

**State and Development in Post-Revolutionary Iran**

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# Abstract

This dissertation deals with the state and ‘forms of development’ in post-revolutionary Iran, through a historical materialist perspective, in particular Nicos Poulantzas’ relational theory of the state. Analysing the formation and various restructurings of the post-revolutionary state through examining the modifications in the space of economic accumulation as well as political and ideological domination, this study emphasises on the discontinuities in the post-revolutionary period. For this purpose, the post-revolutionary state is demarcated from the monarchical one by explicating the emergence of the ‘sub-imperialist form of development’ since the White Revolution, its crisis and dissolution subsequent to the 1979 revolution. Subsequently, this dissertation identifies and examines the unfolding of the ‘late national bourgeoisie form of development’ and its ‘protracted crisis’ followed by the ‘neo-national bourgeois form of development’. Through this historical periodization, this study aims to contribute to a better understanding of Iran’s assertive embedment in the region, in the years following the 2003 occupation of Iraq.

# Acknowledgements

Writing about dominated formations such as Iran, teaches one that the mere possibility of thinking about these societies occurs not because of their realities, but despite them; that is to acknowledge, the extraordinary role of ‘organic intellectuals’, who against all odds, maintain a grammar of critical thinking which allows one to think through an otherwise ruptured history, and dare to imagine former defeats as retreats in a longer struggle. I have been extremely privileged to have written this modest contribution to the study of post-revolutionary Iran, under the supervision of intellectuals of such caliber. It is with sincere gratitude that I thank my supervisor, Dr. Sabah Alnasseri, who has patiently and graciously taught me most of what I know about critical thinking. I am eternally indebted to his towering scholarship, unparalleled mentorship and unwavering commitment to social justice.

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# List of Abbreviations

Central Treaty Organisation	CENTO
Capitalist Mode of Production	CMP
European Economic Community	EEC
European Union	EU
International Atomic Energy Agency	IAEA
Islamic Republic Party	IRP
Import Substitution Strategy	ISS
Islamic Revolutionary Guards Corps	IRGC
Islamic Revolutionary Guards Corps- Quds Force	IRGC-QF
Joint Comprehensive Plan of Action	JCPOA
Late National bourgeoisie	LNB
Middle East and North Africa	MENA
New International Economic Order	NIEO
NNB Neo-national bourgeoisie	NNB
Planning and Budget Organization	PBO
Palestinian Liberation Organization	PLO
United Nations Security Council	UNSC

# Introduction

Writing about post-revolutionary Iran is like thinking in a language that does not have a past tense. Events and processes rarely get old; they die early, often before one has the chance to name them. The contemporary presents itself as the offspring of a ‘distorted, disfigured and destroyed past’.<sup>1</sup> At first sight, this seems to be the historicity of a country which in the last century has never had the chance to properly bury the ruling classes it toppled.<sup>2</sup> This nonetheless is hardly specific to Iran. Etienne Balibar’s remarks about the specificity of the (semi-)peripheral formations’ histories are to the point here.

[Colonialism] is obviously part of the *diachrony* of those societies, since it determines -- more or less brutally -- a transformation of their modes of production: but it is no part of these societies' *dynamics*. This event in their history is produced *in the time of their diachrony without being produced in the time of their dynamics* : a limit-case which brings out the conceptual difference between the two times, and the necessity of thinking their articulation. (Balibar 2015, 302)

In a state theoretical sense, what this means is that the (semi-)peripheral states were shaped in a “globally prestructured space” and therefore “are constituted internationally but are not internationally autonomous” (Alnasseri 2011, 122). As such, the ‘dynamics’ of class struggle in these formations are permanently ‘ruptured’ by various forms of colonial and later imperialist intervention. These ruptures, or better, historical disjunctions tend to impose certain theoretical

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<sup>1</sup> “Colonialism is not satisfied merely with holding a people in its grip and emptying the native's brain of all form and content. By a kind of perverted logic, it turns to the past of the oppressed people, and distorts, disfigures, and destroys it” (Fanon 1995, 154).

<sup>2</sup> Iran’s last four monarchs all died in exile.

limitations on the concrete analysis of the situation. The overt (e.g. colonial conquest, imperialist intervention) poses its problematique through marginalizing the covert (domestic contradictions). In this sense, one of the challenges in critical analysis of (semi-)peripheries is to acknowledge the decisive way in which historical disjunctions also extend to the domain of theoretical struggle.

From this perspective, one of the most decisive ‘disjunctions’ in Iran’s modern history was the 1953 coup against Mosaddegh’s National Front which put an end to one of the earliest ‘possible histories’ of ‘Third Worldism’<sup>3</sup> in the Middle East and North Africa (MENA). Thereafter, Iran was transformed into a relaying post for American imperialist strategy in the region just as anti-colonial/imperialist revolutions, coups and wars of liberation were gaining momentum. In this constellation, new oppositional forces gradually emerged by promoting a frontal attack on the monarchical regime through guerrilla warfare. It was in and through this process that ‘dependency approaches’ made a decisive entry into the critical analysis of Iran (see Abrahamian 1980; see Mashayekhi 1986).

As heroic as the Iranian *dependistas* were in challenging the monarchical regime,<sup>4</sup> they nonetheless reduced the complexities of the post-coup social formation to “the contradiction . . .

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<sup>3</sup> “The rise of Third Worldism in the 1950s and 1960s was closely connected to a range of national liberation projects and specific forms of regionalism in the erstwhile colonies of Asia and Africa, as well as the former mandates and new nation-states of the Middle East, and the ‘older’ nation-states of Latin America. Exponents of Third Worldism in this period linked it to national liberation and various forms of Pan-Asianism, Pan-Arabism, Pan-Africanism and Pan- Americanism. The weakening or demise of the first generation of Third Worldist regimes in the 1960s and 1970s coincided with or was followed by the emergence of a second generation of Third Worldist regimes that articulated a more radical, explicitly socialist, vision. A moderate form of Third Worldism also became significant at the United Nations in the 1970s: it was centred on the call for a New International Economic Order (NIEO). By the 1980s, however, Third Worldism had entered into a period of dramatic decline” (Berger 2004, 9).

<sup>4</sup> The defining event which decisively transformed the dependency approach to a political force in Iran was the ‘Siahkal epic’ in February 8th 1971; an attack by the Fedaei Guerillas on a police post in Siahkal village in northern Iran. This event had an unparalleled role in putting armed struggle on the agenda for anti-monarchical forces (Vahabzadeh 2010, 30–31). Nonetheless, this was at the cost of justifying the ever-increasing narrowing of

between the people and imperialism” (Alaolmolki 1987; Mashayekhi 1986, 165; Moghadam 1987). Such underestimation of the domestic contradictions had enormous political consequences; namely, the adoption of resistance strategies that were better suited of national liberation wars (i.e. guerrilla warfare). The limited capacities of this strategy in organizing the popular classes and facilitating ever more oppressive measures towards the opposition in turn contributed to the persistence of the monarchical regime.

However, the ‘late’ character of the 1979 revolution (compared to similar developments in MENA), the peculiar domestic relations of force and the suppression of ‘the left’ imposed a radically new problematique for critical studies on Iran; the specificity of Iran’s internal contradictions (see Moghadam 1987). In breaking with the external and mechanical reduction of Iran from the ‘external’ however, the imperialist context in which post-revolutionary struggles took place came to be increasingly underestimated. It is in this context that the prevalence of themes on ‘political Islam’, ‘charismatic leadership’, ‘class consciousness’, ‘rentier state’, weakness of civil society, tradition and modernity should be located.

Overall then, one can argue that one of the long-lasting effects of historical disjunctions (in this case, the 1953 coup) on the domain of theoretical struggles in Iran has been the under-theorization of the relation between the ‘external’ (international relations of force) and the ‘internal’ (Iran’s domestic contradictions). To quote Marx, people “make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past. The tradition of all the dead generations weighs like a nightmare on the brain of the living” (Marx 2000, 329).

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the political space by the power bloc in Iran at a time when the structural limits of the pre-revolutionary form of development were coming to the fore.

This is not to underestimate the contributions of these approaches or to imply that there are no outstanding analyses which contextualize Iran's developments in the international context in which it is located. Rather, my point here is to highlight the urgency of providing an analysis which addresses the imperialist context of 'development' and 'state' in post-revolutionary Iran without reducing the latter to the former. This is all the more importance because, the question of the relation between the 'external' and 'internal' has been once again posed by Iran's assertive embedment in the MENA region on the one hand and the internationalization of the sanctions regime on the other hand. What is more, the contradictory constellation of the above processes has made it difficult to assume a topographical and mechanistic relation between the international relations of force and Iran's domestic contradictions (see Poulantzas 1976, 21). In this sense, and in light of the historical under-theorization of the external and internal, the study of 'state' and 'development' in post-revolutionary Iran more than ever requires a theoretical perspective which is on par with the complexity of the situation. The importance of this task is not limited to Iran since the above problematique also concerns formations in which Iran has an assertive economic, political and military presence.

Originally, my intention in this project was to address this complexity by a historical materialist analysis of the emergence of a 'relatively autonomous' form of development in Iran since the 2003 occupation of Iraq. The identification and explication of this form of development was to a large extent predicated on operationalization of a specific Marxist understanding of the state; namely Nicos Poulantzas' relational theory of the capitalist type of state. Nonetheless, to the best of my knowledge, my investigation was the first attempt in a Poulantzian analysis of a relatively autonomous form of development in Iran. It was against this background and throughout the research process that I realized that laying out the specificity of this form of

development, its limitations and potentials is best achieved by taking a much longer analytical road; differentiating relatively distinct ‘forms of development’ that were materialized in and through the specificity of the post-revolutionary state. This will become clearer throughout the proceeding chapters. For the time being, I will briefly sketch out why the adoption of a Poulantzasian approach is indispensable to the study of post-revolutionary state.

First, Poulantzas notion of ‘induced and interiorized reproduction’ makes it possible to uphold the primacy of internal factors in Iran while considering the imperialist context of their development. That is, subsequent to internationalization of capital and state,

there is really no such thing as external factors on the one hand, acting purely from ‘outside’, and opposed to internal factors, ‘isolated’ in their own ‘space’ and outclassing the others. If we maintain the primacy of internal factors, we simply mean that those coordinates of imperialist chain that are ‘external’ to a country – the global balance of forces, the role of a particular great power, etc.) – only act on the country in question by way of their internalization, i.e. by their articulation on its own specific contradictions....To talk of the internal factors in this sense, then, is to discover the real role that imperialism (uneven development) plays in the evolution of various social formations. (Poulantzas 1976, 22)

Second, his conceptualization of the state as a “specific material condensation of relationship of forces among classes and class fractions” (Poulantzas 2000, 129) will enable me to place class struggle (and its ‘interiorized’ economic, political and ideological conditions of existence) at the center of the analysis of post-revolutionary.

What is more, to ensure the reproduction of capitalist relations of rule and domination, the state organizes the hegemony of the power bloc through facilitating the dominance or

hegemony of some fractions of the power bloc over others. This is mainly achieved through the relative autonomy of the state from the ruling classes, which is to say by the ‘structural selectivity of the state (Alnasseri 2016a, 121; Jessop 1990, 10; Poulantzas 1973, 42, 46, 76). The advantage of the notion of ‘relative autonomy’ in studying post-revolutionary state is enormous. On the one hand, this will enable me in avoiding the reduction of the post-revolutionary state to an instrument of a ruling class or a mere reflection of class relations. On the other hand, this approach will make it easier to demarcate the post-revolutionary state against the monarchical regime by laying out its peculiar relative autonomy and specific structural selectivity.

Third, the ‘induced and interiorized reproduction of capitalist mode of production (CMP)’ and hence the primacy of internal factors is inseparable from Poulantzas’ conceptualization of the state as a “specific material condensation of relationship of forces among classes and class fractions” (Poulantzas 2000, 129). In this sense, the (semi-)peripheral states are also relatively autonomous from imperialist powers despite being “internationally constituted”. This then raises the question of ‘national autonomy’, the different form it assumed in the post-revolutionary state, and whether it could facilitate the gaining of a relative degree of ‘international autonomy’ (Alnasseri 2011).

This approach will allow me to introduce an original periodization of the conjunctures of class struggle by explicating distinct forms of development and their crises in relation to the post-revolutionary state form and its restructuring. Put differently, a Poulantzasian perspective is central to demonstrating how each conjuncture of class struggle is overdetermined by two inseparable processes; the interiorization of imperialist relations and the conservation/dissolution effects of the previous forms of development and their crisis. In this sense, rather than

interpreting the post-revolutionary period as an “undifferentiated `flow' of historical time”,<sup>5</sup> I can highlight the discontinuities which demarcate successive forms of development and the transitions between them. This moment is not only reflected in the theoretical perspective taken but also in the way I structure my argument throughout this investigation. Let me then briefly sketch out what follows thereafter.

In one of his last writings, Poulantzas maintains that “the degree to which capital and labour processes are now internationalized, widening the gulf between the imperialist centre and the so-called Third World, makes any overall theory on the capitalist state of today an inadequate basis for the study of these states”. On this basis he then points to the urgency of working out “general analytical principles in dealing with the type of state prevalent in the dependent countries, reaching beyond concrete case-studies on one or other of them” (Poulantzas 2008, 407). Since Poulantzas’ untimely death, there have been many contributions towards understanding the (semi-)peripheral types of states (Alavi 1972; see also Alnasser 2011; Gulalp 1987; Saunders and Caramento 2017). Nonetheless, to the best of my knowledge, there has been no systematic attempt to re-work Poulantzas’ relational theory of the capitalist type of state, from a (semi-)peripheral perspective. As evident, this task is well beyond the scope of a dissertation which is chiefly concerned with historical periodization of ‘forms of development’ in post-revolutionary Iran. The centrality of Poulantzas’ historical materialist approach in this work however, requires a serious engagement with the problematique of the (semi-)peripheral type of state. As such, in chapter one, I am mainly concerned with operationalizing an intermediary Poulantzasian perspective for the study of post-revolutionary state. For this purpose, I will

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<sup>5</sup> “The primary purpose of any periodization is to interpret an otherwise undifferentiated `flow' of historical time by classifying events and/or processes in terms of their internal affinities and external differences in order to identify successive periods of relative invariance and the transitions between them” (Jessop 2001, 283).

critically engage with specific aspects of ‘dependency approaches’, ‘world system theory’, ‘regulation school’, ‘post-development’ thinking, notions of ‘post-colonial’ and ‘rentier’ state which are relevant to the operationalizing an intermediary Poulantzasian perspective. I should once again emphasize that this theoretical engagement highlights the basic theoretical and methodological aspects of a Poulantzasian approach to the (semi-)peripheral type of state, in so far as it is feasible for a dissertation which revolves around a concrete case study. Nonetheless, as a theoretically informed analysis of state in post-revolutionary Iran, this work contributes to an understanding of (semi-)peripheral type of state which is based on Poulantzas’ relational theory of the state.

One of the central arguments in this chapter is that forms of development in (semi-)peripheral formation are overdetermined by intra-imperialist contradictions. This in turn requires the identification of relative continuities and discontinuities in the specific stage of imperialism in question. Nonetheless, such periodization is to a large extent dependent on the vantage point of the analysis; that is, the study of post-revolutionary Iran not just as a (semi-)periphery but one which is an integral part of MENA region. For this reason, I dedicated chapter two to a schematic periodization of the ‘neoliberal world order’ from the perspective of the MENA region. What differentiates and justifies this periodization is its focus on the MENA as a region which is not only shaped by deep historical linkages, but equally by imperialist contestation over it.

In chapter three, I will analyse the pre-revolutionary form of development and its crisis. Doing so, I will identify the ‘monarchical state form’, and the way in which its crisis facilitated the unfolding of the 1979 revolution while imposing certain limitations on it. This historical background is central in explicating the ‘late’ character of the revolution and the long-standing

dissolution/conservation effects of the monarchical state and its crisis on the post-revolutionary developments.

Based on this historical background, I then proceed to the next three chapters where I substantiate three conjunctures of class struggle. In chapter four, I will demonstrate how a new state form and a ‘late-national bourgeois (LNB) form of development’ emerged in the context of the Iran-Iraq war. In the next chapter, I will explicate the various phases in the protracted crisis of the late-national bourgeois form of development in the post-war period. Finally, the last chapter is dedicated to the analysis of the emergence of the ‘neo-national bourgeois (NNB) form of development’.

Each of these chapters is structured in a way to reflect my theoretical approach. Namely, I will begin each chapter by delineating how the interplay between the ‘external’ and ‘internal’ relations of force overdetermines international and regional players’ policies towards Iran. In a sense, this is a concrete and complex identification of distinct conjunctures within each phase of the neoliberal world order from the perspective of domestic developments in Iran. Against this background, I will analyse the discontinuities in the economic and later the political and ideological domains by considering the dissolution/conservation effects of the previous conjunctures. I will then conclude each chapter by explaining the way in which these discontinuities unfolded in and through the emergence of a new state form, or alternatively, its restructuring.

Let me also make a few short methodological remarks on the use of statistical information in chapters where I deal with the concrete analysis of Iran, particularly the emergence and crises of various accumulation strategies. In Iran, the most wide-ranging statistical information are produced and disseminated by competing bureaucratic agencies. In

this sense, the contestation over ‘accurate’ statistics is a permanent feature in developing competing policies and organizing social acceptance for them. This is perhaps best reflected in the 2009 presidential debates where candidates quarrelled about what the accuracy of statistics on issues such as inflation and unemployment rates (Zabolizadeh 2010). What is more, academic research on Iran is not only faced with the challenge of assessing the reliability of the available statistics, but also accessing confidential ones on issues which involve the security apparatuses, arms transfers and nuclear development. For this reason, the data that is used in this work is taken as much as possible from independent studies that have analysed and calculated the relevant information from various sources. At the same time, instead of using extensive tables and graphs, I have used statistical data which are relevant, necessary and subject to a qualitative analysis throughout this work. I also faced enormous challenges in accessing and interviewing policy makers not just in the oil and gas sector or the automobile industry, but also other sectors which seemed to be neither as strategic nor directly targeted by the sanctions regime. As evident, such lack of access prevented a more in-depth analysis of the various post-revolutionary accumulation strategies. Without going into details, one could suggest that such ‘securitization’ of knowledge cannot be understood in isolation from two permanent processes in and around post-revolutionary Iran; the sanctions regime and the ever-increasing militarization of the region.

Lastly, I would like to make a few comments about the strategic political orientation of this work. It is a truism to say that the imperialist relations of power are already inscribed in the way in which popular classes in the (semi-)peripheries are exploited by their ruling classes. Among other issues, these dynamics have been substantiated by notions such as ‘over-exploitation’ (see Boltvinik and Mann 2016). What differentiates the ‘over-exploitation’ of the

popular masses in MENA is the pertinent effects of an unparalleled militarization since the inauguration of the neoliberal world order.<sup>6</sup>

These dynamics have inflicted catastrophes of such magnitude on the popular classes that even social sciences fail to properly depict them. Let me then quote a poem from the Salvadorian revolutionary author, Roque Dalton.

The dead are getting more restless each day.

They used to be easy  
we'd put on stiff collars flowers  
praised their names on long lists  
shrines of the homeland  
remarkable shadows  
monstrous marble.

The corpses signed away for posterity  
returned to formation  
and marched to the beat of our old music.

But not anymore  
the dead  
have changed.

They get all ironic  
they ask questions.

It seems to me they've started to realise  
they're becoming the majority! (Roque 2013)

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<sup>6</sup> I will substantiate this issue in chapter two.

Though written many years ago in the Latin American context, this best reflects the condensation of violence in MENA. Such situation in the region calls for critical approaches which situate the popular classes and their struggles (whether ongoing or ruptured by ‘external’ dynamics) at the center of the analysis. Despite this, my study of post-revolutionary Iran is not directly focused on the popular classes but rather on the contradictions and conflicts within the ‘power bloc’. That is because, ongoing popular struggles unfold in their historical conditions of existence; namely their historical fragmentation by the extreme militarization of the region. This in turn imposes significant limits on the potentials of these struggles, be it organizational, ideological or theoretical. Such constellation more than ever raises the question of identifying and utilizing the contradictions within the power bloc and making correct tactical alliances with fractions of power bloc. In the case of Iran, this gains added significance when one considers the historical underestimation of the contradictory nature of the power bloc. To reiterate, this is not an issue of ‘bad’ analysis, but rather the need to address the long-lasting effects of historical disjunctions on the domain of theoretical struggle.

# Chapter 1: Theoretical Framework

## Introduction

In the years following the conclusion of Second World War, modernization theories came to dominate development thinking about the (semi-)peripheries (Leys 1996, 8–10). Taken together these analyses held that “the free play of market forces” has either ensured “the optimal division of labor” (Lipietz 1987, 16–17) on the domestic and international level, or if it has not, it is due to (semi-)peripheries’ domestic economic, cultural or institutional incompatibilities. In other words, for modernization theorists, development (or lack thereof) is more or less synonymous with the degree of economic growth and the extent to which the internal structure of the (semi-)peripheries are favorable to it. Looking at the (semi-)peripheries’ under-development as an “initial stage”, these theories identified “the conditions that gave rise to development in the core and specified where and why these conditions were lacking elsewhere”. Depending on sociological, economic or political perspective taken, the internal obstacles ranged from “shortage of capital” to “lack of cultural values such as profit motive”. In the first case the solution would be ‘increasing the rate of investment’ whereas in the latter case the internal obstacles could be addressed by “Westernizing elites” (Rapley 2007, 24).

The optimistic view that the (semi-)peripheries would catch up with the core was nonetheless later revised and modified by neo-modernization theorists. For instance, Samuel Huntington put forward the notion that the process of ‘modernization’ is inherently destabilizing. That is because, rapid economic change results in multiplication of social forces and increased political participation in the absence of corresponding institutions and political organizations. Huntington argued that the resulting “vacuum of power and authority... may be filled

temporarily by charismatic leadership or by military force”. ‘Long-term political stability’ is nonetheless predicated upon the degree to which the ‘elites’ can “organize the masses through the existing political system” (Huntington 2006, 461).

In the case of Iran, modernization theory has an interesting trajectory. On one hand, Iran’s economic development during the 1960s was looked upon as proof of the merits of the modernization theory. For instance, pointing to the industrialization of Iran in the late 1960s, Rostow claimed that Iran is “at that point on the development ladder where the “take off” is just about finished” and moving towards “a broad range of new industries”. Simultaneously, pointing to the lack of correspondence between economic development and political reform, others emphasized the necessity of reform (Popp 2008, 90). On the other hand, in the years following the 1979 revolution, the emphasis changed to the inherent internal obstacles to modernization in Iran, particularly the adverse role of Islam (Popp 2008, 76). A considerable body of mainstream literature continues to address Iran’s development on these terms (see Katouzian 1981).

The limitations of modernization theories have been laid out from multiple perspectives. For the purposes of this study, the most relevant of these critiques are those which contextualize development in the (semi-)peripheries from the perspective of its imperialist world context. In what follows I will delineate the imperialist context of development by utilizing the relevant aspects of ‘dependency approaches’, ‘World System Theory’ and ‘post-development’ thinking. I will then proceed by addressing the shortcomings of these approaches which are to be found in the reduction of the domestic situation from its imperialist context, the undervaluation of intra-imperialist rivalries, domestic class struggle as well as state formations in the (semi-)peripheries. Turning to the internal dynamics, I will utilize Nicos Poulantzas’ state theory and will further substantiate it by considering some of the specificities of the state formation in the (semi-

)peripheries through a critical engagement with the debate on the ‘(post-)colonial state’ as well as ‘rentier state theory’.

Throughout this chapter, I will establish six theoretical presuppositions on which the rest of this study is based. First, development in the (semi-)peripheries takes shape through the imperialist context in which they are located. Second, the (semi-)peripheries do not face imperialism as a ‘monolithic’ bloc. Rather, development in these formations proceeds in and through intra-imperialist contradictions, rivalries and conflicts. Third, there are different forms, types and degrees of dependency that tie these formations to the imperialist metropolis. Fourth, despite these dependencies, the concrete form of development in each (semi-)periphery may be adequately analyzed by considering its particular dynamics of class struggle and state formation. Fifth, the emergence and persistence of a given ‘form of development’ is predicated upon the extent to which a class fraction’s ‘accumulation strategy’ corresponds to a successful ‘hegemonic project’. Finally, a relatively autonomous form of development is possible for (semi-)peripheries, particularly in constellations of imperialist crises. The probability, scope and form of such development is overdetermined by ‘interiorization and induced reproduction of CMP’ and ‘hegemonic struggles’ which are conditioned by and influence the ‘structural selectivity’ of a given ‘state form’.

### Dependency Approaches: The Imperialist Context of Development in the (Semi-)Peripheries

Dependency approaches to the study of development rose to since the 1960s when Import Substitution Strategies (ISS) in Latin America were coming to their limits. On one hand, in this context, the Cuban revolution had signalled the possibility of an immediate transition to socialism. On the other hand, the American invasion of the Dominican Republic following a

popular uprising indicated that “imperialism was prepared to defend its interests in Latin America”. What is more, the opening of the “floodgates of foreign capital” and the consequent ‘marginalization’ of the popular classes after the military coup in Brazil further highlighted the adverse role of imperialism on (semi-)peripheral development (Schuurman 1993, 4). Hence, these approaches prioritized the theorization of the horizon of developmental possibilities within its historical context of imperialism and dependency.

At the same time, authors such as Samir Amin, Walter Rodney, and Clive Thomas began to apply some of the main ideas of dependency to regions and countries beyond Latin America (Chilcote 1981, 3). In Iran, ‘dependency approaches’ began to influence the debates on development in the years following the White Revolution (1962) and played a crucial role in the strategic orientation of opposition forces during the 1979 revolution. Moreover, elements of dependency approaches were particularly privileged in the ideological state apparatuses of the post-revolutionary state. I will later come back to the status and significance of dependency thinking in Iran.

To get back to the point, a comprehensive study of dependency approaches is beyond the scope of this dissertation. First, there is a large body of works produced on the subject of dependency and its temporal and/or spatial relevancy, with the authors often revising their arguments, propositions and hypotheses. Second, dependency analyses have relied upon a “diverge range of earlier theoretical works” and have arrived at different conceptions of dependency accordingly. Third, Participants in the study of dependency disagree on whether one can refer to a formal theory of dependency or not (Kay 2010, 190; Palma 1981, 881). For instance, Dos Santos points to both the necessity and existence of dependency *theory* as the theory of “internal laws of development” of (semi-)peripheral countries as societies whose

economies are “conditioned by the development and expansion” of the center. Cardoso on the contrary argues that it is “senseless” to search “for “laws of movement” specific to situations” that have “their main features determined by the phases and trend of expansion of capitalism on world scale”. Instead, the classical theories of capitalism must be made more specific to account for the various “situations of dependency” (Cardoso and Faletto 1979, xxiii).

Despite these differences, most contributors to the dependency problematique converge on their critique of ‘modernization theories’, ‘dual society hypothesis’ and ‘diffusionist approaches’ (Dutt and Ros 2008; Palma 1981) by emphasizing the imperialist world context of (under)development in the (semi-)peripheries. In sharp contrast to modernization theories, *dependistas* argued that the precarious economic position of the (semi-)peripheries is not due to “the survival of archaic institutions and the existence of capital shortage in regions that have remained isolated from the stream of world history”. Rather, the nature of economic development (or lack thereof) in these societies “was and still is generated by the very same historical process which also generated economic development” in the core (Frank 1966, 23). In this sense, development in the (semi-)peripheries may not “succeed in stages” which proceeded in the core (Frank 1966, 18). What is more, an adequate understanding of the (semi-)peripheral economies is only possible when it is contextualized in the ‘world economy’ and ‘international division of labor’ structured around core/periphery relations; a hierarchically ordered constellation where “some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development” (Dos Santos 1970, 231). In the case of Iran, the adherents to the dependency approach contextualized the ‘artificial’ and ‘dependent’ nature of development in Iran in dynamics of imperialist

intervention and exploitation (Jazani 1980; Mashayekhi 1986, 176; Vahabzadeh 2010). Hence, the most important task for dependency approaches is analysing development in the (semi-)peripheries “from the point of view of the interplay between internal and external structures” (Palma 1981, 898).

Since *dependistas* rely on a diverse range of earlier theoretical works, their analyses of the interplay between internal and external dynamics and its differential historical forms varies considerably. Nonetheless, most analyses generally agree that the external forces either tend to impose significant obstacles to development in the (semi-)peripheries or prevent it all together. In the first case, authors such as Samir Amin have pointed to the ways in which the core formations’ monopoly over technology, financial markets, natural resources, media and weapons of mass destruction have disarticulated the social relations in the (semi-)peripheries. This is best reflected in the differentiation between ‘autonomous’ and ‘peripheral’ development. For Amin, the growth of productive forces is determined by the rate of surplus value as “the main determinant of the pattern of social distribution of the national income” and hence that of demand. In this sense wages are the ‘source of demand for mass consumption of goods’ while profits are wholly or partly 'saved' for 'investment' purposes’. This is then expressed in a self-centered form of development materialized through the social division of labor between sectors 2 (mass consumption) and 4 (capital goods) (Amin 1974, 10). In sharp contrast, dependent formations are integrated into the capitalist system as peripheries of the (self-centred) system and functions as spaces through which the contradictions of the self-centered system, mainly the tendency for the rate of profit to fall is managed through ‘unequal exchange’. According to Amin, this manifests itself in ‘peripheral’ and ‘heterogonous’ development whereby the productive forces mostly grow in sectors 1 (exports) and 3 (luxury consumption). Even in

countries where “large enough market created by the development of sectors 1 and 3 may make possible the creation of a fourth sector”, this doesn’t amount to the movement towards a self-centred system. That is because, sector 4 is used for further development of sectors 1 and 3 and not sector 2 (Amin 1974, 16).

Hence, the dependent form of development not only disarticulates social relations of the peripheral formations, it also complicates the possibilities of ‘catch up’. That is, the transition from a peripheral to self-centered model of accumulation is composed of moving from a development based on sectors 1 and 3 to a development based on sector 2 and 4. Such transition can take two forms; either a precarious form of ‘sub-imperialism’ where “certain peripheral regions may 'benefit' through geographical concentration in their territories of industries of sectors 3 and 4, producing not only for their 'national' market but also for those of neighbouring areas” or external “de-linking” and internal revolution which addresses the issues of marginalization and invests in technology and education (Amin 1974, 22).

In the second case, authors such as Frank argue that core formations develop at the cost of (semi-)peripheries by extracting surplus value through the chain of ‘metropolis-satellite relations’, extending from the domestic level to the international level. This is because “in contrast to the development of the world metropolis which is no one's satellite; the development of the national and other subordinate metropolises is limited by their satellite status”. Hence, imperialist relations always lead to the “development if underdevelopment” in the peripheries as their economies can “neither [be] self-generating nor self-perpetuating” (Frank 1966, 22–23). Similar to Amin, Frank argues that the solution to underdevelopment is ‘de-linking’ from the system externally and to “transit to self-reliant socialism internally” (Frank 1996, 28).

Regardless of these differences, I take the dependency approaches' emphasis on the necessity of contextualizing (semi-)peripheral development in the interplay of internal and external forces as my first theoretical presupposition. Moreover, regardless of *dependistas'* differences on the concrete forms and effects of external obstacles on (semi-)peripheries' development, I take the position that these constraints can only be fully overcome through "a process of national liberation which... coincides with a process of transition to socialism" (Poulantzas 1976, 20).

### The 'Postdevelopment' Critique; Development Theories as Institutionalized Practices

Before I proceed, it is imperative to note that other approaches to development have also criticized (neo)modernization theories and how they ignore the hierarchical relationship between the core and (semi-)peripheries. A case in point is 'post-development' thinking which became significant after the collapse of the Soviet Union (Schuurman 2000, 9). Despite their heterogeneous theoretical roots, most contributors to this approach, emphasize that "the development discourse is made up of a web of key concepts" which are based on and reinforce an "Occidental world view" (Sachs 2010, xix). What is more, as a 'discourse', 'development' "does not reflect but actually constructs reality" (Kiely 1999, 31) in a two-fold process; by its deployment through international institutions (e.g. World Bank, International Monetary Fund) as well "as national planning and development agencies and local-level development projects" (Escobar 2007, 19) and excluding "the knowledges, voices and concerns of those whom, paradoxically, development was supposed to serve" (Escobar 2007, 19). In this sense, post-development thinkers argue that the development discourse has reproduced colonial notions of "race, progress and civilization" (Sidaway 2007, 346). In other words, "where colonialism left off, development took over" (Kothari 1988, 143).

The post-development critique also extends to approaches which have criticized (neo)modernization theories of growth. For instance, despite their critique of “bourgeois development economics” by introducing new concepts such as ‘dependency’ and ‘unequal exchange’, *dependistas* remained in the same “discursive space” which they criticized (Escobar 1995, 82). A case in point is the notion of underdevelopment, which is predicated upon its resolution through economic growth and hence the uncritical equation of the latter with ‘development’ (Rist 2008, 121). In this sense, even in critical approaches to development, ‘euro-centric’ assumptions continue to operate. Therefore, for post-development thinkers, the key issue is not ‘development alternatives’ but ‘alternatives to development’; one which may be based on “local culture and knowledge; a critical stance with respect to established scientific discourses; and the defense and promotion of localized, pluralistic grassroots movements” (Escobar 1995, 215, 2007, 21).

Post-development thinking has been extensively criticized among other issues for its epistemological and methodological shortcomings and its corresponding political implications. This approach is particularly strong in problematizing (radical) development theories as institutionalized practices with far-reaching economic and political reverberations, as well as the critique on the uncritical equation of economic growth with ‘development’ in dependency approaches. For instance, in post-revolutionary Iran, the privileged position of modernization theories in the state apparatuses gave way to approaches which had more affinities with the dependency paradigm. The changing context and far-reaching reverberations of this dynamic goes to show that development is not merely economic growth; a point which I will return to later. The theories of postdevelopment nonetheless cannot adequately engage with these as they

tend to ‘essentialize’ (Kiely 1999) development practices by underestimating not just the analytical contributions to radical development theories which originate from (semi-)peripheries (Pieterse 2000, 178), but also their concrete contexts. Put differently, the differences between ‘really existing development’ across (semi-)peripheries and their conditions of existence are under-theorized. As a corollary, neither concrete forms of development in a (semi-)periphery nor the horizon of possible alternatives to it are accurately addressed.

### **Forms, Types and Degrees of Dependency**

Having outlined the imperialist context for development in the (semi)peripheries, I now turn to a discussion of ‘forms, types and degrees of dependency’. Most contributors to the dependency approach agree that the changes in the world economy and imperialist relations often correspond to different forms of dependency. For instance, Dos Santos distinguishes between three historical phases of “colonial dependence”, “financial industrial dependence” and “technological-based dependence”. During each phase, the (semi-)peripheries’ internal situation is conditioned by the overall changes in the international division of labor. For instance, since the latest phase, dependent industrialization has become more prominent owing to multinational corporations’ investment “industries geared to the internal market of underdeveloped countries” (Dos Santos 1970, 232). Nonetheless, the (semi-)peripheries still have to rely on the traditional export sector to attain foreign currency reserves for the purposes of re-investment in productive forces, as well as the purchase of commodities and technologies which are not produced internally. In part due to ‘unequal exchange’ between the core and (semi-)peripheries, ‘balances of payment’ deficits likely occur. This in turn necessitates foreign financing which further exacerbates capital leakage (Dos Santos 1970, 1976).

As mentioned above, changes in imperialist relations correspond to different forms of dependency. That being said, there are different and ‘structurally necessary’ types of dependency within each phase of imperialist relations. This may be substantiated by Wallerstein’s world system theory. Wallerstein modifies the core/periphery model by adding a third category; ‘semi-periphery’. The semi-peripheries fall “between the core and the periphery on a series of dimensions, such as the complexity of economic activities, strength of the state machinery, cultural integrity, etc.” (Wallerstein 1974, 349–50). These formations “in part act as a peripheral zone for core countries and in part they act as a core country for some peripheral zones” (Wallerstein 1976, 463). What is more, during periods of ‘world economic downturn’, these countries may increase their control over domestic market and its peripheral zones at the cost of core countries (Wallerstein 1976, 464). That being said, in such periods, ‘it is not possible for all semi-peripheries to do well or equally well’ in so far as “there is also a competition between semi-peripheral states” (Wallerstein 1976, 470). Wallerstein also adds that the “changing geopolitics of an expanding world economy” could allow some peripheral countries to ‘transition to a semi-peripheral status’ and vice versa (Wallerstein 1974, 349). Regardless of such possibilities, it is imperative to note that for Wallerstein, the semi-periphery is not just a description of differences between the peripheries, but rather a structurally necessary one. Among other issues, “the semi-periphery is needed to make a capitalist world-economy run smoothly”; otherwise, the political stability of the ‘world system’ would be jeopardized as a result of an acute polarization between the core and the periphery (Wallerstein 2000, 89).

Finally, despite the similarities in forms and types of dependency, each (semi-)peripheral formation exhibits the relation of dependency in its own particular way. I will later return to this question and substantiate it through the observations of Allain Lipietz and Nicos Poulantzas. For

the time being and based on the above observations, I take the differentiation between forms, types and degrees of dependency as my second theoretical presupposition.

### **Crisis in Imperialist Relations and Development in the (Semi-)Peripheries**

Up until this point, my discussion was mostly focused on issues of dependency in periods of relatively stabilized imperialist relations. Since the object of the study is concerned with development in the context of crises in imperialist relations, it is necessary to reflect upon the relevant aspects of dependency approaches and world system theory for such constellations. In what follows I will do this by critically engaging with and modifying one of Andre Gunder Frank's hypotheses concerning crisis constellations.

Frank argues that (semi-)peripheries “experience their greatest economic development ... if and when their ties to their metropolis are weakest” (Frank 1966, 24). In this sense, apart from cases where a country ‘delinks’ itself from the world economy, crises in the core “opens up spaces for relatively autonomous development” in the (semi-)peripheries (Alnasseri 2011, 122). Frank maintains that “when the metropolis recovers from its crisis and re-establishes the trade and investment ties... the previous development and industrialization of these regions is choked off or channeled into directions which are not self-perpetuating and promising” (Frank 1966, 25–26). As Gabriel Palma observes, for Frank the weakening of core-(semi-)periphery relations can “only take place for reasons external to the satellite economies”. What is more, the possibilities of relatively autonomous forms of development are “of a necessarily transient nature” (Palma 1981, 899), as Frank does not envision or at least elaborate on the nature of (semi-)peripheral development within the crisis. The impacts of such crisis are nonetheless crucial for concrete forms of development in the (semi-)peripheries as they ‘experience their greatest economic development’ in such constellations. Moreover, when and if the crisis is over, the

conversion/dissolution effects of development during crisis condition it in what follows in key respects. Hence, we may modify Frank's hypothesis by adding the following.

First, imperialist crises are not only economic; they can be attributed to the intensification of economic, political and military contradictions. Second, "the global imbalance of power and the hierarchy of the state system are explained by the fact that the strong nation-states are not only independent, but also "internationally autonomous" (Gramsci, Notebook 6, § 89, p. 77)". That is, the core states' national autonomy was constituted in and through their capacities in shaping the 'international', militarily, diplomatically and economically. In sharp contrasts, the semi-peripheral states were shaped in a "globally prestructured space" and therefore "are constituted internationally but are not internationally autonomous" (Alnasseri 2011, 122). The semi-peripheries however, "play an intermediate role in the global surplus-extraction chain". As such, during periods of "economic downturn" they might "expand control of their home market at the expense of core producers, and expand their access to neighboring peripheral markets, again at the expense of core producers." (Wallerstein 1976, 464). Moreover, the hierarchically ordered nature of the international arena does not impede the semi-peripheries "to manoeuvre strategically and to take advantage of the interplay of the international relation of forces at their strategic margins (Gramsci, Notebooks, 6, § 89, p. 77)" (Alnasseri 2011, 122). Hence, securing less dependent forms of development during a crisis situation is not only possible, but more importantly it is predicated upon a more assertive embedment in their peripheral zones. In other words, precisely because the semi-peripheries' national autonomy has been jeopardized by their lack of international autonomy, a relatively autonomous form of development is all the more dependent on enhancing the latter. That being said, "it is not possible for all semi-peripheries to do well or equally well' in such constellation as pre-existing competition between them

(Wallerstein 1976, 470) is intensified during crisis constellations for the purposes of maintaining more international autonomy.

Third, from the perspective of ‘extended reproduction’, the capitalist mode of production is characterized by a “two-fold tendency” which acts concurrently; “to reproduce itself within the social formation in which it takes root and establishes its dominance, and to expand outside of this formation” (Poulantzas 1978, 42). In fact, that CMP can only be reproduced through “subordinating other modes and forms of production by appropriating their elements (their labour-power and means of labor)” (Poulantzas 1978, 43). The extended reproduction of CMP however does not occur in an abstract process but rather proceeds in social formations as sites where domestic struggles are enacted. In this sense, each core formation reflects the global imbalance of power in “the specificity of its own social formation” (Poulantzas 1978, 42). Hence, uneven development “is the constitutive form of the reproduction of the CMP in the - imperialist stage” (Poulantzas 1978, 49–50) and contradictions, conflicts and rivalries among core formations (intra-imperialist contradictions) may not ‘disappear’. Rather, these contradictions take historically specific forms which may play out in variety of violent and/or peaceful forms expressed through tactical and/or strategic convergences and divergences (Alnasser 2011). The emphasis on the structural nature of intra-imperialist contradictions is necessary since the dominant tendency within the dependency approaches underestimates them. What is more, in world system theory the emphasis is mostly on longer term hegemonic transition and hence less attention is paid to semi-peripheral development within crisis constellations.

Based on these observations, I take the following as my third theoretical presupposition; despite being ‘internationally constituted’ in ‘globally pre-structured space’, the

(semi)peripheries do not face the core formations as a ‘monolithic’ bloc. The (semi-)peripheries may strategically maneuver around these contradictions during crisis constellations to secure more autonomous forms of development. This, however, doesn’t exclude possibilities of maneuvering around these contradictions in periods of relatively stabilized international power relations. A case in point are intra-imperialist rivalries over Iran in the years following the 1979 revolution. As Mazen Labban points out, through mechanisms such as sanctions, the United States has strived for the “control of [Iran’s] (economic) territory by its removal from the circuits of all capital rather than its exclusive incorporation into one”. While this approach or what Mazzan Labban calls “negative territoriality” has resulted in the exclusion of Iran from ‘circuits of US capital’, it has led to its integration into European and Asian ones (Labban 2008, 123–24). Hence, the concrete forms of development and forms, types and degrees of dependency in a (semi-)peripheral formation are conditioned by specific historical form of intra-imperialist contradictions.

### Limitations of the Dependency Approach

Despite the great contribution of dependency approaches to the understanding of development in the (semi-)peripheries, their shortcomings should not be overlooked. In the previous section I outlined some of these by pointing to the underestimation of intra-imperialist rivalries and under-theorization of (semi-)peripheral development during crisis constellations. That being said, the major weakness in these approaches is the reduction of the internal satiation of the (semi-)peripheries from the imperialist context in which they are located. This then results in the undervaluation of domestic class struggle as well as state formations in the (semi-)peripheries. In the proceeding paragraphs I will substantiate this by utilizing Alian Lipietz’ critique.

Lipietz criticizes dependency approaches for their ‘functionalist methodology’ which results in overlooking the changes in the logic of accumulation in the center, their effects on the modification of center-(semi)periphery relations and concrete realities of the (semi-)peripheries. Lipietz argues that dependency approaches “do contain a grain of truth pertaining to past stages in historical development” of capitalism. For instance, in the constellation where “the capitalist circuits of extended reproduction... [could not] be completed within the centre”, an international division of labor gradually emerged whereby the periphery supplied the center with ‘labor-power, raw materials and market’. Nonetheless, these approaches tend to deduce a general theory of center-(semi-)periphery relations from the crisis tendencies of the capitalist mode of production in the center. In this view, the peripheries “perform the *function* of resolving capitalism’s [*economic*] contradictions” (Lipietz 1987, 17) in the center by providing it with raw materials, markets and labor-power. As such, they are analyzed in terms of “the needs of central capitalism” and not in relation to their own internal social structures (Lipietz 1987, 23). This leads to the depiction of the (semi-)peripheries as “homogenous reality” and prevents any serious engagement with their otherwise “differentiated situations” and unique social structures resulting from internal class struggle (Lipietz 1987, 20).

Against dependency approaches, Lipietz argues that the development in each formation, regardless of its position in the center or (semi-)periphery, is primarily “the outcome of internal class struggles which result in embryonic regimes of accumulation being consolidated by forms of regulation that are backed up by the local state” (Lipietz 1987, 19). Hence, development in the (semi-)peripheries too should be studied in relation to its internal relations. Lipietz defines a regime of accumulation as the “fairly long-term stabilization of the allocation of social production between consumption and accumulation” (Lipietz 1987, 14) while a mode of

regulation refers to “the set of internalized rules and social procedures which incorporate social elements into individual behaviour” (Lipietz 1987, 15). The extent to which the two correspond to each other facilitates a ‘mode of development’. Lipietz emphasizes that the stabilization of a regime of accumulation and a mode of regulation (or lack thereof) should not be analyzed merely through their economic aspects. On the contrary, social and political struggles carry an equally important weight in the analysis. That is, “class alliances based upon a consensus (and a varying degree of coercion)...shape the interests of the ruling classes, and sometimes some of the interests of the dominated classes, into the framework of a regime of accumulation” (Lipietz 1987, 20). In these processes, the role of the state is of utmost importance as it is “the institutional form which condenses the compromises which prevent the different groups making up the national...community from destroying one another in an endless struggle” (Lipietz 1987, 19).

It is important to note that Lipietz does not deny the existence of “a world regime of accumulation (or an 'international division of labour') with specific forms of regulation (expeditions, wars, international treaties, subcontracting agreements, the international financial system...)” (Lipietz 1987, 21). Nonetheless, he emphasizes that such international structure neither functions to resolve the contradiction of the capitalist development in the center nor causes the unsettled situation of the (semi-)peripheries. On the contrary, the international structure and its coherence is “simply the effect of the interaction between several relatively autonomous processes, of the provisionally stabilized complementarity and antagonism that exists between various national regimes of accumulation”. In this sense, center-(semi-)periphery relations are “relations between processes of social struggle and between regimes of accumulation that are to a greater or lesser extent introverted or extraverted” (Lipietz 1987, 25).

We may summarize Lipietz' alternative to dependency approaches as one which emphasise the "primacy of internal forces" through analyzing "successive regimes of accumulation and modes of regulations", the concrete analysis of their rise and fall, and the extent to which external factors influence them (Lipietz 1987, 20). Lipietz himself has been criticized for shortcomings similar to *dependistas*, particularly in conceptualizing East Asian countries' industrialization as 'peripheral Fordism; For instance, as Jessop observes, in his analysis Lipietz "defines and interprets the periphery in terms of dynamics at the centre, emphasizing the role of 'Fordist' rather than non-Fordist features in its labour process" (Jessop and Sum 2006, 159). Even so, the relevant aspects of Lipietz critique of dependency approaches are pointing to the necessity of analysing domestic class struggle and state formation in the (semi-)peripheries. I take this emphasis as my fourth theoretical presupposition and will substantiate it by engaging with Nicos Poulantzas' state theory.

### **Social Classes and Class Struggle**

Frist, with Poulantzas, I argue that "social classes do not firstly exist as such, and only then enter into a class struggle". On the contrary, they "involve in one and the same process both class contradictions and class struggle" (Poulantzas 1978, 14). Hence, class relations are "formed, stabilized, and reproduced qua struggle" (Alnasser 2011, 126). Second, social classes are "defined principally but not exclusively by their place in the production process, i.e. in the economic sphere" (Poulantzas 1978, 14). That is, social agents occupy objective places in "the ensemble of the division of labour which includes political and ideological relations" (Poulantzas 2008, 187) and is "independent of the will of these agents" (Poulantzas 1978, 14). Third, the CMP can only be reproduced through "subordinating other modes and forms of production by appropriating their elements (their labour-power and means of labor)" (Poulantzas 1978, 43).

