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The Iranian Revolution: Impact on Key Interest Groups



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A Research Paper

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December 1986*

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A Research Paper

This paper was prepared by
 Office of Near Eastern and South Asian
Analysis. It was coordinated with the Directorate
of Operations.

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Comments and queries are welcome and may be
directed to the Chief, Persian Gulf Division, NESAs,

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[Redacted]

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**The Iranian Revolution:
Impact on Key
Interest Groups** [Redacted]

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Key Judgments

*Information available
as of 15 September 1986
was used in this report.*

The Islamic revolution has transformed the political, social, and economic status of Iran's principal interest groups. The clergy holds the reins of government for the first time in Iranian history and administers the legal and educational systems according to Islamic precepts. The clerics' rule is based on the support of the urban and rural lower classes, and considerable resources are devoted to maintaining their loyalty. Bazaar merchants have regained much of the economic and political power they lost under the previous regime. Middle-class professionals and technocrats, favored by the Shah, have been shut out of political power. Their living standards have eroded, and their lifestyles have changed dramatically. [Redacted]

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Clerics dominate all key political institutions. They have extended their power through a network of mosques, local mullahs, and revolutionary committees. Khomeini's policies, nonetheless, have deeply divided the clerical establishment. Radical clerics, who dominate the executive branch, and conservative clerics, who are strong in the parliament and nongovernmental institutions, disagree over the proper clerical role in government, the degree of government involvement in the economy, and the conduct of foreign policy. After Khomeini dies, these disagreements have a good chance of leading to open fighting among the competing clerical factions.

[Redacted]

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The urban working class has significantly improved its political and social status and economic mobility under the new regime. The government bureaucracy, the Revolutionary Guard, and the myriad organizations spawned by the revolution have provided it numerous opportunities for advancement. The regime also directs its distribution of food and necessities to this key constituency. [Redacted]

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The regime's commitment to what Khomeini calls the "downtrodden rural masses" has garnered strong support from farmers and peasants. The government has involved itself extensively in the countryside to promote agricultural self-sufficiency, stem migration to urban areas, and extend control over this vital group. The average farmer is probably not much better off than under the Shah, but he no longer believes he is neglected.

[Redacted]


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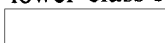
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Bazaar merchants—financiers of the revolution—oppose regime economic policies because they believe these policies will destroy the private sector. The bazaaris have responded by electing conservative clerics—who favor greater freedom for the private sector—to the parliament and by organizing to lobby for their interests. The success of the bazaaris' efforts has prompted Khomeini to endorse their concerns. The continuing deterioration of the economy and government mismanagement are likely to spur the merchants to play an even more aggressive political role in the future. 


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Middle-class professionals and technocrats have lost politically, economically, and socially under the Islamic republic. Thousands have been purged from the government, and over 500,000 have fled Iran since the revolution. The reality of running a modern economy and society, nonetheless, has forced the clerics to seek the expertise of the technocrats. The technocrats remain vulnerable and could be made scapegoats if the economic decline generates serious unrest. 

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Disgruntlement with the economy is widespread among all classes, and the populace does not have an unlimited capacity to endure shortages of consumer goods, unemployment, and inflation. The regime will find it increasingly difficult to maintain an adequate supply of essential goods for its key lower-class supporters in the face of Iraqi air attacks and low oil prices. 

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The urban and rural lower classes continue to support the war, but it has taken a tremendous human and psychological toll. They constitute the rank and file of the Revolutionary Guard and the Basij (people's militia), which have borne the brunt of the fighting and have suffered heavy casualties. A severe defeat or failure to make progress in the war over the next year could undermine lower-class support and lead to instability severe enough to require the regime to look for ways to wind down the conflict. Many conservative clerics, bazaaris, and most of the middle class privately oppose the war and favor a negotiated settlement. 

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There is virtually no possibility that the key interest groups in Iran will work for significant change in Iranian foreign policy while Khomeini is alive. Radical clerics and the regime's lower-class supporters share his hostility toward the United States, and no other group dares challenge

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Khomeini on the issue. The most pro-US group—the middle class—is also the weakest. The conservative cleric/bazaar coalition probably desires improved ties. Even if they gain control after Khomeini dies, however, they would have to move cautiously to avoid radical criticism that they were falling under the influence of the United States. Regardless of whether radicals or conservatives control Iran, relations with the Soviet Union will probably not improve significantly. Conservatives are hostile to the USSR, and radicals appear to favor only a tactical improvement in ties to help the Iranian economy and to obtain arms.



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Contents

	<i>Page</i>
Key Judgments	iii
The Clergy: Ruling Interest Group	1
Exercising Power	1
Extending Government Control	2
Regime Problems	3
Urban Working Class: Pillar of the Regime	4
Working-Class Gains and Losses	5
Modern Industrial Sector	6
Labor Unrest and Government Response	6
Farmers: A Harvest of Soldiers and Support	7
Government Role	7
Land Reform: An Unresolved Issue	8
Attitudes Toward the Regime	8
The Bazaar Merchants: Challenging Regime Policies	9
Attitudes Toward the Regime	9
Bazaari Political Reaction	9
Evasion of Government Control	10
Government Accommodation	11
Middle Class: Losers of the Revolution	11
Under Siege	11
Middle-Class Reaction: Leave or Endure	14
Regaining Influence	15
Outlook	15
Clergy	15
Urban Working Class	15
Farmers	16
Bazaar Merchants	16
Middle Class	16
Implications for the United States	16

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Figure 1



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The Iranian Revolution: Impact on Key Interest Groups

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The Islamic revolution spawned a new political and social order in Iran. Islam is employed as the measure of correct political and social behavior. The clerics have used religion to institutionalize their rule and gain the support of the lower classes. The poor have been exalted as the proper beneficiaries of a truly Islamic society and have received extensive welfare and patronage. Although most of the key social and economic interest groups in Iran support the idea of a government guided by Islamic principles, the deterioration of the economy and the protracted war with Iraq have eroded the regime's support and created challenges to Khomeini's experiment in Islamic rule.



Figure 2. Khomeini meeting with leader of conservative opposition, the late Grand Ayatollah Shariat-Madari (center), at latter's residence in holy city of Qom.

