expediency Council.

At the same time, Article 113 gives the responsibility for implementing the Constitution to the president except in matters directly concerning the office of the Leader. The president sets general policies, makes appointments, and investigates violations of citizens’ constitutional rights. To be sure, the latter power may be academic in a country where the judiciary and security forces routinely violate citizens’ rights. But these issues sometimes concern the rights and treatment of long-standing officials of the Islamic Republic, such as the unconstitutional house arrests of former Prime Minister Mir Hossein Mussavi and former Speaker of the Parliament Mehdi Karrubi. When such incidents become part of public conversation, they can become sources of great friction. That is especially true when during Khamenei’s long rule, he increasingly has encroached on the powers and authority of the president in the name of “general interest of the state.”

Without a reversal of this process, the tensions from the encroachments will become even more blatant. Even assuming a smooth transition to a new Leader, made possible by a selection process in the Council of Experts, the power that a long-serving Leader can amass is bound to be challenged during the transition to a successor. At the end of the day, if the country becomes too accustomed to the discretion of the long-standing occupant of the office, a change of occupant will unsettle the office. That could affect Iran domestically and its regional aspirations. The office’s pivotal role in the political setup of the Islamic Republic makes it imperative to delineate and make legitimate its powers before the next transition.

**CONCLUSION: IMPLICATIONS FOR IRAN’S REGIONAL ROLE**

During his presidency, Ahmadinejad polarized Iran and sharpened tensions with countries around the world. In 2013, Iran relied on established political institutions to bring the country back from the brink. Many in the international community viewed this as a positive development. Since then, the Rouhani administration has aimed at renewing and improving bonds with Iran’s Gulf neighbors and the international community more broadly. The response to this effort has been mixed. Some see opportunity for improved relations and possible collaboration, while others remain concerned and question the sustainability of recent diplomatic efforts given Iran’s highly contested political environment.

The postrevolutionary Iranian elite has always had competing and conflicting views on what Iranian foreign policy should look like and how to implement it. Fault lines exist regarding Iran’s relationship to the global order, the role of the government
in promoting economic justice, and cultural and religious values. There are also foundational disagreements about the proper rules for politics and whether the republican or Islamic aspects of the Islamic Republic should have more weight. It is unlikely that any of these differences and the forces that align on different sides of the issues will go away. Still, decades of turmoil have not turned the Iranian state into a militarized nation or security state. Political institutions still matter—indeed, they have become increasingly important.

Events of the past few years suggest that Iran’s political institutions, more than its polarizing personalities, will determine Iran’s ability to define and pursue successful policies at home and abroad. Iran’s government aspires to a role as the leading player in its neighborhood. Whether the United States will agree to abandon its three-decade policy of containing Iran will make a difference in the speed with which the Islamic Republic can pursue its stated aspiration to rise as the leading regional player. Equally if not more important, however, is the ability of the Iranian political system to pursue a direction that retains a level of healthy competitiveness and manages internal discord stemming from the nation’s diverse interests and changing sentiments. Events of the past few years suggest that Iran’s political institutions, more than its polarizing personalities, will determine Iran’s ability to define and pursue successful policies at home and abroad.
About the Authors

JON B. ALTERMAN is a senior vice president, holds the Zbigniew Brzezinski Chair in Global Security and Geostrategy, and is director of the Middle East Program at CSIS. Prior to joining CSIS in 2002, he served as a member of the Policy Planning Staff at the U.S. Department of State and as a special assistant to the assistant secretary of state for Near Eastern affairs. He is a member of the Chief of Naval Operations Executive Panel and served as an expert adviser to the Iraq Study Group (also known as the Baker-Hamilton Commission). In addition to his policy work, he teaches Middle Eastern studies at the Johns Hopkins School of Advanced International Studies. Before entering government, he was a scholar at the U.S. Institute of Peace and at the Washington Institute for Near East Policy. He received his Ph.D. in history from Harvard University.

CAROLYN BARNETT is a research fellow with the Middle East Program at CSIS. Her primary research interests are in the politics, economics, and society of North Africa and the Gulf states. She also supports the Middle East Program’s projects related to changing relations between Asia and the Middle East. Prior to joining CSIS, Barnett earned an M.Sc. in Middle East politics and an M.A. in Islamic studies from the School of Oriental and African Studies in London, where she studied as a Marshall scholar. She also spent a year as a graduate fellow in the Center for Arabic Study Abroad program at the American University in Cairo on a Fulbright scholarship. Barnett holds a B.S.F.S. from the School of Foreign Service at Georgetown University and is a former editor-in-chief of the Georgetown Journal of International Affairs.