This process proceeds in social formations as the sites where class struggles are enacted. Fourth, in social formations where the CMP is dominant, there are two fundamental classes; the bourgeoisie and the working classes. That being said, neither of these fundamental classes are homogenous. That is to say, we may distinguish between different fractions and/or strata within the fundamental classes based not only on economic, but also the political and ideological criteria of their class determination (Poulantzas 1978, 14–17). Moreover, the dominance of CMP in a social formation coincides with struggles of classes, strata and social categories, some of which may belong to other modes of productions. Even so, class positions are not to be deduced from “structural determination of the classes” as the former takes form in and through concrete “unique historic individuality of a social formation” (Poulantzas 1978, 14) . Here, Poulantzas’ differentiation between the national and comprador fractions of bourgeoisie is illuminating. He defines the comprador bourgeoisie as the “fraction whose interests are entirely subordinated to those of foreign capital, and which function as a kind of staging-post and direct intermediary for the implantation and reproduction of foreign capital” (Poulantzas 1978, 42). In contrast;

national bourgeoisie is that fraction of the indigenous bourgeoisie which, on the basis of a certain type and degree of contradictions with foreign imperialist capital, occupies a relatively autonomous place in the ideological and political structure, and exhibits in this way a characteristic unity. This place is part of the structural class determination, and is not reducible to class position; rather, it has its effects on this. (Poulantzas 1978, 71)

In this sense, the distinction between these two fractions cannot be solely defined on an economic level; for instance, a differentiation based on industrial/commercial, monopoly/non-monopoly or 'indigenous' /foreign capital. Rather, the differentiation should take into

consideration their political and ideological aspects of class determination as well as their class position in a concrete conjuncture.

Last but not the least, a social class, their fractions or strata might adopt a class position that does not immediately “correspond to its interests which are defined by the class determination that fixes the horizon of the class's struggle” (Poulantzas 1978, 15). Among other issues, this opens up the space for tactics, strategies, alliances and mistakes which are nonetheless conditioned but not reducible to the structural determination of classes. This raises the question of the reproduction and/or regulation of capitalist relations of rule and domination, despite the strategic/tactical moment in class and intra-class struggle. As mentioned before, for Lipietz class struggle is regulated at the level of the state in so far as “state is the institutional form which condenses the compromises which prevent the different groups making up the national (or at least territorial) community from destroying one another in an endless struggle” (Lipietz 1987, 19). Since Lipietz doesn't elaborate on this in detail, I will further substantiate issues pertaining to the state through Nicos Poulantzas' state theoretical approach.

### The Capitalist Type of State and Hegemonic Projects

Against approaches which theorize the capitalist state<sup>7</sup> as an ‘instrument of the ruling class’ or that which has its own power, Poulantzas approaches the state as a social relation (Jessop 1999). In this way, Poulantzas conceptualizes the capitalist type of state as the “*specific material condensation* of relationship of forces among classes and class fractions” (Poulantzas 2000, 129). This, however, is not to be understood as if there is an immediate and direct

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<sup>7</sup> For a comprehensive review of Marxist theories of state see Das, Raju J. 2006. “Marxist Theories of the State.” In *Alternative Theories of the State*, ed. Steven Pressman. Basingstoke [England] ; New York: Palgrave MacMillan, 64–90.

correspondence between inter/intra class relations and the materiality of state. In sharp contrast, the capitalist type of state can neither be reduced to state power nor class relations as it “exhibits an opacity and resistance of its own” (Poulantzas 2000, 130). As such, class relations affect the state in and through a variety of “institutional, ideological, legal, and political mechanisms and practices” (Alnasser 2011, 129). In this sense, the capitalist type of the state is ‘relatively autonomous’ from the ruling class and its fractions.

Among other issues, relative autonomy makes it possible for the state to reproduce capitalist relations of rule and domination by organizing the hegemony and/or dominance of a fraction of the ruling class over other fractions. The organization of hegemony and/or dominance in the ‘power bloc’ is not only conditioned by the ensemble of strategical and tactical compromises, uneasy alliances and divisions among the fractions of the ruling class, but also ideological, political and economic appeals to the popular classes. Hence, the popular classes only find an indirect presence in the state. What is more, the likelihood of hegemony and/or dominance of a fraction over others is also conditioned by the ‘structural selectivity of the state’. That is, “particular forms of state privilege some strategies over others, privilege the access of some forces over others, some interests over others, some time horizons over others, some coalition possibilities over others” (Jessop 1990, 10).

We may substantiate this further by making an analytical distinction between a class or a fraction’s ‘accumulation strategy’ and ‘hegemonic project’. What I mean by an accumulation strategy is a class or a fraction’s “corporate-economic” interests which takes form through struggle (inter/intra class) and in its ‘socio-economic and political-institutional conditions of existence’. The success or failure of an accumulation strategy is dependent on the degree to which a fraction can “impose its own particular “economic-corporate” interests on the other

fractions regardless of their wishes and/or at their expense” (Jessop 1990, 199). This however is ultimately predicated upon the extent to which an accumulation strategy coincides with a successful hegemonic project. That is because the task of a hegemonic project is to “politically and ideologically generalize the particular accumulation strategy, to organize social acceptance, and to anchor it institutionally qua programmatic and coherent bundles of different interests and expectations of ruling and popular classes and social categories” (Alnasseri 2011, 129). Hence, the relative autonomy of the state from classes and class fractions is also the expression of the institutional separation between economy and politics which is necessary for the reproduction of capitalist relations of domination.

Last but not the least, the form of state not only takes shape through these struggles, it also conditions them through its ‘structural selectivity’. Poulantzas makes a general distinction between ‘normal’ (parliamentary-democratic) and exceptional forms of state (Bonapartist, military dictatorship, etc.). In ‘normal’ form of the state, “representative democratic institutions facilitate the organic circulation and reorganisation of hegemony because they help to ventilate class and fractional conflicts”. Hence, this form of state mostly corresponds to hegemonic constellations. In contrast, exceptional states tend to emerge in response to a crisis of hegemony and “involve increased resort to physical repression and an 'open war' against dominated classes” More specifically, the distinction between these state forms involve “institutional and operational differences” of representative institutions, rule of law, ideological state apparatuses and the separation of powers (Jessop 1985, 94–95). Issues regarding modifications within normal and exceptional state forms as well as possibilities of transition from one to the other are in turn predicated upon the articulation of specific hegemonic struggles in and through the structural selectivity of a given state form.

Poulantzas' state theory has important consequences for the understanding of 'development'. Based on the above discussion, we may then break with an "economist/technicist conception" of economic development and more broadly "development as such" (Poulantzas 1976, 18); a concept which is prevalent not only in modernization theories, but also within some of the contributions to the dependency approach. Rather, as my fifth theoretical presupposition and based on the above state theoretical assumptions, I argue that the emergence and persistence of a given 'form of development' is predicated upon the extent to which a fraction's accumulation strategy corresponds to a successful 'hegemonic project'.

### **State in the (Semi-)Peripheries**

The above discussion of the capitalist type of state raises the question of the extent to which this conceptualization is valid for the (semi-)peripheries or whether we can speak of a (semi-)peripheral type of state. These issues cannot be dealt with extensively in this study not the least because since the mid-1990s "theories of 'the' state, in particular 'the' Third World state, have fallen far from their erstwhile theoretical pre-eminence" (Eicker 2017, 2; Graf 1995, 140). What is more, in much of the academic literature on MENA, the "Middle Eastern states were, and are, supposed to possess much the same structure, role and trajectory as western ones"; a vantage point which "helps to create a counter-position: the view that western-type states are inappropriate for the Middle East, that they lack roots and cultural meaning and therefore are bound to perform badly and, indeed, to make the difficulties of government a great deal worse" (Owen 2004, 2).

Against this backdrop, I argue that understanding of states in the (semi-)peripheries should not be derived from the form of state in the core in neither positive nor negative connotation of it. Rather, the (semi-)peripheral states should be understood in their conditions of

existence; namely their formation in a “globally prestructured space”. As mentioned before, these states “are constituted internationally but are not internationally autonomous” (Alnasseri 2011, 122). In MENA, the lack of international autonomy may be explicated in a historical sense by pointing to the colonial nature of initial processes of state formation in the region. It is true that in the MENA, there were only “a handful of real colonies” (Libya and Algeria under Italian and French colonial rule respectively) or better different forms of colonialism (protectorate, settler-colonial or indirect). What is more, by many accounts “some of the vital processes thought essential to state-building” were already in the making in the region; for instance, one can refer to the ‘creation of bureaucracies’ and ‘large regional markets’ in the late 19<sup>th</sup> century (Ayubi 1996, 86; Owen 2004, 9) Finally, despite centuries of informal influence (Halliday 2005, 83), the exercise of colonial power through the constellation of mandates, protectorates, direct and indirect colonial rule via treaties (Owen 2004, 7) was “short-lived” when compared to other regions such as Latin America and South Asia (Halliday 2005, 82). Even with these specificities, not only “states in both the juridical and historical-sociological sense derive from this period”, they exhibit common features with far-reaching effects extending to the ‘post-colonial period’ (Halliday 2005, 83). Some of these features include but are not limited to “redirection of economic away from the Middle East towards Europe”, “institutionalization and territorization of Arab states in the image of Europe” (Korany 1987) which often corresponded with homogenization/sectarianization processes (Owen 2004, 10, 13) and “over-development” (Alavi 1972) and/or privileged position of the military and security apparatuses in the state formation (Owen 2004, 10, 23). Apart from the colonial period, frequent external interventions in MENA and to a lesser extent its proximity to the Soviet Union has further contributed to the international constitution of states (Halliday 2005).

## State and the External Factors

The MENA states' lack of international autonomy nonetheless poses the challenge of considering the effects of their precarious position in the international arena without reducing their specificities to external factors. As mentioned before, Lipietz points to this shortcoming in dependency approaches by pointing to the way they analyse the differentiated domestic dynamics of the (semi-)peripheries in terms of the 'needs of the center' (Lipietz 1987, 23). This shortcoming is also evident in the conception of the state in some of the major contributions to the dependency approach; For instance, the economist deduction of the state form in the (semi-)peripheries from the international division of labor, the time of its incorporation in the world economy or more generally its functioning for 'external capital' and "and its need to extract surplus from the periphery" (Carnoy 1984, 203).

One may argue that the same tendency exists among some of the contributions to the analysis of (semi-)peripheral states in MENA. Hamza Alavi's notion of the "over-developed state" is a case in point. For Alavi, the 'bourgeoisie revolution' in the colonies not only had the task of reproducing the "superstructure of the state which it had established in the metropolitan", but also the creation of "state apparatus through which it can exercise dominion over all the indigenous social classes in the colony". As such, the state in the colonies imposes the 'structure of the metropolis by suppressing all the 'indigenous social classes...through a "powerful bureaucratic-military apparatus" (Alavi 1972, 61). In this sense, the colonial state becomes over-developed, because of its extensive bureaucratic-military apparatuses.

Alavi further argues that after independence, the over-developed nature of the colonial state was not transformed but rather "freed from direct metropolitan control" (Alavi 1972, 61).

What is more, because indigenous ruling classes were excluded from the state before

independence, none of them could ‘exclusively dominate the state’ (Alavi 1972, 71). As such, the over-developed state, which is relatively autonomous from metropolitan control, and has its own “independent material bases”, also came to be relatively autonomous from them as well. Contextualizing the over-developed state in the context of the persisting structural dependency on the core, Alavi argues that the relative autonomy of the post-colonial state, reproduces these dependencies.

Alavi’s conceptualization of the ‘over-developed state’ particularly underestimates the effects of intra-imperialist rivalries and domestic class struggle on the state formation in the (semi-)peripheries. I do not have the space to extensively engage with these issues. For the time being, however, it is sufficient to note that even the ‘colonial state’ had to respond to domestic class struggle; as Martin Carnoy demonstrates in the case of colonial India, “even in the colonial context there are conflicts between the colonial state and the metropolitan bourgeoisie” (Carnoy 1984, 183). More specifically, in MENA “within the strategic context shaped by this international domination, the states of the region continued to play some autonomous role, even when not fully independent; this autonomy was evident both in relation to each other and in their development of foreign policy stances” (Halliday 2005, 85). That being said, Alavi’s contribution to the debate on the state in the (semi-)peripheries should not be underestimated. For the purposes of this study, the decisive role of the military apparatuses is a case in point. This role however needs to be contextualized not only in the colonial history of the region, but also the changing context of international and domestic relations of force. A case in point is the changes within the Iranian military apparatuses and establishment of new ones (the Islamic Revolutionary Guards Corps (IRGC) ), subsequent to the 1979 revolution (Owen 2004, 196–97).

## Oil and the 'Rentier State Theory'

Other analyses which point out to the primacy of external factors in (semi-)peripheral state formations, particularly in MENA, emphasize the 'rentier' character of the economy and state. The theory of the 'rentier state' came to prominence in the 1980s, in the context of increasing global energy demand and the rapid rise of oil. Although Robert Mabro and Hossein Mahdavy were the first ones to use this notion with reference to cases of Libya and Iran respectively, the most systematic presentation of the theory of the rentier state was presented by Hazem Beblawi and Giacomo Luciani. Accordingly, a 'rentier economy' is characterized by a predominance of rent situations in general and reliance on "substantial *external* rent" in particular, involvement of the majority of society in the "distribution and utilization of wealth" as opposed to its production and the receipt and allocation of external rents by the government (Beblawi 1987, 384–85). Among the most important effects of the 'rentier economy' on the state formation are the dominant role of the state in the economy and the rapid expansion of the public sector (Mahdavy 1970) as well as the tendency to invest rent revenues in non-productive sectors (Chatelus 1987). Most importantly, since the rentier state relies on international rent for its revenues, it is "freed from its domestic base" (Luciani 1987, 69). This in turn eliminates or at best reduces the need for taxation (Luciani 1987, 74) and hence "state dependence on the democratic participation of its citizens for legitimacy" (Petres 2017, 49). In this sense, the rentier states have an autocratic nature which allows it to pacify and suppress opposition (Skocpol 1982, 269).

Needless to say, contributors to this debate highlight the centrality of oil, pipelines, transportation (Mahdavy 1970, 428) as well as remittances (Beblawi 1987, 392) to the rentier character of MENA states. These dynamics came to the fore, particularly after the 1951-56

period when nationalist movements “enabled the government of most middle eastern countries to appropriate a larger share of the rents that previously accrued to the oil companies as profits” (Mahdavy 1970, 431). In the case of Iran, various studies have analyzed the correlation between the country’s ‘rentier economy’ and the authoritarian structures of the state before and after the 1979 revolution (Katouzian 1981; Mahdavy 1970; Najmabadi 1987; Skocpol 1982) and ‘affordable’ irrational and/or inefficient economic and foreign policies (M. Beck 2009, 19).

Regardless of the specificities of Iran, the central issue is that the MENA states’ revenue is predominantly linked to the exportation of oil. As such. “the state is freed from its domestic base, and sustained by the economic base of the countries which are importing its oil” (Luciani 1987, 69). Similar to dependency approaches, other participants in this debate have further contextualized the extrovert character of ‘rentier economies and states’, particularly their reliance on oil rents, in the broader context of imperialist domination.

The strength of ‘rentier state’ theories is in highlighting the significant effects of oil revenues on MENA state formations. As Elmar Altvater points out, “the centre of the analysis of capitalism’s relation to nature is its inherent and unavoidable dependence on fossil fuels, and particularly on oil”. This is related to “the congruence of...[oil’s] physical properties with the socioeconomic and political logics of capitalist development”. Among other issues Altvater points to its high “Energy Return on Energy Input” and its flexibility “in production, consumption and transportation, and in the use of time and space” (Altvater 2009, 39–41).

These physical properties along with complex historical processes involving the “global competition for the control of oil” have made oil “a “strategic commodity” upon which the integration of capitalist economies “under US hegemony in the post-war period has depended” (Labban 2008, 1). That being said, rentier state theories “discuss not the oil but the oil money”

(Mitchell 2011, 1). That is their analyses does not take in to account “the ways in which oil is extracted, processed, shipped and consumed, the powers of oil as a concentrated source of energy, or the apparatus that turns this fuel into forms of affluence and power” (Mitchell 2011, 2). It is then not surprising that many of their assertions such as lack of investment in productive sectors have been empirically refuted; for instance, investment in downstream operations and petrochemicals is a case in point (Labban 2008). Moreover, as the debate on ‘neo-extractivism’ in Latin America demonstrates, the role of the state in extraction of raw materials has changed in relation to new international and domestic economic and political developments; for instance, the nationalization of previously privatized resource sectors, changing patterns of foreign direct investment and new patterns of investment and distribution of revenues. Moreover, the rise of neo-extractivism in Latin America has been accompanied and predicated upon the consolidation of liberal democracy (Burchardt and Dietz 2014, 477).

To return to state formation in MENA. With rentier state theorists, we may argue that oil plays a crucial role in the state formations in MENA. Nonetheless, precisely because of its ‘strategic’ nature, there is intense and historically specific forms of global competition over the control of oil. This ‘unavoidable dependence on oil’ certainly plays a crucial role in linking the MENA formations to a world economy characterized by hierarchical power relations. This however does not pacify but rather intensifies domestic contestation over the ways in which oil is extracted, processed, shipped and consumed and how its revenues are allocated. Hence, the state formations in MENA not only play a key role in these struggles but are also impacted by them in key respects.

## Induced Reproduction of CMP and Interiorization

The above discussion pointed to the necessity of addressing “the analytic balance of external and internal factors” (Halliday 2005, 85) in MENA state formations. In the case of Iran, addressing this issue is all the more important. On one hand, the critical analyses which informed the strategic orientation for action among many left organizations before the 1979 revolution emphasized the primacy of external factors (Moghadam 1987, 5). Partly due to the influence of anti-imperialist struggles of China, Vietnam, Cuba and Algeria (Abrahamian 1980, 4; Mashayekhi 1986, 173–74) and with the growing influence of dependency approaches “a stress on the political and military links between the Pahlavi state and the West was too easily developed into an argument that the state itself was simply a client, or dependency, of the US ” (Halliday 2004, 30). As Masoud Ahmadzadeh, one of the leaders of a Marxist guerilla organization put it, “with the establishment of imperialist rule, all the internal contradictions of our society were overshadowed by one contradiction, the contradiction...between the people and imperialism” (Alaolmolki 1987; Mashayekhi 1986, 165). In this sense, “by invoking the category “dependent state,” Iranian *dependistas* reduced the complex process of state formation to “a unilinear relation with imperialism” (Jazani 1980; Mashayekhi 1986, 173–74). This in turn undermined the effects of internal contradictions in Iran (Moghadam 1987), particularly conflicts and contestations among the fractions of ruling class (Mashayekhi 1986, 171) and the underestimation of the effects of intra-imperialist contradictions on the state formation. On the other hand, in the years following the 1979 revolution, critical analyses began to focus on internal factors (Moghadam 1987) at the cost of underestimating the imperialist world context in which they were taking shape.

As mentioned before, Lipietz argues against the ‘primacy of external factors’ by suggesting that development in each formation, regardless of its position in the center or (semi-)periphery, is primarily “the outcome of internal class struggles which result in embryonic regimes of accumulation being consolidated by forms of regulation that are backed up by the local state” (Lipietz 1987, 19). This approach however runs the risk of underestimating the differential structural position of the (semi-)peripheries in international power relations in general and the specificities of (semi-)peripheral state formations in particular. To reiterate once more, the challenge is how to think of the (semi-)peripheral states, by considering the interplay of external and internal forces without reducing the latter to the former and vice versa. As it will be demonstrated below, Nicos Poulantzas’ observations about the ‘dependent’ states are particularly useful with this regard.

For Poulantzas “a social formation is dominated and dependent when the articulation of its own economic, political and ideological structure expresses constitutive and asymmetrical relations with one or more social formations in a position of power in relation to that social formation”. What is more, the form of dependency changes according to the specificities of each phase of imperialism (Poulantzas 2008, 224). In this sense, Poulantzas maintains that “we can certainly speak at a general and rather abstract level of a dependent type of state”. That is, these states exhibit common features that distinguishes them from the core states in so far as the former “corresponds to the general modifications that imperialism inflicts on them and must fulfil the general functions falling to it in the present phase of imperialism” (Poulantzas 1976, 21) . Some of these features include, the political and ideological weakness of (semi-)peripheral bourgeoisie (Poulantzas 1976, 131) owing to “blockage...of an endogenous accumulation of capital at the right time (Poulantzas 1976, 11) and the prominent position of repressive state

apparatuses (i.e. the military) (Poulantzas 1976, 131–32). These general features “reproduces within itself the structure of the relation of domination and thus expresses in a specific manner the forms of domination characterizing the class(es) in power in the dominant social formation(s)” (Poulantzas 2008, 224).

It is nonetheless crucial to note that for Poulantzas imperialist relations or modifications within them “do not simply determine all these forms and changes by itself; it is only relevant in so far as it determines the conjuncture of class struggle, the transformation of classes and the internal balance of socio-political forces”. For Poulantzas, subsequent to internationalization of capital and state, the determination of ‘conjuncture of class struggle’ occurs through the ‘internalized and induced reproduction of the CMP; that is the CMP “no longer just dominates these formations from’ outside’...but rather establishes its dominance directly within them; the metropolitan mode of production reproduces itself, in a specific form, within the dominated and dependent formations themselves”; a process which “extends in a decisive way” to the (semi-)peripheries’ state formation (Poulantzas 1978, 46). What is more, despite exhibiting common features, (semi-)peripheral states take concrete forms which are dependent on the internal factors in each society. In this sense, the primacy of internal forces means that the ‘external factors’, e.g. international power relations, “only act on the country in question by way of their internalization, i.e. by their articulation to its own specific contradictions” in and through the state formation (Poulantzas 1976, 22).

It is imperative to note that the (semi-)peripheral type of state should not be conflated with exceptional states. As Poulantzas notes, “in a superficial and Eurocentric comparison with ‘Western Democracy’” the (semi-)peripheral states “are all more or less far removed from this ideal-typical model, and in such comparison they might all seem to be exceptional regimes”

(Poulantzas 1976, 130–31). Even so, these comparisons lead to an underestimation of the crucial differences between the exceptional and other forms of state in the (semi-)peripheries. In other words, the extent to which a (semi-)peripheral state can be regarded as exceptional or otherwise depends not on its differences and/or similarities in state forms in the core, but rather the very context of its dependency. As I will later demonstrate, the post-revolutionary state in Iran simultaneously exhibits both ‘exceptional’ and non-exceptional moments as reflected in the ‘non-representative and ‘representative’ state apparatuses. What is more, the persistence of these general features should not be taken as if there are no changes in the form of the (semi-)peripheral type of states. Rather, they not only take differential forms, but their modifications may explain how and why a new type of state has emerged (Poulantzas 1976, 130–31). As mentioned before, one can refer to the changes within the Iranian military apparatuses and establishment of new ones subsequent to the 1979 revolution (Owen 2004, 196–97) which corresponded with new forms of intervention in the economy, changing relation of military apparatuses to ‘civilian’ ones as well as new domestic regional and international allegiances. I will later deal with these issues pertaining to the state formation in Iran. For the time being, I will proceed by a brief discussion about crises in imperialist relations and their effects on the (semi-)peripheral states and possibilities of new forms of development.

### Crises in Imperialist relations, (Semi-)Peripheral States and Development

Any discussion on (semi-)peripheral development within crisis constellations is predicated upon specifying the concept of crisis in a world capitalist context. In order to do this, we must first break with notions which view “crisis as a dysfunctional moment that ruptures an otherwise harmonious functioning of the 'system,' a moment that will pass when equilibrium is re-established” ( Poulantzas 2008, 295). On the contrary, not only the “generic elements of crisis

are present and permanently at work” they are even necessary for the reproduction of capitalist relations (Poulantzas 2008, 295). This nonetheless should neither be understood as if crises in capitalism are “permanent and catastrophic” (Jessop 1985, 92) nor as if they are “accidental explosions of anomic or heterogeneous elements” ( Poulantzas 2008, 295). Rather, crises are “overdetermined condensations of generic crisis elements plus specific crisis-tendencies and contingent events that combine to form a distinct conjuncture with its own distinctive rhythm” (Jessop 2012).

For instance, class contradictions and struggles within and between the power bloc and popular classes are ‘permanently at work’ in the “reproduction of institutionalized political power”. When under specific conditions these contradictions are intensified through “substantial modifications of the relations of force of class conflict” political crises emerge. What is more, the concrete form of these modifications “determine the exact elements of crisis at the heart of the state apparatus” (Poulantzas 2008, 299). On one hand, such crises “can establish the way (sometimes the only way) for the restoration of an unsteady class hegemony and the way (sometimes the only way) for a transformation-adaptation of the capitalist state to the new realities of class conflict” (Poulantzas 2008, 297). On the other hand, as Sabah Alnasseri argues, in the capitalist type of state, “the ‘condensation’ of relation of forces is unbalanced due to the “dominance of capital, the asymmetry of the relations of power, and the capitalist social division of labour” (Alnasseri 2011, 129). As such, the reverberations of political crises within the state apparatuses will have a more accentuated effect on the power bloc compared to the popular classes who only find an indirect present in the state (Alnasseri 2016a). It then follows that a crisis of the state may potentially present a ‘revolutionary situation’ which endangers the reproduction of capitalist relations of domination. In this sense, crises are both processes of

danger and opportunity which involve objective as well as subjective elements. That is, “the end of capitalism [or its persistence in new forms] does not depend on any crisis whatsoever” but the overdetermination of crises and their outcomes by concrete dynamics of class struggle (Poulantzas 2008, 295).

Second, due to relative separation of economy and politics under capitalism, there are different forms of crisis which are relatively autonomous from each other (Jessop 1985, 90). This neither implies that political and economic crises are totally separate nor that there is “chronological concordance” or an automatic sequence from the former to the latter and vice versa (Poulantzas 2008, 299). In sharp contrast, while economic and political crises have their own temporality, their ‘dislocation and articulation and repercussions’ (Jessop 1985, 90) on each other are overdetermined by specific dynamics of class struggle. That is, depending on the concrete case in question, an economic crisis may or may not be translated into a political one and vice versa.

Third, the differentiation between ‘crises of hegemony’ or ‘structural crises’ and ‘conjunctural’ ones should be made explicit. Prior to discussing conjunctural and structural crises, a few words should be said about the relevance of Gramsci’s concept of hegemony in the (semi-)peripheries. To begin with,

Gramsci’s conception of hegemony, or of moral and intellectual leadership, is not to be reduced to a liberal view of the consensual basis of the state; for Gramsci, the meaning of consensus is not to be found in the apparent willingness of an individual to accept certain views and to engage in certain activities, but rather in the conditions for that willingness to be present. (Morera 1990, 24)

From the perspective of the power bloc, this involves the “production and reproduction of consensus and consent of the allied and subordinated classes...ideally from the economic-corporate phase, cultural and political hegemony in civil society up to the conquering of state power” (Alnasseri 2011, 126). Nonetheless, the extent to which a fraction of power bloc can organize its hegemony is in the last instance dependent on the structural limits imposed by the contradictions of capitalist mode of production (Morera 1990, see). In the (semi-)peripheries, however, the space for organization of hegemony is structurally much narrower compared to the core formations. That is to a large extent because the interiorization of imperialist relations materializes through their precarious position in the world order. This often results in an accentuated tendency for economic, political and ideological crisis which is reflected in the prevalence of exceptional moments in the (semi-)peripheral states (Poulantzas 2008, 408). Hence, the very ‘conditions’ for hegemonic struggles in the (semi-)peripheries should be reworked by considering their distinct structural location in the imperialist context of the world order; a task which is well beyond the scope of this dissertation. Nonetheless, to recognize this moment, I will frequently utilize the term ‘dominance’ when I engage with the concrete analysis of hegemonic struggles of the power bloc in Iran.

To return to the main issue. Following Gramsci, I argue that a structural crisis emerges when “incurable structural contradictions have revealed themselves (reached maturity), and that, despite this, the political forces which are struggling to conserve and defend the existing structure itself are making every effort to cure them, within certain limits, and to overcome them” (Gramsci 1971, 178). The structural character of crises of hegemony lies in the way in which it “affects the ensemble of social relations (economic crisis and political crisis) and manifests itself in a conjuncture of a situation that reveals and condenses the inherent

contradictions in the social structure” (Poulantzas 2008, 299). In other words, a structural “crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum morbid phenomena of the most varied kind come to pass” (Gramsci 2011, 33).

Conjunctural crisis on the other hand, designate constellations where economic crises have not translated to political crises and vice versa. In other words, if an economic crisis “distinguishes itself from the simple cyclical economic crises of capitalism, it does not constitute a structural crisis or a crisis of hegemony except for certain capitalist countries where it translates itself into a political-ideological crisis” (Poulantzas 2008, 299).

Fourth, the specificity and articulation of domestic crises and international ones must be considered. As mentioned before, crises in imperialist relations may allow the (semi)peripheries “to manoeuvre strategically and to take advantage of the interplay of the international relation of forces at their strategic margins (Gramsci, Notebooks, 6, § 89, p. 77)” (Alnasseri 2011, 122). This process nonetheless exhibits a complexity of its own. That is the least because, the induced reproduction of CMP implies that not only imperialist relations but also their crises are interiorized. More specifically, interiorization of imperialist crises often corresponds to the emergence of new contested economic, political and ideological spaces on the domestic and regional level. Depending on the concrete case in question, a variety of outcomes are possible; for instance, intensification of rivalries, re-articulation and/or rearrangement of relations of force within the power bloc, the emergence of new fractions in the ruling class with new accumulation strategies and hegemonic projects or both. What is more, the structural selectivity of a given state form and the articulation of various hegemonic strategies employed towards it may result in the restructuring of an existing state form or the emergence of a new one.

Hence, as Sabah Alnasseri argues “from a (semi)-peripheral perspective, imperialism not only appears as a north-south relation, but questions regarding development and underdevelopment may depend on the nature of the imperialist relations and their crises” (Alnasseri 2011, 124). To go further, in crisis constellations, the coincidence of a (new) fraction’s accumulation strategy with a hegemonic project may facilitate ‘relatively autonomous forms of development’. Based on the preceding discussion and as my sixth theoretical presupposition, I argue that the probability, scope and form of a relatively autonomous development is overdetermined by interiorization and induced reproduction of CMP and hegemonic struggles which are conditioned by and influence the structural selectivity of a given state form.

## Conclusion

As a way of conclusion, let me once again reiterate the basic theoretical assumptions that will guide my analysis of the forms of development in post-revolutionary Iran;

- a) development in the (semi-)peripheries takes shape through the imperialist context in which they are located
- b) the (semi-)peripheries do not face imperialism as a ‘monolithic’ bloc. Rather, development in these formations proceeds in and through intra-imperialist contradictions, rivalries and conflicts.
- c) there are different forms, types and degrees of dependency that ties these formations to the imperialist metropolis.
- d) despite these dependencies, the concrete form of development in each (semi-)periphery may be adequately analyzed by considering its particular dynamics of class struggle and state formation.

- e) the emergence and persistence of a given ‘form of development’ is predicated upon the extent to which a class fraction’s ‘accumulation strategy’ corresponds to a successful ‘hegemonic project’.
- f) a relatively autonomous form of development is possible for (semi-)peripheries, particularly in constellations of imperialist crises. The probability, scope and form of such development is overdetermined by ‘interiorization and induced reproduction of CMP’ and ‘hegemonic struggles’ which are conditioned by and influence the ‘structural selectivity’ of a given ‘state form’.

It is essential to note that the connecting thread that runs through all these theoretical presuppositions is Poulantzas’ relational theory of the state, and in particular the following concepts within it; the ‘induced and interiorized reproduction of CMP’, the conceptualization of the state as “specific material condensation of relationship of forces among classes and class fractions” (Poulantzas 2000, 129), and the ‘relative autonomy of state’. As the proceeding chapters will show, it is these concepts which allow me to introduce a periodization of the conjunctures of class struggle in relation to the interiorization of the imperialist relations in and through the post-revolutionary state.

# Chapter 2: The Neoliberal World Order: Emergence, Consolidation and Crisis

## Introduction

From the mid-1970s onwards and in the context of crises of “post-war models of capitalist development” (Jessop 2010, 25), neoliberal economic policies have been implemented in varying degrees in both the core and (semi-)peripheral formations. These policies also known as the ‘Washington Consensus’<sup>8</sup> revolve around but are not limited to ‘privatization, deregulation, trade liberalization, flexibilization of labor markets and exchange rates and reduced public spending’ (Tickell and Peck 2003, 166–67). Ever since, a “multiplication” of economic and financial crises has occurred across the world, among them, Mexico in 1994, Asian Crisis of 1997 and Argentina in 2000 (Dumenil and Levy 2016, 551). The financial crisis of 2007 is however differentiated from the previous crises in two senses. Primarily, unlike the previous ones which were “most evident outside the Atlantic heartland”, the 2007 crisis “had its origins and was felt most acutely in the West” ( Sidaway and Hendrikse 2016, 579). Secondly, “the effects of what began as an American “sub-prime mortgage crisis” cut much deeper as the financial system itself, and hence the crisis it spawned, is necessarily global in scope” (Springer 2015, 5).

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<sup>8</sup> “The Washington consensus had emerged in the early 1980s as the neo liberal counterpart for developing economies to the Reaganism and Thatcherism that had been prescribed for developed economies an ideology of reliance upon market forces, and of the reduction of state intervention and expenditure to a minimum. It has had the effect of posing economic issues in terms of the state versus the market, leaning heavily, or falling over, in favor of the market” (Fine 2001, 3).

The recent global crisis has made the contradictions of neoliberalism more obvious (Brand 2016, 583). Some take the 2007 meltdown as a proof of the inauguration of a post-neoliberal era (Brand and Sekler 2009) or a crisis of neoliberalism (Candeias 2011; Duménil and Lévy 2011) while others point to continuities (Albo, Gindin, and Panitch 2010; Kiely 2016). Engagement with these questions is nonetheless dependent on the specific aspect from which they are posed. Among other issues, the inauguration of ‘neoliberalism’ since mid-1970s has been analyzed in relation to the rearrangement of north-south relations (Harvey 2005). In this sense, the recent global crisis may also signal the modification of these relations in the long run (Duménil and Lévy 2011). From the perspective of (semi-)peripheries, however, neoliberalism and its crisis also relate to questions regarding constraints and potentials in ‘development’. That is the least because, ‘Washington Consensus’ policies and restructuring processes in the (semi-)peripheries “were primarily imposed from outside by the leading capitalist powers and transnational economic institutions and organizations” (Jessop 2010, 26). In the case of Iran, the relation between neoliberalism and development exhibits a peculiar complexity in part due to the precarious position of the post-revolutionary state in the international arena. On one hand, the post-revolutionary challenge of attaining national economic independence coincided with the international pressures for economic liberalization across much of the (semi-)peripheries. On the other hand, ever since the revolution, the United States has attempted to exclude Iran from the “circuits of global capital” (Labban 2008, 123) through incrementally intensifying sanctions, and pressures on other international powers. These pressures have exponentially increased since the American occupation of Afghanistan and Iraq in the early years of the 21<sup>st</sup> century as the country came to be surrounded by American military bases. Moreover, the dispute over Iran’s nuclear programme coincided with the most severe financial, trade and investment sanctions on Iran

since the revolution. Despite these developments, Iran has imbedded itself more assertively in MENA to the extent that many pundits refer to it as a ‘regional power’ (Ehteshami and Molavi 2012).

In this chapter, I will first lay out four assumptions about neoliberalism from the vantage point of development in Iran as a semi-peripheral formation; that it is ‘variegated’, that it is inscribed in the ‘world order’, that it may be periodized into ‘discrete phases’ and that it is ‘interiorized’. I will then proceed by a schematic periodization of the ‘neoliberal world order’ from the perspective of the (semi)-peripheries in Middle East and North Africa.

### **Neoliberalism: Conceptual Clarification**

For analyzing the forms of development in post-revolutionary Iran, this dissertation takes the following positions regarding neoliberalism. Primarily, neoliberalism is not merely a set of economic policies. Rather it is to be understood as “hierarchically ordered” (Jessop 2013, 68), contradictory, conflictual process with differential spatial-temporal contexts, means and forms of implementation and resistance, leading to varying consequences across different social formations. In this sense, neoliberalism’s “necessary articulations with existing geopolitical, socioeconomic, and juridical-institutional frameworks...results in hybridization and plurality of forms” (Springer 2015, 7). For instance, Bob Jessop proposes four “forms of neoliberalism”; system transformations in the formerly socialist countries, principled neoliberal regime shifts and pragmatic neoliberal policy adjustment in the Atlantic heart lands as well as neoliberal structural adjustment regimes across much of the (semi-)peripheries (Jessop 2010, 25). What is most relevant to this study is how the second and the third forms are differentiated with structural adjustment regimes. As Jessop explains, neoliberal regime shifts and policy adjustments in the Atlantic heartlands “largely emerges from domestic politics”. In the case of structural

adjustment regimes, however, “economic restructuring processes and regime shifts...were primarily imposed from outside by the leading capitalist powers and transnational economic institutions and organizations” (Jessop 2010, 26).

Second, due to the vulnerabilities of (semi-)peripheral formations to external forces, albeit in varying degrees, for them, neoliberalism is particularly inscribed in the ‘world order’. Here, ‘world order’ is understood as the hierarchical, uneven and interdependent economic, political and military relations between national social formations (Sakellariopoulos and Sotiris 2015, 101–2) whose actions in the international arena are conditioned by the articulation of the above into their domestic specificities. In this sense, we might speak of the emergence of a ‘neoliberal world order’ since the mid-1970s.

Third, as a process neoliberalism is “always overdetermined, contingent, polymorphic, open to intervention, reconstituted, continually negotiated, impure, subject to counter-tendencies” (Springer 2015, 7). Accordingly, based on the relative continuities and discontinuities and the specific aspect in question, neoliberalism can be understood as a “series of discrete phases” (Birch and Mykhnenko 2008, 6). For instance, Peck and Tickell have identified three phases of ‘proto-neoliberalism’ associated with the pre-1980s attack on Keynesianism, ‘roll-back neoliberalism’ of the 1980s and early 1990s focused on deregulation and structural adjustment and ‘roll-out neoliberalism’ from the 1990s onwards concerned with state-building. In similar vein, from the perspective of (semi-)peripheral formations, the neoliberal world order has exhibited signs of continuity and discontinuity which may be categorized into different phases. Needless to say, issues regarding ‘periodization’<sup>9</sup> are complex

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<sup>9</sup> “The primary purpose of any periodization is to interpret an otherwise undifferentiated ‘flow’ of historical time by classifying events and/or processes in terms of their internal affinities and external differences in order to identify successive periods of relative invariance and the transitions between them” (Jessop 2001, 283).

and beyond the scope of this study(see Jessop 2001). For the purposes of this study, we may schematically speak of three phases of ‘emergence’, ‘consolidation’ and ‘crisis’ of the neoliberal world order. As will be demonstrated later, these phases are categorized from the viewpoint of (semi-)peripheries in Middle East and North Africa. It is true that there is great variation in MENA formations’ economic and political structures. Nonetheless, this periodization is necessary for this study as MENA formations’ geographical, cultural and historical proximity and more importantly their similar situation in the international arena binds them together in key respects. What is more, such periodization is all the more relevant as the increasing significance of regional context for Iran’s development has not been adequately taken into account.

Fourthly, developments in (semi-)peripheral formations are not ‘externally’ determined by the neoliberal world order. Rather, following the internationalization of capital and state since the 1970s, the world order only act[s] on the country in question by way of...[its] interiorization, i.e. by...[its] articulating to its own specific contradictions” (Poulantzas 1976, 22). I have already dealt with issues regarding interiorization in the previous chapter. Let me then proceed to a schematic periodization of the ‘neoliberal world order’ from the perspective of MENA.

### The ‘Emergence Phase’ of the Neoliberal World Order

The emergence phase of the neoliberal world order (from the mid-1970s until the First Gulf War) is primarily characterized by the crises of “post-war models of capitalist development” (Jessop 2010, 25). In this contradictory constellation, the crisis of Atlantic Fordism intensified the contradictions among United States and European powers. Simultaneously, the (semi-)peripheries gained more significance for the Atlantic powers as

cheap labor-zones and spaces of displacing popular struggles.<sup>10</sup> Meanwhile, as reflected in the emergence of various debt crises, the Import Substitution Strategies (ISS) in the (semi-)peripheries were gradually coming to their limits. It is true that the crisis of ISS development models emerged with “a time lag depending on when and where the strategy was first inaugurated” (Alnasseri 2011, 131). Nonetheless, on a general level, the juxtaposition of these dynamics made the (semi-)peripheries particularly vulnerable to the external pressures for neoliberal economic and political restructuring. In the case of MENA, this dynamic is complicated by new developments in the political economy of oil and militarization of the region.

#### Oil Booms and Petrodollars

In MENA, the first signs of crises of ISS appeared in Egypt and Tunisia in the late 1960s (Owen 2004, 114) while by mid-1970s countries such as Iran and Turkey began to move towards export-led approaches to economic development (Ehteshami 2007, 119). Even so, in the same conjuncture, MENA formations began to exert more control over transport, production and price of oil through gaining more concessions from Western oil companies and/or their nationalization (Mitchell 2010, 195–96). Equally important, the Organization for Petroleum Exporting Countries (OPEC) began to take a more assertive posture in the determination of prices, in part due to better coordination among its members. The enhanced control over oil in the region is best demonstrated in the oil shock of 1973-74, owing to Arab OPEC’s oil sanctions on the United

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<sup>10</sup> The observations of Alain Lipietz are helpful in clarifying the above argument where he states “faced with declining profitability capitalist firms...set out in search of cheap...pools of labor. Fordist work organization had allowed a geographic disjuncture to be created between three levels of the division of labor: Level 1, conception; level 2, skilled production; and level 3, unskilled assembly. The tasks of levels 1 and 2 mostly remained in the center, while those of level 3 could be ‘relocated’ elsewhere...to the immediate periphery (Mexico, Southern and Eastern Europe), and then further still” (Lipietz 1984).

States and Netherlands in response to their support for Israel in the 1973 war. The 1973-4 shock as well as the 1979-80 boom associated with the Iranian revolution quadrupled the earnings of oil exporters (Yergin 2012) and benefited oil importers through receipt of remittances and loans received from the former (Owen 1981; Yousef 2004). The immediate consequence of the surge in oil related revenues was the postponement of the “constraints of [ISI induced] indebtedness” in MENA (Owen 2004, 114). What is more, the (semi-)peripheries’ diplomatic offensive at the United Nations for the inauguration of a New International Economic Order (NIEO) signaled positive changes in the trade, financial and technological structure of the world economy (Berger 2004). Despite a promising oil market and diplomatic pressures for NIEO, the limitations of ISS in MENA were accentuated in the long run, and the region became more vulnerable to the imposition of export-oriented models of economic growth. Among other issues this is partly due to two reinforcing factors, namely the recycling of petrodollars and the militarization of the region.

After the oil boom of 1973-4, MENA oil exporters continued trading oil in US dollar despite its depreciation and spent large sums of petrodollars on imports of arms, consumer goods and financial assets from the Atlantic powers (Prashad 2012, 12,86, 136). The ‘recycling’ of petrodollars maintained the high demand for the dollar and allowed the United States to “run a deficit to strengthen its domestic economy and expand its already-considerable military” (Prashad 2007, 231). What is more, the recycling of petrodollars enabled the United States and by extension the European powers to address their deficits and issue loans to oil importers (Hinnebusch 2012); a process which made them much more vulnerable to the debt trap in light of the high oil prices and balance of payment problems (Toussaint 1999, 83). For the oil exporters, staggering military expenditure and consumer goods imports diverted funds away

from investment in infrastructure, diversification and expansion of the domestic economy. In this sense, while the high oil revenues postponed the constraints of their respective economies, it did not address them in the long run. Last but not the least, high oil prices contributed to Atlantic powers' fears about 'energy security'. One of the many ways in which these concerns were addressed was the establishment of new military bases and treaties in the region and the launching of Rapid Task Force (Hinnebusch 2012, 24). These new military dynamics are nonetheless best explicated when contextualized in the intensification of super-power rivalries in the context of the 'Second Cold War'.

### The Second Cold War

Regardless of the reasons behind it,<sup>11</sup> the emergence of the neoliberal world order is marked by the "high point of Cold War confrontation", namely the inauguration of the "Second Cold War" after a period of *Détente* (Halliday 2005, 97–99). In this conjuncture, MENA came to be a "scene of continuous east–west maneuvering and an important part of the Soviet–American rivalry for strategic positions" in the (semi-) peripheries (Halliday 2005, 99). These rivalries were played out on various economic, diplomatic and military fields. For MENA, however, the most prominent aspect of the Second Cold War was the violent form it took, leading to the heavy militarization of the region. This may be explicated by pointing to a more

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<sup>11</sup> For instance, Fred Halliday argues that the revolutionary wave of 1974 to 1980 in the (semi-)peripheries, (Halliday 1984, 79-82), the Soviet policy of 'rough parity' in the nuclear field and its increased presence in MENA "reduced the ability of U.S. to intervene in and manage the Third World, and to contain social revolution there" (Halliday 1984, 78). As such, the United States was pushed to take a more direct military role in the global South by direct involvement, "building up its forces for Third World involvement" and "assisting its Third World allies to take military initiatives" (Halliday 1984, 82). The effect of these changes could be predominantly seen in the Persian Gulf for reasons such dependency on the Gulf oil, its proximity to revolutionary Iran, the Soviet presence in Afghanistan and U.S.'s remaining 'fragile' allies in the region, particularly the Gulf monarchies (Halliday 1981,14-15). In sharp contrast, Ougaard rejects the above argument and instead insists that whereas "crisis and revolutionary pressure in the Third World contributed to the policies of *détente*,...the relative stabilization of the periphery in some manner was supportive of the new cold war" (Ougaard 1984, 73).

assertive Soviet presence in MENA and U.S.’ change of strategy from ‘containment’ of the USSR to one of ‘rollback’ through militarization (Prashad 2007, 132). It is true that many of the armed conflicts in the region had their specific dynamics, which predated and/or were not directly caused by the intensification of superpower rivalries. Nonetheless, the Second Cold War had a key role in the exacerbation of these conflicts. In this sense, the militarization of MENA is properly understood when contextualized in “incrementally increasing US regional presence” (Hinnebusch 2012, 24) contra the Soviet Union.

It goes without saying that the militarization of MENA played a variable role in each country. That being said, on a general level this process contributed to the weakening of the region’s defensive trenches against the external pressures for economic restructuring. First and foremost, the polarization of armed conflicts around superpower rivalries undermined the possibilities of regional forms of cooperation amongst the MENA formations. This is perhaps best reflected in the divisions in the Non-Aligned Movement (NAM), over issues such as the Soviet invasion of Afghanistan<sup>12</sup> and the Iran-Iraq war. Furthermore, the burdens of militarization not only diverted funds from investment in the domestic economies, in some cases it also led to the destruction of infrastructure. The case of Iran during the eight-year war with Iraq is a telling one. I will later deal in detail with the Iran-Iraq war. For now, it is sufficient to note the war’s detrimental effects on Iran’s oil production, transport and refinery capacity (Mofid 1990).

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<sup>12</sup> For instance, eighteen countries (led by Algeria, India, and Iraq) refused to go along with the US resolution asking for the Soviet withdrawal while the Soviets attempted to push Pakistan out of NAM due to its close cooperation with the US policy in Afghanistan (Prashad 2007, 133).

## Exceptional Outcomes

As Vijay Prashad has convincingly argued, “from the ashes of Atlantic liberalism and the Third World project rose global neoliberalism” (Prashad 2007, 25). During this process, the crises of post-war models of development, intensification of contradictions among Atlantic powers and the inauguration of the Second Cold War led to various international pressures on MENA formations to liberalize their economic and political structures. Against this backdrop, “in almost all the countries of the Middle East, a period of enthusiasm for centralization and planning” (Owen 2004, 111) was seriously challenged by ‘forced readjustment’ towards outward looking strategies. The early signs of deviation from ISS models of development towards structural adjustment policies could be seen in Tunisia in late 1960s, Egypt’s ‘Open Door Policy’ in 1972, Israel in 1977, Algeria in 1978 and Turkey in 1980. Far from being homogenous, the concrete form of these measures varies based on “seriousness of the initial crisis”, “the strategic importance of the country concerned”, “the size of the local economy”, and the specific form of domestic contestation over them (Owen 2004, 113–14).

The above discussion is not to suggest that there were no countertendencies to the external pressures of economic and political adjustment. After all, the Soviet Union still acted as an alternative model of development, sources of technology, capital and markets (Hinnebusch 2012, 25). In addition, US-Soviet rivalry—and to a lesser extent contradictions between the former and European powers—enabled the (semi-)peripheries to utilize these conflicts as defensive trenches against the neoliberal offensive. Aside from these international countertendencies, there was intense domestic contestation over neoliberalization, its extent, form of implementation and carriers. For instance, many analyses have pointed to the wave of “IMF food riots” and in some cases general strikes in the late 1970s to the late 1980s (Beinin 2001,

165). The suppression of these riots points to the violent nature of imposition of neoliberal policies. Nonetheless, their effects on modifying and/or reversing economic readjustment measures should not be underestimated. What is important for here is how this period of intense international, regional and domestic struggle simultaneously allowed for a shift towards neoliberal adjustment but imposed obstacles to its comprehensive implementation. Needless to say, each formation responded to the emergence of the neoliberal world order in a specific way. As a general trend however, this contradictory situation led to ‘exceptional’ outcomes in the region best reflected in the constellation of military coups (Turkey, Pakistan and Afghanistan), civil wars (Lebanon, Afghanistan and Turkey) and regional and international realignments (Israel-Egypt Peace treaty). What sets Iran apart from this trend is the 1979 revolution, which led to reinvigoration of an import substitution strategy and a decidedly ‘Non-Aligned’ foreign policy. I will later deal with the significance of the timing of the Iranian revolution forms of development that followed thereafter. For the time being, however, it is imperative to note that the peculiar character of post-revolutionary forms of development in Iran owes much to the ‘anachronistic’ nature of the 1979 revolution.