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The Clergy: Ruling Interest Group

The Shah and his father—the 20th-century founder of the Pahlavi dynasty—saw the clergy as an obstacle to modernizing Iran and sought to reduce clerical influence. Starting in the 1930s, the Shah's father systematically reduced the power and privileges the clergy had traditionally enjoyed in Iranian society. The Shah continued the drive against the clergy, depriving them of their central role in education and instituting land reform and enfranchising women despite strong clerical opposition. The Shah's modernization program, his close ties to the United States, and the growing influence of Western values in urban Iran also antagonized the clergy. Khomeini's followers were inspired by the belief that clerics must direct the affairs of government to correct social injustice and the idea—articulated by Iranian theologians in the 1960s—that Islam calls for the elimination of inequalities of wealth and power.

theologian, Khomeini being the first, and empowered a Council of Guardians to ensure that all laws passed by the Majles (parliament) conform to Islamic criteria.

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Clerical leaders exercise control through a wide range of powerful positions both within and outside the formal government structure. They have repeatedly purged the government bureaucracy and the armed forces and have established review committees to investigate and judge the revolutionary and Islamic credentials of employees. The regime has established a variety of new organizations, such as the Foundation for the Oppressed, the Ministry of Islamic Guidance, and the Revolutionary Guard, to mobilize support for the regime, ensure ideological conformity among the populace, and provide for defense against internal and external enemies. The court system has been overhauled and secular judges replaced by clerics with training in Islamic law. Islamic penal codes have been written into the statute books—stonings and amputations are regularly administered punishments—and civil and commercial codes have been

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Exercising Power. After the revolution, clerics took control of all major institutions and enacted rules reflecting the egalitarian aspirations of many of Khomeini's longtime supporters. A new constitution, which took effect one year after Khomeini came to power, established Islam as the foundation for the country's legal and political system. It institutionalized the principle of rule by an outstanding Shia

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Political Beliefs of the Clerical Establishment

There are three principal clerical groups in Iran. Radical clerics and their lay allies dominate the executive branch and take the initiative in formulating policy. Conservative clerics are strong in the Majles and dominate the Council of Guardians, which must approve all legislation. In between is a group we label pragmatists. Led by Majles Speaker Rafsanjani, Iran's second-most powerful leader, the pragmatists side with radicals on some issues, conservatives on others. [redacted]

The Economy. The proper degree of government control of the economy is a central point of dispute, with radicals favoring centralized direction and conservatives advocating a traditional system allowing more freedom to the private sector.

- **Foreign trade:** Radicals want government control to prevent profiteering and to regulate foreign exchange. Conservatives argue that government interference has created bottlenecks and inefficiencies.
- **Taxes:** Radicals want a new system to provide a reliable source of revenue and to help redistribute wealth. Conservatives oppose a new system, believing that only traditional religious taxes paid to clerics are consonant with Islam. Conservative clerics benefit from the traditional system because it allows wealthy merchants, who share the conservatives' views, to contribute directly to them.

- **Private-sector involvement in industry.** Radicals nationalized hundreds of businesses immediately after the revolution. Conservatives strongly defend the right to private property. They believe nationalization has seriously hurt the economy and will lead to socialism. [redacted]

Foreign Policy. Both sides adhere to the maxim "neither East nor West," a concept endorsed by Khomeini as the foundation of Iran's foreign policy, but each interprets it differently. For radicals it means avoiding dependency by maintaining minimal relations with other countries. They support "Islamic liberation" groups, believe in violent export of the revolution, and are anti-United States—but not pro-Soviet. For conservatives, "neither East nor West" means avoiding dependency by using traditional diplomacy to maintain a balance between East and West. They favor expanding economic ties to the West, are hostile to Moscow, and oppose violent export of the revolution. [redacted]

The Role of Clerics in Politics. The conservative clerics reject the central concept of Khomeini's view of Islamic government: that clerics, supervised by a supreme religious jurisprudent, must play the leading role in government. [redacted]

recast along Islamic lines. Traditional religious instruction again prevails in education below the university level, and the universities—after being closed for two years—have experienced sweeping changes in faculty, curriculums, and entrance requirements. [redacted]

Extending Government Control. To centralize government control and stifle clerical factionalism the Khomeini regime has turned the religious hierarchy into an extension of the government. [redacted] the government appoints all Friday prayer leaders and dictates the content of Friday sermons throughout the country. Under previous

Iranian regimes the Friday prayer leaders were selected by their clerical peers. In some cities, Friday prayer leaders are recognized as the highest political authority. They act as central government representatives to local officials, mediate disputes, and use their Friday sermons to rally the populace behind government policy. Khomeini also appoints clerics as his personal representatives to each region of the country to ensure that provincial officials follow central government policies and to provide him with a direct flow of information about affairs throughout Iran. [redacted]

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Revolutionary Organizations in Iran

These organizations include:

- *Revolutionary Guard: defends the revolution from internal and external enemies; has become larger and more influential than the regular Army.*
- *Komitehs: act as parallel local governments and police forces; ensure compliance with Islamic norms.*
- *Foundation for the Oppressed: former Pahlavi Foundation, now dispenses aid to lower-class Iranians.*
- *Revolutionary Prosecutor's Office: now confined to handling counterrevolutionary crimes.*
- *Martyrs' Foundation: provides aid to families of war victims and disabled veterans.*
- *Housing Foundation: provides housing for the deprived.*
- *Reconstruction Jihad: builds/rebuilds infrastructure in rural areas.*
- *Islamic Propaganda Organization: internal and external oversight group.*
- *Literacy Jihad: active mainly in rural areas; also handles propaganda for regime.*
- *Guild Affairs Committee: oversees bazaar traders and other merchants.*
- *Khomeini Relief Committee: uses tithes sent to Khomeini for "worthy" causes.*
- *Organization for Combating Sin: charged with eliminating un-Islamic behavior and dress.* [redacted]

Local clerics and mosques throughout Iran also are used as arms of the government. Clerics are pressed to rally popular support for government policies, and mosques are used to dispense social services such as loans and subsidized food for the needy, according to press reports. A Revolutionary Guard office is attached to most urban mosques. These offices recruit and train young men for the Basij (people's militia) and assist local police forces. [redacted]

Loyalist clerics have benefited from the regime's efforts to take over the traditionally private system of religious contributions. In the past, Iranian Shias contributed to the clerics of their choice. [redacted] the Khomeini regime

has attempted to force people—especially prominent bazaaris and other community leaders—to donate directly to the government or to loyalist clerics, discouraging contributions to clerical opponents of the government. [redacted] many bazaar merchants have been harassed and threatened with the loss of export licenses for giving to clerics not approved by the regime. [redacted]