STEPHEN D. BIDDLE is professor of political science and international affairs at George Washington University (GWU). He is also adjunct senior fellow at the Council on Foreign Relations where he was previously the Roger Hertog Senior Fellow for Defense Policy. He has served on the Defense Policy Board, on General David Petraeus's Joint Strategic Assessment Team in Baghdad in 2007, on General Stanley McChrystal's Initial Strategic Assessment Team in Kabul in 2009, and as a senior advisor to General Petraeus's Central Command Assessment Team in Washington in 2008-2009. Biddle has lectured and written extensively on national security policy, military strategy, and technology in modern warfare, including the award winning book Military Power: Explaining Victory and Defeat in Modern Battle (Princeton University Press, 2004). He earned his Ph.D. in public policy from Harvard University.
FARIDEH FARHI is affiliate graduate faculty at the University of Hawaii at Manoa. She has taught comparative politics at the University of Colorado, Boulder, University of Hawaii, University of Tehran, and Shahid Beheshti University, Tehran. Her publications include *States and Urban-Based Revolutions in Iran and Nicaragua* (University of Illinois Press) and numerous articles and book chapters on comparative analyses of revolutions and Iranian politics and foreign policy. She has been a public policy scholar at the Woodrow Wilson International Center for Scholars and consultant to the World Bank and the International Crisis Group.

HAIM MALKA is a senior fellow and deputy director of the Middle East Program at CSIS, where he oversees the program’s work on the Maghreb. His principal areas of research include religious radicalization, government strategies to combat extremism, violent non-state actors, and North African politics and security. He also covers political Islam and the Arab-Israeli conflict. Before joining CSIS in 2005, he was a research analyst at the Saban Center for Middle East Policy at the Brookings Institution, where he concentrated on U.S. Middle East foreign policy. Malka spent six years living in Jerusalem, where he worked as a television news producer. He is the coauthor of *Arab Reform and Foreign Aid: Lessons from Morocco* (CSIS, 2006) and the author of *Crossroads: The Future of the U.S.-Israel Strategic Partnership* (CSIS, 2011). He holds a B.A. from the University of Washington in Seattle and an M.A. from Columbia University’s School of International and Public Affairs.

JOHN MCLAUGHLIN served as deputy director of the Central Intelligence Agency from 2000-2004 and acting director from July-September 2004. He is now distinguished practitioner-in-residence at the Philip Merrill Center for Strategic Studies at the Johns Hopkins School of Advanced International Studies (SAIS), where he teaches and writes on a wide variety of foreign affairs topics. He is also a nonresident senior fellow in the Center for 21st Century Security and Intelligence at the Brookings Institution. He serves on the Central Intelligence Agency’s external advisory board. He led a review of counterterrorism "lessons learned" in 2010 at the request of the director of National Intelligence. He has previously held the positions of deputy director for intelligence, vice chairman for estimates, and acting chairman of the National Intelligence Council. He founded the Sherman Kent School for Intelligence Analysis, an institution dedicated to teaching the history, mission, and essential skills of the analytic profession to new CIA employees. He serves on the Board of Trustees at the Noblis Corporation and is a member of the Council on Foreign Relations and the American Academy of Diplomacy. He holds an M.A. in international relations from SAIS.

GHAIH AL-OMARI is a senior fellow at The Washington Institute for Near East Policy and the former executive director of the American Task Force on Palestine. Previously, he served in various positions within the Palestinian Authority, including as advisor to former Prime Minister Mahmoud Abbas and as director of the international relations department in
the Office of the President. He also served as an advisor to the Palestinian negotiating team throughout the permanent status negotiations with Israel from 1999 to 2001. After the breakdown of the peace talks, he was the lead Palestinian drafter of the Geneva Initiative, an unofficial model peace agreement negotiated between leading Palestinian and Israeli public figures. Omari is a lawyer by training and a graduate of Georgetown and Oxford Universities.

**ROGER OWEN** is the A.J. Meyer Professor of Middle East History, Emeritus at Harvard University and was previously the director of the university's Center for Middle Eastern Studies. Prior to teaching at Harvard, he was a faculty member at Oxford University, where he served several times as the director of the Saint Antony’s College Middle East Centre. His books include *Cotton and the Egyptian Economy, 1820-1914* (1969), *The Middle East in the World Economy, 1800-1914* (1981), *State, Power and Politics in the Making of the Modern Middle East* (1992), *Lord Cromer: Victorian Imperialist, Edwardian Proconsul* (2004) and, with Sevket Pamuk, *A History of the Middle East Economies in the Twentieth Century* (1999).

**PAUL SALEM** is vice president for policy and research at The Middle East Institute (MEI). He focuses on issues of political change, democratic transition, and conflict, with a regional emphasis on the countries of the Levant and Egypt. Salem writes regularly in the Arab and Western press and has been published in numerous journals and newspapers. Prior to joining MEI, Salem was the founding director of the Carnegie Middle East Center in Beirut, Lebanon from 2006-2013. From 1999 to 2006, he was director of the Fares Foundation and in 1989 founded and directed the Lebanese Center for Policy Studies, Lebanon’s leading public policy think tank.