### The ‘Consolidation Phase’ of the Neoliberal World Order

The main feature of the ‘consolidation phase’ of the neoliberal world order (approximately from the First Gulf War to 2003 occupation of Iraq) is the emergence of three interrelated process, over-determined by the pertinent effects of the collapse of the Soviet Union; the weakening of the international trenches for the (semi-)peripheries, the advent of a radically different international context for relations among Atlantic powers, and a more aggressive US approach to imposition of neoliberalising processes in the (semi-)peripheries. (Gkanoutas-Leventis 2017)

Before its dissolution, the Soviet Union had acted as a strategic threat to all Atlantic powers and as such pressured them to manage their contradictions, conflicts and inter-dependencies under the hegemonic and/or dominant position of the United States. With the breakdown of the Eastern Bloc, Atlantic relations took form in an international terrain no longer conditioned by the ‘Soviet threat’, but the exceeding vulnerability of the (semi-)peripheries to external forces. The U.S. response to the challenges and opportunities of the post-Soviet era was to ‘enhance the pressure’ to implement structural adjustment policies in the (semi-)peripheries (Jessop 2010, 26). Simultaneously, with the premise that in the post-Cold War era, the “US and international security is primarily threatened by ‘rouge states’ ” (Klare 1998, 12) the United States increased its military presence around the globe.

Whether the American offensive against the (semi-)peripheries was a strategy to reassert U.S. dominance and/or hegemony over other Atlantic powers is subject to debate. What is crucial for this study is that this offensive was conditioned by other Atlantic powers’ tactical and strategic alliances with and divergences from the American approach to (semi-)peripheries. In some cases, the (semi-)peripheries could utilize these contradictions as narrow yet important trenches. Even so, the combined effects of the demise of the Soviet Union, ongoing crises of post-war development and the American offensive made the external pressures for economic and political opening stronger. In the following paragraphs, I will engage with the intensity of MENA’s exposure to these pressures by briefly elaborating on the juxtaposition of the ‘new political economy of oil’, the increasing American military presence in the region and ongoing domestic economic instabilities.

## The New Political Economy of Oil

During the consolidation phase of the neoliberal world order, the political economy of oil was not only financialized, it also witnessed enhanced 'supply security' and declining prices. The juxtaposition of these developments and ongoing domestic economic challenges had negative repercussions on MENA's position in the global economy. Above all, MENA oil producers faced increasing availability of new sources of oil outside MENA. To begin with, the oil peak of the 1970s had contributed to the growing use of alternatives to oil and profitability of investment and production in "marginal" regions such as the Gulf of Mexico and the North Sea. The collapse of the Soviet Union especially accentuated this trend as Russia and the newly independent republics were now eager to attract foreign investment for their vast oil supplies. Equally important, the oil markets were increasingly financialized and liberalized since the 1990s. In light of the widespread use of financial mechanism like options, futures and hedges, long-term contracts and fixed prices gave way to on the spot market prices. Aside from these developments, cooperation within OPEC declined as new alignments between oil producers and consumers began to emerge (Gkanoutas-Leventis 2017; Labban 2008, 2011). What is more, the fall in oil prices since the late 1980s led to a rapid decline in the oil exporters' revenues and reduction of remittances, loans and other incentives to oil-importing countries. This in turn exacerbated ongoing ISS crises by contributing to trade deficits, budgetary short falls as well as rising domestic and international indebtedness. Given these points, MENA formations could no longer resort to the 'oil weapon' as they had in the 1970s to delay the 'constraints of ISS' and counter the external pressures for economic restructuring.

## MENA and the Post-Cold War Military Offensive

The coincidence of collapse of the Eastern Bloc and the Second Gulf War is a telling aspect of the new wave of militarization in the region. As the ‘war on rouge states’ and later the ‘war on terror’ replaced the struggle against communism, MENA became the epicenter of Washington’s post-cold war military offensive (Klare 1998, 12). The reasons as to why the ‘enemies’ of the “New World Order came to be exceptionally concentrated in the Middle East” (Hinnebusch 2003, 235) are multifaceted and beyond the scope of this study. Nonetheless, three factors played a decisive role in Washington’s military approach towards the region. Needless to say, MENA still played an indispensable geostrategic role for the United States as an essential source of hydro-carbon reserves as well as trade and energy routes. Besides, in the absence of the Soviet Union and ‘great regional powers’ in MENA (Hinnebusch 2003, 231), American military intervention had become less costly. Moreover, the escalation of contradictions among Atlantic powers in the post-Cold War conjuncture, accentuated the need for the enhancement of US’s strategic positioning in MENA. Finally, ongoing economic instabilities allowed the United States to use economic incentives and threats for enhancing its strategic depth in the region. By way of example, Egypt “was quick to seize the opportunity to obtain much-needed debt relief in return for its military and diplomatic support for the Allied attack on Iraq” (Owen 2004, 116). In retrospect, Washington’s post-Soviet strategy culminated in the expansion of its military presence in MENA through long and short-term military contracts, inauguration of bases, security pacts and arms transfers.

The post-Soviet military balance of forces played an important role in making the region more vulnerable to the neoliberal offensive led by the U.S. First, the very expansion of US military presence in the region made a decisive blow to MENA formations defensive trenches

against external pressures. This in turn led to a military “counter build-up” in countries which were not aligned to the United States (Hinnebusch 2003, 232). This is all the more evident in the case of Iran where the country came to be surrounded by American military bases not just in MENA but also in the Newly Independent Republics. Second, the prioritization of defense at the expense of investment in infrastructure, made the struggling domestic economies even more susceptible to external pressures. It is true that with the end of the cold war, the global and regional military expenditure declined. After all, the Soviet Union’s successor state was marginalized in the arms supply market, the Iraq-Iran concluded, and low oil prices limited MENA formations capacities in arms purchases. Even so, in the early 1990s the region almost entirely accounted for the rise of military expenditure in the developing world “both in constant prices and as a share of GNP”. This is partly attributed to the Second Gulf War and the various ways in which it contributed to the military expenditure. Even when this is taken to account, in the years following the end of the Second Gulf War, military expenditure as a ratio of GDP in MENA was significantly higher compared to other regions in the world (Brauer and Dunne 2002, 2). The burdens of military expenditure are particularly evident in Iran, where enormous resources had to be devoted to defense at a time of declining oil revenues and economic instability resulting from the destruction of infrastructure during the war.

#### [Weakening Trenches Against the Neoliberal Offensive](#)

The above discussion entails that even though the international pressures for neoliberal reform and restructuring were present since the mid-1970s, these forces “operated with special power” in the post-1990s constellation (Owen 2004, 91). Various analyses have provided valuable insight on this subject by engaging with the inauguration of various free trade agreements, procurement of new conditional loans, implementation of active monetary and

flexible fiscal policies, and the growing privatization of state enterprises (Beinin 2001; Yousef 2004). What is important here is to recognize is that the growth in scope and range of these measures owe much to changes in the political economy of oil and the new wave of militarization in MENA. Compared to the previous phase of the neoliberal world order, these dynamics made the region more vulnerable to external forces. Even so, this should not be taken as implying that the neoliberal assault in this conjuncture was homogenous as contradictions between United States and Europe played a variable role for MENA formations. For instance, in the case of Iran, these conflicts created narrow yet vital economic, political and security spaces most notably reflected in Germany's 'critical dialogue' with the Islamic Republic.

### The Crisis of Neoliberal World Order

Despite the persistence of important aspects of the neoliberal world order since the American occupation of Iraq in 2003, significant discontinuities have also begun to emerge. The most relevant discontinuities in this conjuncture may be explicated through the interrelated processes of the relative decline of American power, intensification of contradictions among Atlantic powers and the rise of emerging powers (BRICS). In what proceeds, I will briefly elaborate on each point prior to examining the general ways in which they manifest in MENA.

#### The Relative Decline in American Power

The American occupation of Iraq as a part of the 'war on terror' is both an indicator and a contributing factor to the relative decline of American power. Unlike the war on Afghanistan and the First Gulf War, the United States failed to receive the approval of the United Nations Security Council (UNSC) for the invasion of Iraq and as such led an illegal war from the perspective of international law. What is more, aside from countries which had historically opposed U.S. military intervention in the region (Iran, Russia, China), major Atlantic powers

(Germany and France), important American allies in the region (Egypt) and Turkey (as the only NATO member in MENA) also contested the U.S. decision. More importantly, in the context of its inability to form a broad coalition for one of its most costly adventures, the U.S. aimed at controlling Iraq through “the fractioning of formerly politically-constituted space” (Alnasseri 2009b, 86); a strategic orientation which was to simultaneously weaken the emerging Iran-Iraq-Syria axis against American interests in the region. At first sight, this strategic orientation facilitated the “radical neoliberalization” of Iraqi public institutions and policies and “unhindered profit transfers abroad” (Alnasseri 2009b, 94–95). Nonetheless, the destabilization of Iraq also led to the creation spaces beyond the control of the occupying forces. This is well reflected in the articulation of new and yet fragmented forms of domestic resistance with regional (particularly Iranian) forms of political, economic and military intervention in Iraq. Besides, the 2003 invasion as well as other costly military expansions in the Pacific, Indian Ocean and Africa have led to the “concomitant decrease in U.S. power projection” as the U.S. “spread too thin and...spent too much of its treasure on militarism” (Prashad 2013, 10). America’s ‘imperial overstretch’ in turn gave the nascent political and social movements in Latin America and the Caribbean-the laboratory of neoliberalism-the relative autonomy not only to score electoral victories but also the capacity to “convert these them into an open challenge against Northern hegemony” (Prashad 2013, 7).

### The Rise of Emerging Powers

The rise of emerging powers (BRICS) since the early 2000s is closely linked to the relative decline of American power. Some of the most relevant debates around the BRICS and the magnitude of their effect, if any, on the neoliberal world order crystalize around four positions; a part of a long historical hegemonic transition away from the United States, the

emergence of a new anti-imperialist bloc similar yet more powerful than the Non-Aligned Movement, the advent of new imperialist centers locked in inter-imperialist competition within and between themselves and the Atlantic powers, the advent of new forms of sub-imperialism contributing to the persistence and/or strengthening of the neoliberal order (see Bond and Garcia 2015).

These debates have greatly contributed to the understanding of the complexity of issues regarding the rise of emerging powers and their impact on the international arena. Admittedly-as the first four positions imply-, the BRICS have individually or collectively increased their economic, military and diplomatic role regionally and internationally. This enhanced role has in part found its reflection in the BRICS' persistent efforts for reforming existing international organizations (WTO, IMF, G20) as well as strengthening and/or establishing alternative regional and international bodies (Shanghai Treaty, BRICS Development Bank). Even so - as the proponents of the argument for persistence of US hegemony rightfully emphasize -, the emerging powers still depend on the Atlantic formations, not the least for their markets (see Bond and Garcia 2015). In light of these observations, this paper takes the position that the nature of the challenge that BRICS pose to the neoliberal world order is not yet settled and contingent on ongoing international, regional and domestic struggles. That is, the rise of emerging powers has certainly contributed to the intensification of contradictions within and between Atlantic formations and the emerging powers. Nonetheless, this process has not led to the "transformation" of neoliberal world order, but unstable "readjustments" (Prashad 2013, 17) which might well persist for the foreseeable future. Whether these contradictions are explosive or lead to transformation of the international arena is outside the scope of this study. What is

crucial for this study is the important ways in which the current unstable constellation impacts the ongoing forms of development in the (semi-)peripheries.

Admittedly, the ongoing contradictions on the international level play a variable role in each (semi-)periphery as they are mediated through regional and domestic specificities. Overall, however, this constellation has provided new strategic maneuvering spaces for the (semi-)peripheries which may be utilized for securing more autonomous forms of development. In other words, the possibilities of resisting pressures of neoliberalization has exceeded compared to the previous phase of the neoliberal world order. This becomes the more evident in light of the emerging powers' support for international financial reform, multilateral regionalism and state-led development strategies (Prashad 2013). These dynamics are even more significant for development in MENA, as the region has become a focal point of contestation between Atlantic and emerging powers. This is in part owing to the region's possession of world's largest hydrocarbon reserves, vast markets for trade and investment, geo-strategic position as (energy) transit route, presence of numerous U.S. military bases as well as historical and ongoing forms of opposition to Western intervention in the region.

For this study, the most relevant aspect of this unstable global constellation of power is its juxtaposition with the political economy of oil and new forms of militarization in MENA. I will deal in detail with these issues in what follows. For now, it is sufficient to point to changing pattern of trade and Foreign Direct Investment (FDI) in MENA as an indicator of new economic spaces for MENA formations. In the previous phase of the neoliberal world order, United States and Europe had been the main destination and sources of FDI in MENA. Ever since the last decade or so, however, not only emerging powers (particularly China, Russia and India) are becoming an increasingly significant source and destination for FDI, the percentage of intra-

regional FDI has significantly increased. A similar trend can also be observed with regards to trade patterns in the region (Ben Ali 2016, 198).

### Oil and the Resurgence of Resource Nationalism

Since the early 2000s, particularly after the occupation of Iraq, new developments in the political economy of oil reversed “the relative calm of the 1990s” (Labban 2011, 343). The most visible change in the energy sector during the 2003-2015 period is the rapid growth in the oil prices. The nearly quadrupling of average annual prices for every year of the 2003-2015 period compared to the 1990-2003 phase clearly reflects the magnitude of this trend. In conjunction with this, world oil demand increased, particularly owing to economic growth in China and other emerging powers. What is more, state-owned oil companies of the emerging powers began to play a more assertive international role, thereby imposing new limits to transnational oil companies. For instance, in the context of rising domestic demand, the emerging powers’ state-owned oil companies began to enter global energy markets (Labban 2011, Downs 2010). These companies certainly lagged behind the transnationals in terms of technological capacities. For instance, lack of “deepwater exploration and production capacity” and constraints on “unconventional hydrocarbons and liquefied natural gas” have had adverse effects on China’s state Oil Company’s role in the global energy markets (Downs 2010, 86). Even so, these technological constraints have been compensated by their ability to offer extra-commercial incentives (e.g. soft loans, investment in economic infrastructures) (Labban 2011, 348), bartering and trading in currencies other than the dollar (Katusa 2015). Moreover, given their access to cheaper capital, these oil companies are in a better position to invest in less profitable undertakings in the oil industry (Downs 2010; Labban 2011). With new possibilities of investment, the state-owned oil companies of the (semi-)peripheries (and Russia) also began to

challenge the prerogatives of the multinationals domestically. A case in point is the resurgence of resource nationalism and the expansion of state-owned companies, particularly in the energy sector. Last but not the least, the internal divisions which had decreased OPEC's impact in the previous conjuncture gave way to a more "developing world approach" that emphasized revenue (Labban 2011, 330–31).

Admittedly, the impact of these trends varies across MENA oil exporters not the least because they have different production capacities and export potentials. For instance, in Iran, years of sanctions and low upstream investment hampered both production capacity and export potentials. Even in such cases, the combination of new trends in the political economy of oil play a crucial role in resisting pressures of neoliberalization. First and foremost, the very empowerment of state-owned oil companies domestically and internationally counters the neoliberal pressures for privatization. Second, surging oil revenues put MENA oil exporters in a better position to address fiscal deficits, domestic and foreign debts and gives them more capacity to invest in economic infrastructure. Third, the nature of the increase in world oil demand and the intensification of competition among oil importers enhances export and upstream investment options for oil producers. Finally, these developments further contribute to international contestation over MENA as an energy transit route (Kandiyoti 2012). Given the unstable balance of power among the Atlantic and emerging powers, the MENA formations may utilize the above dynamics for securing less externally exposed forms of development by maneuvering around these contradictions. I will later deal with Iran's oil sector in detail. For the time being it is sufficient to note that new sources of upstream investment (see Katzman 2020, 78–82) and trading in currencies other than the dollar (Katusa 2015) had a vital effect in diluting the impact of imposed sanctions on Iran.

## MENA and the Unsettled Military Balance of Forces

Apart from the changes in the political economy of oil, the unsettled global constellation of power in this phase is also expressed through new forms of militarization in MENA. As Radhika Desai observes, “the twenty-first century opened with a quantum leap in the scale and intensity of US imperial interventions in the Middle East”. This is not only pertaining to the occupation of Afghanistan and Iraq but also “a new phase of heavily lop-sided intervention in Palestine” following the second Intifada (Desai 2016, 17) and pressures leading to Syria’s withdrawal from Lebanon in 2005 (Geukjian 2017). The new form of militarization in MENA is primarily characterized against this backdrop through a series of military setbacks suffered by US and American allies in the region. This is particularly evident in the escalation of Iraqi resistance to the American occupation from 2006 onwards and the major setbacks for Israel after the 33-day war against Lebanon (Ahmad 2007; Alnasseri 2009b). What is notable in both cases is Iran’s close cooperation with the ‘resistance’ in Iraq and Lebanon and the re-invigoration of Iran-Iraq-Syria regional axis against American interests. As will be discussed below, these military dynamics took even more complex forms with the advent of Arab revolutions.

The wave of uprisings that began in late 2010 and expanded from Tunisia to Yemen are multi-dimensional, complex and contradictory social processes of historical significance. A comprehensive analysis of the underlying reasons for these revolutions falls outside the scope of this study, not the least because “radical changes that deserve the attribute revolution are historical events that elude the benchmarks of yesteryears” (Alnasseri 2016b, 3). Nonetheless, critical observers have correctly contextualized these revolutions in the exacerbation of domestic economic crises by the global economic crisis of 2007-8, political crises, and reactions to the latest phase of external intervention in the region (Alnasseri 2016b; Desai 2016). These

contributions which are not mutually exclusive have certainly expanded our understanding of Arab revolutions. What is important for my analysis is that these studies converge on a crucial point; the processes emanating from these revolutions are ongoing and have not yet been settled in either domestic, regional or international contexts. In this sense, I am only dealing with the more immediate consequences of the Arab revolutions and the ways in which they altered the military balance of forces in the region.

One of the least talked about aspects of the 2010-11 uprisings was the toppling of “the most enduring dictatorships sponsored by the USA”, Egypt being the most prominent among them (Desai 2016, 13). An important feature of the American response to this strategic loss in the region was military interventions in cases where the dictatorships had a relative degree of antagonism to United States. Whether the reinvigoration of the regional axis against American interests since 2006 and more generally the international challenges to the United States contributed to this violent approach is an important question. What is certain however is that these regimes have either not ‘fallen’ or if they did, the ensuing instability prevented the emergence of reliable allies to compensate for U.S.’ strategic losses.

The weakening of American geopolitical position in the region is among other issues attributed to three factors. First and foremost, given the strategic importance of the region to emerging and European powers, they also contested the outcomes of the Arab revolutions not only through diplomatic and economic measures, but also by direct and indirect military responses to them. Russia’s intervention in the Syrian conflict formation as well as new patterns of arms transfers from the emerging powers to the region are both important examples (see SIPRI Yearbook 2017: Armaments, Disarmament and International Security 2017). Second, if the global economic crisis, costly wars in Iraq and Afghanistan and unrealized objectives had not

already curtailed the possibilities of conventional aggression for the United States, the increased presence of emerging powers in the region have made it less likely. Last but not the least, the intensifications of rivalries between U.S., Europe and the emerging powers has created more military space of maneuver for the regional powers. What is more, in the case of oil exporting powers, the surge in oil revenues also contributed to their capacity for military intervention in some of the conflict formations. Without going into details, the armed conflicts in Syria, Iraq and Yemen clearly demonstrate how regional powers like Iran, Turkey, Saudi Arabia and Qatar play a key military role in them.

The above developments have culminated in a highly violent and unstable balance of military forces characterized by new forms of warfare (proxy wars, drone warfare, militarization), shifting alliances and battlegrounds. It is uncertain what this precarious constellation can lead to in the long term. Nonetheless, its pertinent effects on the ongoing forms of development in MENA formations can't be overestimated. The constrains and potentials of the ongoing forms of development in MENA are shaped in and through the rapid rise in military expenditure, new patterns of arms transfer and the ever-increasing importance of initiating and/or strengthening domestic defense industries (see SIPRI Yearbook 2017: Armaments, Disarmament and International Security 2017). As is the case in such intense militarized situations, these factors lead to differential outcomes among the contending forces. This not only depends on each formations' capacities in new forms of warfare and proximity to different international and regional powers but also the mistakes, underestimations and overestimations of other contenders. I will later deal in more detail with Iran's position in the region's military balance of forces. For the time being, however, the significance of the new form of militarization may be demonstrated by pointing to interrelated two issues. First, the major battle fields are either countries where Iran

had (Afghanistan, Syria and Lebanon) or begins to have more economic, political and/or military influence (Iraq and Yemen). Second, a large part of Iran's security doctrine continues to revolve around preventing and/or slowing a potential invasion through conventional and non-conventional means. What is new however is the introduction of offensive elements for the first time in Iran's post-revolutionary - and more broadly since Shah's participation in the Dhofar campaign. This is best exemplified in the official expansion of defensive borders beyond Iran's political borders (Doktorin-e-Defae-e-Iran 2016).

## Conclusion

From the perspective of MENA, the emergence of the neoliberal world order took place from the mid-1970s to the First Gulf War, through the juxtaposition of the crises of post-war development models, contradictory effects of the oil boom and the Second Cold War. This constellation contributed to various neoliberalising processes expressed through the increasing American military presence in the region, deviation from state-led development strategies and 'exceptional' outcomes. The consolidation of the neoliberal world order however only occurs after the collapse of the Eastern Bloc. The ever-increasing presence of American forces in the region, widening scope of Washington Consensus policies and the rising prominence of external models of development are but a few important aspects of this phase. As exemplified in new patterns in the political economy of oil and militarization in the region, the increased vulnerability of MENA formations to the American-led neoliberal offensive is only understandable in its world context; the collapse of the Soviet Union and its pertinent effects on relations among Atlantic powers. It is imperative to note that in both phases, the American positioning in the region, militarization and policies of forced adjustment took form not only through conflicts and contradictions among international powers but also domestic contestation

over them. As outlined before, the magnitude, intensity and form of these rivalries conditioned development in MENA formations not the least because they correspond to differing degrees of strategic maneuvering spaces for them.

It is questionable as to whether the current conjuncture displays more continuities or discontinuities with the previous phases of the neoliberal world order. At the risk of simplification and as explained before, the current debate on this issue converges on three contrasting positions; the persistence of neoliberalism, entry into a 'post' neoliberal constellation and neoliberalism in (conjunctural/organic) crisis. While possessing their own merits, the very amplification of discussions, disagreements and disputes among these standpoints points to a unique historical context where "the old is dying and the new cannot be born" (Gramsci 1971, 276).

First, the weakening of America's strategic position in the region is in part due to the increasing economic, political and military influence of the emerging powers in MENA. Even so, the United States' ability to influence the ongoing developments in the region has not vanished in any way. Among other issues this is indicated in the continued American military presence in the region and its capacity to exert economic pressures and offer incentives such as sanctions, or economic aid. Second, as witnessed in the NATO mission in Libya, the intensification of contradictions between U.S. and Europe has not excluded tactical alliances - though uneasy ones- among them. Third, the exacerbation of these international rivalries has corresponded with the widening of strategic maneuvering spaces for MENA formations. This is in part reflected in differing degrees of deviation from neoliberal models of economic growth. Nonetheless, while there is no clear break from neoliberal policies, the unstable military situation

in the region has accompanied new burdens for ongoing forms of development. This in turn might make the region more vulnerable to external pressures in the long run.

Based on the above observations, I argue that the continuities and discontinuities of the current constellation with the previous phases of the neoliberal world order do not outweigh each other in any definitive way. Hence, it is premature to conceptualize this constellation through attaching “temporal prefixes (such as ‘proto-’, ‘pre-’, ‘neo-’, ‘late-’, or ‘post-’)”(Jessop 2001, 287) to it. That is, the unsettled simultaneity of relative continuities and discontinuities in the current world order has amounted to a period of ‘crisis’ the structural or conjunctural nature of which still depends on the articulation of ongoing international, regional and domestic struggles. Accordingly, in this precarious constellation of “relative openness and disjunction” (Jessop and Sum 2006, 326) various outcomes such as re-consolidation of the neoliberal order, or its transformation into a post-neoliberal order are possible. More importantly and equally possible, just like “it took from the crisis of the 1960s until 1980 for neoliberalism to really be implemented” (Candeias 2011, 3) the status quo might persist for the foreseeable future.<sup>13</sup> Accordingly, it is all the more necessary to analyze development in MENA formations in relation to a world context where the “old as well as new moments are articulated” (Alnasseri 2011, 140).

As it has been pointed out throughout this chapter, the crisis of the neoliberal world order and the corresponding new strategic maneuvering spaces play a variable role in each MENA formation. That is, the world order only act[s] on the country in question by way of...[its]

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<sup>13</sup> As Gramsci argues “A crisis occurs, sometimes lasting for decades. This exceptional duration means that incurable structural contradictions have revealed themselves (reached maturity), and that, despite this, the political forces which are struggling to conserve and defend the existing structure itself are making every effort to cure them, within certain limits, and to overcome them” (Gramsci 1971, 178).

interiorization, i.e. by...[its] articulating to its own specific contradictions” (Poulantzas 1976, 22). I will later extensively deal with the interiorization of the ‘crisis of the neoliberal world order’ into domestic contradictions of Iran in chapter six.

# **Chapter 3: The Sub-Imperialist form of Development, Crisis and the ‘Revolutionary Conflict Formation’**

## **Introduction**

In the late 1950s and the early 1960s, the power bloc in Iran had entered a ‘crisis of hegemony’ as the contradictions of the post-coup relations of force among the power bloc had reached maturity. On one hand, the Iranian economy which in the post-coup years had been sustained by influx of American financial and military aid as well as foreign loans, was suffering from a balance of payments crisis, depletion of foreign reserves and high rates of inflation. On the other hand, the implementation of an IMF prescribed economic stabilization program in pursuit of receiving emergency loans contributed to the fusing of the economic crisis with a political one (see Parsa 1994). The reduction of wages and salaries and the imposition of restrictions on imports along with the pre-existing grievances over political repression in the post-coup years were important elements in the initiation of a series of major strikes among workers, teachers and merchants and artisans (Abrahamian 1983, 419–21).

In response to these pressures, the Shah announced a series of reforms in the summer of 1960, the most important of which was to allow the opposition candidates to run for the upcoming parliamentary elections. This measure was crucial in terms of allowing the opposition forces particularly those affiliated with Mossadegh’s National Front to form the Second National Front and openly contest the regime by pushing for free elections, a neutral foreign policy and political liberalization and dissolution of SAVAK (the Persian acronym for the ‘National Organization for Security and Intelligence’). That being said, electoral fraud and other

mechanisms prevented the opposition forces from entering the parliament except for one seat in Isfahan, while many prominent leaders of the Second National Front were imprisoned. If the unstable ensemble of compromises to and suppression of the opposition forces was not enough to signal the fusion of the economic crisis with a political one, the dissolving of the parliament and ruling by decree certainly reflected the untenability of the post-coup arrangements among the power bloc (Abrahamian 1983, 422–24; Parsa 1994, 139–40). What is more, the rise of Pan-Arabism in the region along with other revolutionary developments in the (semi-)peripheries such as the Cuban Revolution provided an unfavorable regional context for the persistence of the monarchical regime. For instance, the Iraqi revolution of 1958 not only signalled the possibility of similar struggles in Iran, it also imposed serious security dilemmas for the post-coup power bloc in Iran as Iraq abrogated the Baghdad Pact of 1955 and formed close relations with the Soviet Union (see Ashton 1996; Yeganeh 1985, 75). Moreover, this context was instrumental in the rise of new Third Worldist oppositional groups, who emphasized a frontal attack on the monarchical regime including armed struggle (see Abrahamian 1980). It is then not surprising that in light of these processes, the United States began to exert pressures for ‘reforms’ in Iran to counter the possibility of a revolution similar to the one which toppled the monarchy in Iraq (Parsa 1994, 138–39).

It was during this crisis of hegemony that the Third Development Plan (1962-68) and the ‘White Revolution’ were introduced. Taken together, these initiatives included measures for industrialization, land reform, nationalization of pastures and forests, public sale of state-owned factories, profit-sharing with workers in industry, voting rights for women, and the launching of a literacy corps (Parsa 1994, 144–145). Ever since, the underlying reasons for these initiatives and their consequences have been subject to debate. For this study, however, four issues stand

out. First, the ‘White Revolution’ marks the beginning of a process where a ‘sub-imperialist form of development’ emerged in Iran. This may be explicated by the advent of an ‘import substitution’ accumulation strategy which comprehensively linked Iran to the world market while interiorizing the metropolitan mode of production in Iran. At the same time, this accumulation strategy was operationalized and institutionalized by a ‘Persian nationalist’ state project which among other issues cemented Iran’s position as a relaying post for American imperialist strategy in the region.

Second, this sub-imperialist form of development materialized in and through contingent forms of class struggle, the outcome of which was never certain at the time of their unfolding. As such its institutionalization was marked by setbacks, changes and modifications in scope, form and priorities corresponding to the ensemble of compromises, cooption and fragmentation within and between the power bloc and the forces of the opposition.

Third, throughout this tumultuous process, the ‘crisis of hegemony’ of the late 1950s and the early 1960s was addressed as the power bloc’s ‘hegemony’ was restored. Hence, in an *a posteriori* sense, I argue that the inauguration of the sub-imperial form of development in Iran invokes Gramsci’s concept of ‘passive revolution’. As Peter Thomas reminds us, there are many different interpretations of Gramsci’s concept of passive revolution, the overview of which is beyond the scope of this study (Thomas 2018, 3). In the case of the ‘white revolution’, the use of Gramsci’s concept entails the processes where segments of the power bloc in coordination with imperialist forces averted a revolutionary constellation through initiation of a new accumulation strategy and a corresponding restructuring of state apparatuses.

Last but not the least, these top-down dynamics involved the selective, limited and distorted incorporation of popular and petite bourgeoisie struggles in a particularly coercive

manner. Hence, the unfolding of this passive revolution “entailed a weak and limited hegemony” (Versieren and De Smet 2015, 126).

To substantiate the above assertions, in what follows I will explicate the main features of the accumulation strategy and the state project associated with the sub-imperial form of development in Iran. This will allow me to elaborate on the crisis of this form of development from the mid-1970s onwards and the ‘revolutionary conflict formation’ of 1979-1980. What is more, these observations will be crucial in specifying the dissolution/conservation effects of this form of development on the ‘late national bourgeois form of development’ which became dominant during the Iran-Iraq war.

### **Import Substitution Accumulation Strategy**

The early 1960s marks the beginning of a period of significant changes in the Iranian economy. Various critical studies have substantiated these changes in terms of industrialization under the aegis of a comprehensive import substitution industrialization strategy, transformation of the rural economy through land reforms and increasing importance of the oil sector for the Iranian economy. What is important here is to contextualize these processes against the backdrop of the inauguration and dominance of a new accumulation strategy-what I term the ‘import substitution accumulation strategy’-.

The explication of the main features of this accumulation strategy has a crucial role in this research for a couple of reasons. To begin with, compared to the previous conjunctures in the Iranian economy, the emergence of this accumulation strategy takes place in and through a significantly deepened dependence on the world economy. More importantly, this increased dependence corresponds to the most comprehensive, if not the first instance of reproduction of the metropolitan mode of production in Iran. Hence, from the perspective of induced and

interiorized reproduction of CMP, the 1963-1973 conjuncture is arguably the most important decade in the Iranian history. I will substantiate this by considering FDI inflows, trade composition, technological orientation and the centrality of the oil revenues.

Second, from the perspective of accumulation strategies in Iran, the significance of interiorization is not in the extent to which it distorts or reproduces the metropolitan mode of production in its genuine form (cf. Guitoo 1989, 275). Rather, the issue is how interiorization unfolds in and through its domestic conditions of existence and corresponds to a specific space of accumulation where corporate-economic interests of a fraction of the ruling is secured and dominant.

Last but not the least, the identification of the import substitution accumulation strategy will help demarcating it against the ‘war managed accumulation strategy’ that developed after the revolution and assess the conservation/dissolution effects of the latter on the former.

#### [Interiorization of the Metropolitan Mode of Production](#)

The interiorization of the metropolitan mode of production and the rising dependence on the world economy in this conjuncture is best reflected in three intertwined patterns; increased oil dependency, accelerated FDI inflows and changing trade composition. To begin with, the 1953 coup against the nationalization of oil had already led to the signing of the so-called ‘first consortium’ between Iran and the ‘seven sisters’ in 1953. The consortium which came to be dominated by American companies remained firmly in charge of production, pricing and distribution of oil. Nonetheless, compared to the period where British Petroleum had a monopoly over Iranian oil, the country’s share of profits increased from 8.1% to 50%. This increase combined with the rise of oil prices, increasing domestic production and global demand since the mid-1960s had a two-fold tendency. The oil revenues not only provided the bulk of financing for

Iran's import-substitution accumulation strategy, they also made the country's economy more vulnerable to the fluctuations of the world economy (see Karshenas 1990; Mohaddes and Pesaran 2014, 22–23).

Concurrently, since the early 1960s FDI inflows markedly accelerated compared to the previous years (Alizadeh 1984, 153). This growth is significant since unlike the previous periods where FDI inflows were almost exclusively related to the oil sector, they began to be invested in the manufacturing and agricultural sectors as well. As Guitoo notes “From the mid-1960s onwards, capital export from the centre began to take a distinctly different form: direct investment in the manufacturing industry, spurred by the spread of tariff barriers to encompass products previously exported to Iran” (Guitoo 1989, 261). It is true that FDI inflows were mostly concentrated in capital goods, intermediate industries and consumer durables (Alizadeh 1984, 153). Nonetheless, with the restructuring of property relations following the land reforms of the early 1960s and prioritization of state investment in mechanized farming, the agricultural sector was also opened to the inflow of foreign capital Iran (see Guitoo 1989, 360–63). It is worth mentioning that the United States had a privileged role in terms of FDI inflows, usually followed by West Germany, Japan, France and the United Kingdom (Guitoo 1989, 264).

By some accounts, foreign capital in the form of FDI inflows were marginal in this period. For instance, Alizadeh points to the low contribution of FDI to gross capital formation where “between 1965 and 1976, foreign investment in the manufacturing sector accounted, on average, for only 5.1% of the total capital formation in that sector” (Alizadeh 1984, 156). We must however contextualize this against the background of accelerated growth of FDI inflows compared to the previous conjunctures in Iran's economic history. Moreover, as Guitoo reminds us, “it is...safe to assume that foreign capital entering the country through channels other than

direct investment was much higher”. A case in point is how “foreign capital inflow in the form of loans and credits formed about 20% to 30% of Iran's total capital formation in the early 1960s”. What is more, “a large part of foreign capital inflow consisted of technology and machinery imported on a large-scale for capital-intensive industry” (Guitoo 1989, 265). The latter point becomes clearer when I consider Iran’s trade composition below.

Iran’s changing trade composition in this period also reflects the ways in which the Iranian economy became more dependent on the world market while interiorizing the metropolitan mode of production. On the one hand, the lower productivity of mechanized farms, compared to the medium and small size labor intensive units, as well as a tendency to produce export crops contributed to the loss of agricultural self-sufficiency in Iran (see Guitoo 1989, 360–63). This is demonstrated by an increasing reliance on agricultural imports and machinery to satisfy the demand for a growing population (Ehsani 2006, 85–86). On the other hand, Iran’s trade composition reveals a notable change “in favour of investment goods for import substituting industries” whereby; the import of consumer goods declined significantly, the intermediate goods remained more or less constant while their composition shifted towards “direct productive activities”, and the import of capital goods (Assadi 1990, 33; see Yaghmaian 2002, 197–98). These changing patterns illustrate how the persistence of import substitution accumulation strategy was dependent on the import of technology from the United States, Western Europe, and Japan. It is also important to note that the imported technologies were “primarily assembly operations in mass-produced consumer durable” and ‘Fordist’ in nature (Amirahmadi 2003, 77; Amirahmadi 1990b, 87). At the same time “the large increase in the net imports of services was a reflection of the need to import technical skills required to set up and operate the new industries” (Assadi 1990, 33; Mehdipour 1985, 282–320).

These patterns of financial, technical, technological and trade dependency demonstrate that since the 1960s, the metropolitan mode of production no longer dominated Iran from outside, but rather established its dominance directly within the social formation. Since these relations were interiorized and reproduced in and through the domestic contradictions of Iran, they took a qualitatively different form. That is, “the metropolitan mode of production reproduces itself, in specific form, within the dominated and dependent formations themselves” (Poulantzas 1978, 46). I will explicate this by considering the main features of this accumulation strategy by pointing to the following;

- a) an import substitution industrialization which promoted the private sector and was heavily dependent on foreign capital, technology and know-how
- b) a series of land reforms leading to the dissolution of the ‘peasant crop sharing mode of production’ in Iran and the dominance of a capitalist mode of agricultural production dependent on foreign technology, inputs and know-how
- c) the institutionalization of a ‘corporatist welfare regime’ which extended the internal market for import-substituting industries to the ruling and middle classes while simultaneously hindering such possibility for the popular classes.

#### Import Substitution Industrialization

One of the most important aspects of state intervention in the economy in this period pertains to the implementation of a comprehensive import substitution industrialization which led to what Abrahamian calls a “minor industrial revolution” (Abrahamian 1983, 430). Iran’s Import substitution was institutionalized through “tariff protection, industrial credit, production licensing and tax holidays” for consumer and durable goods industries (Daneshkhu 2004, 138). At the same time, considerably lower protective measures towards capital and intermediate

goods along with the overvaluation of the Rial facilitated the operation of import-substituting industries through the utilization of foreign inputs and technologies. (Daneshkhu 2004, 138; H. Pesaran 1982, 509). These policies resulted in the rapid industrialization of Iran, reflected in the growth of the manufacturing sector at an average of 12.3 percent per annum during the 1963-1972 and an industrial growth rate of 15.2 per annum between 1965-1975 (Parsa 1989, 66).

Iran's import substitution industrialization in this period was heavily geared towards the promotion of the domestic private sector with the participation of foreign capital. Among some of the measures taken to promote the private sector and joint-ventures with foreign capital we may point to the extension of easy credits and loans by banks and financial institutions composed of state, domestic private and foreign capital, the transfer of state-owned consumer goods industries to the private sector, tariff and custom exemptions and tax holidays (see Alizadeh 1984; see Guitoo 1989, 296–304; see Nassehi 2018). It is also worth mentioning that by investing in public infrastructures in areas such as communication, transportation, electrical capacity and irrigation, the state contributed to lowering the costs of production for the private sector (Guitoo 1989, 269–70).

These policies resulted in the emergence of an industrial fraction whose private investments in the manufacturing sector in the 1965-1977 period reached approximately between 55% to 65% of the total investment in the sector (Alizadeh 1984, 143). At the same time, as substantiated in previous discussions on the interiorization of the metropolitan mode of production, this rising industrial fraction was heavily dependent on foreign capital, technology and know-how. The extent of this dependency is also reflected in the significant level of foreign managerial and technical control in joint-ventures where foreign capital had a minority of shares

or even wholly Iranian owned plants operating under Licensing Agreement (Alizadeh 1984, 154–55).

We may then argue that import substitution policies such as protective tariffs did not amount to the protection of domestic market in the way a national bourgeois form of accumulation might entail. This will become clear when I discuss the ‘war managed accumulation strategy’ which became dominant subsequent to the 1979 revolution. Rather, they facilitated the integration of the Iranian economy to the world market through the interiorization of the metropolitan mode of production. As Poursadigh reminds us “ISI does not [*necessarily*] exclude foreign direct investment in manufactures nor prevent such direct investment from enjoying the same protection as domestic capital.” Hence, “neither from the point of view of openness to foreign capital, nor in terms of its impact on the volume of trade, does [*this particular form of*] ISI decrease or hinder world economic integration” (Poursadigh 2003, 68). Rather, the implementation of ISI since the early 1960s led the metropolitan mode of production to establish its dominance directly in Iran by reproducing itself in a specific form.

### Land Reforms

The second feature of state intervention in the economy was the restructuring of class and property relations in the rural spaces through a comprehensive land programme. To appreciate the nature and extent of these reforms, I must however say a few words on the Iran’s agrarian structures before the 1960s. Since the middle of the nineteenth century Iran’s agricultural sector was gradually linked to the world market through a gradual shift from “food production to non-edible cash crops” destined for “European-controlled markets” (Hooglund 1982, 10–11). Although this process correlated with the expansion and privatization of cultivated lands by large landowners, the agricultural sector was still characterized by the predominance of non-capitalist

modes of production. John Foran has identified these as the pastoral nomadic mode of production' and a 'peasant crop sharing mode of production'. The latter, and arguably the dominant one, was chiefly characterized by the extreme concentration of private land among "private, clergy-administered, and royal landed elites" and the scarcity of peasant-proprietorship (Foran 1994, 167). Under these property relations, agricultural production was performed by sharecropping agreements where the landlords and sharecroppers (*nasaq-dar*) divided the crop based on their ownership of land, water, seeds, draught animals and labour. Sharecroppers and landlords also relied on labor extracted from landless agricultural laborers who were not entitled to sharecropping agreements (Hooglund 1982, 25, 32–34).

Beginning from the early 1960s however and against the backdrop of international and regional pressures, a series of sweeping land reforms were institutionalized by the state. The restructuring of property relations in the rural spaces occurred in and through three relatively distinct phases, corresponding to dynamics of class struggle in the rural spaces. These phases and their correspondence to the dynamics of rural class struggles have been sufficiently substantiated by various critical studies (see Hooglund 1982, 50–74). What is important for this study is how four trends emerged through these setbacks, changes and modifications in scope, form and priorities

First and foremost, the "major consequence of land reform was the growth of various forms of state and private landownership compatible with capitalist agriculture". Throughout a decade of land reform, approximately 40 percent of agricultural holdings were redistributed among sharecroppers. At the same time ,the agricultural labourers who were excluded from sharecropping agreements were left out of land distributions. These reforms limited the types of

land tenure to private and state ownership with the later composing of 10 percent and the former 90 percent of all agricultural land (Yeganeh 1985, 76).

Second, the land reforms resulted in the reduction in the number of large landowners, a decline in the concentration of land ownership among them, and the transformation of sharecroppers into peasant-appropriators. Nonetheless, the reforms were implemented in a way that allowed the large landlords to maintain more than half of the crop land (excluding orchards), often the most fertile ones. At the same time, the lands which were distributed among sharecroppers were fragmented, less fertile and far from irrigation networks. More importantly, most sharecroppers received lands lower than 7 hectares, which is the minimum for maintaining a subsistence level in Iran's agricultural conditions (Amid 2009, 76–80; Guitoo 1989, 369; see Hooglund 1982, 50–74).

What is more, since the beginning of land reforms, the granting of state aid, loans and credits, prioritized large, mechanized and intensive forms of agricultural production. As such, the majority of small peasant-owners, still relied on moneylenders and usurers as they had done prior to the land reforms (Guitoo 1989, 357). The prioritization of intensive forms of agricultural production were particularly accentuated from the late 1960s and the early 1970s. For instance, one can point to the creation of farm corporations and joint-stock agribusinesses between the state, foreign and domestic private capital. In the former case the peasant-proprietors were forced to exchange their land with shares in state-managed corporations whereas in the latter case “the state compelled all of the peasant-proprietors in 58 villages to sell their land amounting to a total of 67,000 hectares” (Guitoo 1989, 360–64).

The above dynamics led to a substantive restructuring of class relations in the rural spaces. Most importantly, this restructuring facilitated the emergence of “capitalist entrepreneurs

engaged in mechanized commercial agriculture and animal husbandry” some of whom included the pre-reform landed class and a specific form of proletarianization (Yeganeh 1985, 74). The rise of this class went hand in hand with a specific form of proletarianization which, as Guitoo correctly argues, simultaneously included aspects of ‘internal proletarianization’ as well as ‘external proletarianization’. That is, on the one hand, the land reforms resulted in the ‘permanent and legal proletarianization’ of landless agricultural labourers who were excluded from land distributions. On the other hand, the form of state intervention in the agrarian economy allowed the former sharecroppers who had turned to the peasant-appropriators to partially reproduce themselves through substance farming, relying on family labor. Nonetheless, we must recall that most peasant-appropriators had less lands which were lower than the minimum for maintaining a subsistence level. This factor, along with the fragmented nature of lands, disadvantages in terms of receiving loans, credits grants meant that most subsistence producers had to work as part-time wage-laborers in larger farms or seek other types of wage-labor in towns. Hence, the exposure of the peasant-proprietors to wage-relations did not amount to the “disappearance of subsistence production”. Rather, the relation between their role as partial wage-labourers and subsistence producers was overdetermined such that both permanent proletarianization and the persistence of status quo were likely. The former tendency seems to have become more prominent following the prioritization of farm corporations and joint-stock agribusinesses (Guitoo 1989, 374–80).

Third, the state’s prioritization of mechanization of agriculture led to increased dependency on foreign technologies, inputs and expertise which were financed through increasing oil revenues (Karshenas 1990, 251–52). Hence, the agricultural sector became

vulnerable to the fluctuations of the oil market. Last but not the least, and as I mentioned before, the agricultural sector was also opened to the inflow of foreign capital Iran.

All in all, the privatization and commodification of agricultural lands, the restructuring of agrarian class relations and increased financial and technological dependencies on foreign capital have enormous implications for our understanding of the import substitution accumulation strategy. Mainly, these changes in Iran's agrarian structures point to the dissolution of the 'peasant crop sharing mode of production' in Iran through the emergence and dominance of a capitalist mode of agricultural production. Henceforth, the metropolitan mode of production no longer dominated Iran's rural spaces from outside, as was the case during the dominance of the sharecropping mode of production. Rather, the metropolitan mode of production established its dominance directly within Iran's rural spaces.

#### [The Limited Expansion of the Domestic Market](#)

Another important feature of state intervention in the economy during this period, pertains to social security policies and their effects on the expansion of the domestic market. To get a better understanding of these policies, however, we must primarily consider three important issues about the nature of Iran's import substituting industrialization and restructuring of the rural economy.

To begin with, the transformation of agrarian structures as well as industrialization took place through the prioritization of capital-intensive forms of agricultural production and manufacturing. Among other issues, this was facilitated by state policies such as the overvaluation of the Rial and liberal policies towards the import of intermediate and capital goods (H. Pesaran 1982, 509) and "the relatively low protection given to small labour intensive units" (Assadi 1990, 34).

Second, the capital intensity of this accumulation strategy in turn not only made the Iranian economy more extroverted through increased technological and technical dependencies, it also resulted in remarkably low levels of intra and inter sectoral backward and forward linkages. For instance, the oil sector established neither forward nor backward linkages to the domestic economy other than “through provision of revenues and foreign exchange” (Guitoo 1989, 239). What is more, these dependencies on foreign technologies and inputs worked against a comprehensive integration of small commodity producers and artisan activities into Iran’s industrialization and an uneven development between industry and agriculture and regional disparities (see Assadi 1990, 36–40).

Third, these dynamics had important consequences on the class structure in Iran. On the one hand, the institutionalization of ISI and land reforms correlated with the growth of new petite bourgeoisie and the proletariat. Most notably, the penetration of state institutions into rural areas as well as infrastructural investments in areas such as communication, transportation, electrical capacity and irrigation (see Guitoo 1989, 269) resulted in a relative growth in the number of state employees. As Abrahamian observes, between 1963-1977, “the state bureaucracy grew from 12 ministries with some 150,000 civil servants to 19 ministries with over 304,000 civil servants” (Abrahamian 1983, 438). What is more, as a consequence of Iran’s rapid industrialization, jobs in the manufacturing sector also grew. For instance, the number of workers in plants hiring 10 or more workers increased from 70,000 in 1957 to 215,000 in 1966 and later 400,000 in 1977. On the other hand, in the context of the prioritization of mechanized farming and the nature of land distribution, the peasant-proprietors and landless agricultural laborers competed for the few jobs in mechanized farms, thereby lowering the wages. The resulting decline in agricultural employment and the general deterioration of the conditions of

peasant proprietors and landless agricultural in the context of the uneven development of agriculture and industry in turn contributed to massive patterns of rural-urban migration (see Assadi 1990, 39; H. Pesaran 1982, 507).