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Regime Problems. In our judgment, the clerics' efforts to shape an ideal society have fallen far short of their early vision and have eroded their popularity even among the mainstay of their support—the urban and rural lower classes. Even the Iranian press admits that the government has failed to meet the expectations it aroused among the great majority of people that the Islamic republic would bring significant improvements in their lives. The war with Iraq has forced the regime to divert resources from the economy, and [redacted] mismanagement and corruption also have hampered government policies and undermined support for the regime. [redacted]

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Khomeini's policies have deeply divided Iran's clerical community. Conservative clerics consider Khomeini's concept of direct clerical control of government to be heretical. They also believe efforts by radicals to centralize government control over the economy and redistribute property threaten the traditional social and economic order and violate the Koranic injunction regarding the sanctity of private property. We believe many conservative clerics oppose continuing the war with Iraq. [redacted]

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The conservative clerics are part of a loose-knit opposition coalition that has emerged as a check on efforts by radical clerics to pass legislation that would produce dramatic social change. The coalition has strong representation in the Majles and includes bazaar merchants, the regular armed forces, and certain segments of the educated elite. The coalition also has strong support among local clerics in Qom, Tabriz, Mashhad, and Shiraz who share the conservative philosophy and resent the centralization of clerical authority. [redacted]

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Government Corruption

Many clerics have used their newfound political power to enrich themselves. The belief is widespread that one can tell a government official's power by the size of the "commissions" he receives from bazaaris and others involved in business. The media and visa applicants report that bribes are necessary for everything from the approval of purchase orders and contracts to the issuance of marriage licenses. Iran's official media have criticized the Foundation for the Oppressed, a multibillion-dollar conglomerate of commercial and industrial enterprises, for its inept management and corrupt officials.



The radical clerics are divided over reconciling their ideological aims with economic realities. Iranian press reports indicate that recent efforts by some in the ruling coalition to denationalize industry and induce expatriate technocrats and professionals to return are coming under sharp attack from other radicals as a betrayal of the revolution. As the regime's economic problems worsen, policies to reinvigorate the economy will become still more divisive.

Khomeini personifies the revolution for many Iranians, and his death is likely to make the ruling clerics more vulnerable. Many people are loyal to him rather than to the kind of government he has tried to create. Moreover, the principles the regime has been most determined to establish—rule by a supreme jurispudent and clerical control of government—remain highly controversial.

Urban Working Class: Pillar of the Regime

Workers in the modern industrial and construction sectors played a pivotal role in the Shah's overthrow. The urban labor force had grown rapidly in the post-1973 oil boom years as rural dwellers flocked to large

Revolutionary Guard and Regular Armed Forces: Their Role in the Regime

The Revolutionary Guard is the primary military arm of the government and will play a key role in the post-Khomeini period. The Guard was created because of the new regime's desire to have a loyal armed force. Guard leaders owe their jobs to their close relationships with senior regime leaders and have strong ties to influential radical clerics. The Guard has provided jobs and upward mobility for thousands of lower-class youth. All factions of the regime recognize that control of the Guard may be crucial in a struggle for power after Khomeini dies and are cultivating contacts with it.

The regular armed forces are regarded with suspicion because of their association with the Shah and the continued presence of Western-trained officers. Some officers privately oppose the regime and are sympathetic to conservative clerics who would like to end the war and reduce the role of clerics in government. The ubiquity of clerical advisers and informers in the ranks, however, reduces the possibility of independent political activity by the military or action by the armed forces on behalf of any potential leader. Moreover, because almost all regular Army units are at the front, any power play by the regular forces would almost certainly require the cooperation—or neutralization—of Revolutionary Guard elements in the capital.

cities in search of jobs created by the Shah's industrialization drive. Despite increased benefits and wages, many urban workers had become disenchanted with their lot by the beginning of 1978. Rising expectations were stifled by the economic downturn, increased unemployment, and worsening living conditions in overcrowded cities. As the anti-Shah movement built up steam in the second half of 1978, workers in government ministries, factories, and the oil sector walked off their jobs. The government's weakness in the face of worker protests encouraged additional strikes.

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Figure 3. Typical Iranian factory. Working conditions are generally poor, and most factories have fewer than 10 employees.

Food is provided through local mosques, and other goods and services are subsidized by the government. The Foundation for the Oppressed, which took over assets of the Shah and his supporters, sells discounted items to the poor.

[Redacted]

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Government make-work programs and the continued operation of many nationalized firms even at a loss help limit unemployment. Former Plan and Budget Minister Taqi complained in April 1986 that "false employment"—make-work projects—accounts for 20 percent of Iran's 12.3-million person labor force, according to the Iranian press

[Redacted] many workers laid off from nationalized firms continue to draw salaries.

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The foot soldiers of the revolution, however, were the masses of poor and workers in traditional trades inhabiting urban ghettos, especially in south Tehran. Continuing rural migration and rising unemployment just before the revolution expanded the numbers of what the regime refers to as the "disinherited." The Shah generally ignored their problems and even tried to remove them by eradicating squatter settlements. The urban poor were offended by the government's secularism and by ostentatious displays of wealth by industrialists and high government officials. They responded enthusiastically to Khomeini's call for revolution, which included a pledge to redistribute the nation's oil wealth.

Under the Shah, the urban poor—with no skills or education—saw few opportunities for advancement, but the current regime offers rewards to the loyal and religiously devout. [Redacted] hundreds

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of thousands of civil service jobs have been created for the lower classes. The lower ranks have also found substantial opportunities in the myriad revolutionary committees controlled by clerics. These committees have proved useful to radicals in eliminating leftwing opponents and, in our judgment, are used to intimidate conservative religious and political leaders. Many who hold important positions had little before the revolution and thus have a large stake in the Islamic republic's survival. The experience of Minister of the Revolutionary Guard Mohsen Rafiq-Dust, a retainer in the household of Majles Speaker Rafsanjani before the revolution, is typical of many who hold important posts in the Islamic regime.

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Working-Class Gains and Losses. The majority of city dwellers probably have seen some improvement in their living standards. [Redacted] the poor are favored over the wealthy in education, housing, and public services. The fervent devotion of the urban poor to Islam, their support for the war, and their fealty to Khomeini allow the regime to ask great sacrifices of them. The poor believe they are the "winners" of the revolution and willingly accept propaganda blaming their ills on the war, agents of the former Shah, and foreign—especially US—meddling.

The zeal of the disinherited to serve and even martyr themselves in the war with Iraq is fostered both by largess on the home front and threats.

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[Redacted] war "volunteers" are recruited through promises of gifts (promotions, raises, or other financial incentives) and threats to take away

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The clerical regime has maintained its urban support by redistributive economic programs and a strong mosque network that reaches down to the block level.

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jobs or be subjected to clerical harassment. Wives of parents of war dead receive \$280 a month plus \$56 per child, and \$118 per month is set aside for each child until it turns 18. Families of war dead and disabled veterans get preference in obtaining goods, jobs, education, and travel discounts. Workers with six months or more of war experience get preference in promotions [redacted]

The urban poor, nevertheless, must cope with severe housing shortages caused by overcrowding in the cities. The populations of all major cities have risen dramatically faster than birth rates, according to Iranian Government figures. Between 1979 and 1986, Tehran's population more than doubled to at least 9 million—one-fifth of Iran's population. Rapid urbanization and its consequent social and economic difficulties were major factors in the Shah's downfall. We believe programs favoring the urban poor are responsible for the increased rate of rural migration since the revolution. Government efforts to stem the flood of rural immigrants have foundered because of the large gap between rural and urban incomes and the political necessity of maintaining urban welfare programs. [redacted]

Overpopulation is straining public services and increasing social problems such as crime and drug abuse. The Iranian press reports traffic problems and air pollution in Tehran are becoming intolerable. Gridlock is a common feature of Tehran's rush hour, and Revolutionary Guards describe their traffic duties in the capital as being nearly as dangerous as fighting at the front. The shortage of adequate housing in major cities is acute, causing rents and property values to soar. Regulations on land use, construction, and sales have hampered private-sector home construction and spawned widespread corruption. [redacted]

Modern Industrial Sector. Industrial workers are more dissatisfied with the economy than the rest of the urban working class. The industrial sector has been harder hit by import cuts than most other sectors of the economy, idling workers and ending many of the benefits enjoyed under the Shah. Iran depends on imports for about 95 percent of its machine spare parts and 75 percent of its raw materials. In 1985 war

expenditures combined with a weak oil market limited industrial imports to about one-third of what was needed to maintain production at prerevolutionary levels [redacted] We estimate, on the basis of government statistics, that the fall in oil prices at the beginning of 1986 has pushed unemployment to 30 percent. Most workers' salaries have increased little since the revolution, despite high inflation. In many factories deteriorating equipment is allowed to wear out or is operated with less than desirable maintenance, making working conditions dangerous and uncomfortable. [redacted]

The war almost certainly has added to worker resentment. [redacted] unions and employers must provide quotas of Basij personnel for duty at the front. Employees refusing to go lose their jobs. [redacted] a majority of workers resent "volunteering" one day of work each month without pay to the war effort. [redacted]

Labor Unrest and Government Response. Dissatisfaction over eroding wages and working conditions led to strikes in large factories throughout Iran, particularly in late 1984 and early 1985. In November 1984 the largest strike since the revolution occurred when at least 18,000 workers struck at the Esfahan steel works—the largest industrial complex in Iran—to protest working conditions and threatened layoffs, [redacted] Sympathy strikes followed in factories throughout Iran, [redacted] strikes over the past two years in most major cities including Tehran, Tabriz, and Shiraz, and unrest in virtually every industry including the critical oil industry. Disgruntled workers also have committed acts of sabotage, [redacted]

The government has been able to control workers through a combination of intimidation and conciliation. Strikes have frequently been met with violence and arrests, [redacted] this has frightened many into forgoing open protests. For example, Revolutionary Guards killed 10 demonstrators at a rally for striking cement workers in

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Shiraz in early 1985. Leftist political parties that hope to organize workers have been brutally suppressed. The regime plays on widespread religious devotion and its ability to provide promotions and other rewards to cultivate loyalty in workshops. [redacted]

In a few cases the government has at least partly capitulated to striking workers. The large Esfahan strike ended with compromise by the regime after violence and arrests failed to end the work stoppage. In January 1985 the government agreed to oil refinery worker demands in the face of widespread demonstrations over shortages of heating fuel. Still, Khomeini and top government officials regard strikes as counterrevolutionary, and worker leaders have suffered following successful strikes. [redacted]

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The regime has countered independent unions by setting up Islamic societies and work councils run by clerics or loyalists. These organizations ensure participation at prayers, marches, and rallies; identify counterrevolutionaries; and encourage volunteers and contributions for the war. [redacted]

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[redacted] Established in late 1985, Islamic work councils are specifically aimed at large enterprises—employing more than 35 workers—to “raise quality and quantity of production and prevent acts of sabotage by corrupt groups,” according to the Iranian press. Concern that the councils may become politicized prompted the Labor Minister to publicly warn the new councils that “storms caused by wrongdoing could endanger them as well.” [redacted]

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Farmers: A Harvest of Soldiers and Support

The Shah’s agricultural programs did not significantly improve the lot of most of the rural population, and his policies increased the gap between rural and urban incomes. His land reform program gave most peasants less than they needed for subsistence, and over 1 million agricultural laborers received no land. Despite discontent over not sharing in Iran’s oil wealth—peasant incomes in 1978 were only one-fifth of urban worker incomes—rural dwellers by and large did not participate in the revolution. Traditional quiescence and a widespread cynicism about a new regime kept farmers sitting on the sidelines until it was clear the



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Figure 4. Peasants cleaning out the irrigation ditch following expropriation of absentee owners’ land, south-central Iran. [redacted]

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Shah was out. At that point, the fervently religious rural inhabitants embraced the Islamic republic and its revolutionary call for economic and social equality. [redacted]

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Government Role. The Khomeini regime has involved itself extensively in rural areas. This policy in part reflects the regime’s commitment to help the “down-trodden barefoot masses,” who, according to Khomeini, “made this revolution and, therefore, should reap its fruits.” The government also is trying to stem migration to urban areas, achieve agricultural self-sufficiency, and extend its control over this vital constituency. [redacted]

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The regime has adopted a variety of measures to deal with the rural areas:

- The central government controls village politics through cultivation councils, seven-person land distribution committees, and local spiritual leaders who often act as government spokesmen. According to an Iranian scholar, by January 1980 the government had established approximately 25,000 Islamic committees to operate in the villages.