Nonetheless, since the import-substituting industries were highly capital intensive, this wave of migration could not be fully absorbed in the industrial sector. As such, the reserve army of labour expanded as the rural migrants came to reproduce themselves through casual and precarious employment in small commodity production, construction, unpaid family labor or other activities associated with what is referred to as the ‘informal urban economy’ or ‘marginality’. To be more specific, “in the lower echelons of the labor force must be included more than a half-million impoverished self-employed workers in the so-called “informal sector” and those in low-paid services, many of whom lived in slum areas and on the margins of cities along with poor rural migrants” (Ashraf and Banuazizi 1992).

What stands out here is a two-fold tendency; on the one hand, the expansion of the reserve army of labor certainly contributed to the import substitution accumulation strategy by lowering wages and reducing the costs for the expanded reproduction of capital. On the other hand, since most of the reserve army of labor lived below subsistence levels, they could not be integrated into the domestic market for consumer and durable goods produced by import substitution industries. To clarify this issue, it is worth mentioning that “in the early 1970s, nearly half of the country's population was living in near subsistence conditions...[while] seventy-two percent of the country's rural families had an income below subsistence level”. At the same time “a small proportion of 10 percent of the population accounted for more than 40 percent of the consumption of total goods and services in the economy” (Assadi 1990, 38).

Let me now return to the issue of social security policies and their effects on the expansion of the domestic market. The above observations have already made it implicit that internal market during the dominance of the import substitution accumulation strategy was a limited one since it excluded significant segments of the population, most notably the reserve army of labor. What is important to note here is that social security policies in this period came to cement the limited nature of the domestic market. This is best reflected in what Harris calls the development of a “corporatist welfare regime” which was neither “socially” nor “spatially” exclusive (Harris 2019a, 141)

Throughout this period a ‘social-insurance’ and ‘health care system’ was institutionalized which covered “formal wage labor in large enterprises and workers in the civil service, the military, the oil and gas industries, and other government sectors”. At the same time however, despite ‘top-down initiatives’ such as ‘rural health and education drives’, significant sections of the popular classes in the rural spaces as well as rural-migrants were “de facto excluded” from these welfare institutions (Harris 2019a, 69–70). These social security policies reflect a form of income distribution which contributed to the expansion of the internal market for import-substituting industries to the ruling and middle classes while simultaneously hindering such possibility for the popular classes (see Hakimian 1988). Hence, the import-substituting industries which were neither regionally nor internationally competitive, exclusively relied on a very limited domestic market, thereby excluding the possibilities for an intensive accumulation.

#### [Reproduction of the Metropolitan Mode of Production](#)

In many ways, the dominant accumulation strategy in this period is reminiscent of Allain Lipietz’ notion of ‘sub-Fordism’. That is, sub-Fordism in the (semi-)peripheries takes the form of “caricature of Fordism” since “neither in the labor process itself, nor in the structure of demand,

had the *social* conditions for such a system of accumulation really been achieved” (Lipietz 1982). Guitoo for instance argues in this manner by pointing to “capital-intensive methods resulting in unemployment, acute unequal income distribution, a distortion of the price system (due to the uncompetitiveness of commodities on the world market) and an almost total dependence of the industrial sector on the internal market” (Guitoo 1989, 275).

In this study, however, the issue is not that ‘the *social* conditions for the metropolitan/Fordist system of accumulation were not achieved in Iran’. That is, I am not concerned with the extent to which this accumulation strategy distorts or reproduces the metropolitan mode of production in its genuine form or as Iranian *dependistas* would say establishes an “artificial” and ‘dependent’ form of development (See Mashayekhi 1986, 176; Vahabzadeh 2010; Jazani 1980). Rather, what is significant is how the dominance of this accumulation strategy led to the reproduction of the metropolitan mode of production in a specific form relative to Iran’s peculiar social conditions. Hence, the lack of auto-centricity, impossibility of an intensive form of accumulation given the limited domestic market and the corporate nature of the welfare regime are not to be counterposed to Fordism in the core formations (see Jessop and Sum 2006, 159). That is, like all other accumulation strategies, the ‘generic elements of crisis’ were ‘present and permanently at work’ in this one too; for instance, the insufficiency of the internal market for capital accumulation, chronic unemployment, rising investment costs leading to trade deficits and inflations (Alnasseri 2011, 131, 134). From the perspective of hegemonic struggles however, what matters is the extent to which the corporate-economic interests of a fraction of the ruling is secured and dominant despite these generic crisis tendencies. To substantiate this point further, in what follows I will argue that the transition to an

import substitution accumulation strategy and securing its dominance was predicated on a state project, what I term the ‘Persian nationalist state project’.

### The ‘Persian Nationalist’ State Project

I have already substantiated an important feature of the Persian nationalist state project in my discussion of the import substitution accumulation strategy. That is, a form of state intervention in the economy, leading to the emergence of dependent and limited domestic space of accumulation. In the proceeding pages, I will identify other aspects of this project pertaining to the political and ideological institutionalization of the import substitution accumulation strategy; the promotion of a Persian nationalist ideology, cementing of a sub-imperial foreign policy, and the expansion and centralization of state apparatuses. Prior to this discussion however, a few words are necessary on the question of national minorities vis-a-vis Persian nationalism prior to the inauguration of the sub-imperialist form of development.

For most of its modern history, non-Persian minorities have composed the majority of Iran’s population while functioning as the ‘periphery’ of Iran’s development in geographical, political, economic and ideological terms. As Lepnard Helfgott observes, the “national minority problem results from the clash of...distinct socioeconomic formations during the period of their disintegration and transformation initiated by the spread of capitalist relations in Iran” (Helfgott 1980, 196). Put differently, the incorporation of Iran into capitalist world economy since the late 19<sup>th</sup> century coincided with the peripheralization of non-Persian regions and social forces in Iran. Even before the inauguration of the sub-imperial form of development, various accumulation strategies and state projects, particularly during the reign of Reza Shah had shaped this form of peripheralization. This process included “forced sedentarization [which] sought to destroy any vestige of autonomous existence that remained in the tribal areas” and economic polices “which

favoured the Persian-dominated center rather than the non-Persian provinces”. To these, one must add the creation and restructuring of ideological apparatuses for imposition of “Persian culture and the Persian language on the minorities”, “forbidding local cultural expression in any form” (Helfgott 1980, 208) and the purification of Persian language from Arabic elements (see Kia 1998).

It follows then that the question of ‘national minorities’ not be posed in ‘ethnic’ or ‘cultural’ terms. Rather, the categorization of the majority of Iranian population as ‘national minorities’ is to be situated in the very process of state formation since the late 19<sup>th</sup> century, which entailed complex relations of economic, political and ideological domination and resistance. As Beck puts it, “national minorities were a product of the attempt to create a modern nation-state” (Beck 1990, 207). In this sense, the question of national minorities was inscribed on the Iranian state formation and class structure well before the onslaught of the sub-imperial form of development in the mid-1960s. Nonetheless, with the inauguration of the Persian nationalist state project since the early 1960s, the peripheralization of non-Persian regions and the centralization of Persian ones took on a decidedly intensified form. While not limiting Persian nationalist state project to this issue, I will demonstrate how this intensification was present in all aspects of this project ranging from the promotion of the Persian nationalist ideology and cementing of a sub-imperial foreign policy to the expansion and centralization of state apparatuses.

#### [Expansion and Centralization of State Apparatuses](#)

In my previous discussions, I pointed to how the dominance of the import substitution accumulation regime was predicated upon a domestic space of accumulation characterized by deepening regional disparities. From the perspective of state projects, this process was

simultaneously overdetermined by the creation and/or cementing of a domestic space of political domination through the expansion and centralization of state apparatuses. This can be explicated by pointing to a three-fold process.

First, relatively autonomous tribal, nomadic and rural institutions were marginalized through “military and political pacification, nationalization of pastures, land reform, sedentarization of nomads economic integration, and Persianization” (Beck 1990, 208); a process marked by the penetration of state institutions and apparatuses into the nomadic, tribal and rural spaces. As Abrahamian notes,

in the countryside, the state extended its reach into distant districts and, for the first time in Iranian history, supplanted the local khans, kadkhudas, and landlords as the real ruler of the rural masses. For centuries, intermediaries such as local magnates had acted as buffers between the rural population and the state. Now nothing stood between the rural population and the gigantic government bureaucracy that not only regulated agricultural prices, water distribution, and the few remaining migratory routes, but also administered 89 state farms and closely supervised 8,500 state cooperatives with 1,700,000 members. (Abrahamian 1983, 438–39)

This expansion not only included apparatuses involved in agricultural production (e.g. cooperatives), but also rural development (Literacy Corps and Health corps) and Development), security apparatuses (e.g. gendarmerie) and governing bodies (village councils).

What is important to note here is that this process was characterized by a high degree of centralization. As substantiated by Hooglund “all policy decisions affecting villages originated in the cabinet. They were then transmitted to the appropriate ministries and agencies for the

implementation process which moved down through the national, provincial, county, and district bureaucracies to the villages” (Hooglund 1982, 130–31).

The centralized nature of these apparatuses, however, prevented the comprehensive integration of the rural masses into the Persian nationalist state project. On the one hand, “a main constraint of the rural-welfare component of the White Revolution was the limited capacity of central state institutions to link into everyday life in the countryside” (Harris 2019a, 72; see Hooglund 1982, 134–37). For instance, the health corps, literacy corps and development corps were composed of middle-class urban conscripts who for the most part had no knowledge about the rural formations. This had a key role in less than successful performance of these rural development projects (Hooglund 1982, 135). Furthermore, in the non-Persian areas, particularly nomadic and tribal formations, the inhabitants “did not welcome the increasing number of Persian officials sent to administer what these groups regarded as their own territory”. By the way of an example, “the state did provide education to many areas, but the language used, and models offered were those of a Persian-controlled Iran. The lesson of education was to direct the attention of youth outside their tribal, ethnic, and regional communities” (Beck 1990, 208).

Second, the above tendency was not limited to the rural, nomadic and tribal spaces and was rather applicable to urban areas as well. I have already pointed to the significant expansion of the bureaucracy, a part of which pertained to the facilitation of Iran’s import substitution industrialization. To this, we must add the expansion of the education system which, not only absorbed a segment of otherwise surplus labor but was also crucial for establishing the technical conditions of possibility for Iran’s industrialization. I will elaborate more on this when I consider the ideological tendency of the Persian nationalist project.

Third, the creation and/or cementing of a domestic space of political domination not only correlated with the expansion of the coercive apparatuses, but also with their relatively privileged position amongst other apparatuses. This is not only limited to the expansion of the armed forces and intelligence services (SAVAK) or heavy investment in arms procurement, but also the involvement of the army beyond the ‘security ‘domain’. The use of conscripts in rural development projects (Literacy Corps, Health corps, Extension and Development) is a case in point (Albrecht 1979, 165).

#### The Promotion of a Persian Nationalist Ideology

Loosely defined, ‘Persian nationalism’ as an ideological discourse revolves around the construction of a contradictory ideological unity based on linking pre-Islamic mythologies of an exclusively ‘Persian’ empire with monarchic nationalism and modernization/ Westernization’. Although, as an ideological project, Persian nationalism originated in the late 19th and early 20<sup>th</sup> century during the mid-1960s “the cultural policy of historical vivisection was carried to hitherto unimagined extremes”. This is reflected in Shah’s coronation in the 1967 emphasizing the ‘modernizing’ monarch’s lineage to pre-Islamic dynasties, the costly celebration of the 2500 anniversary of the founding of the Persian empire which excluded the Islamic dynasties from Iran’s history and the replacement of the Islamic calendar by an imperial calendar in 1976 with the coronation of Cyrus (Bokharai Radjai 1992, 105–7).

It goes without saying that similar to its history from the late 19<sup>th</sup> century, the Persian nationalist ideology was composed of various contradictory and competing discourses (see Fazeli 2006, 1–135; Kia 1998). For the purposes of this study, however, the prominence of three currents within this contradictory ideological formation stands out. To begin with, anti-colonial and anti-imperialist notions were marginal if not outright absent in ‘Persian nationalism’.

Instead, there was heavy emphasis on Westernization/modernization and its compatibility with Iranian history and culture. Radjai's observations are noteworthy in this regard;

Despite Iran's long history of excellence in literature, poetry and the visual arts, American textbooks were translated for extensive use in all levels of the educational system. The lessons in the Iranian way of life, Iranian values and Iranian traditions became based on American social/cultural realities according to which the new generation of Iranians were encouraged to construct their identities. This was of course not limited to the educational system. The Americanization of Iran left no aspect of the social formation untouched. (Bokharai Radjai 1992, 103)

The significance of the marginalization of anti-colonial and anti-imperialist notions cannot be overestimated if one considers the semi-colonization of Iran since the 19<sup>th</sup> century, and more specifically the American-sponsored coup against the National Front government in 1953. More specifically, Iran's national identity was to a large extent shaped in and through the struggles against colonialism and imperialism. It is then not surprising that such ideological orientation came to be intensely opposed by opposition discourses which criticized Iran's 'westoxication' and dependency while emphasizing the rejuvenation of 'authentic' aspects of Iranian cultural (see Abrahamian 1980; Boroujerdi 1996).

The second prominent current within Persian nationalism is the elimination of Iran's nomadic, tribal and non-Persian regions from its version of 'national identity' or at best representing them as exotic and undesirable remnants of backwardness. This tendency ideologically marginalized Iran's historical links to the Middle East region. This is the least because the non-Persian spaces in Iran had historically linked the Persian center to the wider Middle East region. This is not simply an issue of geographical proximity, but rather the socio-

economic embedment of these spaces beyond the territorial borders of the Iranian state (see Bruinessen 1992; Dashti 2017; Khoury and Kostiner 1991; Koohi-Kamali 2003). The significance of the ideological de-linking of Iran from the region further comes to light when one considers the 'Persian nationalist' state project's decidedly pro-imperialist orientation, which sharply contrasted with the strengthened anti-imperialist trends in the region.

Last but not the least, the dominant currents within the Persian nationalist discourse failed to incorporate popular cultural practices, which could have been central in coopting the popular classes by appealing to their 'common sense'. The extent of the absence of the 'popular' can be properly understood when one considers not the glorification of Iran's pre-Islamic history, but the way in which it was promoted. As Radjai observes;

recitations and performances based on Ferdowsi's Shahnameh and other sources, as well as ancient folk tales learned and passed on through the oral tradition used to be a regular feature of Iranian popular culture. These cultural practices took place on street corners, tea houses and similar informal places widely accessible to and mostly frequented by the popular, non-privileged classes. However, the Pahlavis' relentless march towards "modernity" trampled upon such things which smacked of "backward traditional culture" and unwittingly replaced them with western (i.e. American) cultural organizations and products (fhs, TV, plays, concerts, etc.). Ironically, the only avenues which could keep the "traces and sediments" of the Persian empire from fading in the popular historical memory and practical, everyday consciousness were closed by the same regime whose articulation of nationness depended upon the excavation and revival of those very sediments. (Bokharai Radjai 1992, 110)

The promotion of this identity discourse was predicated on restructuring ideological state apparatuses and the establishment of new ones, the detailed explication of which goes beyond the scope of this study. What is important here is how Persian nationalism promoted an ‘imperial’ as opposed to ‘popular’ discourse of nationness. That is, while Persian nationalism appealed (though in a very narrow sense) to segments of the ruling classes and the new petite bourgeoisie, it “failed to enter popular consciousness at the level of common sense” for most Iranians. As such, this identity discourse “remained an exclusive, distant and "inorganic" ideology” which was "imposed from above" and hence became “incapable of organizing consent on a massive scale” (Bokharai Radjai 1992, 110–11).

#### [A Sub-imperialist Foreign Policy](#)

In the period between the Allied occupation of Iran and the inauguration of the White Revolution, Iran’s foreign policy orientation had decisively shifted towards the United States. This is reflected in an increasing pattern of American military and financial aid, military training, regional (Baghdad Pact) and bilateral security pacts (U.S. Iran Defense Agreement of March 09, 1959). In the context of the Cold War, this close alignment with the United States was indispensable to maintaining the monarchy as well as enhancing the American geostrategic position against the Soviet Union. Three prominent examples pertaining to this issue are; a) the central role of the United States in the military suppression of Soviet supported autonomist movements in Azerbaijan and Kurdistan (see Albrecht 1979), b) the restoration of the monarchy through the U.S. sponsored coup against the National Front government and c) the leading role of the CIA in the formation of the National Security and Intelligence Organization (SAVAK) (see Alvandi 2014a, 19), which was central to the crackdown against opposition forces a major and influential segment of which was composed of socialist forces.

Iran's distinctly pro-American foreign orientation remained intact, if not intensified in the years following the White Revolution. I have already shown this from an economic perspective by pointing to Iran's increased financial, technical and technological dependencies on the U.S. corresponding to the dominance of the import substitution accumulation strategy.

Iran's military and intelligence ties to the United States also progressively increased in this period. This is not just a quantitative issue which for instance pertains to rising military purchases from the U.S. Rather, what is decisive here is Iran's acting as a relaying post for American imperialist strategy in the region. For instance, "the expansion of Iranian military power...[was] carefully adapted to the strategic role of the US armed forces in securing oil supplies from the Persian Gulf region" (Albrecht 1979, 176). Moreover, the United States gathered essential information on the Soviet military activities, particularly about missiles through two from its secret "TACKSMAN" electronic listening posts in Northern Iran (Alvandi 2014a, 49).

Iran's close economic, diplomatic and military and intelligence cooperation with Israel at a time when the Palestinian struggle was arguably at its peak and Pan-Arabism was on the rise, further attests to how Iran acted as the relaying post of American imperialist strategy in the region. This can be easily pictured when considering the constant flow of oil from Iran to Israel when other oil producers in the region had imposed an oil embargo on Israel (Parsi 2007, 47).

The above points are not to say that Iran was fully subservient to the United States or did not have important economic and diplomatic relations with its adversaries. Rather, a sub-imperialist foreign policy is to be understood as the overdetermination of all aspects of Iran's foreign policy by its role as a relaying post for American imperialist strategy in the region. Moreover, there is a strong correlation between this sub-imperialist orientation and the

dominance of coercive apparatuses, particularly the military, over others during this constellation. The parliament's passing of US-Iran Status of Forces Agreement (SOFA) in 1964 (Alvandi 2014a, 24) which granted immunity to American military personnel and their dependents diplomatic immunity is but one example of the overdetermination of relation of forces in other apparatuses by the dominance of heavily American dependent military. Last but not the least, the sub-imperialist orientation of Iran during this period went hand in hand with the promotion of 'Persian nationalist' ideology. That is, the dominance of the explicitly anti-Islamic and anti-Arab elements in the Persian nationalist ideology and the peripheralization of non-Persian spaces which had historically linked the Persian center to the wider middle east alienated Iran from the Arab and Islamic worlds.

### The Sub-Imperialist Form of Development and the Question of Hegemony

Given the above observations, I argue that the concurrence between the Persian nationalist state project and the import substitution accumulation regime not only made the sub-imperial form of development possible but also addressed the post-coup 'crisis of hegemony'. It is however essential to highlight once again that the unfolding of this passive revolution "entailed a weak and limited hegemony" (Versieren and De Smet 2015, 126). Most prominently, the sub-imperialist form of development was particularly ineffective in terms of appealing to and coopting the popular classes in the accumulation process and generalizing it politically and ideologically. This explains why the creation and/or cementing of a domestic space of political domination was predicated on the relatively privileged position of the coercive apparatuses, as well as unrestrained external support from the United States.

The weak and limited hegemony, or better, dominance of the sub-imperialist form of development can also be witnessed in terms of the limited way in which class and fractional

conflicts were ventilated. On the one hand, the two-party system which was institutionalized in 1958 certainly facilitated some of these intra-ruling class contradictions, even if the election results were often rigged, non-transparent and taking place within the context of dominance coercive apparatuses in the post-coup years. On the other hand, much of the executive powers as well as the control of coercive apparatuses came to be concentrated in the monarch (see Bakhash 2008, 33–44). In this sense, the predominant moment in the ‘monarchical state form’ is to be found in its ‘exceptional’ features.

Despite the limitations of this form of development from the perspective of hegemony, its emergence and persistence are but the manifestation of the emergence and dominance of a new class fraction of the power bloc over others. I must however note in passing that this fraction can neither be categorized as ‘national bourgeoisie’ nor ‘interior bourgeoisie’.

If we consider the economic aspects of class determination for instance, we will see that the import substitution accumulation strategy is but the manifestation of the induced and interiorized reproduction of the metropolitan mode of production in Iran. In this sense, the carriers of this strategy cannot be categorized as national bourgeoisie, which takes form “on the basis of a certain type and degree of contradictions with foreign imperialist capital”. At the same time, and somewhat similar to the ‘interior bourgeoisie’ this strategy is not without a domestic production base as the market for its import substituting-industries relied exclusively on a limited domestic space. Despite this similarity, I argue that this new fraction may be identified as comprador one (Poulantzas 1978, 71–73).

That is because, on the one hand dependency of the import substitution accumulation strategy on foreign capital, technology and know-how was extremely acute. On the other hand, securing its domestic space of accumulation was predicated upon a state project which acted as a

relaying post for the American imperialist strategy in the region. In this sense then I argue that this fraction was totally subordinated to foreign capital while maintaining a domestic production base.

Now that I have outlined the main tenets of the sub-imperialist form of development in Iran, a few words should be said on the concept of sub-imperialism. This concept was first utilized by Ruy Mauro Marini in relation to the rise and fall of the military dictatorship in Brazil in the 1960s (Marini 1972). In this context, and for Marini, sub-imperialism captured two main processes. On the one hand, since “the domestic market could...[no longer] absorb the increasing productivity”, Brazil’s investments in the neighboring peripheral economies “was a means of shaping its sub-imperialism. On the other hand, “the exercise of a relatively autonomous expansionist policy which is not only accompanied by a greater integration in the imperialist productive system but also is maintained under the hegemony exercised by imperialism on an international scale” (Chilcote 2009, 131). Marini’s notion of sub-imperialism has been used in a range of different contexts, the latest being in the analysis of emerging powers such as South Africa (Bond 2013; Bond and Garcia 2015). Now, as the previous sections indicate, the notion of ‘sub-imperialist form of development’ is specific to the post-White Revolution conjuncture in Iran. As such, it departs from Marini’s concept of sub-imperialism in key respects. For instance, sub-imperialism in Iran points to cementing of a domestic space of accumulation (as opposed to a regional one), in conjunction with a foreign policy approach which functioned as a relaying post for American imperialist strategy in the region. That being said, similar to other notions of sub-imperialism, this work emphasizes that the major issue in this conjuncture is not that of “passively accepting North American power (although the actual correlation of forces often leads to that result), but rather of collaborating actively with imperialist expansion” (Bond 2013, 251).

## The Crisis of the Sub-imperial form of Development

The underlying reasons leading to the collapse of the monarchical regime and the origins of the 1979 revolution have been studied and debated for many years. As such, I will not go to details, but rather shortly elaborate on it from the perspective of a structural crisis which may be periodized to two conjunctures; the crisis of the sub-imperialist form of development from the mid-1970s until the collapse of the monarchy on February 1979 and the revolutionary conflict formation spanning from February 1979 to the beginning of Iran-Iraq war on September 1980. Let me then proceed to elaborate on the first stage of this crisis.

Like other forms of development, the generic elements of crisis were present and permanently at work in the sub-imperialist form of development too. For instance, the limited nature of the interior market had already made the import substitution accumulation strategy prone to inflation, trade deficits, chronic unemployment. What transformed these generic elements into a structural crisis leading to the 1979 revolution was a threefold process.

To begin with, the emergence phase of the neoliberal world order from the mid-1970s onwards coincided with the gaining of a certain margin of strategic maneuvering in Iran's foreign relations. On the one hand, following the departure of the British army from the Persian Gulf in the 1968-71 period, the Soviet Union began to increase its presence in the Persian Gulf and the Indian Ocean. Among other issues this is reflected in the signing of Iraqi-Soviet and Indio-Soviet Treaty of Friendship in 1972, the increasing Soviet influence in South Yemen and Somalia and continuing support for Syria, Libya and the PLO. In this context, the United States abandoned the "twin pillars policy" whereby the Gulf's security would be based on a balance of power between Iran and Saudi Arabia. Instead, Iran would "take Britain's place as the defender of the shipping lanes of the oil-rich Persian Gulf from the Soviet Union and its Arab allies". At

the same time, concurrent with the rapid rise in the oil prices and lifting of “virtually all restrictions on American conventional arms sales to Iran”, American arms import skyrocketed (Alvandi 2014a, 53–54). Hence, Iran took a more assertive role in the security of the Gulf region.

On the other hand, from the mid-1970s onwards the privileged position of United States in FDI and trade with Iran came to be seriously challenged by West Germany, France and Japan (see Guitoo 1989, 163) while the economic relations between Iran and the Soviet bloc which had gained momentum since the mid-1960s continued to expand (Alvandi 2014b). What is more, the rapid rise in the oil prices along with international powers’ increasing concerns for energy security further enhanced Iran’s position vis-à-vis these powers. The signing of the second consortium between Iran and the seven sisters, where new concessions were gained, indicates this enhanced position.

These dynamics are indicative of Iran gaining a relative degree of international autonomy. However, it is essential to highlight the contradictory nature of this development. That is because, gaining of a certain margin of strategic maneuvering in Iran’s foreign relations was inseparable from how Iran performed an indispensable role as a relaying post for America’s imperialist strategy in the MENA. For instance, while Iran extended its diplomatic, economic and even military ties with the Eastern Bloc, it supported the Kurdish forces against Iraq which had closely aligned itself with the Soviet Union (Entessar 2010), and maintained its close economic and military cooperation with Israel (see Parsi 2007). More specifically, as Alvandi notes “both overtly and covertly, Iran was aiding Pakistan against India, Jordan against the Palestinians, Saudi Arabia against South Yemen, and the sultan of Oman against the Dhofari rebels” (Alvandi 2014a, 65).

Second, from the early 1970s onwards the immanent crisis tendencies of the import substitution accumulation strategy such as unemployment, massive rural-urban migration and huge regional disparities came to fore. It is true that the ‘coincidence’ of the 1970s oil shock and the flush of petrodollars ‘saved’ Iran from the ‘dept trap’. Nonetheless, it simultaneously made the persistence of import substitution accumulation strategy unviable. This is not just a matter of economic policy alone, but rather one of intensified class struggle involving the increasing oil revenues in the context of interiorization of the crisis of imperialism or what I have identified as the emergence phase of neoliberal world order. To be clearer, even if this accumulation strategy was to remain intact, its persistence was predicated upon its adaption to the new circumstances which would also entail a modification of the Persian nationalist state project.

To return to the issue of economic crisis. Some analyses have interpreted the changes in the economic domain in the mid-1970s as one of transition from sub-Fordism to peripheral Fordism, i.e. the transition from import substitution to an export-led accumulation. To be sure, there are a few indications for this observation such as relaxation of duties and tariffs, the revaluation of the Rial, and increased joint-ventures with MNC’s (see Amirahmadi 1990b, 17–20; Guitoo 1989, 296–304). Nonetheless, these changes indicate not a new accumulation strategy but rather an intensified period of class struggle. That is the least because, these policies were often contradicted by new measures such as anti-profiteering campaigns aimed at price stability or simply the persistence of institutions and policies associated with the import substitution accumulation strategy.

Third, what contributed to the translation of the economic crisis of the mid-1970s to a political one was the structural selectivity of the state and the intensification of political struggles of the old and new petite bourgeoisie and later the industrial working class. The latter point has

already been well-documented by a rich body of studies on the political crisis that eventually led to the 1979 revolution. To be sure, the structural limits of the Persian nationalist state project since the mid-1960s, meant that while maintaining a limited hegemony, it had simultaneously generated new forms of opposition to it. To put it in different words, following Poulantzas, I argue that “the generic elements of political crisis, due to class struggle, [were] inherent in the reproduction of institutionalized political power” (Poulantzas 2008, 297) during the dominance of the Persian nationalist state project. This is best exemplified by the relative marginalization of old opposition forces and the formation of various underground third worldist guerilla organizations (be it nationalist, Marxist, Islamic or ‘ethnic’) since the late 1960s which sought the overthrow of the regime rather than reforming it (Abrahamian 1980). The crucial point nonetheless is that these forces became effective only in conjunction with pattern of demonstrations, strikes, sit-ins among vast segments of the old and new petite bourgeoisie and later the industrial workers in the oil sector which began from the late 1970s (see Bayat 1997).

What has often received less attention is the structural selectivity of the monarchical state which did not allow for the peaceful rotation of power amongst the different fractions of the power bloc. To give an example, the two-party system which was institutionalized after the white revolution certainly facilitated some of these intra-ruling class contradictions, even if the election results were often rigged, non-transparent and taking place within the context of dominance coercive apparatuses in the post-coup years. Nonetheless, the very limited room for ventilation of these contradictions was further narrowed in 1975 with the transition to a one-party system (see Keddie 2006, 166). As such, the structural nature of the state form was even less receptive towards the enormous modifications on the international and domestic level.

To sum up, the interiorization of imperialist crises can correspond to the emergence of new contested economic, political and ideological spaces on the domestic and regional level. Nonetheless, the given structural selectivity of the state has a crucial role in determining if the emergence of these spaces can solidify a form of development (albeit with important modification) or lead to its crisis or outright dissolution. In the case of the sub-imperialist form of development, the latter was the case. That is, the relative gain in Iran's national autonomy coincided with the political and economic crises in part because the structural selectivity of the state did not allow for the peaceful rotation of power amongst the different fractions of the power bloc. It is then not surprising that the articulation of the interiorization of the emergence phase of the neoliberal world order with domestic economic and political crises of the mid and the late 1970s led to a structural crisis and eventually the 1979 revolution.

### The Revolutionary Conflict Formation

With the fall of the Pahlavi monarchy on February 1979, Iran entered a period of even more intense domestic struggle in which the economic, political and ideological future of the country was heavily contested by various social forces. This period of complex and open-ended intensified struggle, or what I call the 'revolutionary conflict formation' lasted approximately until the beginning of Iran-Iraq war on September 1980. In the proceeding lines, I will shortly elaborate on the main features of this unsettled conjuncture by considering the international context in which it unfolded, the intensification of popular struggles and finally what I identify as 'paralysis of contending forces'.

#### Unfolding within International Constrains

With the fall of the monarchy and the intense domestic contestation over the direction of the revolutionary process, the persistence of the country's role as the 'gendarme of the Middle

East' was more than questionable. This is not because of the collapse of the pro-imperialist regime, but equally related to the general anti-imperialist tendencies of the forces involved in the revolutionary process. This is perhaps best exemplified by the takeover of the American embassy and the handover of the Israeli embassy to Palestinian Liberation Organization (PLO) in Iran and the wide support these actions gained from the various forces involved in the conflict formation (see Ehteshami 2013, 117).

What makes the loss of Iran's role as a relaying post for American imperialist strategy in the region all the more important is its unsettled regional constellation; a conjuncture marked by intense domestic struggles and shifting regional and international alignments when MENA had become "an important part of the Soviet–American rivalry for strategic positions" in the (semi-) peripheries (Halliday 2005, 99). On one hand, while the Egypt-Israel Peace Treaty of March 1979 as well as military coups in Turkey and Pakistan brought these countries closer to the United States, the intensity and persistence of domestic struggles made the durability and extent of their alignment to United States all but certain. On the other hand, the fall of the Iranian monarchy and the military Soviet intervention in Afghanistan, both of which were far from settled, counter-balanced U.S' position in the region.

In this unsettled context, the United States' main strategic concern was to avoid Iran from falling and/or nearing the Eastern Bloc while the Soviets attempted to exploit the opportunities of the fall of the pro-American monarchy. The European powers approach to Iran was among other issues complicated by two main factors; concerns over their economic influence in Iran which had already surpassed that of the United States in terms of trade intensity and FDI since the mid-1970s and the complex ways in which bipolar world order limited the pursuit of these interests. In other words, the increasing contradictions between Europe and the United States

over the extent of their influence in Iran still took shape under American hegemony and against the Soviet Union.

Perhaps, the best way to elucidate the above observations is to take the example of the American imposed sanctions after the 'hostage crisis'. On one hand, the United States' attempt to bring about comprehensive international sanctions was challenged by the Soviet through the vetoing of proposed UN. On the other hand, although European Economic Community (EEC) eventually joined the American sanctions in April 1980, they used various loopholes to continue their economic relations with Iran. As such, European economic relations with Iran remained as strong as they had been since the mid-1970s. This contradictory approach on part of European powers may be explained by the EEC's desire to 'avoid a US military intervention' which could push Iran towards the Soviet Union, thereby jeopardizing their economic interests (Emery 2010).

The general strategies that imperialist powers pursued towards post-revolutionary Iran manifested not just through a single tactic but rather multiplicity of contradictory, conflictual tactics which were at times employed simultaneously. This is particularly owing to the articulation of three simultaneous processes; domestic uncertainties in Iran, the unsettled regional and international contradictions associated with the emergence of the neoliberal world order and the contradictions within the foreign policy apparatuses of international powers. For instance, one may point to the employment of the simultaneous employment of sanctions, diplomatic negotiations and military operations on the part of the US to deal with the hostage crisis.

The crucial point here is that while there were a range of economic and diplomatic and even military measures to contest the outcome of the revolution by these international powers, none culminated in a decisive imperialist external intervention similar to the 1953 coup. To be

sure, the articulation of these tactics had crucial impacts on the course of events during the revolutionary conflict formation. Nonetheless, the amalgamation of these dynamics left a certain margin of maneuver for the revolutionary conflict formation to unfold *within these constraints*.

### The Intensification of Popular Struggles

As indicated before, up until the fall of the monarch on February 1979, the dynamics of class struggle was mainly concentrated in and amongst the old and new petite bourgeoisie as well as the working class in larger enterprises. In the period after the collapse of the Pahlavi regime however, these struggles of peasants (mostly landless), the working class in smaller enterprises and the reserve army of the labor also intensified. On one hand, the weakening of the coercive apparatuses, fleeing of large landlords and uncertainties regarding the future of the state-owned cooperative farms, contributed to the intensification of class struggle in the rural areas. In the context of the abovementioned dissolution effects of the fall of the Pahlavi regime, peasants (mostly landless) embarked upon land seizures from large and medium landlords as well as nationalized forests and pasturelands. Simultaneously, large landlords, (particularly tribal chiefs) who had lost their holdings during the white revolution also tried to reclaim their holdings (Moaddel 1991, 320). On the other hand, against the backdrop of the nationalization of banking system, insurance companies and heavy industries, similar dissolution effects allowed for the widening of workers' and lumpen proletariat struggles both in scope and extent. For instance, proletarian struggles not only expanded from large to smaller factories, the workers' demands also changed from a strike movement with defensive goals to a 'workers' council movement' with offensive demands. That is, instead of pushing for "payment of delayed wages, re-employment and job security, and higher pay and benefits" the workers "resort[ed] to direct action: taking over plants and running them themselves, presiding over the financial activities of

the companies, occupying factories, and so on” (Bayat 1987, 1988, 45). What is more, the squatting movements of various kinds (e.g. forming neighbourhood councils, housing take-overs, building homes and vending on state-owned land) became widespread among the rural migrants, the unemployed or precariously employed who were concentrated in the slums (Bayat 1997).

Last but not the least, since the collapse of the monarchy, there emerged an upsurge in the struggles of Iran’s national minorities, particularly in Baluchistan, Khuzestan, Kurdistan, Turkmen-Sahra and tribal areas in some of the central provinces. These struggles often corresponded with the emergence of parallel or new institutions (e.g. new militias, city and village councils) as well as tactical and strategic alliances with domestic and regional forces (see L. Beck 1980). Hence, the collapse of the monarchy provided a new domestic and regional political, economic, ideological and even military space for the re-articulation of the ‘nationalities question’ bringing to fore issues such as autonomy, overcoming economic marginalization by the center and enhancing the status of minority languages and/or religions. These struggles however were far from settled as they were not only riddled with internal divisions over issues such as the extent of autonomy but were militarized too as a weakened central government tried to reassert its control over these areas. The most prominent example here is the civil war in Kurdistan since March 1979, which unlike the other armed conflicts in regions such as Turkmen Sahra persisted well into the Iran-Iraq war (see Koochi-Kamali 2003, 173–97).

These topics have already been pointed out by a rich body of critical studies on the immediate period after the fall of the monarchy. What needs to be made more explicit here is how the radicalization and intensification of the popular struggles was limited by their spontaneous and localized nature. This was to a large extent overdetermined by the conservation

effects of the sub-imperialist form of development. Among other issues one can point to the weakness of backward and forward linkages within and between the agricultural and industrial sectors as well as acute regional disparities reinforced through the Persian nationalist state project. These factors had an important effect in localizing, or better, inhibiting ‘national’ coordination and organization of ‘popular’ struggles. That is not to say that localized struggles could not have turned into national ones, but rather to emphasize that such possibility was precisely predicated upon overcoming the persistence of structural disadvantages of the sub-imperialist form of development. This brings me to how these new forms of struggles were contested by political parties, organizations and fronts. Before proceeding to the next section, I must nonetheless note in passing that structural crisis of the 1970s, the fall of the monarchy and the intensification of the popular struggles, despite their limitations, had more or less excluded the restoration of the sub-imperialist form of development from the horizon of possible forms of development in Iran. At the same time, and as I have shown above, the demise of this form of development had important dissolution/conservation effects on the revolutionary conflict formation.

#### [‘The Paralysis of Contending Forces’](#)

During the fall of the monarchy, a plethora of new political parties, organization and fronts along with the ones that had existed prior to the 1953 coup or had begun underground activities after the White Revolution reorganized in the context of weakening and/or dissolution of Pahlavi coercive apparatuses. The extraordinary alliances, splits and struggles between these parties and the ways through which they tried to appeal to and agitate the intensified struggles of the revolutionary conflict formation is a complex topic which has already been dealt with in various analyses.

What I want to highlight here is that none of these forces had the necessary organizational capacity to ‘absorb’ the complex and multifaceted conjuncture of class struggle in a way that would be possible to pursue a ‘hegemonic project’. To be more specific, I argue that during this conjuncture there emerged what may be called a ‘paralysis of contending forces’. What is conceptually involved here is a three-fold process.

First, that structural crisis of the 1970s, the fall of the monarchy and the intensification of the popular struggles had excluded the restoration of the sub-imperialist form of development from the horizon of possible forms of development in Iran. In other words, as I argued with Sabah Alnasseri in the second chapter, in the capitalist type of state, “the ‘condensation’ of relation of forces is unbalanced due to the “dominance of capital, the asymmetry of the relations of power, and the capitalist social division of labour” (Alnasseri 2011, 129). As such, structural crises will have a more accentuated effect on the power bloc (or better, on the dominant forces within the power bloc) compared to the popular classes who only find an indirect present in the state (Alnasseri 2016a). In this sense, the structural crisis of the mid-1970s onwards had the most disorganizing effect on those associated with the Persian nationalist state project and the import substitution accumulation strategy. Hence, in the absence of a direct external intervention and in the context of the intensification of popular struggles, emergence of new revolutionary fronts, parties and coalitions, the crisis of the sub-imperialist form of development further intensified to a point where its restoration was more than questionable. I may then emphasize the primacy of internal forces once again by pointing out that despite the constellation of pro-American coups in the region during this conjuncture, the main aspects of the sub-imperial form of development, particularly its close alignment with American imperialism had been more or less excluded from the horizon of developmental possibilities during the revolutionary conflict formation.

Second, 'paralysis of contending forces' is conceptually demarcated from notions which point to situations where there is an equilibrium between the forces of revolution on one hand and the counter-revolution on the other hand (e.g. 'Bonapartism', 'catastrophic equilibrium' and 'progressive and/ or regressive Caesarism'). That is the 'paralysis of contending forces' strictly concerns the peculiar balance of forces among the revolutionary forces. Before elaborating on this issue, I must emphasize here that the characterization of revolutionary forces in this conjuncture as 'revolutionary' is contingent to a period of intense and open-ended struggle where the old form of development is dissolved and the new one is still not born. Put differently, the consideration of these forces as 'revolutionary' does not imply that all of them were pushing for a 'transition to socialism'. Rather, this designation is to be understood only in two senses; a) the broad convergence among these forces in terms of rejecting the main tenants of the sub-imperialist form of development, mostly importantly Iran's sub-imperialist role in the region; b) the continued relevance of these forces in this conjuncture was predicated on addressing and contesting the social question brought to the fore by the intensification of popular struggles during the revolutionary conflict formation. As Poulantzas reminds us, "the transition to socialism is not the only occasion for political crises leading to revolutionary situations. And even changes in the balance of forces that do not reach this level of upheaval may be associated with political crises giving rise to substantial modifications in the bourgeois state" (Poulantzas 1976, 91).

To return to the main issue. This peculiar balance of forces among the revolutionary forces may best be demonstrated by pointing to multiple centres of power inside and outside the state apparatuses. To be more specific, on the one hand, since the downfall of the monarchy, various institutions were established which ran parallel to the old state apparatuses (e.g. The

Council of Revolution, IRGC, Revolutionary Courts, Neighbourhood Committees) (see Harris 2019a). On the other hand, the dissolution of the sub-imperialist form of development had not equaled to the dismantling of pre-revolutionary state apparatuses. It is true that outright dismantlement, weakening or subsuming of these apparatuses by new ones was a possibility. Nonetheless, precisely because these issues were far from settled, political parties, organizations, fronts and alliances heavily competed for dominance within these apparatuses and the ones that ran parallel to them. Once more, the point here is that none of the revolutionary forces had a position within the old or parallel institutions to assume a hegemonic or dominant position over the direction of the revolutionary process.

What is more, this peculiar nature of the relations of force was not an impediment to taking decisive steps away from the sub-imperialist form of development. The nationalization of banking system, insurance companies and most import-substituting industries as well as severing diplomatic ties with Israel are important examples. Nonetheless, the shift away from the sub-imperialist form of development occurred in a heavily contested form. To elucidate this point, we can take some of the articles which concern the economy in the 1980 constitution as an example. Article 81 of the constitution reflects the general consensus among the revolutionary forces in terms of rejecting or at least minimizing the country's dependency on foreign capital as it prohibits the "granting of concessions to foreigners or the formation of companies or institution dealing with commerce, industry, agriculture, service, or mineral extraction." What is more, various provisions in Article 43 regarding full employment and provision of "basic necessities for all citizens" (Maloney 2015, 133–34) reflects the general consensus on the need to incorporate the social question in the legal framework of the post-revolutionary state.

Nonetheless, the constitution is rather vague on the ways in which the above goals may be implemented. A case in point is Article 44, which envisions the economy to be structured around three sectors; state, cooperative, and private (Maloney 2015, 134). While the state sector is given the most prominent role, the relations between the sectors and limitations on the scope and extent of their activities are rather ambiguous. In this sense, the contradictions and ambiguities in the constitution reflect the heavily contested terrain in which various forces tried to overcome the main aspects of the sub-imperialist form of development.

Third, the absence of a hegemonic or dominant force in this period of intense struggle culminated in, or better, necessitated a particular form of 'leadership' which did not so much overcome the contradictions and conflicts between the various revolutionary forces, but rather accommodated compromises between them. This role was assumed by Ayatollah Khomeini who since 1971 had abandoned his calls for the return to constitutional monarchy and instead rejected the monarchy, its sub-imperial role and ignorance of 'social justice' (see Mahdavi 2014, 58) .

My emphasis on the unsettled nature of class struggle during this conjuncture runs against a form of reading history backwards, which assumes an 'Islamist' hegemony during the revolutionary process. In sharp contrast however, looking at the revolutionary conflict formation from the perspective of the 'paralysis of contending forces' allows one to appreciate the unsettled and contradictory nature of class struggle in this period while decisive yet heavily contested steps are taken away from the sub-imperialist form of development.

## Conclusion

Throughout this chapter, I identified and analysed three conjunctures of class struggle, which correspond to a form of development, its crisis and a revolutionary situation. As opposed

to reiterating the details, let me briefly point to what I think are the most important findings in each conjuncture of class struggle.

Beginning with ‘the sub-imperialist form of development’, which is chiefly defined by an ‘import substitution accumulation strategy’, the adoption of a ‘sub-imperialist foreign policy’ and the promotion of a ‘Persian nationalist ideology’. What most stands out in this conjuncture is how “neither from the point of view of openness to foreign capital, nor in terms of its impact on the volume of trade, does [*this particular form of*] ISI decrease or hinder world economic integration” (Poursadigh 2003, 68). Rather, the implementation of this accumulation strategy since the early 1960s led the metropolitan mode of production to establish its dominance directly in Iran by reproducing itself in a specific form.

In terms of the ‘crisis of the sub-imperialist form of development’, what is essential to note is that the relative gain in Iran’s national autonomy coincided with the political and economic crises, in part because the structural selectivity of the state did not allow for the peaceful rotation of power amongst the different fractions of the power bloc.

Turning to the revolutionary conflict formation, the original moment in my analysis is what I termed the ‘paralysis of contending forces’; that is a constellation when the restoration of the form of development in crisis is extremely unlikely, while there is an equilibrium between the revolutionary forces. This concept allows one to better understand how during this unsettled conjuncture, decisive yet heavily contested steps were taken away from the sub-imperialist form of development.

# **Chapter 4: The Iran-Iraq War and the Emergence of the ‘Late National Bourgeois form of Development’**

## **Introduction**

As explained before, the interiorization of the emergence phase of the neoliberal world order into the internal contradictions of Iran had resulted in two distinct conjunctures of class struggle; the crisis of the sub-imperialist form of development from late-1970s to February 1979 and the ‘revolutionary conflict formation’ from February 1979 to September 1980. In each conjuncture, the interiorization of the imperialist world order and its contradictions, had distinct effects on the domestic terrain of class struggle. In the former case, this was realized as the increased international autonomy of the state, which was articulated with a domestic structural crisis. In the latter case, the same international contradictions prevented a decisive external intervention on the part of international powers and allowed for the unfolding of an intensified period of class struggle or what I called ‘paralysis of contending forces’.

In this chapter, I argue that the interiorization of the same global context into the internal contradictions of Iran led to the emergence of a new form of development; what I call a ‘late national bourgeois form of development’ (LNB). To substantiate this argument, I will take the following steps in the proceeding sections. First, through an analysis of the regional and international reactions to the Iran-Iraq war, I will assert that in the conjuncture under study, the interiorization of the world order and its contradictions were chiefly overdetermined by the Iran-Iraq war.

I will then proceed by demonstrating how a ‘war managed accumulation strategy’ became dominant during the 1980-88 period. This accumulation strategy was chiefly characterized by a form of increased state intervention in the economy, which favored a domestic space of accumulation, dominance of non-monopoly capital and disciplining the popular classes through mobilization for the war. This process was conducive to the rise and dominance of the economic-corporate interest fractions of ruling class which have a relative degree of contradiction with foreign capital (i.e. national bourgeoisie) and unfavorable to the ones that are subordinate to it (i.e. comprador, domestic).

Finally, by analysing the ‘late national bourgeoisie state project’ I will explicate how the war managed accumulation strategy became politically and ideologically generalized. From the perspective of the form of state intervention in the economy, this project revolved around the protection of the domestic market and its expansion through the relative incorporation of the popular classes in the new accumulation strategy. What is more, the LNB state project is also defined by the adoption of a ‘limited non-aligned foreign policy’ and the promotion of a ‘narrow pan-Islamist’ discourse.

### Interiorization and (Semi-)Peripheral Armed Conflicts

The effects of “the longest conventional warfare” (Hiro 1991, 1) of the 20<sup>th</sup> century on the Iranian economy and state formation cannot be overestimated. For instance, “the loss of oil output and revenue...[and]...heavy damage on Iran's pipelines, refineries, infrastructure, industrial sites” (Alnasrawi 1986, 878) are some of the factors which I will return to later. Prior to analysing these issues, I should however primarily clarify the question of interiorization of imperialist relations in constellations of military conflict in the (semi-)peripheries. In the theoretical chapter and following Poulantzas I had argued that the primacy of internal forces

means that the ‘external factors’ “only act on the country in question by way of their internalization, i.e. by their articulation to its own specific contradictions”. Poulantzas however qualifies this statement by making an exception in “cases of open and direct intervention on a massive scale” similar to what had occurred in Vietnam and Santo Domingo (Poulantzas 1976, 22–23). The question that is immediately posed here, is whether the Iran-Iraq war represents such case and if so, how should we assess the question of the relation between external and internal forces in Iran during this constellation.