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• A special organization—the Ministry of Construction Jihad—directs rural development. It builds roads, provides electricity and water supply systems, and delivers heating oil and fuel to needy villages during the winter months. The government claims that since the revolution, of the 40,000 to 60,000 villages in the country, about 1,500 have been supplied with electricity and 5,500 with wells for drinking water.

assured the support of a substantial majority. The average farmer probably is not much better off now than under the Shah, but he is no longer ignored by the government and, relative to other groups, probably sees himself doing well. Moreover, the old domination by a landowning elite has ended. Farmers can keep more of their output than before and have more direct channels for communicating their complaints to the government. [redacted]

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• Iranian press reports indicate that the regime also subsidizes some farm costs and is pushing mechanization to increase agricultural productivity. Last spring the government set the minimum wage for agricultural workers at the same level as that for urban factory workers. [redacted]

Support for the war by rural inhabitants is one indication of their attitude toward the regime. According to [redacted] Iranian press reports, Iran's villages and small towns have provided most of the regime's recruits for the Basij. These poorly trained troops have borne the brunt of Iran's human wave tactics. [redacted]

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Land Reform: An Unresolved Issue. Land reform has been one of the most hotly contested issues since the revolution. Radicals see the issue as central to their aspirations for a social and economic transformation of Iranian society and have sought the redistribution of all but the smallest farms. Conservative clerics view radical land reform proposals as representing a violation of Islam's teaching regarding the sanctity of private property. Land reform also has pitted peasants and subsistence farmers, eager to gain more land, against farmers with middle to large holdings, who argue that the radicals' proposals would break up highly productive farms. [redacted]

Satisfaction with the regime's policies is not universal in the rural areas, however, and opposition to regime policies appears to be growing. Press reports indicate that in some heavily recruited rural areas there is considerable resistance to further conscription. [redacted]

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The depth of disagreement over land reform has prevented the regime from implementing a comprehensive program. The regime, nevertheless, has found ways to circumvent the absence of a comprehensive land reform bill. It is distributing the approximately 100,000 hectares of land it has confiscated from supporters of the Shah and wasteland. Interpretations of Islamic law by senior progovernment clerics also have allowed the government to take over some land claimed by tribes. The Supreme Judicial Council has instructed judges not to adjudicate claims to recover confiscated land until new legislation is passed. Nevertheless, many peasants remain landless, and many farmers have barely enough for subsistence. [redacted]

Farmers welcome assistance, but many almost certainly resent government intervention and the regime's inability to close the gap between rural and urban standards of living. An American expert on Iran writes that "government representatives have extensive authority to intervene in the agricultural decisions of individual farmers." Subsidized food imports have kept food prices low, and [redacted] farmers around Tabriz who have been forced out of business by low prices blame the government for their plight. [redacted] many farmers around Shiraz have been brought before revolutionary courts on trumped-up charges and punished with forfeiture of their property by local security officials eager to become landowners. [redacted]

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Attitudes Toward the Regime. We believe that the regime's highly publicized concern for the rural constituency and rural dwellers' devotion to Islam have

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Figure 5. The copper bazaar, Esfahan. [redacted]

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The Bazaar Merchants: Challenging Regime Policies

Bazaar merchants played an important part in bringing the Khomeini regime to power. Threatened by the Shah's efforts to introduce new economic policies that undermined their traditional role and status in Iranian society, the bazaaris bankrolled the clerical opposition and helped rally popular support for the revolution. The closing of the Grand Bazaar in Tehran in 1978, for example, was viewed by many as a signal to take to the streets. [redacted]

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Attitudes Toward the Regime. Despite initial support for the new regime, a majority of bazaaris have apparently been alienated by the ruling clerics' efforts to expand government control over the private sector. The bazaaris fear that greater government control will lead to socialism and believe the regime's policies

have significantly contributed to Iran's economic problems, according to Iranian press reports. They also resent the Khomeini regime's efforts to regulate their activities. [redacted] government representatives sit on bazaar councils in both large and small cities. These councils determine price and rationing policies and decide on punishments for violations. [redacted] the government representatives use bribery, the threat of negative media campaigns, and their control of trade licenses to gain compliance with regime guidelines. They also force the bazaaris to make religious contributions directly to the government or to favored clerics. [redacted]

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Bazaari Political Reaction. The bazaaris' concern over the government's policies has led them to work closely with the conservative clerical opposition.

[redacted] bazaaris are a main source of financial support for conservative clerics. This helps offset revenue losses that many conservative clerics have suffered because the regime has channeled religious contributions to progovernment mullahs. [redacted] the bazaaris give several hundred thousand dollars a year to the Hojatieh Society, a focus of conservative opposition to regime policies. [redacted]

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Iranian press reports indicate that bazaaris and conservative clerics worked to elect conservative candidates during the 1984 Majles election. Bazaaris threatened progovernment clerics throughout Iran with the loss of tithes and other contributions unless they agreed to cooperate with the effort to elect conservatives. [redacted]

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This effort helped produce a conservative bloc in the Majles of about 90 members, one-third of the total membership. [redacted]

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The bazaaris and their conservative allies have used their increased strength to challenge the radicals on a range of issues. Press reports indicate this bloc led the Majles to reject four of radical Prime Minister Musavi's Cabinet appointments in 1984, nearly forcing the government to resign. They also headed the fight last

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The Bazaar and the Mosque in Iran

The bazaar is the heart of the traditional Iranian and—more important—Islamic economy. Bazaar merchants are linked to each other and to the Shia clergy by centuries-old family, ethnic, tribal, religious, and commercial ties. The political history of Iran since the last century, according to Western and Iranian historians, is essentially the relationship between the bazaar, the clergy, and the monarchy. The alliance between the Shia clergy and the bazaar in Iran's revolution of 1978-79 was more than an act of political expediency; it was an affirmation of tradition.

According to an important Iranian scholar: The bazaar and the mosque are the two lungs of public life in Iran. Bazaars, like mosques, shrines, and private houses, look inward, psychologically and architecturally, and more often than not they present blank and unexplained walls to the streets outside. Bazaars and mosques have a public character that is the antithesis of the privacy of houses . . . For over a thousand years the bazaar has been recognized by Islamic law as a special arena of human life, and in law as well as in common understanding two men met there as 'two men in the bazaar.'

In theory relations between mosque and bazaar are friendly; in practice they sometimes face

problems. Merchants have not always liked the justice of the mullah courts (which in turn sometimes have depended on government for the execution of their decrees). Some bazaaris are patrons of forms of popular religious expression of which some mullahs disapprove.

Nonetheless, the religious establishment and the bazaar give each other shape and sustenance. To be successful, especially in commercial dealings over the long term, the merchant has needed the capital of a good reputation as much as he has needed material capital. If a Muslim is to have a good reputation, he pays taxes to the mosque and seeks the spiritual guidance of a mullah.

Religion has lived in the bazaar independently from the mosque. It is a natural expression of bazaar life. The most important bazaar expression of religion is the *hay'at*, the association, a small group of friends who meet regularly to promote shared goals or, simply, to meet. *Hay'ats* often meet once a week in bazaaris' homes to hear mullahs preach. Preachers were guests of bazaaris (a fair number of bazaar merchants considered themselves mullahs and dressed as such). Among the poor, both in the city and the country . . . the *hay'at* has been practically the only voluntary organization outside the mosque.

year against new tax legislation and refused to vote for Musavi's reelection as prime minister in October 1985 despite Khomeini's endorsement.

Bazaaris are also trying to form a broad-based coalition of moderates and conservatives to challenge the radicals' dominance of the executive branch. Bazaaris, conservative clerics, and moderates discussed forming a political party to run a candidate in the 1985 presidential election.

We believe these groups share the bazaaris' desire for better ties to the West and oppose radical proposals for land reform and government control of the economy.

Evasion of Government Control. Government efforts to monitor and regulate the bazaar have elicited creative countermeasures from the merchants.

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[redacted] they have created "shadow" bazaar councils that set bazaar policy without the presence of government representatives. The bazaaris have responded to government efforts to institute new taxes by securing religious rulings from senior conservative clerics that such taxes are un-Islamic, [redacted]

Prime Minister Musavi claimed last May that in 1985 only 3 percent of tax revenues came from self-employed businessmen, far less than what the regime believes should be paid. [redacted]

Bazaaris also have circumvented government controls on prices and profits on a massive scale. Government-supplied goods are regularly diverted to the black market where they bring bazaaris several times the official price. [redacted] many merchants keep their expensive products in the back of the shop to avoid detection by government monitors. Wealthy customers are invited to the back to discuss sales, and the purchases are delivered to the customer's residence at night, often by taxi. Bazaaris regularly pay off officials and regime clerics to avoid their scrutiny. [redacted]

[redacted] Prominent bazaaris have developed a "symbiotic" relationship with local clerics, providing financial support in exchange for noninterference or support. Payoffs are also used to acquire foreign exchange or to permit the sale of items banned as un-Islamic. [redacted]

Government Accommodation. The bazaaris' success in the 1984 Majles election and the deteriorating economy have prompted the regime to give stronger public and private support to bazaar concerns. Since late 1984, Khomeini's speeches have emphasized the need to limit government interference in the private sector and to respect the role of the bazaar in Iranian society. More recently the regime appears to be tailoring its economic policies to meet bazaar interests. The Iranian press reports that bazaaris now hold seats on committees that formulate trade policy, and last year a prominent bazaar headed a delegation to Africa to assess economic opportunities. Iranian diplomatic posts have been instructed to cooperate more closely with bazaar commercial representatives, according to the Iranian press. [redacted]

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The regime also has eased its efforts to monitor bazaar violations of price controls. The Supreme Judicial Council announced last May that the "price patrols" and the special price oversight board were being disbanded because of bazaar complaints that they were hurting business. [redacted]

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Middle Class: Losers of the Revolution

The Iranian middle class consists of well-educated, largely pro-Western technocrats and professionals. Most are civil servants or work for nationalized firms. The middle class also includes many military officers trained before the revolution, but not Revolutionary Guard officers and bazaaris who have similar incomes but have fared better since the revolution. [redacted]

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Middle-class professionals and technocrats who opposed the Shah did so for a mixture of economic, political, and nationalistic motives. Many rediscovered national pride through Khomeini and resurgent Islam. Civil servants, in particular, resented being underpaid compared with the private sector. The middle class wished to replace the Shah's regime with a secular democratic government that they hoped to control. [redacted]

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Under Siege. The middle class has lost out politically, economically, and socially under the Islamic republic. Its brief bid for political control of the revolution collapsed with the fall of moderate Prime Minister Bazargan in 1980, and much of its remaining influence waned with the ouster of President Bani-Sadr in 1981. The clerical regime has found it expedient to condemn the middle class as elitist, anti-Islamic, and in league with Western imperialism or Communism. Alleged counterrevolutionaries among the middle class are blamed for government failures. Their politicians have either been driven into exile or harassed and prevented from running for office. [redacted]

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The involvement of middle-class youth in the outlawed Islamic Marxist group, the Mujahedin-e Khalq, has greatly heightened regime suspicion of the middle class. Western scholars report that a large majority of

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An Overview of Iranian Interest Groups

	Situation Under the Shah	Impact of the Revolution	Support for the Regime and Its Policies	Institutional Roles
Clergy	Persecuted, stripped of privileges, power.	Dominate all key institutions; local clerics serve as agents of government; government channels religious contributions to preregime clerics.	Provide leadership, but split over key issues. Radicals—prowar, favor clerical supervision of government; want government control of economy, minimal ties to West; support violent export of revolution. Conservatives—privately oppose war; oppose clerical direction of government; favor minimum government role in economy; oppose violent export of revolution. Pragmatists—favor clerical supervision of government, but on other issues sometimes side with radicals, sometimes conservatives.	Radicals strong in executive branch, Friday prayer leaders, komitehs, courts. Conservatives strong in Majles; dominate Hojatieh society, which has membership in bureaucracy, Army; support among senior clerics in Qom. Pragmatists scattered throughout government; most notable are Majles Speaker Rafsanjani, President Khamenei.
Urban working class	Urban poor—resented wealthy, saw no chance to advance; opposed Shah's antireligious policies.	Benefited: focus of regime attention and resources; greater employment opportunities, have filled lower ranks of civil service and Revolutionary Guard; regime provides welfare.	Bulwark of support, but war has taken heavy toll.	Komitehs, Revolutionary Guard, Basij, Islamic police, civil service.
	Industrial workers—favored economically; hurt by inflation; rising expectations not met.	Suffered: higher unemployment, declining real wages, fewer opportunities, not allowed to organize unions. Strikes often put down brutally.	Support idea of Islamic republic; resent clerical intrusion into workplace, declining standard of living, working conditions.	Islamic work councils.
Rural inhabitants	Resented Shah's modernization and support for large landowners; Shah's land reform program raised expectations but brought little real change.	Benefited: some land reform, subsidies, and emphasis on agricultural development; local control probably often diminished.	Key supporter. Source of recruits for war; resent government intrusion into local affairs.	Agricultural councils, Basij, Revolutionary Guard.