Needless to say, the military, economic and diplomatic capacities of a (semi-)peripheral state are not comparable to an imperialist power, particularly in situations of open military conflict. Hence, the most important point to consider here is that from the Iranian perspective, the eight-year war was not a case of open and direct imperialist military intervention similar to the American occupation of Iraq in 2003. To go further, despite Iraq’s better access to arms and foreign aid during the war, we should not simplify the conflict by assuming that Iraq was conducting a ‘sub-imperialist’ war. That is, the international contradictions during the emergence phase of the neoliberal world order, had resulted in a marginal yet important rise in the international autonomy of (semi-)peripheral states. At the same time, the inauguration of the ‘Second Cold War’ had chiefly resulted in the militarization of MENA. It is true that many of the armed conflicts in the region were not directly caused by the intensification of superpower rivalries. Nonetheless, the Second Cold War had a key role in the exacerbation of these conflicts. The Iran-Iraq war too should be contextualized within such contradictory context. On the one hand, the contradictions of the emergence phase of the neoliberal world order had left both countries a more open and independent terrain for cooperation and conflict. On the other hand, the militarization of MENA subsequent to the Second Cold War (in particular after the Soviet

occupation of Afghanistan) increased the propensity of prolonging armed conflicts. I have already dealt with the former point in chapter two. In what follows, I will briefly explicate the latter point by considering the international and regional responses to the Iran-Iraq war. This overview will help to clarify how the unfolding of Iran-Iraq war in the context of bi-polar rivalries, transatlantic contradictions and regional polarization led to an equilibrium in the military balance of forces between Iran and Iraq; a paradoxical constellation whereby a protracted war ensued while the overall territorial integrity of both countries remained intact.

#### [Iran-Iraq War: Bi-Polar Rivalries, Transatlantic Contradictions and Regional Polarization](#)

The Soviet Union's approach towards the Iran-Iraq war was to a large extent determined by its privileged position in both countries compared to that of United States. It is true that the Soviets' relations with Iraq had undergone significant challenges since the signing of the USSR-Iraqi Treaty of Friendship and Cooperation in 1972. Some of these challenges were caused by the suppression of Iraqi Communist Party and effectively ending the National Front government, Iraq's opposition to the Soviet invasion of Afghanistan, the Iraqi invasion of Iran between Sep1980-1982 and resumption of diplomatic ties with the United States in 1984 (Baram 1987). Similarly, the Soviets' relations with Iran after the 1979 revolution had its fair share of difficulties, mainly Iran's opposition to the Soviet invasion of Afghanistan and its support for some of the *mujahedin*, the suppression of the leftist organizations, particularly the Tudeh Party and secret American and Israeli arms transfers to Iran (Freedman 1990). Nonetheless, the demise of Iran as a sub-imperial power in the region had promised better Soviet positioning within Iran. This was particularly evident after the imposition of sanctions related to the hostage crisis where Iran's trade intensity and use of transit routes through the Soviet Union significantly increased (Hunter 1987, 258). Moreover, Soviet investments on transit routes between Iran and Soviet

Union had “helped ensure Tehran had alternative export routes to deter a U.S. naval blockade.” Last but not the least, Soviet diplomatic efforts at the United Nations were central in preventing the internationalization of U.S. sanctions against Iran (Maloney 2015, 436). Likewise, despite Iraq’s enhanced military, diplomatic and economic relations with the United States during the war, the Soviets continued to have significant relations with Iraq, particularly if one considers the latter’s dependency on Soviet arms (Baram 1987; Freedman 1990, 119). Moreover, like Iran, Iraq was clearly opposed to Israel as a sub-imperial state; a stance which brought both countries closer to the Soviet orientation in the MENA.

Hence, during the war, Moscow’s priority was not only to “prevent a rapprochement between Iran and the United States” (Freedman 1990, 117), but also reverting and averting the enhancement of Iraqi-American relations. The war, however, would ensure the mutual weakening and destruction of both countries and made them more vulnerable to American pressures. Also, the polarization of the region and the Arab world around the Iran-Iraq war would certainly jeopardize Moscow’s attempts in building a united anti-imperialist front against Israel in the region. Hence, “Moscow had a major interest in seeing it come to an end as quickly as possible, yet without a decisive victory for either combatant” (Freedman 1990, 117). To clarify further, a victory for Iran would jeopardize the Soviet position in Afghanistan while an Iraqi victory could push Iran towards rapprochement with the United States (Kalinovsky 2012). This explains Soviet Union’s economic, military and diplomatic support tilting towards Iran when Iraq was on the offensive (September 1980 to late 1981) and tilting back towards Iraq when Iran was on the offensive (see Freedman 1990, 118).

With regards to the United States’ approach to the Iran-Iraq war, two simultaneous dynamics are worth mentioning. First, despite America’s official declared neutrality, it utilized

the war “to augment its military forces in the region”. For instance, one can refer to arms sales to American allies in the region (e.g. Awaks to Saudi Arabia), Iran (e.g. Iran-Contra Affair) and Iraq (Hiro 1993, 46) as well as an increased naval presence in the Persian Gulf (Razoux 2015, 564–68). Second, for most of the eight-year war the United States performed a ‘dual containment policy’ (Alahmad and Keshavarzian 2010, 17), or better ‘mutual weakening’, towards Iran and Iraq, both of which had strong anti-American and anti-Israeli foreign policies. That is, be it through arms sales, intelligence sharing, direct military involvement, imposing and lifting sanctions or other economic and diplomatic measures, the United States ensured that neither side was on a position of victory over the other. Although these measures usually tilted towards support for Iraq, one may contextualize this in Iran being on the offensive for most of the duration of the war. Regardless, the mutual weakening of Iran and Iraq would not only make them more vulnerable to American pressures and thereby compromising Soviets’ influence in both countries, it would also enhance Israel’s security in the region. In this sense, the Iran-Iraq war provided a suitable context for U.S.’s change of strategy from ‘containment’ of the USSR to one of ‘rollback’ through militarization (Prashad 2007, 132).

The examination of changes and continuities in superpowers’ approach to the Iran-Iraq war goes well beyond what was outlined above. That being said, this brief overview demonstrates that in a conjuncture of increased international autonomy, the intensification of bi-polar rivalries contributed to the prolongation of Iran-Iraq war. After all, both superpowers ended up sending arms and supplies to both sides -at times simultaneously- either directly or through intermediaries. At the same time, the contradictions of the emergence phase of neoliberal world order had allowed a more independent approach to the war by other Atlantic powers, despite the bi-polar limitations. As Chipman puts it “European governments were able, while pursuing a

clearly Western political strategy in the region, to distinguish themselves from the US... [and] made separate, if not radically different, definitions of Western interests in the region” (Chipman 1987, 227). This often resulted in various forms of economic and diplomatic cooperation with Iran and Iraq, but most importantly flow of arms, military equipment and military assistance or training (Razoux 2015, 546–56). To this, we must also add a polarized regional dynamic around the war, which also contributed to the prolongation of the conflict. For instance, Egypt, Jordan and some of the Gulf monarchies supported Iraq’s war efforts through credits, grants and loans, rerouting of Iraqi oil exports, intelligence sharing and military assistance. At the same time, Iran received similar support from Syria and Libya (Rabinovich 1987).

#### [Territorial Integrity and Interiorization During a Protracted War](#)

To return to the question of interiorization of imperialist relations during the eight-year war in Iran. There is no question about the extensive scope of the war for Iran. For instance, during the initial phase of the war (September 1980-March 1981) Iran had lost about 10000 square miles of its territory (Hiro 1993, 44), particularly some of the most important oil-producing and petrochemical regions (Amirahmadi 1990b, 63). Nonetheless, as mentioned before, the eight-year war cannot be considered as a ‘case of open and direct imperialist intervention on a massive scale’. Rather, the unfolding of the war during the emergence phase of the neoliberal world order resulted in a contradictory situation where neither Iran nor Iraq could decisively tilt the balance of military forces to their favor.

To conclude. In sharp contrast to the cases of open and direct intervention on a massive scale, this constellation points to the sustained relevance of interiorization of imperialist relations. To go further, I argue that throughout this conjuncture, the interiorization of the world order and its contradictions are chiefly overdetermined by the Iran-Iraq war. I will explicate this

argument in the proceeding pages by pointing to emergence of a ‘war managed accumulation strategy’ and a ‘late national bourgeoisie state project’.

### The War Managed Accumulation Strategy

Many critical analyses have studied the effects of the eight-year war on Iran’s economy. Some have quantified the ‘cost of war’ on Iran’s economy by calculating it in monetary measures (see Amirahmadi 1990a) while others have highlighted its qualitative effects on the nature of imports and exports, trade patterns as well as industrial and agricultural output (see Alnasrawi 1986). While utilizing their enormous contribution to these subjects, in what follows I explicate not so much the effects of the war on the economy, but rather a constellation which might be called a ‘war managed accumulation strategy’. That is, from the perspective of accumulation strategy, the interiorization of imperialist relations as well as imposition of a class fraction’s ‘economic-corporate’ interests on the other fractions through class struggle takes form in and through the war. Hence, the persistence of such accumulation strategy outside a war context was more than questionable. It is also worth mentioning that what we are dealing with is not so much the interiorization of stable neoliberal regime of accumulation, but rather the ongoing crisis of Atlantic Fordism. That is, there were decisive steps towards liberalization of trade, finance and production which “greatly enhanced flexibility in the organization and articulation of production and consumption”. Nonetheless, it was still too early to talk about a Post-Fordist regime of accumulation as we are dealing with a conjuncture when “there will be no return to the Fordist status quo ante and hard to anticipate the precise forms of any new regime” (Jessop 1992, 52). In this sense then, and from the perspective of (semi-)peripheries, interiorization might entail both the conservation effects of Atlantic Fordism, its dissolution

effects, or both. In the case of Iran, the overdetermination of the interiorization of imperialist relations by the war and the sanctions favored the former as opposed to the latter cases.

To elucidate these points, I will take the following steps. First, I will substantiate how the war contributed to the reducing of Iran's linkages to the world market and privileged the domestic space of accumulation. This will be done by analysing how the war conditioned new developments in Iran's oil sector, trade, financial and technological dependencies as well as and the new form of state intervention in the economy. Second, I will demonstrate how the privileging of the domestic space of accumulation in a conjuncture of class struggle marked by the mobilization of popular classes for the war contributed to the rise and dominance of non-monopoly capital.

#### [The Oil Sector: Nationalization, Sanctions and the War](#)

As pointed out earlier, the oil sector played a crucial role in the pre-revolutionary accumulation strategy. Like the rest of its history, during the 1960s and the 1970s, this sector persisted to be the most extroverted sector of the economy in terms of ownership, technology, FDI, trade and know-how in all its aspects ranging from exploration and production to marketing and transport. Nonetheless, as a principal source of export earnings, it had a decisive effect on the form, extent, scope and the crisis of the pre-revolutionary accumulation strategy. In other words, while linking the domestic economy to the global markets, the developments within this sector conditioned other aspects of the accumulation strategy. It is then not a surprise that the oil industry has always been heavily contested economically, politically and ideologically not just domestically but also regionally and internationally. Hence, demarcating the war managed accumulation strategy from its predecessor is to a large extent predicated on assessing the

changes in this sector during the 1980-88 period. Below, I will briefly do this by considering the effects of the juxtaposition of nationalization of the oil sector with the war and sanctions.

### *Nationalization and Declining Oil Exports*

By the time the Iran-Iraq war began, Iran's political economy of oil had entered a decidedly new path. Despite the transitional nature of 'the revolutionary conflict formation' and uncertainties around it, during this conjuncture, the revolutionary forces had managed to comprehensively nationalize Iran's oil industry; a move already reflected in the newly passed constitution which prohibited granting concessions to foreigners. This took form by abrogating the 1972 consortium deal, as well as all joint-venture companies outside the consortium deal. Hereafter, all exploration, production, marketing and transport activities were taken by the National Iranian Oil Company and the newly created Oil Ministry (Amirahmadi 1990b, 72-73). At the same time, production sharing agreements with International Oil Companies effectively ended and as such, the oil sector witnessed the flight of Foreign Direct Investment, experts, know-how and technology. Hence, even before the inauguration of the Iran-Iraq war, oil exports and revenues had declined compared to pre-revolutionary years. It must however be noted that this decline also reflected the consensus among revolutionary forces that ending 'oil dependency' and promotion of industrial and agricultural growth was predicated on a reduced oil production policy (Amirahmadi 1990b, 73; Mirsaedi-Farahani 2015, 81).

### *The War and Declining Oil Revenues*

Despite the initial rise in crude oil prices as a result of the beginning of Iran-Iraq war, most of this conjuncture correlated with the 'oil glut' of the 1980s and the resulting decline in oil prices. As such, many oil-producing countries were faced with declining oil revenue. In the case of Iran, however, the effect of the oil glut was accentuated by war related damages to its oil exporting capacities "including loading facilities, pumping stations, refineries, terminals and

pipelines” (Alnasrawi 1986, 873). This is clearly reflected in Iran’s declining oil exports from its peak of 6 million barrels a day in 1974 to a day to numbers which always remained below 2.5 million barrels a day in the 1980-1988 period (E. Pesaran 2011, 184). To go further, increased transportation costs as a result of rerouting of export routes, selling oil at discounted and below the market prices as well as increased insurance costs for oil tankers (Mofid 1990, 116–18) negatively affected Iran’s revenue from an already declining oil exports. These dynamics are demonstrated in a considerable decline in oil revenues (Mohaddes and Pesaran 2014).

#### *The Sanctions and Changing Oil Export Patterns*

These processes came against the backdrop of ‘hostage crisis’ sanctions (November 1979-January 1981), which banned oil imports from Iran to United States, a major importer of Iranian oil prior to the revolution. Following Maz Labban, we may call this a part of United States’ policy of “negative territoriality” which strived for the “control of [Iran’s] (economic) territory by its removal from the circuits of all capital rather than its exclusive incorporation into one” (Labban 2008, 136). It is true that at this stage, American sanctions did not pose a major challenge to the export of Iranian oil, even to United States’ Atlantic allies. After all, not long after the conclusion of the Algiers accords, American imports of Iranian oil began again in April 1982. Even when the United States ceased the direct import of Iranian oil in 1987, approximately 20 percent of Iran’s oil was being purchased by US companies which exported it to other countries (Torbat 2005, 416). Nonetheless, the overall effect was a considerable decline of export of Iranian oil to United States from its peak of 555 thousand barrels a day in 1978 to numbers which always remained below 100 thousand barrels a day in the 1980-1988 period (U.S. Imports from Iran of Crude Oil and Petroleum Products (Thousand Barrels per Day) n.d.). At the same time, this decline correlated with the cementing Iran’s oil exports to E.E.C countries

and Japan as well as sales and/or transport through the Soviet Union and the Eastern Bloc (Hunter 1987, 258).

These changing trade patterns, sanctions and the responses to them, reflect the struggle over Iran's oil industry amongst international powers during the emergence phase of the neoliberal world; one which is a part of a longer historical pattern where exclusion of Iran from 'circuits of US capital', led to its integration into European and later Asian ones (Labban 2008, 123–24). In this conjuncture, however, it is difficult to talk about integration as apart from energy exports, foreign direct investment, flow of experts, technology and know-how came to a halt.

#### *Oil Dependency and Exposure to International Markets*

To return to the original point about assessing the changes in the oil sector during the 1980-88 period. Similar to the pre-revolutionary accumulation strategy, Iran's oil industry continued to be the most exposed sector to the international markets and key intermediary between the domestic and international markets. After all, Iran continued to obtain most of its export earnings through crude oil exports. During the war, however, three important dynamics differentiate the status of the oil sector from the sub-imperialist form of development. First, the nationalization of the oil industry, the war and American sanctions had a mutually reinforcing effect in terms of limiting this sector's exposure to international markets to the export of crude oil. The point becomes clearer if one considers the decline in oil exports and revenues, the negative inflow of FDI as well as flight of exports, know-how and technological integration. Second, the articulation of nationalization of the oil sector with the sanctions led to the effective exclusion of the United States from oil trade with Iran, strong ties with European Economic Community (EEC). and Japan and marginal yet significant sales/transport to the Soviet Union

and the Eastern Bloc (Hunter 1987, 258). Third, as much as the war and sanctions have a role in limiting the oil sector to international markets, they have an equally important role in sustaining this sector as the most exposed sector of the economy to the global markets. That is because, the exigencies associated with war and sanctions prioritized export earnings through oil sales even more than a scenario when there would be no war. This slight rise in oil dependency is reflected in the increased share of oil in Iran's total export earnings and government spending (Mohaddes and Pesaran 2014). This point becomes clearer when I discuss the ways in which oil revenues conditioned the war managed accumulation strategy. For the time being, it suffices to say that compared to the pre-revolutionary accumulation strategy, the oil sector shows less exposure to international markets while the war managed accumulation strategy becomes more oil dependent.

#### Financial Dependencies

The effects of the juxtaposition of the Iran-Iraq war with the sanctions regime on the rest of the Iranian economy, were similar to what had occurred in the oil sector. For instance, during this conjuncture, Iran's financial dependencies considerably declined compared to the pre-revolutionary IS accumulation strategy. To substantiate this, we may point to the negative inflows of FDI for most of the 1980-88 period (Maloney 2015, 442; E. Pesaran 2011, 58) and the absence of new foreign loans except for few short-term foreign credits. What is more, despite declining oil revenues, Iran also paid most of its foreign debt since the Algiers Agreement mandated that part of Iran's frozen assets would be used to pay the country's foreign debt (Mazarei 1996, 296). These trends were in part due to the war associated risks which reduced FDI inflows and the sanctions which made access to foreign loans, aids and grants unlikely. These 'external' factors however do not explain Iran's declined financial dependencies in

themselves. Rather, these external factors only acted by the way of their interiorization into a conjuncture of class struggle where ‘economic independence’ was prioritized. For instance, the post-revolutionary nationalizations, some of which included expropriation of foreign assets and joint-ventures (Salami 1997, 315) had created an insecure environment for foreign investment. At the same time, the inauguration of a constitutional framework with heavy emphasis on ‘economic independence’ made the obtaining of FDI and foreign loans even more difficult.

These dynamics imply that during the war period, “Iran’s relations with international markets were restricted to energy exports and trade of goods” (M. R. Razavi 2018, 33) Hence, from the perspective of interiorization and induced reproduction, the nature of Iran’s trade relations and their conditioning by declined oil exports - main source of foreign currencies - attain an added significance. This becomes clearer below where I discuss Iran’s changing trade relations, composition and volume and illustrate how these changing trade patterns point to the enhanced importance of oil revenues and sustained yet decreased financial, technological and trade dependency.

#### [New Trends in Trade Composition and Volume](#)

In the period under study, there is a clear link between the decreased oil revenues and the intensity and composition of Iran’s imports. In terms of trade volume, there is a decline in trade-to-GDP ratio compared to the late 1970s. This is all the more important when we consider the clear decline in the ratio imports as a percentage of GDP from its peak of 35 percent in 1975 to a low of 8 percent in 1988. What is more, there are also changes in Iran’s trade composition. As I pointed out before, during the sub-imperialist form of development, Iran’s industrialization was marked by a high degree of technological dependency which is reflected in their dependence on American, Japanese and European markets for more than 65 percent of their inputs, in particular

intermediate goods (Amirahmadi 1990b, 87). During the war years, these intermediate and capital goods still formed the majority of Iran's imports compared to consumer goods. Nonetheless, there are negative rates of capital and intermediate goods imports compared to the pre-revolutionary situation (Yaghmaian 2002, 198–99).

As it has been substantiated elsewhere, these changes in Iran's trade volume and composition are not only a result of declined oil revenues, but also the American sanctions which had made the import of industrial items more difficult and costly (see Amirahmadi 1990b, 87). What is more important here is how these trends point to a conjuncture where Iran's economy becomes 'less extroverted' rather than a complete 'de-linking' or a situation of 'autarky'. Put differently, these changes reflect privileged the domestic space of accumulation during the 1980-88 period. This becomes more evident as I go through other aspects of the war managed accumulation strategy. For the time being, however, it is necessary to stress that the privileged position of the domestic space of accumulation was materialized in and through new types, albeit lower degrees of dependencies. As will be demonstrated below, considering the negative inflows of FDI and lack of foreign loans, Iran's changing trade relations indicate the direction of these dependencies.

#### *Trade Diversification*

The changing pattern of Iran's trade partners during the war period may best be illustrated in four simultaneous processes. First, Western European and Japanese trade relations with Iran remained strong after the revolution as Iran remained an important source of oil imports and also a market for capital and consumer goods (Parsons 1989, 228). This is indicated by these countries' significant share of total imports to Iran which constantly remained around 40% (Amirahmadi 1990b, 228–32).

Second, despite some fluctuations, the Soviet Union and the Eastern Bloc in general continued to have trade relations with Iran. However, its extent was not comparable to that of Western Europe and Japan. For instance, despite the increase in the Eastern Bloc's share of imports to Iran during the hostage crisis related sanctions and its intensification through barter exchange during foreign exchange shortages these numbers usually remained below ten percent of the total import.

Third, against the backdrop of American sanctions, Iran's trade relations with the United States almost came to a halt (Maloney 2015, 436–42). Finally, Iran's trade relations with the (semi-)peripheries remained low with a slight increase compared to the late 1970s. These trade relations were essential as countries such United Arab Emirates acted as zones for re-exporting American products to Iran. Others (semi-)peripheries such as Turkey, Thailand, Indonesia, replaced United States' exports and services to Iran (Amirahmadi 1990b, 228–32; Maloney 2015, 436–42) while China and North Korea became important sources for arm imports (SIPRI data on arms trade n.d.).

Overall, and compared to the sub-imperialist form of development, these patterns indicate a slight yet significant diversification in Iran's trade destinations. Similar to the pre-revolutionary years, the E.C.C. economies and Japan continued to be Iran's top trade partners. In sharp contrast, however, the United States' effectively lost its privileged position in Iran's trade, while there is a moderate yet clear shift towards the Eastern bloc and other (semi-)peripheries.

#### [New Forms of Technological Dependency](#)

Iran's changing trade relations, composition and volume as well as the declining role of FDI and foreign loans already point to important changes in Iran's technological dependency. We may take the defense sector as an example.

Despite the protracted war with Iraq, the share of arms imports in Iran's defense industry significantly dropped in the 1980-88 period when compared to the 1970s. This is clearly reflected in the decrease in the value of arms imports from its peak of over 5 billion dollars in 1977 to numbers which fluctuated between 192,000,000 to 833,000,000 in the 1980-88 period (Arms imports (SIPRI trend indicator values) - Iran, Islamic Rep. n.d.). This decline is in part due to the American sanctions, which made the obtaining of arms and spare parts exceedingly difficult. After all, during the war, the Iranian armed forces were still constrained by the heavily American dependent and capital intensive nature of the army as well as a defence manufacturing sector which had been initiated since the 1970s (Ehteshami 1995, 182). To counter the negative effects of the sanctions, Iran not resorted to 'reverse engineering' to keep its Western dependent armaments, but also adopted a 'labor intensive' military strategy based on the domestic production of 'simple weapons and ammunitions' (Clawson 1988, 374). The increasing arms transfers from countries such as China and North Korea and the Eastern Bloc were not only essential to the conduct of the war but also rejuvenating the domestic arms industry (Ehteshami 1995, 182-84; Gill 1998). These trends reflect decreased levels of technological dependency when compared to the sub-imperialist form of development. This reduction is however marked by marginal dependence on American technologies, sustained yet declined reliance on European and Japanese markets and a limited shift towards labor-intensive technologies originating from the semi-peripheries (M. R. Razavi 2018, 32; see Soofi and Goodarzi 2017).

These patterns in Iran's defense sector are also applicable to other sectors of the Iranian economy. On the one hand, the sanctions, war and a conjuncture of class struggle where economic independence was prioritized worked against the persistence of the form of technological dependency associated with the sub-imperialist form of development. It is then not

surprising that in this period “MNCs were only interested in the sales of finished or semi-finished goods to Iran and not in making investment, transferring technology, or integrating the country within their value chains”. On the other hand, “this situation forced local industrialists, managers, and engineers to find ways to keep their facilities operational and engage in technological imitation, copying, reverse engineering, and minor innovation” (M. R. Razavi 2018, 33). As my observations on the defense sector clarify, these developments do not imply that the war managed accumulation strategy was technologically self-sufficient. Rather, they point to a new type of technological dependency in its conditions of existence (the war, sanctions, the conservation effects of the sub-imperialist form of development, the conjuncture of class struggle). This new form of technological dependency has enormous consequences for the understanding of the war managed accumulation strategy. For instance, it is in this light that we can properly understand the prioritization of “ “production” capacity (satisfying the domestic market) as opposed to “technological learning capabilities” (developing competitive products for export)” (M. R. Razavi 2018, 33) during the 1980-88 period. I will later return to this issue when I analyse the rise of non-monopoly capital.

#### Protection of the Domestic Market

Iran’s increased oil dependency against the backdrop of declining production and prices, sanctions and war related expenses exerted enormous pressures on Iran’s economy as it accentuated the tendencies for foreign currency shortages, negative balance of payments, deficits and inflation. This context necessitated an increased state intervention in economy to manage these pressures and ensure the population’s basic needs were met, particularly the popular classes who were central to the war mobilization efforts (see Ramazani 1990, 52). This increased

intervention in the economy may be identified by pointing to four of its most important characteristics.

First, in this constellation state control over the financial, commercial and industrial enterprises which were nationalized during the revolutionary conflict formation was cemented. For instance, the urgency of halting capital flight, had a key role in the maintenance of the state's control over the nationalized banks and financial institutions. One can also identify a similar dynamic with regards to the nationalized industries. These medium and large enterprises which were the most capital intensive and technologically dependent in Iran could not meet their production capacities. That is because in the post-revolutionary period they faced capital flights, exodus of experts and difficulties in attaining the necessary raw materials, intermediate and capital goods. Hence, they were not “immediately profitable” and keeping them operational was well outside the capacities of the private sector (see Ehteshami 1995, 87). It should also be recalled that these plants were the sites of intensified worker struggles, which further excluded the possibilities of re-privatization.

Second, series of import-substituting policies were institutionalized which compared to the pre-revolutionary accumulation strategy were both wider in scope and deeper extent. For instance, one can refer to strict government control over trade through licensing, prioritization of import items through allocation of foreign exchange, the imposition of quotas, quantitative restrictions, high tariffs and import compression (see Hakimian 2013, 55–56).

Third, in the absence of foreign loans, government borrowing from the central bank became commonplace while strict exchange controls were implemented through a multiple exchange rates system. Last but not the least, the government imposed “direct price controls in a

large number of product markets” and developed “an intricate system of rationing and direct subsidies for a large number of commodities” (Hakimian 2013, 52).

Taken collectively, these dynamics indicate that in the 1980-88 period the war and sanctions on the one hand and the increased state intervention on the other hand had a mutually reinforcing effect in terms of disengaging from the international markets and favoring the domestic space of accumulation.

#### Extension of the Domestic Market

Similar to the pre-revolutionary accumulation strategy, the main space of accumulation during the war period was the domestic market. Nonetheless, the war managed accumulation strategy is differentiated from its predecessor by the extension of the domestic market relative incorporation of the popular classes in the new accumulation strategy. This was achieved in a two-fold process. On the one hand, with the inauguration of the ‘Construction Crusade’ as a new revolutionary state institution, the rural spaces were comprehensively linked to and integrated in the urban spaces. The Crusade’s activities included building numerous local schools, constructing irrigation canals for 16000 villages, paving 59000 kilometers of rural roads and connecting 24000 villages to the electricity grid as well as various small manufacturing plants (Ehsani 2006). What is more, while establishment of a vast network of ‘rural health-houses’ extended primary health care access to the rural spaces, (Harris 2019a, 141) the extension of credits and loans and inputs gave rural residents access to banking sector (Lob 2018, 5–6). These initiatives along with agricultural support policies led to easier access to urban markets, an increase in rural incomes, diversification of employment (construction, services) the growth of the banking sector in the villages and the extension of consumer goods and intermediate goods market to the rural spaces (Ehsani 2006).

On the other hand, the pre-revolutionary “corporatist welfare regime” was transformed by directly targeting “those segments of the population excluded from the previous system” (Harris 2019a, 82). Apart from the institutionalization of a rationing system for basic consumer goods and price controls, new institutions provided housing, education, health and income support the veterans and martyr’s families as well as the urban and rural poor.

An expanding university system opened slots for individuals with newly acquired revolutionary credentials. The Imam Khomeini Relief Committee, a poverty-alleviation organization, gave aid to households of the rural elderly, widowed and single mothers, and refugee families. A primary-health-care clinic system spread across the countryside and trained locally embedded health workers to manage the health needs of a large segment of the population. Even the notorious bonyāds such as the Foundation for the Dispossessed and Martyrs provided care and income support for disabled veterans and their extended families. (Harris 2019a, 219)

These provisions resulted in the considerable narrowing of the rural-urban/center-provincial gaps and “raised the consumption floor for the poorest classes, especially in urban areas (Harris 2019a, 104). Hence, a more ‘even’ and ‘national’ market was achieved through rural development policies and a more “socially and spatially inclusive” welfare regime (Harris 2019a, 141). It must be noted that there is a strong “warfare-welfare” (Harris 2019a, 18) tendency in all the above developments. That is, as much as the war mobilization efforts necessitated the extension of the welfare regime to the popular classes, the form of its extension encouraged the popular classes to participate in the war efforts. Simultaneously, the integration of rural spaces to the urban economies cannot be separated from the war. The flow of refugees to the rural spaces and the extension of the Construction Crusade’s reconstruction activities in the war-ravaged

cities and villages (Lob 2018, 5–6) and the inflow of war refugees from cities to the countryside and vice versa are two important examples (Ehsani 2009).

### The Rise of Non-Monopoly Capital

Among the most important consequences of Iran's disengagement from the international markets, protection and extension of the domestic space of accumulation was the empowerment of non-monopoly capital, small commodity producers and landed peasants.

In the manufacturing sector, difficulties in attaining capital and intermediate goods as well as know-how had imposed serious challenges to the nationalized and medium-sized industries which were heavily dependent in character. It is true that “technological imitation, copying, reverse engineering”, protective trade and monetary policies kept them operational (M. R. Razavi 2018, 33). Despite these measures however, these industries were still operating well below their production capacities.

The declining productivity of these plants should also be understood in relation to the post-revolutionary dynamics of working-class struggles. The intense working-class struggles of the 1979-80 period were concentrated in the medium-sized and large factories. These struggles initially led to exerting more control over the production process, forming independent labor organizations, reducing working hour and increasing wages. During this period, however, a three-fold tendency began to emerge. On the one hand, in the large and medium-sized factories, the prioritization of war mobilization efforts reinforced the structural weaknesses of working-class struggles. Among other issues this process led to the dissolution of independent workers' organizations, the banning of strikes, extension of working hours and freezing of wages (Moaddel 1991, 323–27). On the other hand, despite the reversal of these gains, the urgency of meeting the domestic demand in a war context, and persistence of workers' struggles in large

and medium-sized factories (albeit with lower intensity) allowed the workers to maintain and contest for limited compromises. This contradictory situation unfolded through intense conflicts between various state instructions over issues such as a workers' organizations, wage increases and working hours. This is best reflected in the legal battles between the Parliament and the Council of Guardians which prevented the implementation and institutionalization of a new labor law until the end of the war. Finally, legal, institutional and organizational uncertainties which reflected various forces contestation over weakened workers' struggles contributed to the crisis of productivity in large and medium-sized factories (Bayat 1987, 178–80). Hence, these enterprises were neither competitive enough to export nor capable of satisfying the domestic market (M. R. Razavi 2018, 33).

Hence, the relative weakness of organized workers' struggle in the small plants, crisis of productivity in medium and large enterprises and the urgency to satisfy the domestic demand in a war context contributed to the enhancement of the position of small labor-intensive plants in the war period. This is clearly indicated in the numerical increase in the number of workshops employing less than 10 workers, their increased share of manufacturing employment and output in the post-revolutionary period. At the same time, "the medium-sized enterprises were squeezed from both sides, by a mass of small workshops, one the one side, and the huge state-owned enterprises, on the other hand" (Nomani and Behdad 2006, 44). What is more important than these increases in output, employment or number of workshops is how the above processes contributed to a constellation where small workshops were de facto exempted from basic legal provisions over workers' rights (use of child labor, minimum wage level or limited working hours) while benefiting from state support policies such as easy credits, loans or direct and indirect subsidies (Ehteshami 1995, 92).

The agricultural sector was considerably less dependent on foreign technology, FDI and know-how when compared to the nationalized industries in particular and the manufacturing sector in general (Amuzegar 1993, 189). Nonetheless, the relative disengagement of Iran from the international markets and the intense popular struggles in the 1979-80 period made the persistence of the pre-revolutionary trend towards highly mechanized and capital-intensive farming highly unlikely. At the same time, the mobilization for the war accentuated the structural weaknesses of popular struggles in the rural areas (Shakoori 2001, 69). On the one hand, this process excluded the possibilities for the collectivization under a radical land reform. On the other hand, the conservation effects of the radical popular struggles of the 1979-80 period worked against the privatization of land and the rejuvenation of property relations which dominated the rural areas prior to the 1960s land reforms.

In this constellation, various attempts to finalize and institutionalize a land reform law failed while the exigencies of war forced de facto limited and legally provisional land reform. In this process, close to 1,400,000 hectares of land were distributed to about 6 percent of the total rural households. These lands mostly consisted of state-owned uncultivable, state and pastureland and appropriated lands from pre-revolutionary agribusinesses and cooperatives. The redistributed lands were mostly under 5 hectares, at times consisting of various parcels and cultivated by individual families. From a legal perspective, the lands were not privatized but rather categorized under temporary ownership as long as they were held under cultivation. Overall, this process led to the strengthening of the small and medium-sized farms at the cost of larger farms and agribusinesses. This is reflected in the relative increase in the number of smallholders, decline in the average size of holdings (Amid 2009, 84) and support policies such as input subsidies or guaranteed state purchasing (Shakoori 2001, 177–122). Under these

conditions, agricultural production increased and came to form a larger share of the GDP (Mojtahed and Esfahani 1989, 842–43). It is true that rapid population growth absorbed this increased production, necessitated food imports and marginalized export options. Nonetheless, the articulation of all the above dynamics led to the rejuvenation and dominance of small and medium size-labor intensive forms of production in the domestic market at the cost of large-size capital-intensive methods (Shakoori 2001, 905,105, 122).

Last but not the least, the enhancement of the position of labor-intensive, small-size forms of agricultural and industrial production ran parallel to a similar trend in the financial and commercial sectors. In the former case, the nationalization of the banking system during the 1979-80 period had resulted in the state takeover of all banks. During the nationalization process however, a new private bank called the Islamic Economy Bank was formed. The shareholders in this bank consisted of the 300 private ‘interest free loan centers’ which had formed by small merchants prior to the revolution. In the 1980-88 period, not only this bank (which changed its name to Islamic Economy Organization) was excluded from the nationalization process, it also operated outside the supervision of the central bank. Moreover, under its management, the number of interest free loan centers increased from 300 in 1979 to about 3000 in 1988 (Adelkhah 1996; Ahmadi Amoui 2017).

In the latter case, state control over foreign and domestic trade certainly increased through licensing, foreign exchange allocation, quotas, quantitative restrictions, high tariffs and import compression as well as the growth of ‘Procurement and Distribution Centers’. These measures particularly weakened the position of the upper and middle ranking merchants who in the pre-revolutionary years had accumulated enormously by importing foreign consumer goods, capital and intermediate goods for import substituting-industries or distributed their outputs

domestically. At the same time, increased state control over domestic trade fell short of its nationalization, as had been speculated in the 1980 constitution. Indeed, this conjuncture was characterized by protracted legal struggles between the Parliament and the Council of Guardians over the nationalization bill, which resulted in various legal uncertainties (Moaddel 1991, 327–28). This contradictory situation strengthened the position of lower-ranking merchants, middlemen and wholesalers. This is not only explained by the weakening of higher and middle-ranking merchants but also the mostly domestic orientation of these merchants in the context of growth of small-sized agriculture and manufacturing. These dynamics were significantly reinforced by the dominance of these merchants in key institutions such as the Ministry of Commerce, the Chamber of Commerce and state-run distribution networks. On the one hand, dominance within these institutions allowed the lower-ranking merchants to cement their control over the domestic distribution of commodities. On the other hand, exclusive access to subsidized foreign exchange, tax exemptions and import licences facilitated a significant role for these merchants in foreign trade as well (Keshavarzian 2004).

Based on all the preceding comments, I may now summarize the main aspects of the ‘war managed accumulation strategy’ as the dominant form of accumulation in the 1980-88 period. First and foremost, the effects of the war and the sanctions led not to ‘de-linking’ of Iran from the world market but rather to the decreasing ‘extroverted’ character of the economy compared to the sub-imperialist form of development. That is, the linkages between the domestic and world economy were mostly limited to crude oil exports and import of consumer, capital and intermediate goods.

Second, despite substantially lower levels of export, the importance of oil revenues in financing Iran’s imports as well as domestic spending was heightened compared to the pre-

revolutionary accumulation strategy. Hence, the oil sector, which was comprehensively nationalized after the revolution, became one of the key intermediaries between Iran and the world economy.

Third, the new conjunction between the world economy and the domestic one took form through decreased financial, technological and trade dependencies. Considering the negative inflows of FDI and lack of foreign loans, Iran's trade destinations indicate the direction of these dependencies; one which was chiefly characterized by the maintenance of Japan and E.C.C economies foothold in the Iran, effective loss of United States' privileged position and a slight yet significant orientation towards the Soviet Union and the Eastern bloc and other (semi-)peripheries.

Fourth, the effects of war and sanctions which favored the domestic space of accumulation by disengaging Iran from the international markets were reinforced by robust protections polices and the extension of the domestic market. This was articulated through three simultaneous developments; state control over monopoly-capital, the strengthening the position of non-monopoly capital, small commodity producers and landed peasants in relation to state monopoly capital, the integration of rural-urban economies and the relative incorporation of the popular classes in new accumulation strategy.

Fifth, the overdetermination of the interiorization of imperialist relations by the war and the sanctions was conducive to the emergence and dominance of fractions of ruling class which have a relative degree of contradiction with foreign capital (i.e. national bourgeoisie) and unfavorable to the ones that are subordinate to it (i.e. comprador, domestic).

Last but not the least, while the war managed accumulation strategy could not become hegemonic, it was nonetheless 'dominant'. Hegemonic accumulation strategies coincide with

medium- and long-term development planning. As Karshenas and Pesaran put it however, the 1980-88 period is the only conjuncture since 1949 where medium or long term-development planning is “virtually absent” (Karshenas and Pesaran 1995, 97). At the same time, however, the effects of the war and sanctions allowed for the ‘dominance’ of this accumulation strategy through a precarious constellation of intra and inter class compromise. In this sense, the legal paralysis over land reforms, labor code and the nationalization of trade both reflect the limits and potentials of this accumulation strategy. Hence, as my analyses clearly show, the persistence and dominance of such accumulation strategy outside a war context was more than questionable.

### **The Late National Bourgeoisie State Project**

The emergence and dominance of the corporate-economic interests of the late national bourgeois fraction was predicated on a state project - what I term the late national bourgeois state project - which would ideologically and politically generalize and institutionalize it. I have already substantiated an important feature of this project in my analysis of the ‘war managed accumulation strategy; that is, increased state intervention in the economy for securing and extending the domestic space of accumulation. In the proceeding pages, I will identify and elaborate on other aspects of this project, namely adoption of a ‘limited non-aligned foreign policy’ and the promotion of a ‘narrow pan-Islamist’ discourse.

#### [‘Non-Aligned Foreign Policy’ Overdetermined by the War](#)

In terms of foreign policy approach, the LNB state project is primarily characterized by an anti-American orientation and a clear break from Iran’s sub-imperial position prior to the 1979 revolution. This can be explicated by pointing to four factors. First, as my analysis of the post-revolutionary accumulation strategy implies, during the conjuncture under study, the economic relations between Iran and United States effectively came to a halt. What is more, and

as far as economic relations with American allies in the region is concerned, this period is also marked by the cessation of economic and energy relations with Israel (Kaye, Nader, and Roshan 2011, 12–13). From the perspective of foreign policy apparatuses, the cessation of these direct bi-lateral economic relations was followed by legal battles over issues such as reparations for nationalization of American assets and Iran’s frozen funds (Torbat 2005) as well as finding intermediaries to compensate for the reduced linkages to the United States. This is not only a result of the pursuit of protectionist economic policies and the post-revolutionary nationalizations, but equally precipitated by the United States’ adoption of the sanctions regime or what Maz Laban calls ‘negative territoriality’ towards Iran (Labban 2008, 136).

Second, as outlined in my previous discussions, during ‘revolutionary conflict formation’ the close military and intelligence partnership between Iran and United States which had characterized the post-coup years came to a halt. For instance, Bazargan’s Provisional Government ceased Iran’s membership in the Central Treaty Organisation (CENTO) and abrogated the 1959 defense pact between Iran and United States and adopted an anti-Israeli stance (Hunter 1987, 254; Ramazani 1990, 129). During the Iran-Iraq war and despite heavily dependent nature of the Iranian military on American technology and know-how (Ehteshami 1995, 182–84), the LNB state project did not reverse this course of events. On the contrary, the LNB state project utilized the war to diversify its military dependencies away from the U.S., initiated a labor-intensive domestic arms industry (Clawson 1988, 374) and marginalized the army in favor of the IRGC. Moreover, the tendency towards shifting Iran away from American-sponsored regional security partnerships was transformed to one which actively cooperated with anti-American and anti-Israeli forces in the region.

Third, although the hostage crisis was resolved through the Algiers Agreement in 1981, official diplomatic relations did not resume between Iran and the United States. Moreover, the LNB state project maintained the post-revolutionary policy of non-recognition of Israel, which had been initiated since the hand-over of the Israeli permanent delegation's office to PLO. It is worth noting that the above developments do not preclude diplomatic negotiations, military and intelligence involvement or economic transactions with the United States. After all, the Iran-Contra affair reflects all the above instances of military, diplomatic and economic contact between Iran, Israel and United States (see. Parsi 2007). The point however is that despite these instances of tactical maneuvering, the foreign policy orientation LNB is identified by a decidedly anti-American orientation and a clear break from Iran's sub-imperial position.

Last but not the least, this anti-American foreign policy orientation is also simultaneously characterized by utilization of the increasing transatlantic contradictions. This has already been substantiated in my previous discussions on sustained economic, diplomatic and military relations with Europe and Japan despite the American sanctions and the hostile position of the United States towards post-revolutionary Iran.

The abandoning of Iran's sub-imperial role and the adoption of an anti-American foreign policy has to be contextualized in the bi-polar context, as these dynamics contributed to the improved relations with the Soviet Union. As evident in enhanced economic, diplomatic and military ties between Iran and the Soviet Union, the bilateral ties between the two countries significantly improved compared to the pre-revolutionary years (Hunter 1987, 254–58). From the perspective of the LNB project, the rapprochement with the Soviet Union was essential in countering the American hostilities towards revolutionary Iran on a range of issues such as sanctions or the possibilities of direct American military aggression. Nonetheless, the

improvement of Iran-Soviet relations in this period did not amount to a pro-Soviet foreign policy on Iran's part. That is because these relations were not only complicated by the Iran-Iraq War, but also the Soviet invasion of Afghanistan. In other words, neither Moscow's efforts to counterbalance the increasing American presence in the region did not lead to a pro-Iranian policy, nor Iran's anti-American orientation translated into an alliance with the USSR. What is more, the domestic crackdown against the left forces in general and the Tudeh Party in particular further complicated these dynamics (Taghizadeh 1993, 52–54). To address the above limitations, the LNB project utilized contradictions and rivalries within the Eastern Bloc. This is best demonstrated by the increasing military cooperation with China and North Korea and Eastern Europe (Hunter 1987, 258).

Considering the above observations, it is safe to describe the defining feature of the LNB's foreign policy orientation as a 'non-aligned' approach, or as it was called in Iran a 'neither west nor east' stance. That is, maintaining and enhancing Iran's national autonomy vis-à-vis both superpowers through utilizing contradictions and rivalries between and within each bloc. That being said, Iran's non-aligned orientation was limited in scope since the LNB's regional policy was overdetermined by the requirements of conducting the war against Iraq. Various studies have correctly pointed to the way in which Iran's diplomatic, military and economic engagements in the region primarily revolved around weakening Iraq's position in the war. Iran's close cooperation with Syria and Libya and its intervention in the Lebanon war are important examples (Amirahamadi and Entessar 1993). What needs to be emphasized here is that as much as the formation of regional alliances against Iraq contributed to Iran's embedment in the region, it simultaneously excluded the possibilities of Iran's wider integration in MENA. Put differently, compared to pre-revolutionary regional policy, there is a clear shift away from

strategic alliances with sub-imperial states, and towards anti-imperialist states and forces in the region. Nonetheless, since this embedment in the region was overdetermined by the war against Iraq, this shift could not manifest in the formation of a united non-aligned front at a time of intensified bi-polar military intervention in the region. For instance, the formation of alliances around the Iran-Iraq war prevented the development of a united front against Israel as the most important relaying post for America's geostrategic objectives in MENA. On the one hand, Iraq's war needs not only forced it closer to the Gulf monarchies, it also pushed Iraq to lead the initiative for Egypt's re-entry into the Arab League (Cowell 1989). At the same time, the exigencies of the war also forced Iran to make compromises to Israel (best reflected in the Iran-Contra affair), while the heavy regional contestations over the war weakened the position of radical states within OPEC, particularly when faced with the 'Saudi-engineered Oil Glut' (Amirahmadi 1993, 140–45). Hence, the prioritization of the war not only shaped Iran's regional approach, it also led to the limitation of its non-aligned orientation.

Prior to concluding my discussion on this aspect of the LNB state project, I must note that there were important contestations over the scope of Iran's non-aligned foreign policy within the various forces associated with LNB state project. For instance, some of these contestations manifested in the struggles between forces who favored the 'export of the revolution' and the ones who prioritized the war effort for securing Iran's territorial integrity (see Ramazani 2013, 116). These contestations however unfolded within the general parameters of Iran's limited non-aligned policy. It is also worth noting that the adoption of this foreign policy approach was predicated on important changes in the relation of force within Iran's foreign policy making apparatuses. These changes include but are not limited to the dominance of LNB forces within the foreign policy apparatuses inherited from the sub-imperialist form of

development. More importantly, in this period, the restructuring of Iran's foreign policy apparatuses enhanced the position of state institutions which were directly involved in the war effort and countering the sanctions. In general, this tendency is reflected in the privileged position of military apparatuses (the army and the IRGC) in the composition of the High Council for Defense which was in charge of all defense related aspects of Iran's foreign policy (see Khomeini 2013, 182). More specifically, this constellation favored the IRGC as opposed to the army. After all, the former was not only the dominant force in terms of conducting the war against the Iraq, it was regionally embedded in MENA through its direct and indirect ties to organization such as Hezbollah.

#### [The Promotion of a Narrow Pan-Islamist Identity Discourse](#)

Another important aspect of the LNB state project is the promotion of a peculiar form of Islamo-Iranian nationalism contra the pre-revolutionary Persian nationalist ideology. First and foremost, this approach is characterized by the rejection of how Persian nationalism ideologically delinked Iran from the region by associating pre-Islamic mythologies of an exclusively 'Persian' empire and monarchy with 'modernization-cum Westernization' (see Bokharai Radjai 1992). Instead, LNB promoted a pan-Islamist identity discourse which sought to embed Iran in the region and beyond by emphasizing its Islamic history. As Talebi puts it "Islamists with presenting larger concepts of imagined communities such as Ummat ... (religious commonwealth) and *Mustazafin* ... (downtrodden) translated the extra-territorial Iran to their spatial imaginary" (Talebi 2018, 225).

It is however important to note the LNB's pan-Islamism was a product of an attempt to ideologically appeal to and integrate Iran in MENA while mobilizing domestic support for the war against Iraq. In this contradictory situation, the LNB aimed to bolster popular support for the

war by emphasizing Iran's contributions to Islamic history (often guised in Shia mythologies) (Paul 1999, 213) and even elements of Persian nationalism. In the former case, one can point to discursive representation of Iran as the center/leader of the Islamic and/or Shia world (*Um-ul-Ghora*) best reflected in some of the names chosen for Iran's military operations (*Karbala*, *Thamen-ul-Aemeh*) (Ebrahimi 2010). In the latter case, the discursive insistence on calling the 'Gulf' *Persian* as opposed to the Islamic Gulf (suggested by some of the forces in the revolutionary conflict formation) (see Khalkhali 1979) points to the survival of remnants of Persian nationalism. These dynamics tended to limit the scope of LNB's pan-Islamism when it was counterposed to Iraq's Pan-Arab ideological representation of the war (see Massarrat 1992). Hence, that just like the war with Iraq limited the scope of Iran's non-aligned foreign policy, it also narrowed the parameters of LNB's pan-Islamist discourse.