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An Overview of Iranian Interest Groups (continued)

	Situation Under the Shah	Impact of the Revolution	Support for the Regime and Its Policies	Institutional Roles
Bazaar merchants	Harassed, subjected to onerous government regulations, lost power to new class of capitalists.	Have regained economic and political power lost under Shah but believe radicals' efforts to increase government control of economy are hurting bazaari interests. Have suffered from economic decline, control of foreign exchange, and higher taxes, though many have reaped enormous profits from black market.	Support idea of Islamic republic; generally support conservative clerics' views and cooperate with conservatives in opposing radical policies.	Well-represented in Majles and quasi-governmental commercial institutions.
Middle-class technocrats, professionals, and civil servants	Main beneficiaries of Shah; wanted democratic reforms, but tolerated monarchy.	Suffered politically, economically, socially. Politicians they supported driven into exile; purged from government jobs, discriminated against in provision of goods, lifestyle ostracized; 500,000 have emigrated.	Dislike regime; favor secular government, elimination of clerics' political influence; oppose war; share conservative clerics' desire for improved ties to West.	Bureaucracy, Army.

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the thousands executed during the regime's effort to exterminate the Mujahedin were middle-class college and high school students. [redacted]

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The middle class has probably suffered a greater reduction in living standards than any other group. Thousands of technocrats have been purged since the revolution. Moreover, civil servants' salaries and benefits were cut after the revolution, and they have received only small increases since then, despite inflation. [redacted] as of February 1986 the purchasing power of an Iranian civil servant's income was only half what it was before the revolution. The poor are not taxed and merchants avoid taxes, but most civil servants have taxes automatically deducted from their salaries. Thus, they have borne a disproportionate burden of current efforts to raise tax revenues. The middle class is also

discriminated against in the provision of goods at government-controlled prices, housing, education, and other programs. [redacted] 25X1
[redacted] civil servants frequently spend work 25X1
hours waiting in line for scarce goods or drive taxicabs to supplement their incomes. [redacted] 25X1

The social status and personal freedom of the middle class have been drastically affected by the revolution:

- Vilification of wealth has made it impossible to display expensive clothes and possessions in public. 25X1
- Religious strictures have pushed Western lifestyles underground. Parties can be held only in private homes and only if the local "vice squad" has been paid off. Theater, night clubs, and drinking are prohibited.

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Figure 6. Boutiques displaying Western-style merchandise—a favorite of the middle-class technocrats—have been shut down.

many National Iranian Oil Company (NIOC) employees had embarked on a “slowdown” out of frustration with incompetent new political appointees as managers. This has hindered progress on new projects and hurt production and maintenance. Other forms of resistance include buying restricted goods on the black market and covertly engaging in un-Islamic activities.

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The middle class has staged occasional protests to support moderate opposition movements, but fear and lack of strength have limited such activity. Clandestine radiobroadcasts from opposition leaders abroad, such as former Prime Minister Shahpur Bakhtiar and the Shah’s son, have triggered demonstrations. In Tehran these have been small and largely limited to creating traffic jams—a relatively easy task given Tehran’s overcrowded streets.

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Opposition activity remains muted because participants fear loss of their jobs, imprisonment, or even worse at the hands of radical revolutionary committees. Even a minor protest can bring a brutal response.

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- Job promotions and working conditions often hinge on such factors as abjuring Western tastes in dress and music in favor of traditional Persian styles.
- Educated women—beneficiaries of reforms instituted by the Shah—have been pressed to return to traditional roles and forced to conform to the dress and behavioral standards of a theocratic society. Women caught not wearing proper Islamic garb in public are subject to fines or imprisonment.

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Middle-Class Reaction: Leave or Endure. Many middle-class opponents of the regime have voted with their feet. An estimated 500,000 have fled Iran since the revolution. In addition, many who remain in Iran have left their jobs in frustration or have been purged by radicals. This has created major problems for the Iranian economy. For example, development projects have been delayed by a lack of skilled engineers and construction workers, and health care has suffered tremendously from a doctor shortage. The regime compounded problems by closing Iran’s universities, including its only medical school, from 1980 to 1982 for fear that students might undermine the revolution.

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In addition, much of the middle class is politically indifferent out of despair that anything can be done. a common sentiment is that there will be no change until an outside force displaces Khomeini and the top leadership.

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The middle class has little enthusiasm for the war, and many have sought to avoid military service for themselves or their sons. the majority of the middle class is strongly nationalistic, but most believe the human and economic cost is too great and that there is little hope of ousting the Iraqi regime. bribes are paid to Revolutionary Guard commanders to falsely claim men as members of their unit, to doctors to certify a son as unfit to fight, and to government employees to alter education records allowing students to remain in foreign schools.

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The remaining elements of the middle class constitute a serious irritant but not a political threat to the regime. some engage in passive opposition such as not doing their jobs properly. For example,

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Regaining Influence. Despite its suspicions of the technocrats, the regime has been forced to use them to help cope with the difficulties of running a modern economy and society. The dismal state of the economy, especially the poor performance of nationalized firms, has encouraged the clerics to yield greater authority to their better trained nonclerical subordinates. Technocrats have regained control of economic decision making at lower levels in many instances.

circumstances, we believe conservatives would urge a de facto cease-fire to allow Iran to rebuild its economy. The conservatives also would expand economic and commercial ties to Western Europe and Japan, strengthen efforts to reduce Iran's diplomatic isolation, and emphasize nonviolence in the export of the revolution.

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To deal with economic and technical problems, the regime is asking many of those who were purged from their positions or who left the country to return. The Islamic regime has set up programs to lure expatriate technocrats by appealing to their sense of nationalism and promising access to consumer goods, foreign travel, and exemption from military service.

The radicals will gain in influence if Iran somehow wins the war soon. They would try to exploit a victory over Iraq to promote their domestic agenda, but continuing economic problems and entrenched opposition from bazaaris and conservative clerics would prevent them from making much progress. To break the impasse over major domestic issues, the radicals would need to make major gains in the Majles and refashion the conservative-dominated Council of Guardians, which must decide whether legislation is Islamic and constitutional. Even if the radicals succeed in gaining the upper hand, the poor state of the economy will severely limit ambitious development programs or expensive social experimentation.

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the clerics at least grudgingly employ skilled technicians who refuse to adhere to such religious strictures as noon prayers. Professional civil servants who left or were purged are being hired as consultants, especially in the important oil industry, and some businesses have been returned to former owners who have badly needed expertise. Some faculty members at universities dismissed as potential counterrevolutionaries have been rehired.

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Few expatriates have returned to Iran. NIOC has not succeeded in attracting former employees living abroad. Expatriates balk at the prospect of following Islamic codes of conduct, find salaries uncompetitive, and fear they could not send money overseas. Occasional generous financial incentives do little to allay fears of being drafted or harassed by squads of young Islamic radicals. Many fear they would not be allowed to leave again. Present restrictions on travel, such as requiring wives of technocrats leaving the country to remain behind, reinforce this notion.

The transition to the post-Khomeini era may go smoothly at first, but there is a good chance of conflict among the competing factions over the longer term. In a violent power struggle the radicals appear to hold a considerable advantage because they can probably count on the support of senior commanders in the Revolutionary Guard. Although the Army is more sympathetic to the conservatives, it has been purged repeatedly and is carefully supervised by progovernment clerical advisers, and its units are at the front, far from the capital.

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Outlook

Clergy. Divisions within the ranks of the clerical leadership will not pose a threat to the regime's hold on power as long as Khomeini lives and can supervise the government. Nonetheless, prolonged stalemate or severe setbacks in the war will increase conservative influence at the expense of the radicals. In such

Urban Working Class. In our judgment, the regime will be able to provide the food and other basic goods needed to maintain the support of the urban working class. Although dissatisfaction with the economy is increasing, the war and threats from outside enemies will probably be sufficient to rally the people, especially while Khomeini lives. More important, there is no opposition group with a significant following among the urban poor. Nevertheless, we believe a large military defeat or lengthy deadlock could eventually turn Iran's working class—who provide the

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rank and file of the Revolutionary Guard—against the war. If widespread unrest develops, it will probably begin with industrial workers who have a demonstrated potential to mobilize large numbers quickly across the country. Should significant unrest develop among the urban poor, the regime would be forced to at least stand down temporarily on the war. [redacted]

Over the longer term the bazaaris are likely to face problems similar to those encountered under the Shah. Once the war is over and when oil earnings begin to recover, the regime probably will focus its energies on modernizing and developing Iran's economy, which again will force the bazaaris to compete with technocrats and new industrialists who may prove better able to maneuver in a less traditional economic environment. [redacted]

Farmers. While Khomeini is alive and the war goes well, we believe the rural constituency will generally support the government. The government probably cannot continue heavily subsidizing food imports, and this will push up prices for farmers' goods. Moreover, the regime has made agricultural self-sufficiency a major goal and is likely to continue to devote resources to the rural areas. The continued willingness of farm laborers, peasants, and rural youth to fight in the war will become a serious problem for the regime in the next year if Tehran cannot show real progress or suffers a significant defeat with massive casualties. [redacted]

Middle Class. The middle class will not regain a significant degree of political power soon. A smooth post-Khomeini transfer of power holds the best promise for the middle class. Should radical ideologues prevail, another middle-class exodus can be expected. [redacted]

The majority of Iran's rural inhabitants, like the regime's urban constituencies, are probably more devoted to Khomeini than to the current regime. Once Khomeini dies, the traditional desire for freedom from central control probably will assert itself more strongly, creating an irritant but not a serious threat to government control. Rural inhabitants are not likely to play a direct role in a post-Khomeini power struggle because of their isolation. [redacted]

Middle-class technocrats probably will ally themselves with the moderate opposition coalition of conservative clerics and bazaaris because the conservatives share the technocrats' most important political goal: a return to secular government with clerics playing only a supporting role. Both groups probably would be comfortable with a government led by a moderate such as former Prime Minister Bazargan. [redacted]

Bazaar Merchants. The bazaaris will continue their efforts to build political support. The Majles election in 1988 will provide bazaaris an opportunity to increase the size of the conservative bloc and possibly even to force changes in the radical-dominated Cabinet. [redacted]

Nevertheless, the alliance of technocrats and conservatives would be subject to considerable frictions. The middle class supports less clerical control over the economy, but not less government control. In the absence of the mullahs, the middle class would expect to run the system. [redacted]

The bazaaris will come under increased attack from radicals, however, once Khomeini is gone. We believe Khomeini, despite his sympathy for many of the radicals' policies, is a moderating influence because he fears that domination by the radicals or the conservatives would risk a civil war. After Khomeini dies, no one is likely to have the combination of unquestioned authority and political skills needed to contain the radicals. [redacted]

Implications for the United States

There is virtually no possibility for significant change in Iranian policy toward the United States during Khomeini's lifetime. The lower classes and radical clerics share Khomeini's deep hostility toward the United States. The regime still uses the United States as a bogeyman to blame for Iran's ills. The most pro-US group—the middle class—is also the weakest. The conservative cleric/bazaari coalition probably desires improved ties, but, even if it gained control, it would move cautiously to avoid criticism that it was falling under the influence of the "Great Satan." US actions

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over the past two years, including the resumption of relations with Iraq, probably have convinced even conservatives that rapprochement with Washington in the near term is unlikely and undesirable. [redacted]

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We believe new trade and foreign policies less hostile to US interests will occur only if the conservatives' influence increases. They would push to expand economic and commercial ties to Western Europe and Japan, strengthen efforts to reduce Iran's diplomatic isolation, and emphasize nonviolence in the export of the revolution. All of these measures would provide economic benefits to the bazaaris and middle class and suit the ideological goals of conservative clerics. Should conservatives gain control of the government after Khomeini dies, they probably would eventually moderate Iran's policy toward the United States.

[redacted]

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Regardless of who controls Iran, relations with the USSR will probably not warm considerably. All major interest groups harbor a profound suspicion of Soviet motives. Conservative clerics and bazaaris are vehemently anti-Soviet as are large segments of the strongly nationalistic lower classes. Radical clerics appear to favor tactical improvement in ties to help the Iranian economy and to obtain arms. Nevertheless, radicals realize that their lower-class constituents are the principal targets of recruitment by the Soviet-backed Tudeh Party and would be wary of allowing Moscow too much influence in Iran. [redacted]

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