Apart from its regional orientation, the LNB's pan-Islamist discourse is also demarcated against the pre-revolutionary Persian nationalism in terms of how it appealed to the popular classes and the petite bourgeoisie. On the one hand, the LNB promoted various egalitarian notions in Shia history and mythology which revolved around 'moral economy' and welfare for the 'disenfranchised classes'. On the other hand, while criticizing the monarchy for the displacement of the Islamic and native aspects of Iranian culture by spreading 'westoxication' and cultural imperialism, the LNB project called for a spiritual awakening by 'return to the self'. These elements of LNB's ideological orientation were mostly if not exclusively incorporated from the "Islamic/Shia liberation theology"; a counter-hegemonic discourse that was developed in the late 1960s and the early 1970s by the likes of Ali Shariati or Jalal Al-e-Ahmad and dominant

among various currents of the ‘Islamic left’ during the revolutionary conflict formation (Saffari 2017).

Nonetheless, unlike the pre-revolutionary Islamic liberation theology, the integration of popular classes and the petit bourgeois into LNB’s pan-Islamism was overdetermined by the way it disciplines them. For instance, notions such as martyrdom and sacrifice in the context of foreign military intervention played a central role in the discourse promoted by the LNB. The emergence of a massive publicly funded ‘war cinema’ and TV productions with an emphasis on “sacrifice, martyrdom and revolutionary patience” is well indicative of this tendency (Naficy 1995, 45). Doing so, popular demands on contested issues such as the land reform and the labor code were ideologically displaced in favor of the prioritization and mobilization for the war. What is more, the LNB aggressively promoted puritan cultural practices associated with the pre-revolutionary old petite bourgeoisie which was now transforming to non-monopoly capital. Among other issues one can refer to the mandatory veiling for women (Moghisi 1996), enforcing prayers in the workplace (Bayat 1987, 178–80) or banning ‘Western’ music and cinema (Naficy 1995). The implementation of these polices were instrumental in disciplining, fragmenting and suppressing the popular struggles.

Now that I have schematically summarized the parameters of LNB’s pan-Islamist discourse, a few words must be said on the way in which this discourse was promoted as state ideological project. It is important to recognize that there is an organic relation between the LNB’s accumulation strategy and its pan-Islamist discourse. That is, the pan-Islamist discourse could appeal to and co-opt the popular classes to the extent to which it was materially grounded in incorporating them in LNB’s accumulation strategy. For instance, rural development initiatives and the institutionalization of ‘socially and spatially’ inclusive welfare regime had led

to the narrowing of the rural-urban/center-provincial gaps. As the massive campaigns against illiteracy demonstrate, this process went hand in hand with the social and spatial extension of ideological state apparatuses concerned with ‘education’ (Harris and Kalb 2019; see Mehran 1992). What is more, the extension of domestic market in the rural spaces also correlated with the unprecedented flow of ideological consumer goods such as TVs and radios (Ehsani 2006, 85–86). These dynamics already provided a wider space of ideological domination for the LNB project to promote and materially embed its identity discourse.

The widening of the space of ideological domination is also characterized by the restructuring of primary, secondary and post-secondary education through ‘Islamification’ of the curriculum and the purging of faculty and students which belonged to other revolutionary forces. This is best reflected in the inauguration of the ‘Cultural Revolution’ of 1980 which closed the higher education institutes for two years for the purpose of Islamification of the universities and banned all private colleges and post-secondary institutions thereafter (see R. Razavi 2009, 14).

It is also worth noting that promoting the disciplinary aspects of LNB’s identity discourse, namely the imposition of puritan cultural practices, correlated with the inauguration of new state apparatuses and the emergence of new cliques. A case in point is the widespread presence of the ‘morality police’ in public spaces or elements of ‘Basij’ in universities, state institutions and even the factories (see Golkar 2015).

The extension, restructuring and transformation of the ideological state apparatuses and the organic relation between the LNB’s accumulation strategy and its ideological project were central in the dominance of the pan-Islamist identity discourse in post-revolutionary Iran. Nonetheless, there were significant limits to this ideological orientation. On the one hand, the imposition of conservative cultural practices such as mandatory veiling, alienated other

revolutionary forces, nationalities and segments of the new petite bourgeoisie. On the other hand, while the war counter-balanced this tendency by raising nationalist sentiments, it simultaneously contributed to various centralising tendencies in the state apparatuses. From the perspective of ideological state apparatuses, this centralizing tendency worked against the institutionalization of linguistic, cultural and religious demands of Iran's diverse nationalities. The limitation of language of instruction in primary and post-secondary schools to Persian is a case in point.

### 'Parallel Institutionalism'

My analysis of the LNB state project has already made it explicit that its dominance was predicated on establishment of new apparatuses as well as the elimination, marginalization and changing relations of force within the pre-revolutionary apparatuses. These processes resulted in a radical transformation of the pre-revolutionary state formation and hence the inauguration of a new state from with a new type of structural selectivity. I will return to these issues later. For the time being, however, it is important to identify the national bourgeois fraction's approach to the transformation of the pre-revolutionary state as a part of the LNB state project; one which was not a priori given, but rather materialized in and through the interiorization of imperialist relations into the contradictions of post-revolutionary Iran.

The most important feature of the late national bourgeoisie fraction's approach to the transformation of the pre-revolutionary state is what Kevan Harris calls "parallel institutionalism"; that is "the formation and fortification of a set of parallel state institutions" which "served to mobilize ascend from below, absorbing social demands but also constraining and directing state capacity toward particular ends" (Harris 2019a, 81). Put differently, some of the organizations that were created during the revolutionary conflict formation, were

institutionalized alongside the state apparatuses which were inherited from the sub-imperialist form of development such that “nearly all functions of government had at least one parallel organization.” As Harris observes;

Alongside the Planning and Budget Organization (PBO), which housed the technocrats of the shah’s era, an economic mobilization force was devised to handle rationing and distribution of goods. Instead of utilizing the Ministry of Agriculture, a newly formed organization, Construction *Jihād*, dispatched thousands of young revolutionaries to villages for work on rural-development projects. Private charity organizations linked to bazaars, which had supported families of militants while the latter were in prison, were absorbed into the Imam Khomeini Relief Committee (IKRC). The lands and assets of the shah’s Pahlavi Foundation were converted into the Foundation for the Dispossessed, the first of many semipublic conglomerates created during the initial decade of the Islamic Republic. These welfare bodies operated independently of the Social Welfare Organization which had been created under the Ministry of Health and Welfare before the revolution.

One can also point the inauguration of Revolutionary Courts alongside the pre-revolutionary civil courts or the formation of IRGC while the army stayed intact (Harris 2019a, 86–87).

Parallel institutionalism played the key role in the marginalization of pre-revolutionary state apparatuses and changing relations of force within them. What facilitated this process was the overdetermination of the interiorization by the war and sanctions and the incorporation of popular classes into the parallel apparatuses. For instance, the sanctions enhanced the position of the IRGC vis-à-vis the army since the latter former was heavily capital intensive and technologically dependent on the American arms industry. What is more, the institutionalization

of parallel organizations went hand in hand with expansion of state institutions and apparatuses, particularly in rural spaces. This considerable expansion in public employment also “increased access to social welfare for millions of individuals who had been excluded from social-insurance networks before 1979” (Harris 2019a, 104). At the same time, these apparatuses provided crucial spaces for the upward mobility for the forces which were excluded from the sub-imperial state institutions (see Harris 2019a, 74). Despite this, the popular classes only found an indirect presence in the transformed apparatuses and institutions. A case in point is how the transformation of popular organizations formed during the revolution into new state apparatuses distorted their popular and radical elements. For instance, while eliminating workers’ councils formed during the revolutionary conflict formation, the Islamic Labour Councils were created and integrated under the Minister of labour. Unlike the Labour Councils which had established a degree of control over the labor process, the ILC’s were effectively controlled by the managers. What is more, under the guise of Islamification of factories, other new ‘hierarchical-corporatist’ institutions such as Islamic Associations not only mobilised for the war, but also eliminated ‘non-Islamic’ elements from the workplace (Bayat 1987, 174).

Based on what was said above, I argue that ‘parallel institutionalism’ shows both the limits and potentials of the national bourgeoisie fraction in transforming the pre-revolutionary state formation. That is reflected in the national bourgeois fraction’s capacity in marginalizing the pre-revolutionary apparatuses while not being able to absolve them. Moreover, parallel institutionalism also enhanced the institutionalized channels for the indirect presence of the popular classes in the post-revolutionary state formation. This imposed certain limitations and potentials for the national bourgeois fraction in terms of organizing hegemony and ventilation of class and fractional conflict. I will briefly explicate these in the next section of this chapter.

## Organization of Hegemony and Ventilation of Class and fractional Conflicts

My observations about the LNB state project demonstrate that the particular form of the indirect presence of popular classes in the state formation was assumed in a more expansive field of political-ideological domination and economic accumulation compared to the pre-revolutionary state form. That is, the intensified popular struggles during the revolutionary conflict formation, the war and the interiorization of imperialist relations into the domestic contradictions of Iran had inaugurated a more ‘national’ conjuncture of class struggle. As such, disciplining, appealing and co-opting of the popular classes in the LNB state project was predicated on concrete institutional compromises and enhanced institutionalized channels for the indirect presence of these classes in the state formation. These dynamics had a profound effect on the state form as far as the organization of hegemony and the ‘ventilation of class and fractional conflicts and contradictions’ (see Jessop 1985, 94).

On the one hand, the indirect presence of popular classes in the post-revolutionary state was crucial in the expansion of representative democratic institutions. Among other issues, this enhanced presence elevated the role of electoral cycles in various ruling fractions’ attempt in organizing hegemony by appealing to and contesting popular struggles. This is reflected in the inauguration of a limited parliamentary-presidential representative order, supervision over and selection of the supreme leader by an elected body called the Council of Experts as well as holding of two constitutional referendums. What is more, none of the elections for these representative intuitions were delayed or canceled even when faced with external military aggression and various assassination campaigns. From the perspective of hegemonic struggles within the power bloc, these dynamics show the centrality of representative intuitions in the ventilation of class and fractional conflicts.

On the other hand, persistence of various forms of dependency through interiorization of imperialist relations, the war and the sanctions, the conservation effects of the previous form of development and the very late character of the national bourgeoisie state project erected formidable obstacles to the formation of a hegemonic constellation. These dynamics contributed to the resilience of ‘exceptional’ moments in the post-revolutionary state form. Among other issues one can point to the very narrow nature of an electoral process which limited the representative terrain to forces in and around the Islamic Republic Party (IRP). Moreover, these representative intuitions were often short-circuited by unelected bodies such as the Guardian Council, the Expediency Council. What is more, Ayatollah Khomeini had a key role in terms of facilitating compromises among the various forces within the national bourgeois fraction and the power bloc in general. As a matter of fact, the intense struggles within the power bloc over issues such as the nationalization of foreign trade, land reform and labor law were all diluted by the exceptional institution or through Ayatollah Khomeini’s intervention, often with the justification of prioritization of war efforts.

#### [A New State Form and New Type of Structural Selectivity](#)

It should now be clear that the ascendancy of the national bourgeoisie fraction to a position of dominance within the power bloc materialized in and through a radical transformation of the state. In other words, the condensation of intra and inter class struggles of the 1980-88 period were materialized in a new state form. The basic features of this new form are;

- a) the securing of a relative degree of national autonomy through a ‘limited non-aligned’ foreign orientation

- b) Increased state intervention in the economy through the protection and extension of the domestic market
- c) Restructuring of ideological state apparatuses around a ‘narrow pan-Islamist’ identity discourse
- d) ‘parallel institutionalism’ as the manifestation of the simultaneous persistence and marginalization of pre-revolutionary state apparatuses
- e) a more expansive field of political-ideological domination and economic accumulation compared to the pre-revolutionary state form. This is materialized in the enhanced institutionalized channels for the indirect presence of the popular classes in the state formation
- f) the organization of hegemony and ventilation of class and fractional conflicts in and through a particular juxtaposition of ‘normal’ and ‘exceptional’ features

These features also point to a new type of structural selectivity, where the state formation and the pursuit of state power are more accessible to the forces associated with late national bourgeoisie fraction. Nonetheless, this new type of structural selectivity imposed certain limitations on the late national bourgeoisie fraction where it was neither hegemonic nor in a hegemonic crisis but rather dominant.

## Conclusion

In this chapter, I identified and analyzed the war managed accumulation strategy and the LNB state project in the in the context of interiorization of imperialist relations during the Iran-Iraq war and the sanctions. Considering these observations, I may now make the following assertions.

First and foremost, there is a clear correspondence between the war managed accumulation strategy and the LNB state project. In other words, the LNB project was successful in ‘politically and ideologically generalizing the particular accumulation strategy, to organize social acceptance, and to anchor it institutionally’ (see Alnasseri 2011, 129). Hence, I argue that in the 1980-88 period, a late neo-national bourgeois form of development emerged in Iran.

Second, in spite of this, this form of development and the late national bourgeoisie fraction were not hegemonic but rather dominant in this constellation. It is true that the war contributed to the LNB project by displacing and co-opting the popular classes and sections of the petite bourgeoisie as well as marginalizing other fractions of the power bloc. Nonetheless, the war imposed great obstacles to further extension of the domestic market through regional embedment and more comprehensive incorporation of the popular classes in the war managed accumulation strategy. Moreover, the eight-year war limited the scope of Iran’s non-aligned foreign policy and narrowed the extent of its pan-Islamist identity discourse regionally and domestically. It is also worth mentioning that this late national bourgeoisie project emerged and became dominant at a time where similar projects in the region were already going through various crises. Hence, the very ‘late’ nature of the national bourgeois project points to its unfolding within important structural limits on international, regional and domestic levels. These contradictory/conflictual tendencies were central in the persistence of political, ideological and economic ‘conservation effects’ from the sub-imperialist form of development.

Third, the ascendancy of the national bourgeoisie fraction to a position of dominance within the power bloc materialized in and through a radical transformation of the state. In other words, the condensation of intra and inter class struggles of the 1980-88 period were materialized in a new state form and a new type of structural selectivity.

Last but not the least, the identification of this new state form has important consequences for the way in which the 1979 revolution is conceptualized. Among critical studies, this conjuncture of intense class struggle and its aftermath has been explained through concepts such as ‘passive revolution’, ‘Bonapartism’ or ‘counter-revolution’. Such currents implicitly or explicitly question whether a revolutionary transformation took place subsequent to the fall of the monarchy. However, as Poulantzas reminds us, “the transition to socialism is not the only occasion for political crises leading to revolutionary situations. And even changes in the balance of forces that do not reach this level of upheaval may be associated with political crises giving rise to substantial modifications in the bourgeois state” (Poulantzas 1976, 91). In this sense and from an *a posteriori* perspective, I characterize the 1979 revolution as a late national bourgeois revolution in so far as a new state form emerged out of it.

# Chapter 5: The Protracted Crisis of the Late National Bourgeois Form of Development

## Introduction

Like other (semi-)peripheral accumulation strategies which revolve around import substitution, the ‘generic elements of crisis’ were ‘present and permanently at work’ (Poulantzas 2008b, 296) in the war managed accumulation strategy. It is true that the domestic market was extended by the relative incorporation of the popular classes in the post-revolutionary accumulation strategy. Nonetheless, as Sabah Alnasseri reminds us “one of the lessons learned from the experiences of ISS is, that the interior market is insufficient for capital accumulation” (Alnasseri 2011, 135). What is more, the “rising investments costs and imports of mainly capital goods” often leads to trade deficits and inflation (Alnasseri 2011, 131). In the case of post-revolutionary accumulation regime, these crisis tendencies became dominant in the last two years of the war. Among other issues one may point to an acute foreign currency shortage, rapid inflation, growing unemployment and trade deficits. What is important to note here is that in the preceding years and despite the challenges to the nationalized oil sector (e.g. lower production capacity, transport obstacles, finance shortages) the oil revenue had moderated these crisis tendencies to the extent that a ‘modest guns and butter’ policy was possible for most of the war period. Nonetheless, the culminative effect of “heavy damage on Iran's pipelines, refineries, infrastructure, industrial sites” (Alnasrawi 1986, 878) lack of investment, the rapid drop in oil prices and demand in the late 1980s resulted in a pattern of declining oil revenues. The decline in the revenues was such that for the first time since 1980, the costs associated with the war

exceeded the oil revenues by 30% (Shams 2008). As such, the rapid decline in Iran's oil revenue had a key role in exacerbating an economic crisis in the concluding years of the war.

The economic crisis of the late 1980s also correlated with the weakening of Iran's position in the military balance of forces. This was largely due to the financial challenges of meeting the war costs, Iraq's use of chemical weapons and increased missiles attacks on Iranian cities (Chubin 1987, 21), direct US military intervention in the conflict as well as challenges in mobilizing volunteers for the war (Hooglund 1989, 6–7). Hence, by the late 1980s, Iran was not only experiencing an economic crisis, but also a military one as well. The combination of these crises also contributed to intense political conflicts among the power bloc. On the one hand, heavy disputes between and within state apparatuses emerged on whether Iran should continue to wage the war and if not how to end it (see Hooglund 1989, 8). On the other hand, with the crisis of the post-revolutionary accumulating strategy, its cornerstones such as prohibition of foreign loans, the central role of the public/state sector in the economy and opposition to foreign investment began to be challenged.

In this context, Iran not only engaged in a process towards accepting a UN mandated ceasefire (Hooglund 1989, 8), but also formulating policies for 'de-nationalization' of non-basic industries, export incentives for the private sector, reduction of import tariffs, foreign borrowing and increasing taxation (Ehteshami 1995, 95–98). What is more, a process to revise the 1980 constitution began in which the prerogatives of the office of Supreme Leader would be enhanced, a shift away from the parliamentary to a presidential system would take place (Ehteshami 1995, 38-39) and "the partially elected nature of the judicial authority was denied" (Mohammadi 2008, 174).

At this point, these dynamics did not yet indicate the emergence of new fractions within the power bloc with a clearly defined new accumulation strategy and state project. Rather, they point to a situation where the structural limits of the LNB form of development had come to the fore, but a comprehensive structural crisis has not emerged yet. In other words, various forces associated with the national bourgeoisie fraction were developing ‘crisis management strategies’ and negotiating compromises while popular struggles had not yet intensified. This contradictory, conflictual constellation could have certainly transformed into a full structural crisis. Nonetheless, the mediating role of Ayatollah Khomeini in managing the intensified conflicts within the late national bourgeois fraction (See Ehteshami 1995, 96) and legitimising this process to the popular classes had a key role in averting such a scenario.

### **The Crisis of the Late National bourgeois form of Development**

The conclusion of the Iran-Iraq however correlated with colossal international, regional and domestic changes which transformed this unstable and open-ended constellation into an all-out structural crisis. I have already argued that from the perspective of MENA, this period marks the beginning of the ‘consolidation phase of the neoliberal world order’; A phase which is chiefly characterized by the increasing American military presence in the region and the new political economy of the oil leading to the weakening of international trenches of MENA formations and increased vulnerability to structural adjustment policies. What needs to be highlighted here is that from the perspective of the LNB form of development which had already approached its structural limits, this phase of the neoliberal world was inaugurated in an abrupt as opposed to a gradual manner. A case in point is how in a short period of time the crisis of the Eastern Bloc not only led to the withdrawal of Soviet forces from Afghanistan and facilitated the Gulf War, but also the collapse of USSR. The abrupt and colossal nature of these international

and regional dynamics meant that the various ‘crisis management’ strategies which were being shaped before these events were themselves in crisis. That is because, the international and regional context in which the war managed accumulation strategy and the LNB state project had become dominant now effectively dissipated. On the domestic level too, the conclusion of the war in 1988 had profound effects on intensifying conflicts and contestations within the power bloc, state apparatuses and the national bourgeois fraction. That is because, the war with Iraq had a central role if not the main one in *both* facilitating the LNB state project and accumulation strategy as well as exacerbating the structural limits of the LNB form of development. With the death of Ayatollah Khomeini on June 3, 1989, these conflicts and contestations transformed into a political crisis. On the one hand, questions over leadership and legitimacy came to the fore. On the other hand, in Khomeini’s absence, mediating between various forces within the power bloc and the national bourgeois fraction in particular became even more difficult. To summarize then, the fusion of economic, political (and military) crises of the late 1980s was all overdetermined by the interiorization of the radical and abortive changes in the international relations of force. As such, a structural crisis emerged in which the inherent contradictions of post-revolutionary Iran were condensed.

### **The Emergence of Neoliberal Economic Policies**

Many studies have correctly pointed out to the emergence of neoliberal economic policies and/or neoliberal restructuring in the context of what I identified as the crisis of the war managed accumulation strategy (see Ehsani 2009; Ehteshami 1995). Since I am looking at these tendencies from the perspective of the crisis of the late national bourgeoisie form of development, the question that needs to be engaged with is whether or not, the inauguration of these policies indicates the dominance of a new accumulation strategy and state project. In other

words, the question here is if a new form of development emerged in the post-war Iran. In what follows I argue that the power bloc's various responses to the structural crisis of the late 1980s not only did not materialize in such scenario but resulted in an unstable and protracted period of class struggle wherein no fraction of the ruling class was able to address the post-war structural crisis. More specifically, I will argue that in this constellation neoliberal tendencies emerged within the power bloc. Nonetheless, its attempts in developing a neoliberal accumulation strategy and state project were limited by three factors. First, as much as the consolidation phase of the neoliberal world order contributed to the emergence of this fraction, the ever-intensifying sanctions regime and increasing American military presence in the region in a post-cold war context excluded the possibilities of its hegemony and/or dominance in the power bloc. Second, the interiorization of the new phase of the world order also excluded the possibilities of restoring the dominance of the national bourgeois fraction in the power bloc. Nonetheless, the same interiorization process facilitated conditions where the proponents of a state-centred development could impose enormous challenges to the dominance of a neoliberal accumulation strategy and state project. Third, despite their limitations, the intensification of popular struggles in this period also had a key role in dismissing the prospects for a neoliberal accumulation strategy and state project. Hence, in the period that approximately falls between the end of Iran-Iraq war and the American occupation of Iraq in 2003, a protracted crisis of hegemony ensued in Iran.

### **Military Siege and the Intensification of the Sanctions Regime**

In chapter two, I argued that the growth in scope and range of neoliberal economic policies in MENA in the post-cold war era owes much to the changes in the political economy of

oil and new wave of militarization in the region. A process which contributed to the weakening of MENA formations international trenches against the external forces.

In the case of Iran, however, the interiorization of these dynamics took a different form compared to the general trend identified above. Two interrelated dynamics are noteworthy here; the sanctions regime and the ever-increasing American military presence around Iran.

As was the case during the war, United States' sanctions against Iran included instances of easing, lifting or excluding their applicability to U.S. allies. For instance, the immediate period after the conclusion of the Iran-Iraq war, the Bush administration made compromises to Iran to seek the latter's help in resolving the hostage crisis in Lebanon. These compromises included the realising of \$567 million of Iran's frozen assets as well as a set of agreements to resolve some of the financial claims between the two countries (Maloney 2015, 447). Similarly, the Clinton administration lifted some of the restrictions on non-oil Iranian imports to United States as well as the export of food, pharmaceuticals and spare parts for commercial airplanes (Maloney 2015, 457).

Despite these examples, in the post-cold war era, the dominant trend with regards to the sanctions regime is one of progressive intensification. Following Nader Habibi, we may periodize the intensification of the sanctions' regime into three phases. The first phase encompasses the 1979-1996 period where sanctions were unilaterally imposed by the United States and were mostly concentrated on restricting trade and investment ties between Iran and United States. With the passing of Iran Libya Sanctions Act however, the American sanctions expanded by targeting Iran's economic relations with countries other than United States as well. The passing of United Nations Security Council sanctions against Iran in 2006 marks a third phase whereby the sanctions regime took a more international dimension (Habibi 2013, 172–75).

I shall later return to the last phase when I discuss the neo-national bourgeois form of development.

The contradictory, conflictual effects of the sanctions' regime on the domestic terrain of struggle can only be adequately assessed if one considers the international and domestic context of is unfolding; the consolidation phase of the neoliberal world order and the crisis of the late national bourgeois form of development.

As I argued in chapter two, with the breakdown of the Eastern Bloc, Atlantic relations took form in an international terrain no longer conditioned by the 'Soviet threat', but the exceeding vulnerability of the (semi-)peripheries to external forces. Hence, the American-led offensive against MENA in general and Iran in particular was conditioned by other Atlantic powers' tactical and strategic alliances with and divergences from the American approach. On the domestic level, the crisis of the war managed accumulation strategy was combined with adverse effects of the new political economy of oil. Financialization of the oil markets, enhanced supply security, declining oil demand and prices and the weakening of OPEC implied that the 'oil weapon' had become a less reliable tool to resolve the various ISS crises in the region. In the case of Iran, these circumstances prioritized the expansion of production and exploration of new oil fields to counterbalance the negative effects of the new political economy of oil. However, lack of investment in the oil sector in the post-revolutionary years as well as significant damages to oil facilities during the war provided enormous challenges to the expansion of Iran's oil production. Hence, in the post-war conjuncture, addressing the crisis of the war managed accumulation strategy had to a large extent become predicated on the revitalization of the oil sector. It was in such international and domestic context that the second phase of the sanctions' regime, the main target of which was Iran's energy sector regime began to unfold. As Labban

notes the aim of the sanctions regime in the post-Iran-Iraq war period was “the control of (economic) territory by its removal from the circuits of all capital rather than its exclusive incorporation into one” (Labban 2008, 123).

On the one hand, European powers and Japan utilized the sanctions regime to access Iran’s market, which had become more vulnerable to external forces due to the crisis of war managed accumulation strategy. This took place in a context when the very existence of sanctions regime enabled Atlantic powers to “extract more favourable terms from the Iranian side”. The signing of several buy-back contracts in the energy sector as well as the establishment of various joint-ventures operations in the auto sector are important examples (Habibi 2013, 182–84). Apart from the Atlantic powers, some semi-peripheries also utilized the sanctions regime to establish a foothold in Iran’s crisis ridden economy. Some of the most important examples include the participation of Malaysia’s Petronas and Russia’s Gazprom in the development of South Pars Gas Field (Labban 2008, 132), the 1995 agreement between Iran and Russia to finish a light-water nuclear reactor in Bushehr and the close cooperation of Iran’s auto industry with South Korean auto companies such as Kia (Alizadeh 2013, 159). On the other hand, the American efforts to reduce Iran’s economic interactions with other countries, particularly the Atlantic powers often resulted in ‘delays and slowdowns in the implementation of these contracts (Habibi 2013, 182–184). Moreover, the sanctions regime played the central role in limiting Iran’s capacity to acquire foreign loans, credits, aid and FDI. Maloney summarizes these dynamics in the following manner;

Washington undermined Iranian efforts to reschedule debts, blocked loans by the World Bank and International Monetary Fund, reversed Japanese plans for a several hundred million dollar aid projects in southern Iran, swayed Moscow to restrict its arms sales to

defensive weaponry, and otherwise increased the costs and inconvenience to the Iranian economy at a time when Iran was still struggling to recover from the war and the aftereffects of revolutionary turmoil and mismanagement. American opposition helped constrain flows of capital into an Iran in flux. Even with the more outward-looking policies championed by Rafsanjani and, later, Khatami, the return of foreign direct investment (FDI) to Iran was slow throughout the 1990s. By the end of 2001, the stock of FDI had only rebounded to \$2.492 billion. Through this period, Iran's FDI compared to that of neighboring nations was abysmal – in 2001, Iran accounted for only 0.34 percent of all FDI inflows into the broader Middle East and North Africa region. (Maloney 2015, 451)

As indicated before, the intensification of the sanctions regime against Iran, correlated with a conjuncture when MENA became the epicenter of Washington's post-cold war military offensive (Klare 1998, 12). This is clearly reflected in the various American military interventions in the region (The First and Second Gulf Wars and the occupation of Afghanistan, imposition of no-fly zones) establishment of military bases in the gulf and the newly independent republics, bi-lateral military alliances and increasing American arms sales to MENA. From the perspective of the crisis of LNB in Iran, this increasing American military presence in the region is of enormous importance. First, the militarization of MENA in its post-cold war conditions of existence enhanced Israel's position in the region. The very initiation of the 'peace process' (despite the second intifada), the weakness of the Arab League, and the inauguration various security arrangements between MENA formations and Israel (Turkey, Jordan) all point to this process. Second, these developments also contributed to the increasing vulnerability of Iran's war-time allies to American pressures. Syria's participation in the First Gulf War and its negotiations with Israel over "land for peace settlement over the Golan Heights" (Hinnebusch

2003, 227) are important examples. Finally, the exclusion of Iran from the above military dynamics meant that the country was effectively put under an American military siege, as it came to be encircled by American bases all around its borders.

It is true that a U.S. military intervention did not take place in Iran during this period. The analysis of underlying reasons that explain why the United States did not take direct military action against Iran is outside the scope of this paper. It is however important to highlight that just like the post-cold war contradictions among the Atlantic powers played a major role in diluting the effects of the sanctions' regime, they also had a key role in providing important security spaces for Iran. Europe's 'critical dialogue' with Iran and later the EU3 negotiations over Iran's nuclear programme are but a few important examples. Moreover, the consolidation of neoliberal world order under American hegemony, did not preclude contradictions between the approach of powerful semi-peripheries such as Russia and China to Iran and that of the United States'. Iran's procurement of arms from Russia and China in this conjuncture (Ehteshami 1995, 176) is well reflective of this point. Despite these spaces however, the post-cold war military relations of force in MENA and Central Asia necessitated the dedication of enormous resources to Iran's defense sector in a conjuncture characterized by declining oil revenues, increasing sanctions and the need for post-war reconstruction amid a prolonged economic crisis.

To return to the main issue. In Iran, the interiorization of the consolidation phase of the neoliberal world order took place in and through the intensification of the sanctions' regime and military encirclement of Iran by the United States. In what follows, I will briefly analyse the way in which this contradictory constellation facilitated the emergence of neoliberal tendencies in the power bloc, while excluding potentials for its dominance and/or hegemony.

## Limits to Structural Adjustment Policies

As mentioned before, in the context of the economic crisis of the late 1980s, there had emerged a limited tendency to push for ‘de-nationalization’ of non-basic industries, export incentives for the private sector, reduction of import tariffs, foreign borrowing and increasing taxation (Ehteshami 1995, 95–98). Nonetheless, it was only after the post-war structural crisis when a comprehensive Structural Adjustment Policy was formulated through revising the proposed first post-revolutionary five-year development plan. Like most SAPs, the revised plan called for;

the privatization of large industries; the partial transfer of state responsibilities to the private sector; the removal of all forms of exports restrictions; the reconsideration of the pricing of domestically produced goods, exports and imports; the reduction of state subsidies for education; gradual pricing of electricity, water, fuel and telephone and postal services according to their cost of production; gradual reduction of the state payroll; and an end to the state monopoly in foreign trade. (Yaghmaian 1999, 221–22)

The passing the revisions to the first post-revolutionary five-year development plan in 1989 by the parliament marks the beginning of a protracted and intense period of class struggle. From the perspective of changes in the domestic economy, this process is characterized by the emergence of a neoliberal tendencies in the Iranian economy which were nonetheless limited by the struggles of the proponents of state-centered development in the power bloc, popular classes and sections of the petite bourgeoisie.

One can demonstrate this contradictory, conflictual process by analyzing factors such as growth of FDI, reduction of trade and export barriers, flexibilization of foreign exchange regime, easing price controls, financialization, privatizations or flexibilization of labor markets.

Nonetheless, the success, limitations and failures of neoliberal tendencies in the economy are best reflected in the extent to which they reversed the nodal points of the previous dominant accumulation strategy or the one in crisis. As illustrated in the previous chapter, for the war managed accumulation strategy, these nodal points were strict limitations on FDI (particularly in the oil sector), the enhanced role of state-owned and publicly owned enterprises following the post-revolutionary nationalizations, and compromises to popular classes in the form of subsidies, price controls, welfare regime and certain protections for workers in the public sector. Hence, in what follows I will briefly assess the status of these factors to show the potentials and limitations of the neoliberal tendency in the Iranian economy.

#### Buy-Back Contracts in the Oil Sector

The centrality of the oil sector in the Iranian economy has often implied that the emergence and dominance of an accumulation strategy is predicated on the development of a coherent approach to this sector by the dominant and/or hegemonic fraction of the power bloc. For instance, the dominance of American oil companies and their control over production, pricing and distribution under the sub-imperialist form of development contrasts sharply with comprehensive nationalization of the oil sector under the LNB form of development. In the post-war conjuncture too, the oil sector was subject to important changes which indicates both the emergence of neoliberal tendencies within the power bloc as well as significant limitations to their dominance. The development of “buy-back contracts” best reflects this contradictory situation. As Maz Labban explains,

Buy-back contracts are essentially short-term risk service agreements between the Iranian Ministry of Petroleum and private companies, according to which the oil company provides exploration, development, or production services over a predetermined period of time in

exchange for remuneration of capital and operating costs, interest and bank fees, and profit ranging between 12 and 24 percent – with most ranging between 15 and 18 percent – in amounts of oil or gas. (Labban 2008, 146)

‘Buy-Back’ contracts with international oil companies were a marginal part of Iran’s oil industry before the revolution. These contracts were reintroduced in the Budget Act of 1993 and prolonged in the five-year plans of 1995–1999, 2000–2004 and 2005–2009. What is more, the Budget Act of 2003 extended the scope of these contracts from development to both exploration and development of the oil fields. Hence, the legalization of buy-back contracts through the Budget Act of 1993 effectively put an end to “the Petroleum Act of 1987, which prohibits any foreign investment in oil and gas projects” (Shiravi and Ebrahimi 2006, 199–201).

The very first Buy-Back contract between the National Oil Company of Iran (NIOC) and an international oil company (IOC) was signed with a Dutch subsidiary of an American company called Connoco. However, immediately after the conclusion of the agreement, Connoco had to cancel its contract with NIOC since Bill Clinton banned the deal with an executive order. Faced with American sanctions, the NIOC replaced Connoco with France’s Total in July 1995 and as such the first post-revolutionary buy-back contract between NIOC and an IOC’s was finalized (Alikhani 2000, 183). Between 1995 and 2006, 16 other such contracts between NIOC and IOC’s were approved for development and exploration of Iran’s oil and gas fields (Van Groenendaal and Mazraati 2006).

On the one hand, and despite the sanctions’ regime, these contracts led to the opening of Iran’s most attractive sector for foreign investment to international oil companies. On the other hand, buy-back contracts “withhold sovereignty over resources” and production to international oil companies (Labban 2008, 149). Moreover, the risk burden in these contracts are mostly borne

by IOCs. For instance, recovery of operation costs and remuneration of capital are dependent on the achievement of contract objectives while payments are in amounts of oil and gas. Hence, low oil prices or oil flows lower than the contract objectives may well lead to financial losses for IOCs (Shiravi and Ebrahimi 2006; Van Groenendaal and Mazraati 2006). These risks burden along with potential loss of access to US markets due to the sanctions' regime, made Iran's oil sector less competitive in terms of attracting foreign investment.

Maz Labban argues that the contradictory nature of buyback contracts result from the paradox where "Iran's economic independence, which rests on the development of its domestic hydrocarbon industry, the expansion of existing and new reserves and increase in oil and gas output, depends ultimately on its opposite – the integration of its oil and gas industry with global capital" (Labban 2008, 149). Nonetheless, when one looks at this contradiction from the perspective of domestic relations of force, it can be argued that these contracts reflect the persistence of the crisis of hegemony in the post-war conjuncture. Opening of Iran's most important sector to foreign investment is an indication of the emergence of a neoliberal tendency in the power bloc and the weakening of the national bourgeois fraction. At the same time, however, the significant contractual limitations of buyback contracts for IOCs reflects how proponents of a state-centered development were still able to put great obstacles to further opening of the oil sector to foreign capital. Put differently, the inauguration of buy-back contracts is a manifestation of how the interiorization of the neoliberal world order through the sanctions' regime simultaneously enabled and restricted foreign capital's access to Iran's oil sector.

## Free Trade and Industrial Zones

This unsettled constellation can also be seen in other aspects of Iran's post-war economy, which concern foreign investment. For instance, one can refer to the inauguration of various Free Trade and Industrial Zones since the late 1980s. These zones were set up to attract foreign and domestic private investment for promotion and development export-oriented industries. To facilitate this, Free Trade Zones offered various incentives such as "unrestricted movement of capital and repatriation of profits", "a 15-year exemption from corporate and individual taxes", "import and export custom duty exemptions", "legal guarantees against expropriation or nationalization of investments" (Labban 2008, 139) and exemption from the Labor Code (Hakimian 2011, 860). Nonetheless, much like the oil sector, the establishment of free trade zones and the scope and extent of incentives to foreign capital were heavily contested "by merchants and industrialists who enjoyed the monopoly benefits from existing import and capital controls". Among other issues, this is manifested in complex and lengthy legal battles between and within the parliament, the Guardian Council and the Expediency Council over issues such as permitting the operation of fully foreign-owned banks and insurance companies in these zones. What is more, the sanctions' regime, competition for attraction of foreign investment in the region (particularly Dubai) and lack of sufficient infrastructure impeded the inflow of foreign capital to Iran's Free Trade Zones. For instance, the risks of losing access to U.S. markets due to the sanctions regime and low interests loans offered by regional competitors such as Dubai not only made Iran a less desirable destination for foreign investment, it also led to flight of Iranian capital (Labban 2008, 139-140). In sum, from 1993 to 2004, the free trade zones only attracted \$2.8 billion. As such, far from reaching their objectives, free trade zones became a hub for the import of consumer goods and domestic tourism (Hakimian 2011, 868).

## Foreign Investment Promotion and Protection Act (FIPPA)

The passing of Foreign Investment Promotion and Protection Act (FIPPA) in 2002 also indicates the above-mentioned contradictory constellation. This legislation gave significant opportunities for foreign investment such as allowing “foreign state-owned enterprises to invest in Iran”, repatriation of profits in the investor’s home country and imposing “no restrictions of foreign shareholdings”. These compromises to foreign capital played a crucial role in the issuing of various licences for foreign investment in projects “ranging from textile and ceramic production to spare parts and automobile manufacturing, as well as in a number of activities related to the mining and petrochemical industries” (E. Pesaran 2011, 132). Nonetheless, it took close to a decade for FIPPA to pass since the first attempt to introduce in 1994. That is because of the lengthy legal struggles between and within the executive branch (Particularly the Planning and Budget Organization and the Ministry of Economics and Finance), the parliament, the Guardian Council and the Expediency Council (see Áhmadi Amoui 2017). These contestations led to ambiguities in FIPPA, which moderated the extent and scope of foreign capital access to Iran. What is more, the sanctions’ regime also acted as an important barrier towards greater flows of foreign capital to Iran since the passing of FIPPA (E. Pesaran 2011, 132). Hence, like buy-back contracts and free trade zones, the passing of FIPPA reflects the emergence of neoliberal tendencies within the power bloc which were nonetheless limited by the capacities of proponents of a state-cantered development to moderate the extent and scope of foreign capital access to Iran.

## Foreign Borrowing

Apart from foreign investment, the emerging neoliberal tendency in the power bloc also pushed for use of foreign loans as a precursor for addressing the economic crisis of the late

1980s and Iran's development in the postwar context. With the passing of the first post-revolutionary five-year plan which encouraged the use of foreign loans, and with the encouragement of the World Bank and the IMF, Iran began to receive foreign loans which were short term in nature. Indeed, in the 1989-94 period, Iran accumulated close to \$30 billion in foreign debt, which by 1993 made up 38 percent of the country's GDP. Despite contributing to a short cycle of economic growth (Khajehpour 2001, 98) Iran began to experience a 'foreign debt crisis' by the mid-1990s (E. Pesaran 2011, 87).

Iran's inability to pay back its short-term loans and the obstacles inaugurated by the sanctions regime had already made the acquiring of medium and long-term loans more difficult. In this context, the proponents of a state-centered development began to exert more pressure on revising this path, particularly in the devising of the Second and Third Five-Year Plan. Although the plan did not ban foreign borrowing, it put a cap on annual repayments (below 30 percent of foreign exchange income) and foreign borrowing (less than \$25 Billion by the end of Five-Year Plan) (E. Pesaran 2011, 92, 115). These dynamics resulted in a considerable decline in Iran's foreign debt between the 1994-2001 period.

#### [Privatizations: State-Owned Enterprises and Article 44](#)

Since the late 1980s and as a part of the de-nationalization process, the private sector had been encouraged to participate in non-strategic sectors of economy. For instance, as early as June 1988, the parliament passed a bill authorizing the operation of non-governmental schools, which had been outlawed since their nationalization following the revolution (Arani, Kakia, and Taghavi 2015). Given the constitutional guarantees for free education, the restoration of private schools was certainly a sign of rapid changes in the Iranian economy. At the same time, the revitalization of private higher education institutions such as the Free Islamic Universities

*(danheshgah-e-Azad-e-Isalmi)* is noteworthy (see Kalb 2017). This growth of the private sector in the education system is inseparable from the neoliberal tendency's attempt in marginalizing the narrow pan-Islamism of the war period. In the neoliberal narrative, post-revolutionary notions of 'moral economy' and welfare for the 'disenfranchised classes' were displaced in favor of various discourses on 'civil society', 'religious democracy' and tricking down effects of economic development. What is more, in this ideological project, the struggle against imperialism was eliminated through the emphasis on 'pragmatism' in foreign policy or notions such as 'dialogue of civilizations' (see Behravesht 2014; see Holliday 2011, 99–125).

Nonetheless, privatization of state-owned enterprises and parts of their operations and services only began in 1990-91 when President Rafsanjani's council of ministers passed an act which called for the privatization 391 SOEs (Meydari 2010). Ever since and much like the opening of the economy to foreign capital, the privatization process has been marked by zigzags, twists, turns and reversals. The periodization of these processes and the dominant forms of privatization in each period is well beyond the scope of this study. Nonetheless, I point to three important dynamics here.

First, beginning in 1991 and particularly in the 1991-94, some SOEs or parts of their operations were transferred to the private sector through direct negotiations under the supervision of the executive branch. For instance, as Ehteshami notes "By July 1992 as many as 1,400 operational mines (out of 2,100 mines in the country) had been transferred to the private sector" (Ehteshami 1995, 107). However, this process faced three important obstacles from the proponents of state-centred development. On the one hand, major industries and sectors which were covered under article 44 of the constitution were exempted from the privatization process. The attempts to revise or side-step the restrictions associated with article 44 were manifested in

lengthy legal battles within and between the parliament, the executive, the Guardian Council and the Expediency Council. Indeed, the revision of article 44 only bore fruit in 2004 when the Expediency Council overrode the Guardian Council's objections by obliging "the government to divest from majority control in heavy industry, downstream oil and gas refineries, mining, power generation, banking, aviation, shipping, insurance, infrastructure, and telecommunications sectors" (Harris 2013a, 54). This revision was nonetheless soon moderated by a decree from the supreme leader in the same year which also legitimized the privatization of SOEs covered by article 44. Nonetheless, it emphasized the role of parastatal institutions and the cooperative sector alongside the private sector in managing, investing and ownership of enterprises covered under article 44 (Harris 2013a, 55).

On the other hand, parastatal institutions began to partake in the 'privatization' of enterprises outside article 44 by means such as purchasing SOEs' shares. The precedent for this process was set in 1994 when the parliament banned the transfer of SOEs through negotiated transfers and instead mandated the preferential sale of SOEs shares to parastatal institutions, specifically the ones associated with war veterans and martyr families (Meydari 2010). I will later analyse role of parastatal institutions in countering the privatization of SOEs in detail in chapter six. For the time being, however, it suffices to note that half of the shares of the 331 companies that fully or partly 'privatized' until 1994, went to parastatal organizations (Harris 2013a, 52). The transfer of SOEs to the private sector also ran against opposition from the workers, employees and managers in SOEs which were subject to privatization. It is true that these struggles were isolated for the most part and were only occasionally successful in forcing the government to take back the privatized firms (Behdad 2000, 127). Nonetheless, these struggles were crucial in strengthening the position of the proponents of state-centered

development in the power bloc against the neoliberal tendency's push for the privatization of SOEs.

Second, the limitations put forward to the privatization of SOEs, forced the neoliberal tendency in the power bloc to enhance the status of the private sector through other strategies. For instance, since the early 1990s, housing and commercial construction led by the private sector speculation experienced a rapid boom in Tehran. This was chiefly facilitated by extracting penalties and other fees from the private sector "in exchange for exemption from zoning laws and protection from political pressure" (Ehsani 2009; Harris 2013a, 53). A more significant development however occurred under Khatami's first term presidency when private sector operations were made possible through granting of licences. These licences included but not limited to private sector activities in the banking and insurance sector, the subsidiary oil, power plant, construction, airlines, telecommunications, and postal sectors. Although the so-called "growth of private sector without privatization" excluded operations in strategic sectors such as upstream oil and gas, it allowed the private sector to encroach in areas which had been effectively a state monopoly. This is particularly evident in the growth of private banks formed through domestic and diaspora private capital. It is important to note that even in this process, the parastatal institutions and enterprises limited the scope of private sector activity through establishing their own 'private' enterprises or through purchasing shares in private enterprises (Harris 2013a, 53; Meydari 2010)

Third, the emerging neoliberal tendency in the power bloc also pushed for policies such as liberalization of foreign trade, unification of the exchange rate, elimination of price controls and subsidies. As substantiated in various studies and much like the privatization process, the implementation of these policies was also marked by zigzags, twists, turns and reversals. For

instance, in the 1989-92 period, exchange rates composing of seven categories were gradually reduced to four categories. In 1993 a single floating rate was established only to be abandoned in 1995 and then reintroduced again in 2002 (Alizadeh 2003). What is more, while the subsidies for basic consumer goods were reduced in the post-war years, the neoliberal tendency in the power bloc failed to eliminate them in the face of popular riots and pressures from the proponents of state-led development (see Walton and Seddon 1994, 209–10).

### Fragmented Popular Struggles

So far, I have focused on the role of external forces and the proponents of the state-sponsored development in the power bloc in countering or resisting the neoliberal restructuring of the Iranian economy. What also needs to be highlighted, is the role of popular classes and sections of the petite bourgeoisie in opposing the attempted neoliberalization of the post-war economy.

Assessing the scope, extent and dynamics of these struggles is predicated upon considering the adverse dynamics of the attempted neoliberalisation of the economy on these classes. In other words, it is true that the accumulation strategy and state project promoted by the neoliberal tendency in the power bloc never became dominant. Nonetheless, the pertinent effects of this process had a key role in reversing some of the institutionalized compromises to the popular classes during the dominance LNB form of development.

I have already pointed to the limited nature of privatization of SOEs and their operations. Despite these limits, however, this process had a key role in fragmentation of workers' struggles and the weakening some of the compromises they had achieved during the dominance of the LNB form of development. A case in point is the 'labor casualization' as a result of the privatization and subcontracting of some of the operations in the oil sector (Maljou 2012).

Facilitating the forced displacement of many state employees to the private sector, this process amounted to the loss of workers' privileges as formal employees of the state. At the same time, the exclusion of protections for contract workers as a result of the parliament's revisions to the Labor Code allowed private contractors to "dismiss their employees at will, avoid offering adequate wages and salaries, as well as the benefits and protections that are no longer mandated by law" (Ehsani 2018, 20). These trends not only led to the lowering of workers' real wages and benefits, but also increasing competition among them for finding and renewing contracts. These dynamics, along with sectarianization of the labor market and use of undocumented war refugees from Iran's neighbouring countries by sub-contractors contributed to the fragmentation of workers' struggles (Maljou 2012). These developments in the oil-sector is representative of similar trends in other sectors of the Iranian economy.

Other than the flexibilization of labor market, the popular classes as well as sections of the petite bourgeoisie were also faced with the adverse effects of the reduction of subsidies and price controls, increasing private sector speculation in the housing market and reforms to the exchange rate. Yaghmaian summarizes some of the consequences of these developments in the following manner;

In addition to affecting domestic production, the depreciation of the national currency also resulted in increased prices of imported basic consumer goods. The simultaneous privatization and liberalization of foreign trade led to the allocation of scarce foreign currency resources to lucrative luxury goods imports, further depriving wage-earners of their potential access to affordable articles of consumption and the meeting of their basic needs. The unprecedented capital gains from speculative investment in the currency market led to a further accumulation of wealth in the hands of a few, and the reprocessing of this

wealth in other speculative ventures including the housing market in a later period. Housing prices and rentals increased in proportions never experienced before, leading to monthly rents that surpassed the incomes of average wage-earners in the capital and other large cities. (Yaghmaian 1999, 224)

It was in such a context that sporadic struggles against the offensive on the post-revolutionary compromises to the popular classes unfolded. The mid-1990s was witness to various riots on issues such as reduction of subsidies, rising basic consumer prices and housing. Also, in this period many worker strikes, sit-ins and demonstrations against privatizations, unpaid wages and labor casualization occurred. These worker struggles' which were initially concentrated SOEs, expanded to include the private sector as well since the late 1990s while from 2002 onwards the nucleus of a limited syndicalist workers movement was formed (Maljou 2012).

It is important to note that the post-war opposition to the attempted neoliberal restructuring of the Iranian economy was not limited to the popular classes. For instance, in the 2000-2003 period, a wave of teacher demonstrations, sit-ins and strikes unfolded around issues such as job security (Maljou 2006). What is more, different currents within the student movement which was gradually revived in the post-war years vehemently opposed structural adjustment policies through publications, lectures and seminars (Mashayekhi 2001).

In an *a posteriori* sense, I argue that these struggles were for the most part defensive, spontaneous and fragmented in nature. This is in part because the abovementioned offensive against the popular classes was juxtaposed with conservation effects of the disciplining, fragmenting and oppressing of popular classes during the war. The dissolution and imposition of legal and political limitations on the formation of independent unions or workers' councils are prominent examples (Abazari and Kheirollahi 2017). Hence, as much as these struggles were

central to the reversal or moderation of neoliberal policies, they nonetheless remained localized and quickly suppressed. For instance, the urban riots of the mid-1990s were a key factor in the reversal of the floating exchange rate (Yaghmaian 1999, 228) and plans to eliminate subsidies. At the same time, however, these riots failed to initiate a social movement on a national scale as they were quickly repressed. One can observe a similar tendency in other forms and types of popular and petite bourgeoisie struggles mentioned above.

In sum, my analyses of the interiorization of the consolidation phase of the neoliberal world order points to a contradictory constellation as far as the possibilities of a dominant or hegemonic post-war accumulation strategy is concerned. That is, as much as the interiorization of the post-Soviet world order facilitated the push for structural adjustment policies, it also empowered the proponents of state-centered, the popular classes and the sections of the petite bourgeoisie to resist, revise and modify the scope of these policies. Hence, the conjuncture of the post-war class struggle was such that the emergence of the nucleus of an accumulation strategy based on structural adjustment policies did not result in its dominance or hegemony.

This precarious constellation cannot be explained in isolation from the limitations to the unfolding of a dominant or hegemonic neoliberal state project. That is because, the success or failure of an accumulation strategy is ultimately dependent on the extent to which it coincides with a successful hegemonic state project. As I explained in chapter three, the emergence and dominance of the LNB state project was chiefly made possible by the Iran-Iraq war, the international and regional relations of force which characterized the emergence phase of the neoliberal world order and the mediating role of Ayatollah Khomeini. Hence, with the end of war, Khomeini's death, the crisis of the war managed accumulation strategy and the abortive

inauguration of the consolidation phase of the neoliberal world order the LNB state project was no longer viable.

I have already pointed to the way in which this constellation facilitated the emergence of a neoliberal tendency in the power bloc and nucleus of an accumulation strategy based on structural adjustment policies. What needs to be highlighted here is that these developments were shaped in and through important changes in the relations of forces within and between post-revolutionary state apparatuses. Put differently, the interiorization of the consolidation phase of the neoliberal world order was conducive to the development of a neoliberal state project as well. Some of the features of this neoliberal state project were implicit in my study of the post-war economy. That is, the reducing and changing the form of state intervention in the economy through privatizations, opening the domestic economy to foreign capital, ‘downsizing’ through elimination of subsidies or labor casualization. Other central aspects of this project were the restructuring of the post-revolutionary non-aligned foreign policy and centralization of state apparatuses. However, as will be demonstrated below, as much as the interiorization of the post-Soviet world order enabled the emergence of a neoliberal state project, it simultaneously limited the potentials for its dominance or hegemony.

#### **Foreign Policy: The limits to Realignment**

The tectonic shifts in the international and regional relations of forces in the post-war era, had three contradictory effects on Iran’s foreign policy. First, the proponents of Iran’s post-revolutionary non-aligned foreign policy were marginalized as the pursuit of such policy was less viable in this new international and regional context. After all, the inauguration of the consolidation phase of the neoliberal world order had led to the weakening of MENA formations’ international trenches against the neoliberal offensive led by the United States.

Moreover, the collapse of the Soviet Union diminished Russia's role in MENA and the newly independent republics. This facilitated an enhanced geostrategic position for the United States and sub-imperial states such as Saudi Arabia and Israel as well as Central Asia and Caucuses. Second, these international, regional and domestic dynamics contributed to the emergence of forces which favored a rapprochement with the United States, European powers and pro-Western regimes in the region. Nonetheless, the increasing American military, diplomatic and economic presence around Iran was inseparable from the attempt to isolate and contain Iran through measures such as intensifying sanctions. This not only limited the possibilities of a foreign policy consensus among the proponents of rapprochement, it also facilitated the continued relevance of the opponents of realignment. Hence, in this period, Iran's foreign policy came to exhibit multiple tendencies subject to frequent modifications and reversals, reflecting constant and rapid changes in the relations of force within and between foreign policy apparatuses.

To explicate the unsettled nature of Iran's foreign policy, I will briefly point to a series of contradictory, conflictual developments in Iran's international and regional orientation during the early and the mid-1990s. In this period, three trends were indicative of the emergence of a new regional and international approach, which were at clear odds with Iran's post-revolutionary non-aligned orientation; Close cooperation with the American-led offensive against Iraq, tacit support for the 'peace process' in Palestine and a reconciliation with the Gulf Countries (Parsi 2007, 142–52). Nonetheless, these policies, which were particularly pushed by the executive, led by president Rafsanjani and the Office of the newly selected Supreme Leader, fell short of a clear strategic realignment with United States and its allies in the region. That is in part because, given the post-war structural crisis, the legitimacy of such an abrupt change in Iran's foreign policy would be more than questionable. This becomes all the clearer when we consider how in the

post-revolutionary period, the popular classes were co-opted, disciplined and fragmented through mobilization for the war against a country which was supposedly supported by both superpowers. Besides, the opponents of rapprochement still had a decisive presence in the foreign policy apparatuses, despite their marginalization. As an example, some of the parliamentary factions known as the 'Islamic Left' had a key role in exposing and opposing Iran's cooperation with the American-led offensive. Some even insisted on the formation of an anti-American/Israeli alliance with Iraq (Bakhtiari 1992, 85). Last but not the least, despite enormously benefiting from the abovementioned trends in Iran's foreign orientation, the inclusion of Iran in American's strategy in the region was far from the horizon. It is in light of the preceding observations that I understand Iran's declaration of 'neutrality' in the Gulf war or 'informal' support for the peace process in their conditions of existence; a contradictory constellation which was conducive to the emergence of forces in favor of realignment with the West, while simultaneously imposing significant limits to their dominance.

These limits were further amplified as the foundations of dual containment of Iran and Iraq were gradually laid in the aftermath of the Gulf War. Iran was not only excluded from the Madrid Conference and the peace process in general (Parsi 2007, 154), it was also blocked from post-war security arrangements in the Gulf. This is best reflected in the conclusion of bi-lateral security agreements between the United States and the Gulf countries (Amirahmadi 1997, 49). Besides, the gradual intensification of the sanctions regime dealt a further blow to the possibilities of Iran's integration into the post-Soviet American strategy in MENA.

These processes led to important modifications, reversals and changing relations of force within and between Iran's foreign policy apparatuses. On the one hand, the proponents of Iran's rapprochement with the West began to put more emphasis on utilizing the contradictions

between European powers and United States to counter the American attempts in isolating Iran from the post-soviet regional and international order. In this sense, Iran's active participation in the European Union's (EU) "critical dialogues" (1992-2002) and later "comprehensive dialogue" (2002 onwards) is to be understood against the backdrop of expanding trade and investment ties with Europe (Aghaei 2007). On the other hand, exclusion of Iran from the Madrid Conference, and later the deadlock in the peace process followed by the Palestinian *Intifada* led to the enhancement of the position of forces who were opposed to the peace process. This is particularly manifested in Iran's adoption of a clear 'rejectionist' line towards the peace process, improvement of ties with Hezbollah as well as formation of close relations with Palestinian groups such as Hamas and the Islamic Jihad (Parsi 2007, 155–56,177). There also emerged attempts to enhance the country's geostrategic positioning in Central Asia and Caucuses. Involvement in the Nagorno-Karabakh conflict, the civil war in Tajikistan or the construction Mashhad-Sarakhs-Tajan railway which linked Central Asia to the Gulf and the Mediterranean region are important examples (Mesbahi 2004). These initiatives were deemed important for protecting the country against the rising American, Saudi and Turkish influence on its northern borders and containing the separatist sentiments among Iran's minorities such as Azeris and Turkmens. More importantly, Iran's embedment in this region could counter or moderate the effects the sanctions regime through making Iran an energy and transit corridor between the Caspian Sea and the Gulf as well as China and the Middle East (Calabrese 1994, 75–107). Last but not the least, closer cooperation with important semi-peripheries such as Russia and China are another important trend in this period's foreign policy. As mentioned before, this is exemplified in fields such as procurement of arms, investments in the oil sector and attaining nuclear technology.

The above trends in Iran's foreign policy which were simultaneously developed were not necessarily mutually exclusive. Nonetheless, the crucial point is that their convergence in a relatively coherent and reciprocal manner was more than questionable. That is because, given Iran's precarious situation in the consolidation phase of the neoliberal world order and the domestic structural crisis, none of these trends could ascend to a position of dominance or hegemony in the foreign policy apparatuses. For instance, the American economic, diplomatic and military pressures on Iran to a large extent enhanced the European powers' position vis-a-vis Iran. I have already indicated this in terms of gaining more favorable economic concessions from Iran, particularly in the oil sector. Moreover, the consolidation phase of the neoliberal world order is but the manifestation of imperialism under American hegemony. Hence, the European powers were neither immune from American pressures to modify and/or change their approach towards Iran nor willing to facilitate Iran's comprehensive integration in the post-Soviet order. The diplomatic stand-off over the assassination of Iranian opposition figures in Germany or pressures on halting Iran's nuclear program show the limits of maneuvering around contradictions between United States and Europe.

Also, Iran's attempts to gain a strategic depth in Central Asia and the Caucuses were also significantly constrained. Among other issues, one can point to factors such as a considerable American and Israeli military presence as well as rivalries with regional powers such as Turkey over influence in this region (see Mesbahi 2004). It is also important to recognize that in the consolidation phase of the neoliberal world order, semi-peripheries such as Russia and China did not have the international and regional influence that they gained subsequent to the crisis of the neoliberal world order. The repeated delays in the fulfilment of Russia's obligations regarding the Bushehr nuclear plant (Hunter 2010, 133) or China's cancellation of its nuclear agreements

with Iran (Hunter 2010, 123) are sufficient to show their susceptibility to American pressures in relation to Iran. Similarly, the increased vulnerability of MENA formations to external pressures created numerous obstacles in the cementing of ties with pro-American regimes, particularly in the Gulf region. Simultaneously, these susceptibilities to the American-led neoliberal offensive also diminished the possibilities of forming sustainable anti-imperialist alliances.

To sum up then, one cannot speak of a coherent foreign policy approach under which the contradictory and conflictual tendencies of other forces are subsumed and integrated. Rather, this conjuncture is marked by acute vulnerability to international and regional developments expressed in rapid changes in relations of force within and between foreign policy apparatuses, simultaneous unfolding of contradictory policies and constant short-circuiting of policy initiatives by contending forces. These dynamics also define Iran's foreign policy orientation in the lead up to and during the escalation of American military presence in the region after the events of September 11<sup>th</sup>. Put differently, one can properly understand Iran's close cooperation with the occupation of Afghanistan and Iraq as well as the compromises on its nuclear programme by considering the domestic and international context which prevented the dominance of a coherent foreign policy approach. Nonetheless, since these developments correlates with the crisis of the neoliberal order and the ascendance of the neo-national bourgeois form of development, I will analyse them in the proceeding chapters.

### **Centralization of State Apparatuses**

My discussions on the changes Iran's post-war economy and foreign policy as well as the regional and international context in which they unfolded, have brought one issue to the fore; as much as the interiorization of the post-Soviet world order enabled the emergence of a neoliberal tendency in the power bloc, it simultaneously limited the potentials for its dominance or

hegemony. In this contradictory context, the continued relevance and positioning of the neoliberal tendency in hegemonic struggles to address the post-war structural crisis was to a large extent predicated on the centralization/concentration of state apparatuses. Put differently, the international, regional and domestic constellation in which the neoliberal tendency emerged, left it with a very narrow space to co-opt the popular classes and integrate other fractions of the power bloc under a neoliberal accumulation strategy and state project. This in turn necessitated, or better, prioritized a form of centralization/concentration that excluded as much as possible other contenders for hegemony as well as the indirect presence of the popular classes in the state apparatuses and institutions. This will become clearer as I explicate the ways in which the neoliberal tendency pushed for the restructuring of state apparatuses through a two-fold process; a shift away from Iran's semi-parliamentary system and the marginalization of parallel apparatuses that were established after the 1979 revolution.

The shift away from the post-revolutionary parliamentary system is best reflected in the amendments to the 1980 constitution which were ratified concurrent with the 1989 presidential elections. The revised constitution demonstrates the weakening of the legislature at the expense of the executive bodies on three levels. First, the post of prime minister which was nominated and approved by the parliament was abolished while its powers were transferred to the presidency. Henceforth, the president would be in charge of nominating cabinet ministers, "budgeting and planning as well as the administrative and employment affairs of the country". Second, the prerogatives of the Office of the Supreme Leader were enhanced by increasing its executive privileges. A case in point is the clause 1 of article 110 which enables the Supreme Leader to designate the long term policies of the Islamic Republic through consultation with the Expediency Council. Third, the representative nature of the parliament was restricted as the

revisions in the constitution gave the Guardian Council the power to vet candidates for the parliamentary and presidential elections (Ehteshami 1995, 38–39).

Apart from these instances, one can also refer to increased and centralised executive powers of unelected bodies. For instance, the High Council for National Security which was established in 1989 and effectively under the joint control of the president and the Supreme Leader was made in charge of formulating Iran's foreign and security policies (Ostovar 2016, 145).

Such concentration/centralization of power in the executive bodies also occurred through the marginalization of parallel institutions and apparatuses. This took place through various ways such as the mergers or creation of new apparatuses. In the former case, one can refer to the merger of the Ministry of Construction Crusade with the Ministry of Agriculture and the integration of the Ministry of Revolutionary Guard Corps to the Minister of Defense and Armed forces both in 1989 (see Harris 2019a, 88). In the latter case, one can point to the establishment of the Law Enforcement Forces through the merger of the main internal security organizations (the police, gendarmerie, and revolutionary committee), centralizing its command and bringing them under the control of the Minister of Justice (Ostovar 2016, 145). The establishment of the Ministry of Welfare under president Khatami is also noteworthy since the main goal behind its creation was the centralization and merger of parastatal welfare institutions such as the Imam Khomeini Relief Committee, the Foundation for the Dispossessed and the Martyr and Veterans' Foundation (Harris 2019a, 185).

It is important to note that much like the neoliberal tendency's attempt at restructuring Iran's foreign policy, its push for the centralization of state apparatuses also faced significant obstacles. First and foremost, where successful, the concretion of power in the executive bodies

did not amount to the exclusion of other forces within the power bloc from these apparatuses. Rather, the contestations, contradictions, struggles and uneasy alliances within the power bloc also shifted to the executive bodies. This often corresponded to institutional contestations within and between executive bodies. The various disputes between the Office of Supreme leader and the Presidency or the conflicts between the Planning and Budget Organization and the Ministry of Economic Affairs and Finance and the Central Bank are important examples (see Āhmadi Amoui 2017; see Harris 2019a, 185).

Second, some of the instances of centralization that were mentioned above were themselves a reflection of the limitations of this process. For instance, the Ministry of Welfare was unable to amalgamate parastatal welfare apparatuses such as Imam Khomeini Refile Committee, which catered to the informal or semi-formal labor pool. This failure indicates the way in which parallel organizations “were used by competing factions to obstruct large-scale policy shifts”, in this case, “welfare expansion through the formal labor force” (Harris 2019a, 186).

Third, despite the neoliberal tendency’s push for the marginalization of parallel institutions, some even enhanced their position in the relations of force among the state apparatuses. For instance, the IRGC not only withstood pressures to integrate with the Army, they began to play an increasingly significant role in the Iranian economy. The formation of Khatam-ul-Anbia Construction Headquarters in 1990, “brought together many of the IRGC’s engineering and construction units into a single company to focus on national industrial and agricultural construction project”. Henceforth, the IRGC has played an increasingly important role in the post-war reconstruction projects ranging from construction of dams, pipelines, roads and development of oil and gas field (Ostovar 2016, 146). The IRGC role in the domestic

economy further enhanced following the crisis of neoliberal world order. I shall later discuss in detail the international, regional and domestic context for what is often called the militarization of the Iranian economy. For the time being, however, it is crucial to note that the “economic sanctions against foreign companies doing business in Iran, led by the United States... hastened this process” (Harris 2013a, 64). A similar pattern also took place with regards to other parastatal institutions, particularly the ones associated with providing welfare to the popular classes. Prior to proceeding to the next point, it is crucial to note that despite their resistance to marginalization, the parastatal institutions, were deeply affected by the centralization process. Among other effects, the increasing bureaucratization of these institutions as exemplified in introduction of military hierarchies in the IRGC stands out (Ostovar 2016, 144).

Last but not the least, despite the transfer of power from the legislative to the executive, the Parliament still played a decisive role in ventilating contradictions within the power bloc through institutional privileges such as issuing votes of confidence to the cabinet ministers, questioning and impeaching the president. Moreover, in the absence of institutionalized political parties, electoral cycles played a crucial role in various ruling fractions’ attempt in the power bloc to organize hegemony by appealing to popular struggles. It is in this light that we can make sense of the inauguration of a new elected body for City and Village Councils in 1998.

These contradictory developments demonstrate that in the post-war period, there occurred a clear trend towards the centralization of state apparatuses. It is also clear that the neoliberal tendency in the power bloc initiated this process as a part of its strategy to remain relevant in hegemonic struggles to address the post-war structural crisis. Nonetheless, as constant and unsettled twists, turns modifications and reversals in the economic policies and international and regional orientation illustrate, instead of excluding or marginalizing other forces within the

power bloc, this process led to the concentration of contradictions among the ruling class within the centralized apparatuses.

From the perspective of popular classes, these dynamics led to the narrowing of the institutionalized channels through which their indirect presence within the state formation had occurred in the post-revolutionary epoch. The marginalization of representative institutions and bureaucratization of the parastatal intuitions, particularly the ones associated with providing welfare and rural development had a pivotal role in the declining reciprocity of the state formation to popular struggles. It is in view of this declining reciprocity that one can better explain both the emergence of numerous ‘riots’ in post-war Iran and their swift suppression by the coercive apparatuses.

## Conclusion

In the preceding pages, I demonstrated how the interiorization of the consolidation phase of the neoliberal world order into the contradictions of post-war Iran culminated in a protracted crisis of hegemony. To conclude this chapter and summarize my findings, I argue the following; Like all other crises, this post-war crisis of hegemony took a specific form which is best characterized by:

- a) a conjuncture of class struggle where the late national bourgeois fraction was unable to restore its dominance, a neoliberal accumulation strategy and state project remained at an embryonic stage and the fragmented nature of popular classes excluded a revolutionary scenario.
- b) This precarious conjuncture of class struggle was materialized and maintained in and through the centralization of state apparatuses, the undermining of representative

institutions and the narrowing of the institutionalized channels for the indirect presence of popular classes in the state formation.

- c) From a state-theoretical perspective, these changes in the relations of force within and between state apparatuses point to the crisis of the LNB state form rather than the emergence of a new state form in the post-war Iran. That is because, the international, regional and domestic relations of force were not conducive to the addressing of the crisis of hegemony by any of tendencies and fractions within the power bloc. More specifically, the relations of force within the power bloc were unsettled to the extent that neither the neoliberal tendency, nor the national bourgeoisie fraction or other proponents of a state-centered development could even assume a position of dominance. Besides, the popular struggles of the post-war era certainly intensified the contradictions within the power bloc. However, the defensive, spontaneous and fragmented nature of these struggles meant that the popular classes were not able to ‘strategically’ exploit these accentuated antagonisms. Hence a transition to a ‘popular’ form of state was far from the agenda in this conjuncture.

# Chapter 6: The Neo-National Bourgeois form of Development

## Introduction

In this chapter, I will argue that in the conjuncture that approximately falls between the 2003 occupation of Iraq and the signing of Joint Plan of Action between Iran and 5+1 group on November 2013, a new form of development emerged in Iran; what we may term a ‘neo-national bourgeois’<sup>14</sup> form of development (Alnasseri 2011; Alnasseri et al. 2011; Nakhaei and Daryani 2011). To substantiate this, I will take the following steps.

First, I will demonstrate how the unfolding of the new phase of the world order against the backdrop of the post-war crisis in Iran both necessitated and facilitated Iran’s embedment in the region. This in turn had a key role in the overdetermination of the interiorization of the world order and its contradictions by Iran’s embedment in the region.

I will then proceed by illustrating how a ‘regional accumulation strategy’ became dominant in this period. I will explicate the main features of this accumulation strategy by considering the changes in Iran’s technological, investment and trade ties, the expansion of the domestic market and changing relation between domestic monopoly capital and non-monopoly capital. Throughout my discussions on this accumulation strategy, I will illustrate how the interiorization of the new phase of the world order corresponded to the emergence of a neo-national bourgeois fraction in the power bloc.

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<sup>14</sup> The concept of neo-national bourgeoisie was developed collectively in the context of a graduate workshop organized by professor Sabah Alnasseri and attended by Alex Caramento, Hessam Daryani, Yasin Kaya and Nima Nakhaei.

Finally, by elaborating on the ‘neo-national bourgeois state project’, I will substantiate how this new fraction institutionalized its corporate economic interests. More specifically, I will point to the ‘lower-order imperialist’ foreign policy, ‘decentralization of state apparatuses’ and the ‘neo-pan Islamist’ identity discourse as the main tenants of this state project. I will also demonstrate how the institutional selectivity of the post-revolutionary state simultaneously facilitated and imposed certain limitations on the neo-national bourgeois fraction’s attempt in organizing its hegemony within the power bloc and in relation to the popular classes.

### The International Context

My discussions on the interiorization of the neoliberal world order in the preceding chapters have brought one issue to the fore; changes in imperialist relations, whether manifesting in a new world order, or a new phase within an existing one, bring about new ‘objective’ conditions for the unfolding of new forms of development or the crises of existing ones in the (semi-)peripheries. As Gramsci reminds us, however, the “so-called subjective conditions can never be missing when the objective conditions exist, in as much as the distinction involved is simply one of a didactic character. Consequently, it is on the size and concentration of subjective forces that discussion can bear, and hence on the dialectical relation between conflicting subjective forces” (Gramsci 1971, 113).

What this entails is that these ‘objective’ conditions brought about by changes in imperialist relations are both overdetermined and contingent terrains in class struggle. On the one hand, “particular forms of state privilege some strategies over others, privilege the access of some forces over others, some interests over others, some time horizons over others, some coalition possibilities over others” (Jessop 1990, 10). That is, the structural selectivity of the state favors the power bloc in general and specific forces within it in particular. On the other hand, the

mistakes, underestimations and overestimation of the domestic contenders (within the power bloc) and external forces (imperialist powers, regional players) might jeopardize this advantage and result in the crisis of a state form. Hence, the extent and form of materialization of the above mentioned 'objective' conditions, or lack thereof, takes place through this dialectical process.

In this section and in light of what was said above, the focus of my analysis will be on how the crisis of neoliberal world order provided Iran with new political, economic, military and ideological spaces. In this pursuit, I will make three interrelated arguments, First, against the backdrop of Iran's protracted post-war crisis, the new phase of the neoliberal world order both necessitated and facilitated Iran's embedment in the region. Second, I will highlight the way in which the unfolding of the crisis of neoliberal world order in MENA was favorable for the assumption of what Sabah Alnasseri has identified as a "lower-order imperialist" position in the region. Lower-order imperialism refers to "the internalization of imperialist moments within the peripheral and semi-peripheral states" leading to the development of "a relation of dependency of a precarious nature among these states". Lower-order imperialism is conceptually demarcated from sub-imperialism in so far as it does not act as a "transmission relay for imperialist interests in the respective regions and spheres of influence". Rather, it is "self-interested and articulates a contradictory relationship to imperialist centres in forms of cooperation and/or conflicts" (Alnasseri 2011, 125). Last but not the least, I will argue that the unfolding of the crisis of neoliberal world contributed to the overdetermination of the interiorization of the world order and its contradictions by Iran's embedment in the region.

I will substantiate these arguments by engaging with the potentials and limitations that the interiorization of "liberation imperialism" (Alnasseri 2009b, 79), the sanctions regime and the Arab revolutions brought upon for Iran's embedment in the region. I will later engage with

the concrete form of this regional embedment by discussing the emergence of a ‘regional accumulation strategy’, a ‘lower-order imperialist foreign policy’ and a ‘neo-pan Islamist’ identity discourse.

#### [Iran and The Crisis of Neoliberal World Order: Continuities and Discontinuities](#)

As Radica Desai notes, “the twenty-first century opened with a quantum leap in the scale and intensity of US imperial interventions in the Middle East” (Desai 2016, 17) as Afghanistan and Iraq were occupied, while Israel enjoyed unconditional American support during the 33 Day War and the Gaza Massacre in 2009. From Iran’s perspective, this ‘quantum leap’ or as Sabah Alnasseri calls it “liberation imperialism” (Alnasseri 2009b, 79), points to the discontinuities and continuities of this conjuncture with the previous phases of the neoliberal world order.

On the one hand, one of the permanent features of the neoliberal world order for the post-revolutionary Iran has been the increasing militarization of the region under the aegis of American imperialism; a process which culminated in what I called a ‘military siege’ over Iran during the consolidation phase of the neoliberal world order. In this sense, ‘liberation imperialism’ is consistent with this pattern, since the occupations of Iraq and Afghanistan as well as the Israeli military operations against Lebanon amounted to an even more intense ‘military siege’ over Iran and its spheres of influence in the region. On the other hand, the ‘scale and intensity’ of the American military presence in the region reached a qualitatively distinct form compared to the previous phases of the neoliberal world order; direct intervention on a massive scale. For Iran, this was all the more important since there were “actual military preparations” for the invasion of the country (Ahmad 2005), despite Iran’s close collaboration with the United States in facilitating the occupations of Afghanistan and Iraq (Ahmad 2007).

The same dynamics are also applicable to the ‘sanctions regime’. As I have argued throughout the previous chapters, ever since the ‘revolutionary conflict formation’, the ‘sanctions regime’ and its progressive intensifications have been a permanent feature of the world order for Iran. In the years following the occupation of Iraq and similar to the previous conjunctures, the sanctions regime remained intact. Nonetheless, since the passing of the first United Nations Security Council resolution pertaining to Iran’s nuclear programme in 2006, the sanctions regime was internationalized (see Habibi 2013, 172–75).

These increasing pressures during the ‘crisis of the neoliberal world order’ necessitated Iran’s regional embedment more than ever. Recall that the internationalization of the ‘sanctions regime’ and the preparations for the military invasion of Iran were unfolding against the backdrop of the protracted crisis of the LNB form of development. Among other issues and particularly in this conjuncture, the post-war crisis had crystalized three moments.

On the one hand, the very ‘late’ character of the LNB form of development shows that its dominance had been possible in an extraordinary regional and domestic constellation of forces. As such, despite the internationalization of capital and state since the 1970s, the interiorization of imperialist relations limited the linkages between the domestic and world economy to crude oil exports and import of consumer, capital and intermediate goods. These extraordinary conditions however dissipated in a context where the internationalization of capital and state proceeded even more decisively. Hence, resolving the crisis of the ‘the war managed accumulation strategy’ became even less likely through shielding the national economy from the world market. On the other hand, the intensification of the ‘sanctions regime’ in the post-war years illustrated the enormous challenges for Iran’s integration in the world economy. My earlier discussions in

chapter four demonstrate that even Iran's participation in the world market as a "passive recipient of neoliberal decrees" (Alnasseri 2011, 134) was unlikely.

Last but not the least and as argued by Timothy Mitchell, American unilateralism in relation to the occupations of Afghanistan and Iraq were signs of the crisis of neoliberal world order. That is, these direct and massive military interventions are to be understood as responses to the failure or untenability of the previous measures (sanctions, no-fly zones, support for extremist forces) to contain countries like Iran and Iraq (Mitchell 2011, 221). For the power bloc in Iran however, these occupations presented an existential threat given the domestic vulnerabilities to American military power. Hence, the military preparations for the invasion of Iran further necessitated a form of regional embedment which would exclude the possibilities of an American military intervention inside Iran.

In what follows, I will argue that that the contradictory, conflictual processes associated with 'liberation imperialism' facilitated the assumption of a 'lower-order imperialist position' for Iran. I will specifically take the example of Iraq as it best represents this dynamic.

### [Liberation Imperialism](#)

What followed the occupation of Iraq best demonstrated the key characteristic of 'liberation imperialism'; that its ability to launch massive military interventions could not be matched with effective political, economic and even military control over the occupied spaces. From the perspective of developmental possibilities in Iran, this was the Achilles heel that best facilitated Iran's regional embedment.

As Sabah Alnasseri argues in *Understanding Iraq*, "the imperial project of rule is not aimed at the re-building of a nation but at the fractioning of formerly politically-constituted space". More specifically, controlling Iraq following the occupation was predicated upon the

“dissolution of the existing apparatus of the state and a simultaneous, but uneven, construction of a new one” (Alnasser 2009b, 86). Two moments are essential here; ‘sectarianization’ and ‘insecuritization’.

To begin with, the disbanding of the Iraqi army, the expansion of private security companies (e.g. Blackwater) and the occupation itself made any resemblance of ‘state monopoly over violence’ impossible. This led to the permanent insecuritization of Iraq best represented by the expansion of militias. At the same time, the destruction of the old state formation and the uneven construction of a new one was equally based on the ‘sectarianization’ of Iraqi national space. The initiation of a sectarian quota system and its operationalisation by the selective reactivation of institutions and social forces associated with the old/colonial ruling classes is a case in point. What is important to note here, is the mutually reinforcing nature of insecuritization and sectarianization. That is, since these forces had “no deep roots in internal communities” of Iraq, they “exploited the situation of permanent violence in order to build their social base” (Alnasser 2009b, 90). What is more, sectarianization qua insecuritization was central in the marginalization of the anti-imperialist resistance whose struggle against the occupation was aimed at the preservation and restoration of Iraq as unified politically constituted space (see Watkins 2004). In this sense, this imperial strategy or ‘state project’ if one can call it that, was per design aimed at the fragmentation of the Iraqi national formation in a way that its ‘unity’ would only be sustained by the occupation.

It was against the backdrop of such fragmentation of the Iraqi national formation that the occupiers and the returning old social forces were able to embark upon massive privatizations, elimination of tariffs and fracturing the oil industry through giving “the oil producing regions have more juridical power than the federal government” (Alnasser 2009b, 93).

This project was arguably in the making since the 1990s through imposition of no-fly zones and crippling sanctions. From Iran's perspective, however, the new moment here is not only the extremely violent form it took since 2003, but how the contradictions involved in this project allowed Iran to embed itself in Iraq and beyond. Three moments are essential here.

First, as Aijaz Ahmad noted as early as 2007, "the historically unprecedented and currently unrivalled military power of the U.S....is proving to be the principal cause of its hubris". More specifically, he argues;

The Iraq and Lebanon wars have shown up the limits of the latest in military technology. Relatively small militias, armed with rudimentary weapons, fought the U.S. and Israeli armies to a standstill; one withdrew hastily, the other doesn't even know how to retreat or even avoid slow attrition. This imposes severe limits on U.S. capabilities and projects for seeking military solutions to political Problems. (Ahmad 2007)

As such, the unsettled military constellation of forces in Iraq since the occupations have shown that the imperial strategy of 'control qua destabilization' creates spaces beyond the control of the occupiers. For the power bloc in Iran and in the context of military preparations for the invasion of the country, these spaces were crucial to contain, negotiate and reach compromises with the United States (see Seliktar and Rezaei 2019, 127–65).

Second, although sectarianization was central in marginalizing the anti-imperialist forces who fought for the restoration of the Iraqi national space (Watkins 2004), the same strategy facilitated spaces for regional intervention. For instance, many of the forces associated with Iraq's old ruling classes were deported to Iran in the late 1970s and the early 1980s and were mobilized into militias for the war front by Iran. What is more, since the early 1980s, "the main weight of Iraqi Shiism shifted outside the country" and particularly to Iran (Alnasseri 2009b, 85).

Now, the sectarian outlook of these forces, their institutional and military organization as well as their support for the occupation facilitated their alliance with the United States without compromising their ties to Iran (see Seliktar and Rezaei 2019, 127–65).

Third, the reduction of border controls since the occupation and destruction of the Iraqi economy through years of sanctions, occupation and plunder after the war created new economic spaces for the export Iranian handicraft, consumer and durable goods. This gain added significance when one considers Iran's long lasting and deep cultural ties to Iraq which cut across religious, linguistic tribal and nomadic lines (Samii 2015, 40). At the same time, given the internationalization of the sanctions regime, these new spaces could also be utilized for bypassing the sanctions.

I should also stress that since the Iranian revolution, one of the main tenets of the American imperial strategy in MENA was the dual containment of Iran and Iraq. However, the setbacks of 'liberation imperialism' which aimed at the mutual destruction of both countries had profound impacts for Iran. That is because, this strategy led to the elimination of Iraq as a regional power while enabling Iran to entrench itself politically, economically and militarily in Iraq. This was favorable for Iran in gaining a degree of 'international autonomy' through the assumption of a 'lower-order imperialist position' as opposed to an anti-imperialist one which would contribute to the restoration of Iraq as a unified politically constituted space.

From the perspective of the power bloc in Iran, the contradictions of 'liberation imperialism' also created similar dynamics in Afghanistan and to some extent in Lebanon following the 33-day war. I will later engage with the concrete way in which these new spaces were utilized and contested by the power bloc in Iran. For the time being, it is necessary to emphasize that the contradictions involved in 'liberation imperialism' also created similar spaces

for other countries in the region to gain and/or enhance their international autonomy. Hence, the assumption of a lower-order imperialist role by Iran also involved intensified regional conflict and cooperation over the above-mentioned spaces (Alnasseri 2011, 125; see Saikal 2016). It is equally important to note that Iran's embedment in these spaces would not be a one-way path. Rather, this process would make the domestic terrain of class struggle more vulnerable to the economic, military and political dynamics in these formations. In this sense, the more regionally oriented the character of Iran's development, the more the interiorization of the world order and its contradictions would be overdetermined by its embedment in the region.

The possibilities for the enhancement of Iran's international autonomy however were not limited to the unfolding of these contradictory dynamics inside Iraq, Afghanistan or Lebanon. For instance, American 'unilateralism' with regards to the invasion of Iraq was both a symptom and intensifying factor in the escalation of intra-imperialist contradictions. For Iran, among other issues, this manifested in the EU3 negotiations over Iran's nuclear programme (2003-2006) which ran against the American preparations for direct or targeted military intervention in Iran (see Alcaro 2018).

At the same time, and as I argued in chapter two, America's 'imperial overstretch' was crucial in the solidification of the 'Left Turn' in Latin America (Prashad 2013, 7). This in turn gave the power bloc in Iran new diplomatic and to a lesser extent economic spaces beyond the MENA.

#### [Internationalization of the Sanctions Regime](#)

To reiterate, up until its internationalization in 2006, the sanctions may be divided to two distinct phases; the 1979-1996 period where sanctions were unilaterally imposed by the United States and were mostly concentrated on restricting trade and investment ties between Iran and

United States and the 1996-2006 period onwards where American sanctions expanded by targeting Iran's economic relations with countries other than United States as well. Since the imposition of the UNSC resolutions from 2006 onwards, however, the sanctions regime entered a new phase; that of internationalization. That is, the sanctions regime came to be increasingly tied to and determined by the UNSC and more specifically the 5+1 negotiations over Iran's nuclear programme. Hence, not just European powers and the United States, but also emerging powers, particularly Russia and China played a key role in shaping and contesting the parameters of the sanctions regime. What is more, since 2011, the scope and intensity of the sanctions increased through new American unilateral sanctions, EU sanctions and also the UNSC sanctions (see Habibi 2013, 172–75).

The new phase of the sanctions regime unravelled in a very specific context. On the one hand, limitations if not liabilities of 'liberation imperialism' for maintaining and solidifying United States' geostrategic positioning in MENA had crystalized. This is mainly demonstrated in the resilience of Iraqi insurgency, the continued control over vast parts of Afghanistan by the Taliban and the failure of Israeli and by extension the United States in achieving any of their objectives in the 33 Day war (Ahmad, 2007; see Bacevich, 2008). At the same time, the relative decline of American power in MENA, also contributed to the already increasing contradictions between United States, Atlantic and emerging powers. On the other hand, the contradictions of 'liberation imperialism' had allowed Iran to play a decisive role in the most contested spaces in MENA (i.e. Iraq, Lebanon, Afghanistan) (Ahmad 2005, 2007; Saikal 2016, 170). I will later clarify how the precarious nature of the international relations of force among old imperialist and emerging powers allowed for the gaining of a degree of international autonomy by Iran. For the time being, it suffices to say that the same unsettled constellation made Iran all the more

important in geostrategic terms for contradictions, conflicts and cooperation among these powers.

Based on the preceding remarks, I argue that internationalization of the sanctions regime is not the manifestation of international “struggle with Iran”. Rather, it is a mechanism through which the international “struggle for Iran” (see Labban 2008, 124–49) as an increasingly important regional power came to be condensed. The delineation of the concrete ways in which the straggle over Iran converged in the internationalization of the sanctions regime is well beyond the scope of this study. At the risk of oversimplification, however, one may point to three dynamics.

First, the internationalization of the sanctions regime does not indicate United States’ success in isolating Iran, but rather a retreat from ‘liberation imperialism’. This is best reflected in the gradual acceptance and participation in 5+1 talks which began under the Bush administration (see Alcaro 2018, 189). In this sense, from Iran’s perspective, Radhika Desai’s observation is to the point; “the Obama administration’s foreign policy is not different from that of the Bush administration in terms of its motives. The real difference lies in the ever-narrowing resources and options for pursuing it” (Desai 2016, 26).

Second, as I argued before, maintaining European powers’ (and Japan) foothold in the Iranian economy since the revolution and particularly in the post-war years was to a large extent predicated on the sanctions regime (see Habibi 2013; see Labban 2008). These powers’ active participation in the internationalization of the sanctions regime could be viewed as a compromise to the United States, a result of contradictions among the European powers, or a tactical convergence aimed at maintaining their privileged position in Iran through exerting economic pressure. The essential point however is that this severely reduced financial, trade and

technological ties of these powers to Iran. What is more, these dynamics privileged the already growing economic, political and military ties between Iran and the emerging powers, particularly China and Russia.

Lastly, in light of what was said above, the role of emerging powers in the internationalization of the sanctions regime may be understood as a strategy to increase their strategic depth in Iran. This strategy may include both selective support for intensification of the sanctions, modifying their extent and scope or countering them.

Now, the improbability of addressing the post-war crisis through shielding the national economy from the world market and the internationalization of sanctions resulted in a complex constellation. On the one hand, the financial crisis of 2007-2008 contributed to the already increasing role of the emerging powers in MENA (Elnaggar 2020). This further enhanced the possibility of ‘basing Iran’s development on an international basis’ through cooperation with non-Atlantic powers (Alnasseri 2011, 132). The intensification of the sanctions since 2011 intensified this pattern. On the other hand, the same crisis as well as the contradictions of liberation imperialism made possible the extension of Iran’s domestic market to a regional one by extending trade and to a lesser extent investment ties to peripheries such as Iraq and Afghanistan. This was made all the more necessary since a regional embedment would also allow Iran to maneuver around the sanctions regime.

#### [Arab Revolutions and Counter Revolutions](#)

I argued in chapter two that the processes emanating from these revolutions are ongoing and have not yet been settled in either domestic, regional or international context. However, the pertinent effects of these revolutions on developmental possibilities in Iran cannot be overestimated. More specifically, the limitations of ‘liberation imperialism’ were crucial in

Iran's embedment in the region. Precisely because of this embedment, the Arab revolutions had a more accentuated effect on the terrain of class struggle and the capacities and limitations of enhancing Iran's international autonomy. Two moments are essential here.

To begin with, one of the immediate effects of the 2010-11 revolutions was the toppling and destabilization of "the most enduring dictatorships sponsored by the USA" (Desai 2016, 13). Given how the LNB form of development and its crisis had unfolded qua the American imperialist strategy in the region, these developments presented enormous potential for the power bloc. For instance, the fall of Mubarak in Egypt and its coincidence with the 31 anniversary of the Iranian revolution indicated more than a symbolic accident of history to the Iranian power bloc. That is because, the Mubarak regime was the crystallization of a decisive shift in regional constellation of power whereby Egypt was transformed into a 'transmission relay for American imperialist interests' in the region instead of the Iranian monarchy (Alnasseri 2016a). Similarly, the Bahraini uprising provided similar potential, particularly when one considers the presence of American bases there as well as Iran's historical ties to Bahrain and support for some of the opposition forces (see Mabon 2012).

What is more, as I indicated in chapter two, the weakening of American geopolitical position in the region following the Arab revolutions intensified rivalries over MENA among Atlantic and non-Atlantic powers. What is important to note here is that the utilization of these intra-imperialist contradictions for gaining and/or enhancing a degree of international autonomy was not limited to Iran. Put differently, the new constellation was favorable to the adoption of a lower-order imperialist position by other regional powers as well. Turkey's military involvement in Syria and Libya or Saudi Arabia's intervention in Bahrain and Yemen are important examples.

These developments are an indicator of a precarious constellation where the demarcation between a “war of position” and “a war of maneuver” (Gramsci 1971, 229–38) for international and regional contenders over the outcome of the Arab revolutions was diluted. That is perhaps why the dominant aspect of these contradictions is a new wave of militarization and rapidly changing alliances and antagonisms. The interiorization of these dynamics and their effects on Iran’s international autonomy cannot be overestimated. That is because, the major battle fields are either countries where Iran had or began to have more economic, political and/or military influence since 2003. The case of Syria demonstrates how the militarization of the uprising both facilitated Iran’s direct involvement while erecting new limitations to its regional embedment.

In the previous chapters, I laid out the ways in which Iran’s military, economic and diplomatic cooperation with Syria since the Iran-Iraq has been central to the maintenance of Iran’s territorial integrity. As Jubin Goodarzi notes, since the 2003 occupation of Iraq, these dynamics were reinvigorated such that one may identify it as a strategic alliance between the two countries. The crucial moment here was the mutual interests in countering ‘liberation imperialism’ in Iraq and Lebanon (Goodarzi 2013, 47–49) which is best reflected in the signing of a defense agreement between Iran and Syria on June 2006 (Akbarzadeh 2016, 131). What is more, in the context of increasing sanctions on both countries, the economic relations between Iran and Syria improved significantly. This is not just a matter of increased trade, but more importantly Iran’s productive investments in Syria. Among other issues, one can refer to the building of an auto plant and an agreement to construct a pipeline which would transport Iran’s gas to the Mediterranean through Iraq and Syria (Tabarani 2008, 155).

What stands out about the deepening of Iran’s strategic alliance with Syria is that in its absence, gaining a degree of international autonomy and assumption of a lower-order imperialist

position for Iran would have been more than questionable. Hence, Iran's active involvement in the Syrian uprising and consequently the war was in large part due to the indispensability of its strategic alliance with Syria for maintaining its international autonomy; an active involvement which was made possible by the military, diplomatic and economic mechanisms which were inaugurated by this strategic alliance (see Akbarzadeh 2016; see Goodarzi 2006). Nonetheless, Iran's intervention in the Syrian conflict formation imposed important limitations to its regional embedment. I will later engage with these issues in detail. Meanwhile, it suffices to say that this intervention illustrates the defensive nature of the way in which Iran came to contest the outcomes of the Arab revolutions. One can also point the financial burden of a sustained military involvement in the context of the internationalization of the sanctions regime (see Seliktar and Rezaei 2019).

### The Emergence of the 'Regional Accumulation Strategy'

Iran's post-war crisis had already shown that a new accumulation strategy could neither be based on shielding of the national economy nor by being a "passive recipient of neoliberal decrees" (see Alnasseri 2011, 134). The interiorization of the crisis of the neoliberal world order not only further crystalized this improbability, but also facilitated the emergence and dominance of a 'regionally' based accumulation strategy. Sabah Alnasseri's observations are helpful in clarifying how the crisis of neoliberal world order facilitated the emergence of what we may term the 'regional accumulation strategy'.

Alnasseri notes that "the more developed and dominant economies were never auto-centred" as the persistence of their accumulation processes have been predicated on "displacement and shifting of parts of the cost of processing the contradictions on to the dominated economies". Hence, the (semi-)peripheries have represented a strategic depth to imperialist heartlands

(Alnasseri 2011, 132). Now, the crisis of Atlantic neoliberal accumulation strategies and their interiorization in the (semi-)peripheries weakened the former's control over the latter. What stands out here is a two-fold process.

To begin with, the above dynamics allowed the emerging powers to 'promote' economic development in the (semi-)peripheries. This is not so much a matter of 'south-south' cooperation but rather the necessity of gaining a strategic depth in the (semi-)peripheries. For Iran, this was crucial since the interiorization of the crisis of neoliberal world order was overdetermined by the intensification of the sanctions regime. Hence, Iran's long standing technological, investment and trade dependencies on the Atlantic powers could be compensated for by basing its accumulation strategy on non-Atlantic powers. I will analyse Iran's shifting of technological, investment and trade dependencies towards the emerging markets by engaging with new developments in Iran's gas and oil sector, FDI inflows as well as trade orientation and composition.

At the same time, the contradictions of liberation imperialism enabled the extension of Iran's domestic market to a regional one. This was primarily achieved through commercial rather than productive incorporation of the peripheries of the Iranian economy to the regional accumulation strategies. I will explicate these issues by analysing new developments in Iran's oil and gas sector, trade and investment patterns as well as new forms of technological dependency.

What further distinguishes this strategy from its predecessors is how it expanded the internal market. Contrary to the previous conjunctures, this expansion was neither based on incorporating popular classes through expansion of state delivered non-wage benefits nor their reduction. Rather, the expansion of the domestic market was achieved through increasing state delivered, non-wage benefits but in a monetized form. I will assess the limitations and potentials

of this approach by considering initiatives such as low-interest loans, distribution of state-owned enterprises' share' among the popular classes, restructuring of the subsidies for energy and food, and an affordable housing project.

Finally, the regional accumulation strategy is also defined by the reorganisation of the relation between domestic monopoly and non-monopoly capital. I will explicate this by pointing to a two-fold process; the restructuring of monopoly capital through corporatization of parastatal institutions and empowerment of non-monopoly capital through subcontracting, labor law exemptions, and low and flexible loans.

All in all, the crucial moment here is that renegotiation of domestic monopoly capital's position towards non-monopoly capital as well as the expansion of the domestic market were made possible in and through the ascendancy of a more autonomous accumulation strategy. That is not only a matter of countering the internationalization of the sanctions regime by shifting of Iran's technological, trade and investment dependencies to non-Atlantic powers. More significantly, the shifting of these dependencies towards non-Atlantic powers corresponded with an assertive embedment of this accumulation strategy in the peripheral zones of the Iranian economy.

#### Political Economy of Oil and Gas

The emergence of the LNB form of development in post-revolutionary Iran had clearly shown the potentials of Iran's oil sector in the protection and extension of a domestic space of accumulation, despite the war and sanctions. At the same time however, the oil sector in the war conjuncture had incurred significant damages while and lack of investment had negatively affected production and exploration capacity (see Alnasrawi 1986, 878). As such, in the post-war

years there developed an urgent need to reinvigorate the oil and gas sector; an urgency which faced three important challenges.

First, repairing damaged facilities and increasing production and exploration capacity was well beyond the financial, technological and technical capabilities of Iran's State-Owned Enterprises or the private sector. Second, the targeting of Iran's energy sector in the new phase of the sanctions regime along with the limitations of Iran's Buy Back contracts for international oil companies created an insecure and unpredictable environment for the participation of IOCs in Iran. It is true that European powers, Japan and (semi-)peripheries such as Russia and Malaysia utilized the sanctions regime to establish a foothold in Iran's downstream projects. Nonetheless, the sanctions regime not only limited these investments, it also had a key role in delaying their operationalization (Habibi 2013, 182–84; Labban 2008, 132). Accordingly, while these investments had a role in increasing Iran's production capacity compared to the war years, their effects were well below Iran's needs. This will become clearer when one considers issues regarding 'supply security' below.

Last but not the least, increased financialization, spot market prices, increased domestic production, diversification of supply sources and types of fuel as well as the weakness of OPEC had led to enhanced supply security for Atlantic consumers (Gkanoutas-Leventis 2017; Labban 2011; Yergin 2012). Among other issues, these dynamics led to a sharp decline in oil prices which further amplified the need to expand Iran's crude oil exports. Nonetheless, the gradual increase in Iran's export was not enough to counter the limitations imposed by the sanctions regime and declining prices.

Since the crisis of the neoliberal world order, however, the political economy of oil was subject to important modifications the main features of which were;

- a) increased demand, particularly owing to economic growth in China and other emerging powers,
- b) the entry of state-owned oil companies to the global energy markets
- c) resurgence of resource nationalism
- d) a more “developing world approach” among OPEC members, which prioritized revenue over market share.
- e) increased vulnerability of pipelines and other infrastructure to attacks as a result of ‘liberation imperialism’s control through securitization. This, in turn led to “financial volatility in the oil market, precisely because of the over-sensitivity of financial markets to perceived repercussions of non-market events”.
- f) Rapid increase in oil prices (Labban 2011, 331–38).

These modifications unfolded at juncture when the crisis of the neoliberal world order presented a contradictory situation to the power bloc in Iran; the increasing economic pressures associated with internationalization of the sanctions regime on the one hand and opportunities for extending the domestic space of accumulation to a regional one on the other hand. In this context, a rejuvenated oil and gas sector could play the central role in countering the sanctions regime while contributing to securing a regional space of accumulation. This becomes all the more important when we consider how the challenges involved during the post-war crisis of accumulation strategy had significantly hampered Iran’s ability to increase production capacity and exploration. Aside from the oil sector, which I talked about earlier, the status of Iran’s natural gas industry during the post-war years further demonstrates this urgency.

The increase in global demand and trade of natural gas (particularly from China) since the early 2000s presented an attractive source of export earnings for Iran which sits on the

second largest gas reserves in the world. Moreover, natural gas is an important domestic source of energy, while its reinjection into Iran's older oilfields is essential for improving their productivity. Hence, increasing natural gas supplies "would free more crude oil for export". Last but not the least, because of the difficulties involved in storing natural gas, its trade is "dependent on finding long-term consumers". As a 'latecomer' to the global gas market however, Iran significantly lagged behind major producers such as Russia and Qatar who had somewhat 'locked' the market. These processes highlighted the critical need to increase gas production capacity (Kuhn 2014; Labban 2008, 142–43).

Now, the modifications in the oil and gas markets provided new trade and investment possibilities for Iran. It is true that the internationalization of the sanctions not only prevented new investments from IOCs, it also led to the departure of the ones that had already established a foothold in Iran (Katzman 2020). Nonetheless, the oil companies from the (semi-)periphery, particularly state-owned oil companies of the emerging powers, took this as an opportunity to deepen their trade and investment ties with Iran. While the semi-peripheral oil companies' participated in Iran since the mid-1990s (Labban 2008, 137), the new form of investment and trade is differentiated from the previous one on four grounds.

First, the new trade and investments ties since mid 2000s were not only decidedly wider in scope, they were also in effect replacing the Iranian oil sector's European and Japanese partners. That is, a wider range of semi-peripheral oil companies from countries such as China, Russia, India, Brazil, Turkey, Malaysia and Thailand signed numerous contracts for development, exploration, pipelines and petrochemicals (see Katzman 2020, 78–82). These contracts resulted in a constellation where the semi-peripheral investments in Iran far exceeded and, in some cases, replaced the Atlantic ones which were the leading investors in Iran's oil and

gas sector in the early 2000s. China's entry into Iran's energy markets was the decisive moment here. For instance, on June 2009 China's National Petroleum Company replaced Total which had withdrawn from Phase 11 of the South Pars gas field (Hunter 2010, 123). As John Garver notes,

Chinese firms first tested the waters in exploitation of Iranian oil and gas in 2006, and then in 2007 and 2009 undertook to invest approximately US\$48 billion in Iranian energy projects, far overshadowing all other foreign investors and making China Iran's leading energy partner by a large margin. (Garver 2016, 195)

An identical pattern is also visible in Iran's oil exports, where emerging markets (particularly China and India) as opposed to Western Europe become Iran's main oil export destinations (see Cordesman, Gold, and Coughlin-Schulte 2014).

Second, the new form of investment and trade included extra-commercial incentives (e.g. soft loans, investment in economic infrastructures) (Labban 2011, 348) bartering and trading in currencies other than the dollar (Katusa 2015). The confidential nature of oil contracts in Iran makes it difficult to fully assess these incentives. Nonetheless, it is very hard not to view these investments ties in connection with the growing participation of non-Atlantic powers in Iran's infrastructural projects, arms sales and diplomatic cooperation in diluting the sanctions regime. One can also point to various bartering arrangements or trading in non-dollar currencies with India, China and Turkey which were essential for countering the sanctions regime (Katusa 2015, 204; Wu 2018, 121).

Third, these new investment and trade ties had important limitations, the effects of which crystalized in reduced oil production and exports since 2011. On the one hand, Iran's efforts to boost production and exploration activities was confined to the lower technological capacities of the semi-peripheral oil and gas (see Garver 2006, 237–40). What is more, with the intensification

of the sanctions since 2011, some firms cancelled their contracts and/or slowed their operations in Iran (Garver 2013, 79; Katzman 2020, 76–82). On the other hand, Iran's major oil partners also reduced their imports from Iran, following the 2012 U.S./E.U oil embargo. These dynamics are best represented in the downward trend in China's oil imports from Iran. Moreover, China's National Offshore Oil Corporation (CNOOC) withdrew from a contract to develop North Pars natural gas field while Iran terminated a deal with China National Petroleum Corporation (CNPC) to develop Phase 11 of the South Pars since CNPC had not begun operations. Sinopec was also behind in fulfilling its commitments for developing the Yadavaran oil field (Cordesman, Gold, and Coughlin-Schulte 2014, 66). These limitations are also reflected in Iran's natural gas sector, where the substantial increase in exports were closely matched with the rise in domestic consumption (see Kuhn 2014, 213).

Lastly, high oil prices compared to the 1990s moderated the above effects to some extent. A case in point is how Iran's oil revenue in this period is considerably higher than the 1990 and the early 2000s (Mohaddes and Pesaran 2014).

#### Trade, Investment and Technological Ties

Compared to the previous conjunctures since the 1979 revolution, the one under study correlates with a remarkable integration of the Iranian economy into the global economy. This is clearly reflected in increased trade and investment patterns that extend the space of accumulation beyond a domestic one. In terms of trade patterns, what stands out is the increased significance of international trade in the Iranian economy. For instance, in the period between 2003-2014 Iran's trade to GDP ratio is consistently higher than 43%. That is in contrast to the post-war years where this ratio is typically below 43% while there are rapid fluctuations (Trade (% of GDP) - Iran, Islamic Rep. n.d.). As far as investment ties are concerned, the FDI inflow are the most

revealing. Between 2003 and 2014, FDI inflows are consistently higher than 2 billion dollars reaching a maximum of 4.6 billion in 2012. In the post-war years, however, FDI inflows are constantly below half a billion dollars except for 3.5 billion in 2002 (Foreign direct investment, net inflows (BoP, current US\$) - Iran, Islamic Rep. | Data n.d.).

What differentiates the new conjuncture from the post-war years however is not just the extent of the integration to the global economy, but also its distinct form. First and foremost, there is a clear diversification in Iran's trade and investment destinations or what may be termed 'de-Europeanization' and 'Asianization'. As I indicated in the previous chapters, since the 1979 revolution, European powers and Japan have constantly been Iran's major import, and to a lesser extent export destinations. In the new conjuncture however, the privileged position of European powers and Japan declined and was replaced by developing economies, particularly China, India, South Korea and Turkey. A similar tenancy also took place with regards to the sources of FDI and foreign loan and credits (Ghodsi et al. 2018, 12).

It is also worth mentioning that there developed a more nuanced trade balance between Iran and its new major import partners, indicating a less passive economic relationship and more export potential. This is reflected in how China which frequently ranked as Iran's top import destinations was also among the country's top export destinations. Besides China, Iran's other major export destinations also shifted away from Europe. Most importantly, in the years following the U.S. occupations of Afghanistan and Iraq, these countries became Iran's major export destinations, while the bilateral balance of trade significantly favored Iran (Central Bank of the Islamic Republic of Iran Economic Time Series Database. n.d.). Lastly, in the new conjuncture, the United Arab Emirates' consistently had a prominent position among Iran's major trade partners. This is in large part due to the role the U.A.E plays as a re-import/re-export

zone for Iran, thereby allowing it to maneuver around the sanctions regime. Hence, trade flows between Iran and U.A.E. could indicate Iran's continued dependency on European markets (see Early 2015, 88–142). The crucial point however is that this dependence takes through a regional intermediary. All the above dynamics, with the exception of FDI inflows, were accentuated following the intensification of the sanctions regime in 2012.

Second, there are new trends in Iran's trade composition in this period. Most importantly, there is a clear rise in Iran's non-oil exports. It is true that in the post-war years, Iran's non-oil exports had increased. However, the revenues associated with this remained under 5 billion dollars for most of this period. Since 2003, however, the earnings from non-oil exports have steadily increased from approximately 5 billion to 33.57 billion dollar in 2014 (Samii 2015, 39). Most of these exports in this period were composed of intermediate goods, in particular "petrochemicals, refinery products, basic metals, and non-metallic minerals" (M. R. Razavi 2018, 41).

As with the general trend towards shifting of Iran's trade partners away from Europe, the non-oil exports also shifted towards Asian markets. Nonetheless, when it came to the peripheries of Iranian economy, especially Iraq and Afghanistan, Iran's non-oil exports were more diversified. That is, "major share of the increase in exports from Iran to neighboring countries was made of products needed for infrastructure rebuilding and development" such as cement or electricity (Samii 2015, 40). At the same time, most of Iran's consumer and durable goods exports were imported by these countries (M. R. Razavi 2018, 41). For instance, between 2009 and 2014, more than 75% of Iran's auto exports were imported by Iraq (M. R. Razavi and Alaedini 2018, 92).

Before turning to the composition of Iran's imports, a few words should be said about Iran's productive investments beyond the domestic market. To be sure, the regional accumulation strategy is demarcated against its predecessors in so far as productive investments outside the domestic economy are concerned. First and foremost, this is reflected in promotion of regional energy interdependence through pipeline projects, oil, gas and electricity swaps as well as exports to Iran's neighbours (Mirsaeedi-Farahani 2015, 288; Olimat 2015, 77). To go further, Iran also initiated non-energy-based investments in the region as witnessed by the establishment of auto plants in Syria, Venezuela, Belarus, Azerbaijan, Egypt, and Senegal. Nonetheless, the extension of space of accumulation to a regional one is predominantly characterized by increased trade relations. That is because most of productive investments were either not materialized (e.g. pipeline projects) or very marginal in nature (e.g. auto sector) (see Katzman 2020, 78–82; see Mehri 2015, 111). Despite this limitation, one cannot underestimate the peripheralization of these spaces (particularly Iraq and Afghanistan) vis-vis the Iranian economy through their commercial incorporation. That is because, the creation of these trade dependencies has a key role in Iran's assumption of a lower-order imperialist role and gaining a relative degree of international autonomy. This will become clearer when I engage with the ascendancy of a lower-order imperialist foreign policy in Iran.

The composition of Iran's imports in this conjuncture is similar to the post-war years in the sense that the ratio of intermediate goods imports significantly outweighs consumer and capital goods imports. The increased volume of all of these categories and Asianization of Iran's trade orientation nonetheless points to new patterns. For instance, bartering arrangements or trading in major import partners' local currencies facilitated the flow of consumer goods from emerging markets to Iran. For the domestic industries which were producing similar goods, this

process along with the price competitiveness of the imported consumer goods imposed significant challenges (see Maloney 2015, 471; Mirbagheri 2015, 117).

Third, the ‘Asianization’ of Iran’s intermediate and capital goods had important consequences on the emergence of new patterns of technological dependency. That is because, this process which was accentuated with the intensification of the sanctions regime, correlated with a shift away from Atlantic technologies and towards ones from emerging markets. It is also important to note that this shifting technological dependency was reinforced by diversification of FDI inflows as well as foreign loans towards the emerging markets. What stands out here is that compared to European and Japanese technologies, the non-Atlantic and particularly Chinese ones had important advantages for a more autonomous (semi-)peripheral accumulation strategy. To begin with, non-Atlantic capital and intermediate goods were not only cheaper, but also accessible to Iran in the context of the intensified sanctions regime. What is more, the labor-intensive nature of these technologies made them more suitable for addressing unemployment challenges in Iran, which had “a relatively high level of urbanization and relatively low reliance on the agricultural sector”. Besides, the inferior technological level of these intermediate and capital goods, made the more adoptable to Iran’s economic conditions. Garver’s observations are to the point here;

[T]he lower technological level of China’s capital goods also held certain advantages for Iran. They were easier for Iranian personnel to master, thereby lessening the need for large numbers of expensive Western specialists associated with import of more advanced Western technology. Chinese experts, who often accompanied equipment to assist with setup, also cost a lot less than Western specialists. (Garver 2006, 241)

There were nonetheless important limitations to Iran's changing technological orientation. For instance, decades of technological dependency on Atlantic economies had imposed considerable conservation effects on Iran's industries and slowed down the shift towards technologies from the emerging markets. Besides, the intensification of the sanctions contributed to increased domestic investment in research and development and high-risk projects. Accordingly, "Iran had major technological achievements in the production of sanctioned products such as special parts for tall steel mill furnaces, specialized alloyed steel sheets used in the production of high-pressured tanks, supersonic mills, and advanced thermo jet dryers". What is more, Iran was able to produce a domestic reformat for the production of gasoline, which "made the country completely independent of foreign suppliers of gasoline" (Fakhri 2017, 254–57).

#### Expansion of the Domestic Market

Recall that under the 'war managed accumulation strategy' the popular classes were primarily integrated into the domestic market through non-wage benefits which were state delivered and non-monetized for the most part. For instance, one can refer to rural development policies, a more "socially and spatially inclusive" welfare regime" (Harris 2019, 141) and subsidies for and rationing of basic consumption goods (Hakimian 2013, 82). In the post-war years, the neoliberal tendency's attempt to eliminate these non-wage benefits was countered by popular riots and pressures from the proponents of state-led development. In this precarious constellation, these benefits, particularly subsidies for basic consumer goods remained enact, but in a significantly diluted form (see Walton and Seddon 1994, 209–10). What distinguishes the regional accumulation strategy from its predecessors is how it attempted to extend the domestic market through increasing state delivered non-wage benefits in a monetized form. These benefits were particularly targeted towards the popular classes in the formal and informal sectors of the

economy. From the perspective of the neo-national bourgeois fraction, this way of integrating the popular classes in the domestic market had a mutually reinforcing effect. On the one hand, these monetized non-wage benefits would contribute to popular classes' increased consumption of domestically produced goods (see Guillaume, Zytek, and Reza Farzin 2011). This is particularly important since in Iran, major segments of the popular classes were employed in the 'informal economy' at a time when the post-revolutionary social security measures which targeted them were diluted in the post-war years. Hence, monetized non-wage benefits were central in inducing consumption norms and patterns which could contribute to the extension of the domestic market. On the other hand, the financing of non-wage benefits by the state would reduce some of the labor costs for the non-monopoly capital. I later will return to the relation between monetized non-wage benefits and the empowerment of non-monopoly capital. For the time being, I will briefly go over the four prominent ways through which these non-wage benefits were operationalized; low-interest loans, distribution of state-owned enterprises' share' among the popular classes, restructuring of the subsidies for energy and food, and an affordable housing project.

The first government bill under Ahmadinejad's presidency was concerned with providing low-interest loans to low-income families for housing, marriage and self-employment. For this purpose, the Interest-Free-Loan Fund for Expansion of Rural Employment, the Interest-Free-Loan Fund for Facilitating Marriage and the Fund for Supporting Employment Opportunities were merged into a new public financial institution called the Imam Reza Fund for Employment Marriage and Housing. Although these institutions had existed during the post-war period, the amount of loans distributed since the inauguration of the new fund in 2006 were exponentially larger compared to the previous periods (Aziznejad 2014).

Another important cornerstone in increasing the non-wage benefits was the introduction of the ‘Justice Share Programme’ where stocks of state-owned and public enterprises would be distributed among low-income families as non-tradable shares with the dividends being cashed within 20 years (Amuzegar 2007). I will later discuss the institutional complexities involved in operationalization of this programme. For now, it suffices to say that in the 2006-2014 period, more than 42 million Iranians had received justice shares (Amalkard-e-Sazman-e Khosousisazi dar Sale 1392 n.d.). These shares which were “valued at \$36 billion as of 2014” (Vahabzadeh 2017) were distributed among government employees, low income clusters, low-income villagers and nomads, beneficiaries of welfare organizations, workers without labor contracts, and the unemployed (Harris 2013a, 56).

The restructuring of the subsidies for energy and basic food items since 2010 were arguably the most important step in the monetization of non-wage benefits. This restructuring involved a significant reduction of subsidies for energy and basic food items, leading to substantial price increases. At the same time, 50% of the saved revenue would be diverted to all Iranians as monthly cash payment. Another 30% was to be used for assisting the private sector, particularly manufacturers and agricultural producers in adjusting to higher energy costs. The remaining twenty percent of the additional revenues would be utilized by the state to cover its increased energy costs (Guillaume, Zytek, and Reza Farzin 2011).

What stands out here is that contrary to the original proposal which aimed to limit cash payments to low-income families, all Iranians qualified for them and close to 95% of the population began to receive monthly payments of approximately \$45 in 2010. As such, up until 2014, the lion share of the monetized subsidies were spent for direct payment to Iranian families (Salehi-Isfahani, Wilson Stucki, and Deutschmann 2015, 190). I argue that the extension of the

cash payments beyond the popular classes was a conscious political decision as the operationalization of these reforms correlated with the political instabilities after the contested presidential 2009 elections. In this sense, the inclusion of all Iranian families in the cash payments could be understood as a form of appeal to the petite bourgeoisie even if doing so would jeopardize the original revenue break down (Harris 2016, 95). This will become clearer when I discuss the neo-national bourgeoisie state project later.

To return to the original issue. In 2010, the cash payments amounted to “about 10 percent of the monthly wage of an unskilled worker, so an unskilled worker with a family of four would be receiving a transfer equal to about 40 percent of his or her monthly wage” (Salehi-Isfahani, Wilson Stucki, and Deutschmann 2015, 1148). In its early stages, these cash transfers not only offset the increases in energy and food prices, but also contributed to increased consumption patterns and norms amongst the popular classes. Besides, since the cash payments were electronically deposited into banking accounts, contributed to the further penetration of Iranian banks amongst the popular classes, especially in the rural areas (see Salehi-Isfahani 2016, 190; Salehi-Isfahani, Wilson Stucki, and Deutschmann 2015, 1157).

Last but not the least, a few words on the most ambitious affordable housing project in Iran are necessary. The Mehr Housing Project “entailed granting preferential housing finance and construction tax exemptions to homes constructed on ...[free] public lands for low-income households” (Alaedini and Ashrafzadeh 2016, 17–18). I will later engage with the construction process and the role of non-monopoly and monopoly capital in this project. For the time being, it is enough to note that until 2014 period, more than one million affordable units were distributed to low-income families. Compared to the previous post-revolutionary conjunctures, this project far supersedes them both in terms of the investments and output (Tamjidi 2014).

Boosting domestic demand through the above monetized non-wage benefits had important limitations. To begin with, these policies, especially the affordable housing project and monthly cash transfers involved deficit financing. At the same time, their operationalization correlated with the intensification of financial and trade sanctions. Hence, the inflationary pressures of these programmes were decisively accentuated by the sanctions regime. The increasing inflation in turn had a negative impact on the subsistence level of the popular classes as well as the petite bourgeoisie and domestic demand (Dastgerdi, Yusof, and Shahbaz 2018; see Salehi-Isfahani 2014). What is more, since the dividends on justice shares could only be cashed in 20 years, they could have an immediate effect on rising the subsistence level of the popular classes. Finally, the affordable housing project was not only marked by construction delays, but suffered from sub-standard qualities in terms of construction, and access to basic amenities. The latter issue was more accentuated in urban housing complexes. That is because, these complexes were developed outside the urban centres to avoid the extremely high land prices (Alaedini and Ashrafzadeh 2016, 17–18).

Despite these challenges, there is credible evidence to suggest that monetized non-wage benefits, particularly cash transfers were decisive in rising the subsistence level of the least privileged segments of the popular classes, especially in rural areas (Salehi-Isfahani 2014). At the same time, the incorporation of the popular classes to the regional accumulation strategy was not limited to monetized non-wage benefits. For instance, in this period, the coverage of Social Security Organization not only expanded its coverage of formal workers but also informal ones such as construction workers and rural laborers (Harris 2016, 90, 2019a, 195). This extended coverage to some extent acted as a countertendency to rising inflations.

## Monopoly and Non-Monopoly Capital Relations

Up until now, my analysis of the post-revolutionary Iran had demonstrated that the state controlled ‘monopoly capital’ both in terms of legal possession, distribution and reinvestment of extracted surplus value. During the LNB form of development and consequent to the nationalization programme, state monopoly took the form of SOEs which specialized in a specific sector of the economy. In the post-war years, state control over domestic monopoly capital persisted, yet there were important modifications which were nonetheless unsettled. On the one hand, the neoliberal tendency’s push for privatization of SOEs was limited as the proponents of state-led development countered this push by involving parastatal organizations in the privatization process. This unsettled constellation resulted in a tendency for corporatization of SOEs, where some of these enterprises and the parastatal institutions to which they were transferred were restructured as ‘self-sufficient’ corporate entities (see Harris 2013a). On the other hand, other than strategic sectors such as upstream oil and gas, the private sector grew without privatization by encroaching in areas which had been effectively a state monopoly; private banking, education, or performing some of SOE’s operations. Lastly, the neoliberal tendency’s attempt to integrate monopoly and non-monopoly capital to Atlantic circuits of capital through FDI, joint ventures or Free Trade Zones was severely limited by the sanctions regime as well as pressures of proponents of state-led development. Hence linking Iran to these circuits of capital was mostly limited to marginal inflows of FDI into oil and gas sector or joint-ventures in the auto-sector.

While in the latest conjuncture, monopoly capital is still controlled by the state, it nonetheless takes a new form. This may be explicated by pointing to the corporatization of parastatal institutions, new linkages to foreign capital and compromises to non-monopoly capital.

To begin with, the tendency for corporatization of divested SOEs and parastatal institutions to which they were transferred becomes a dominant pattern. This is realized in two simultaneous processes. On the one hand, the privatization of SOEs, takes place with a much wider magnitude, particularly after the election of Ahmadinejad into presidency. For instance, of the value of SOE shares which were privatized in the post-war period, more than 85% were sold between 2005-2014. What is more, other than privatization through stock market sales, auctions and bilateral sales, two new forms of transfers contribute to the rapid increase in SOE divestments; transferring SOEs shares under the ‘Justice Share Programme’ and settling of government debt to parastatal institutions through “direct cash-to-equity divestment of SOE ownership” to those institutions (see Harris 2019b).

On the other hand, the main beneficiaries of the rapid increase in the privatizations were not the private sector but parastatal institutions. For instance, a parliamentary report estimated that in the 2006-2010 period, only “13.5% of the US\$70 billion worth of assets of state-owned enterprises, transferred out of the public sector since 2006, had gone to the private sector” (Harris 2013b, 212). The above processes resulted in a constellation where the parastatal intuitions formed various “diversified business conglomerates” which operated in finance, manufacturing and commerce through combinations of major and minor shareholdings of divested SOEs. It is important to note that the corporatization of parastatal institutions is not limited to military and paramilitary organizations such as the IRGC and the Basij. This process also includes other parastatal institutions most importantly the ones in charge of providing social security for the formal (e.g. pension funds) and the informal labor force (e.g. The Foundation for the Dispossessed, Provincial Justice Share Cooperatives) and religious charities (e.g. Imam Reza Shrine) (Harris 2019b).

Another important tendency which differentiates monopoly capital from the previous conjunctures is its ‘decentralization’. Among other issues, one can point to the allocation of control over ‘Justice Shares’ to provincial cooperatives. Besides, government incentives such as tax exemptions and loans aimed at industrialization in underdeveloped areas had important effects on the decentralization of monopoly capital. For instance, “in joint projects involving the company, local provinces, and private capital”, Iran’s major automobile producer developed ten factories outside Tehran with the capacity of producing 100,000 to 200,000 vehicles a year (Mehri 2015, 81).

Other than monopoly capital taking the form of ‘corporatized’ parastatal conglomerates, its linkages with foreign capital changed too. I will not go into details about this issue as I have already illustrated this in terms of changing patterns of trade, investment and technological ties from Europe and Japan and towards the emerging markets. What is important to note here is that these conglomerates not only cooperate with new sources of foreign capital but also compete with them too. For instance, the Khatam al-Anbiya Construction Headquarters, an engineering firm which belongs to the IRGC has cooperated with Russian, Chinese and Indian firms in various oil and gas projects (Harris 2013a, 64). In 2004 however, the IRGC had a key role in the cancelation of a Turkish-Austrian consortium’s contract for managing Tehran’s new international airport (Larrabee and Nader 2013, 32).

In terms of compromises to non-monopoly capital, three dynamics are prominent in the new conjuncture. Before laying these out, however, I should stress that “non-monopoly capital is not a homogeneous and contradictions free entity”. That is, “some elements of non-monopoly capital constitute parts of other fractions (domestic-, national-, and/or comprador bourgeoisie)”

(Alnasseri 2011, 137). In this sense, in the proceeding lines, I will focus on those fractions of non-monopoly capital that are at the forefront of the regional accumulation strategy.

To return to the main issue. First and foremost, parastatal conglomerates utilize non-monopoly capital as sub-contractors. Due to the legal ambiguities surrounding the parastatal institutions and the resulting lack of transparency, it is difficult to estimate the exact extent of sub-contracts to the private sector (see Vahabi 2017, 26). Nonetheless, various reports and analyses have established enough evidence to consider sub-contracting in all sectors of the economy is a widespread practice. For instance, Khatam al-Anbiya Construction Headquarters, “works with 5000 sub-contractors from the private sector” (Coville 2017). Another prominent example is the integration of close to 1200 small and medium parts manufactories into Iran’s major auto producers. This is particularly significant since in the 2004-14 period “the share of locally produced parts in Iran’s auto industry more than doubled...to reach 42% of auto industry’s production” (M. R. Razavi and Alaedini 2018, 80–83).

Second, there were major attempts in promoting and empowering labour-intensive small-scale producers in manufacturing and agriculture sectors. A case in point is the inauguration of an ambitious programme which aimed to tackle unemployment and regional disparities through providing flexible, low-interest loans to enterprises or initiatives hiring less than 50 workers. This initiative, which was operationalized under Ahmadinejad’s presidency, distributed more than 20 billion Rials (approximately 20 billion dollars) in low-interest loans to approximately 600,000 small-scale producers and proposals in the 2006-2011 period. One can also consider the case of small and medium construction firms, which took over most of the contracts for the Mehr Housing Project in both rural and urban areas (Nakhaei and Daryani 2011).

Lastly, there were significant compromises to non-monopoly capital in terms of applicability of the 1989 Labor Law. On the one hand, the exemption of non-monopoly from the provisions of the 1989 Labor Law were extended. As such, workers were banned from forming Islamic Labour Councils in plants hiring below 30 workers. At the same time, enterprises which employed less than 10 workers enjoyed more exemptions on issues such as use of child labor, working hours, vacation days and employment protection. On the other hand, there were attempts to reform the existing labor law to give more compromises to non-monopoly capital. Last but not the least, the loopholes in the labor law and the post-war modifications to it in terms of allowing for and exclusion of protections for contract workers remain intact. This was particularly important for medium enterprises which were not exempt from the labor law since they maintained and enhanced the exploitation of labor through its contractualization (see Azad 2010, 68; see Ehsani 2018, 20; see Maljou and RaeesDana 2012).

These compromises to non-monopoly had their limitations too. For instance, popular struggles which I will later discuss were central in causing a deadlock in the reformation of the 1989 Labor Law (Maljou and RaeesDana 2012). What is more, the domestic manufacturers as well as small commodity producers were significantly challenged by more competitive imports from the emerging economies (see Maloney 2015, 471; Mirbagheri 2015, 117). At the same time, the empowering of small commodity producers through low-interest loans fell below expectations. According to a parliamentary investigation, some of the loans were diverted towards activities such as speculation in the housing market. What is more, this project was only successful in generating approximately 650,000 employment opportunities as opposed to the expected 4,000,000 jobs (see Modaresi Alam 2011). The crucial point however is that these limitations did not favor the comprador fractions, but rather non-productive neo-national

bourgeois ones. A case in point is how these limitations pushed some manufacturers and small commodity producers to import what they were producing from the emerging markets instead. This trend is particularly apparent in auto parts manufacturers (Mehri 2015, 135–38) and the apparel industry (Iwasaki 2017, 97–101).

### The Neo-National Bourgeoisie State Project

My analysis of the regional accumulation strategy points to the emergence of a new fraction of the power bloc -what we may term the neo-national bourgeoisie fraction- as far as narrow corporate economic interests are concerned. This fraction includes competing commercial, financial and productive forces within state monopoly capital and non-monopoly capital. Despite the rivalries, conflicts and contradictions, these forces converge on the general parameters of the regional accumulation strategy such as de-Europeanization of trade, technological and investment ties, regional embedment and the expansion of the domestic market.

Now the emergence and dominance of the corporate-economic interests of the neo-national bourgeois fraction was predicated on a state project which would ideologically and politically generalize and institutionalize it. I have already substantiated the economic features of this state project in my analysis of the ‘regional accumulation strategy. In the proceeding pages, I will identify and elaborate on other aspects of this project, namely adoption of a ‘lower-order imperialist foreign policy’ and the promotion of a ‘neo-pan-Islamist’ discourse.

#### The ‘Lower-order Imperialist’ Foreign Policy

As I argued earlier in this chapter, the unfolding of the crisis of neoliberal world order in MENA created the conditions of possibility for Iran to gain a relative degree of international autonomy through the assumption of a ‘lower-order imperialist position’. Put differently, the

crisis constellation facilitated the ensuring and enhancing of Iran's national autonomy through gaining a relative degree of international autonomy. In this section, I argue that the cornerstone of the neo-national bourgeoisie state project in actualizing this potential was the promotion of what may be termed a 'lower-order imperialist foreign policy'.

#### *Gaining International Autonomy through Regional Embedment*

The most important aspect of this foreign policy approach was an assertive embedment in the spaces which were subject to a frontal attack by 'liberation imperialism'; Iraq, Lebanon and Afghanistan. This may be explicated by pointing to a two-fold process.

First, to avoid a frontal attack on Iran, neo-national bourgeois fraction primarily resorted to asymmetrical warfare in the occupied spaces (Iraq and Afghanistan) or the ones under (Lebanon) attack through collaborating with various sectarian forces. This is not only because the spaces beyond the control of the occupiers were overdetermined by securitization qua sectarianization (see Alnasser 2009b), but also because of the structural selectivity of the post-revolutionary state in Iran. In this sense, the conservation effects of the limited non-aligned foreign policy and narrow pan-Islamist ideology had a decisive effect on the forces which Iran collaborated with.

For instance, in this period Iran intensified its long-standing cooperation with Hezbollah in Lebanon and Hamas and Islamic Jihad in Palestine. In Iraq, Iran significantly increased its collaboration with Iraqi Shia paramilitary and political organizations that had been based in Iran since the Iran-Iraq war (e.g. Badr Organization). At the same time, Iran also extended crucial support to the emerging anti-occupation militias in Iraq, such as Muqtada Sadr's Mahdi Army (see Seliktar and Rezaei 2019). In Afghanistan, Iran maintained close ties with newly established Afghan government through its historical connections to the various militia forces associated

with the Northern Alliance. Simultaneously, Iran developed crucial ties to the anti-occupation militias in Afghanistan, particularly the Taliban (Akbarzadeh and Ibrahimi 2019, see).

The operationalization of an asymmetrical warfare against the American occupation and Israeli aggression had a key role in avoiding a frontal attack on Iran. Most significantly, after the escalation of violence in Iraq and the containment of Israel following the 33 Day war in 2006, the United States began to shift away from the policy of regime change through direct military intervention (see Ahmad 2007). This is best reflected in the initiation of first official diplomatic meetings between Iran and United States for stabilization of Iraq and the American participation in negotiations over Iran's nuclear programme since July 2008.

Second, such use of asymmetrical warfare facilitated Iran's political, ideological and economic embedment in these formations. This was mainly achieved through influencing the political process in these formations through Iran's cooperation with sectarian militias and political forces. The prominent role of the Islamic Revolutionary Guards Corps- Quds Force (IRGC-QF) in determining Iran's policy towards these formations is well indicative of this dynamic; a role which was not limited to military matters, but also diplomatic as well as economic issues. For instance, "the two Iranian ambassadors to Baghdad were Quds Force commanders—Brigadier General Hassan Kazemi-Qomi, and Brigadier General Hassan Danaeifard" (Seliktar and Rezaei 2019, 151).

The crucial moment here is not merely the gaining of a relative degree of international autonomy through utilizing the spaces that the contradictions of liberation imperialism had created. Rather, what stands out here is how in this process the neo-national bourgeois fraction internalized the imperialist strategy of control qua securitization and sectarianization. I will later return to the limitations that this moment imposed on Iran's international autonomy. In the

meantime, it is necessary to briefly highlight other aspects of Iran's embedment in the above-mentioned formations.

I have already elaborated on the deepening of Iran's strategic alliance with Syria in the context of mutual interest in countering liberation imperialism. What needs to be highlighted here is the indispensability of this partnership for Iran's assumption of a lower-order imperialist position. Syria not only provided an arm supply route to Lebanon and Palestine, but also facilitated a more robust response to liberation imperialism given the country's deep embedment in Lebanese and Palestinian politics (see Goodarzi 2006, 47–49, see 2013, 286–96).

Other than this strategic partnership, the neo-national bourgeoisie fraction attempted to deescalate longstanding tensions in the Gulf neighbourhood to sustain Iran's position in its new sphere of influence. Among other issues, Iran pushed for diplomatic, security, energy and economic cooperation in the Gulf to contain the American military threats and dilute the effects of the 'sanctions regime'. For instance, under Ahmadinejad's presidency, Iran increased its diplomatic cooperation with the Gulf countries on issues ranging from the nuclear programme to the stabilization of Iraq, Afghanistan and Lebanon. This is best reflected in Ahmadinejad's attendance to the Gulf Cooperation Council (GCC) summit and a diplomatic tour of the Gulf states, including two landmark visits to Saudi Arabia in 2007. In these meetings, Iran pushed for "the creation of a security system in the Persian Gulf...and an economic cooperation council" (Hunter 2010, 199). Although these initiatives were not materialized, Iran managed to push the Gulf states to recognize to some extent its status as a regional power. A case in point is how "in January 2007, Iran and Saudi Arabia mediated an agreement to end violence in Lebanon and facilitated a Palestinian summit in Mecca where Palestinian factions agreed to a government of national unity" (Warnaar 2013, 120). What is more, United Arab Emirates continued to perform

its function as a re-import-re-export zone which was crucial for Iran in terms of maneuvering around the sanctions (Early 2015, 88–142). Iran also signed major agreements for gas and oil cooperation with Oman (Hunter 2010, 199).

Iran also significantly deepened its bi-lateral ties with Turkey. I have already pointed to the markedly increased economic ties between Iran and Turkey and how they were crucial in diluting the economic effects of the sanctions regime. From the perspective of the neo-national bourgeoisie fraction, deepening of Turku-Iranian relations was also crucial in providing alternatives outside the 5+1 negotiationists over Iran's nuclear programme. The May 2010 nuclear agreement between Iran, Turkey and Brazil which aimed to resolve the diplomatic impasse through a fuel swap agreement is well indicative of this issue. Another crucial aspect of Iran's improved relation with Turkey revolved around security and intelligence cooperation to ensure the post-occupation instabilities in Iraq would not undermine Iran's security in its western borders. A case in point is intelligence sharing and combat coordination to counter and contain the Kurdistan Workers' Party (PKK) and its Iranian offshoot Free Life Party of Kurdistan (PJAK) (Larrabee and Nader 2013, 11).

Finally, the neo-national bourgeois fraction attempted to legitimize its embedment in the occupied spaces or the ones under attack by promoting an Iran-centric anti-imperialist discourse. I will later engage with this issue in the section devoted to ideology. For the time being, however, I should stress that this discourse was not only promoted through international platforms such as United Nations General Assembly or the Non-Aligned Movement meetings, but also newly established international media outlets. The most prominent examples are media outlets such as Al Alam television network in Arabic (est. 2003), Press TV in English (est. 2007) and Hispan in Spanish (est. 2012). Up until the unfolding of the Arab revolutions, the promotion

of this identity discourse had a key role in enhancing Iran's position in the Arab street (see Warnaar 2013).

Although Iran managed to embed itself in the region through this foreign policy orientation, the same approach imposed significant limits to Iran's newly gained international autonomy. That is not the least because Iran's embedment in these spaces was predicated on and contributed to the fragmentation of formerly politically constitutes spaces. That is, the internalization of imperialist moments of control qua destabilization resulted in a contradictory situation where Iran's national autonomy was maintained through contributing to permanent insecurities and sectarianization among its immediate neighbours and spaces where it had the most influence. This constellation was not only favorable to the interiorization of these tendencies in Iran but jeopardized the enhancement of its international autonomy. I will later discuss the former issue. For the time being, it suffices to recall how the unfolding of the Arab revolutions exposed and accentuated the limits of Iran's regional embedment.

On the one hand, the weakening of American influence in MENA accelerated the intensification of regional rivalries over the outcome of the Arab revolutions. For Iran, this was all the more significant since the formations which had been more dependent on America's active involvement in MENA, attempted to compensate for American's declining position by taking a more aggressive stance towards Iran. On the other hand, Iran's regional orientation came to be overdetermined by the war in Syria, since the latter was the strongest link in maintaining Iran's international autonomy. This militarized constellation pushed the neo-national bourgeois fraction to stabilize Syria by utilizing the same approach that it had used in Iraq, Afghanistan and Lebanon.

However, as I mentioned earlier, this securitization through sectarianization can only lead to the fragmentation of politically constituted spaces and permanent instabilities. In this sense then, I argue that in the years following the Arab revolutions, the neo-national bourgeoisie fraction neither managed to enhance its position beyond the spaces where it had a strategic depth nor within them. Rather, Iran was drawn to expansive and extensive proxy wars with Saudi Arabia, Turkey and Israel in Syria, Iraq and Yemen. Other than rising military expenditure in a context marked by increasing sanctions, these permanent insecurities limited Iran's productive investments in its peripheral zones. The best example here is how the proposed Iran-Iraq-Syria pipeline was not materialized. One can also point to the straining of Iran's ties with Hamas following the Syrian conflict formation.

#### *Intra-Imperialist Rivalries*

Following Sabah Alnasser, I argue that the crisis of the neoliberal world order created the conditions of possibility for some (semi-)peripheral states to establish a relative degree of international autonomy through taking advantage “of the interplay of the international relation of forces at their strategic margins” (Alnasser 2011, 122). In the case of Iran, the neo-national bourgeois fraction attempted to actualize this possibility by promoting a foreign policy approach which revolved around four major dynamics.

First, to secure the regional accumulation strategy, the neo-national bourgeoisie fraction promoted the de-Europeanization of Iran's trade, investment and technological ties. I have already analyzed the shifting of Iran's foreign economic orientation by pointing to the emergence of new trade, technological and financial dependencies towards the emerging markets such as China, India and Russia. While this tendency is not limited to Iran, the intensification of the sanctions regime made it all the more necessary. Put differently, in this constellation, the formation of a regional economic ‘belt’ for Iran was contingent upon the development of new

economic dependencies on the emerging powers. What needs to be highlighted here is how the neo-national bourgeois fraction attempted to compensate for the asymmetrical economic relation between Iran and the emerging markets. Among other issues, one can point to the utilization of Iran's strategic position to act as a link between potential and competing trade and energy routes between Central Asia, Middle East and Europe. In this pursuit, Iran has maneuvered around the rivalries between emerging powers by simultaneously promoting the development of competing trade routes. For instance, Iran has cooperated closely with India to develop the Chabahar Port Project. This project would not only counterweight China's naval presence in Pakistan's Gwadar port, but also will provide an alternative route for India's trade relations with Afghanistan and Central Asia. At the same time however, Iran has actively promoted China's Belt Road Initiative (Padukone 2014, 163).

Second, the ongoing military threats against Iran by the United States, the ever-increasing militarization of MENA as well as the arms sanctions necessitated a corresponding revitalization of Iran's military capacities. The main tenant of the lower-order imperialist foreign policy with this regard was the development of Iran's nuclear capacities through maneuvering around intra-imperialist contradiction.

Before I engage with the way in which the neo-national bourgeois fraction took advantage "of the interplay of the international relation of forces at their strategic margins" (Alnasser 2011, 122) a few words are necessary on the nature of Iran's nuclear programme. The confidentialities involved in Iran's nuclear programme makes it very hard to make any definitive statements about its purpose and scope. Nonetheless, from the perspective of defensive capacities, the neo-national bourgeois fraction's approach to the nuclear issue may best be summarized in the following manner;

From 2002 to 2013 at least, Iran's approach to the nuclear issue... involved developing the technical foundations from which nuclear weapons could be acquired relatively quickly if a political decision was taken to do so, rather than an all-out pursuit of crossing the nuclear weapons threshold and risking the consequences—military and otherwise—that this would likely entail. (Bowen, Moran, and Esfandiary 2016, 7)

To gain this capacity, the neo-national bourgeois fraction employed two major strategies. On the one hand, by forging close economic and security ties with Russia and China, this fraction sought to “offset...the diplomatic and economic weight of the USA” and European powers (Bowen, Moran, and Esfandiary 2016, 110). These deepening security ties were decisive to the development of Iran's nuclear programme in particular and Iran's defensive capacities in general.

On the other hand, the neo-nation bourgeoisie fraction actively engaged in various diplomatic mechanisms (EU3 and later 5+1 negotiations) and international institutions (e.g. United Nations General Assembly, International Atomic Energy Agency (IAEA), Non-Aligned Movement). This in turn allowed Iran to use these diplomatic arrangements as means “of dissipating [international] pressure and periodically buying time for the nuclear programme to advance” (Bowen, Moran, and Esfandiary 2016, 95). This dual strategy proved to be quite successful. This is demonstrated in the operationalization of the Bushehr plant since 2011 and the domestic completion of the nuclear fuel cycle (Soltani and Shaverdi 2013).

Third, the lower-order imperialist foreign policy is also characterized by the utilization of Iran's strategic depth in its spheres of influence for maneuvering around intra-imperialist contradictions. For instance, Iran's military and political influence in Iraq and Syria has allowed it to simultaneously reach compromises with the United States and Russia. In the former case

and particularly since 2007, Iran has managed to gain various compromises from the United States in terms of securing governing coalitions in Iraq which have close economic, security and ideological ties to the power bloc in Iran. In the latter case, Iran's military presence in Syria has had a key role in pushing Russia to coordinate its security strategy in Syria with Iran (see Seliktar and Rezaei 2019).

Lastly, as the internationalization of the sanctions regime indicates, even in a crisis constellation such as that of the neoliberal world order, intra-imperialist contradictions do not preclude tactical convergences on Iran among the international powers. After all, for international powers facilitating or interrupting Iran's development is relevant only in so far as it gains them a strategic depth against other powers. In the case of China, this is reflected in the reduction of oil imports and partial divestment from some of the oil and gas projects in Iran following the intensification of sanctions in 2012. One can also consider Russia's consistent delays in fluffing its obligations towards the Bushehr nuclear plant and the delivery S300 air defense missile system (see Hunter 2010).

To address this challenge, the neo-national bourgeoisie fraction promoted the expansion of diplomatic, economic and security ties with peripheral formations where anti-neoliberal or more specifically anti-American tendencies were dominant. The expansion of economic, diplomatic and security relations with Venezuela best captures this dynamic. Nonetheless, the asymmetrical relation of power between anti-American governments in Latin America and the imperialist powers rather limited the effects of this strategy (see Humire and Berman 2014).

#### 'Neo-Pan Islamism'

Since the conclusion of the Iran-Iraq war, the neoliberal tendency in the power bloc had attempted to marginalize the narrow pan-Islamism of the war period. In the neoliberal narrative,

post-revolutionary notions of ‘moral economy’ and welfare for the ‘disenfranchised classes’ were displaced in favor of various discourses on ‘civil society’, ‘religious democracy’ and tricking down effects of economic development. What is more, in this ideological project, the struggle against imperialism was eliminated through the emphasis on ‘pragmatism’ in foreign policy or notions such as ‘dialogue of civilizations’ (see Behravesht 2014; see Holliday 2011, 99–125). It was against this backdrop that the neo-national bourgeois fraction gradually developed its ideological project by emphasizing a ‘return’ to the ideals of the Iranian revolution. As such, this ideological project has a close affinity to the narrow pan-Islamism of the war period. Nonetheless, since it was propagated in a new international, regional and domestic constellation, this ideological project has important discontinuities as well. Hence, to signal the moments of continuity as well as the breaks with the narrow pan-Islamism of the war period, I term the neo-national bourgeois fraction’s ideological project ‘neo-pan Islamism’.

Neo-pan Islamism revolves around the construction of an ideological unity around competing and contradictory discourses which nonetheless reinforce each other in terms of ideologically generalizing the corporate economic and political interests of the neo-national bourgeoisie fractions. This may be explicated by considering three major components of this identity discourse; Iran-centric anti-imperialism, developmentalism and social justice.

#### *Iran-Centric Anti-Imperialism*

Much like the war period, in this identity discourse, the securing of Iran’s national autonomy is primarily predicated on the country’s embedment in regional anti-imperialist struggles. Nonetheless, the emphasis is no longer on Iranians belonging to a larger community (e.g. Islamic Ummat) (see Talebi 2018, 225). Rather, in the new representations, Iran is a leader or at least a role model for the nations who have been disadvantaged by the imperialist order. The prominent moment in this narrative is the reconciliation of Iran’s pre-Islamic history with

millenarian Shia mythologies through an emphasis on the struggle for a just world. This may be explicated by pointing to a two-fold process.

First, similar to the narrow pan-Islamism of the war period, the neo-national bourgeois fraction highlights the millenarian aspects of Shi'ism. That is, unlike the passive variants of Shia millenarianism, in this narrative, the return of the Hidden Imam from occultation is predicated upon the active struggle for establishment of a just world. What is more, this return is immanent since the struggle for justice has gained momentum domestically, regionally and globally (see Ram 1996). In the neo-pan Islamist discourse, however, the weight of millenarian aspects of Shi'ism is accentuated to the point that it overshadows Shia narratives of martyrdom and victimization which were predominant during the war period (see Khosronejad 2013). Some analyses go even further by arguing that the dominance of millenarian aspects in this discourse had an implicit anti-clergy underlying. That is because strong currents within the neo-pan Islamic discourse assumed the possibility of direct contact and/or inspiration by the Hidden Imam thereby making '*valayat-e-faqih*' (Guardianship of the Islamic Jurist) obsolete (Fozi 2016, 228).

Second, similar to the Persian nationalist discourse, this ideological project highlights Iran's pre-Islamic history. In sharp contrast, however, this narrative no longer links pre-Islamic mythologies of an exclusively 'Persian' empire with monarchic nationalism and modernization/Westernization'. Rather, this ideological project represents Iran's pre-Islamic history as that which revolved around a universal quest for the establishment of a just world. The following observation by Ansari is noteworthy.

In confronting the Americans, for example, Iranian officials explicitly drew on the mythologies of pre-Islamic Iran to excite the popular imagination. Thus 'Arash the

Archer' was cited as a hero who was clearly manifest in the heroic endeavours of modern Iranians. (Ansari 2012, 279)

To return to the main point, neo-pan Islamism reconciles Iran's pre-Islamic history with the Islamic one by presenting both histories as part of a linear struggle against 'arrogant' powers. This synthesis or what Fozi calls "spiritualizing and Islamizing the pre-Islamic past while Persianizing [or better Iranianizing] the Islamic" (Fozi 2016, 230) is best captured in a 2010 ceremony marking the return of the Cyrus Cylinder to Iran. This historical artifact contained Cyrus's declarations on religious liberties following his conquest of Babylon. What stood out most in the ceremony was president Ahmadinejad's bestowing of a Palestinian *keffiyeh* on the shoulder of an actor who had dressed up as Cyrus (Ansari 2012, 279; Litvak 2017, 19).

This synthesis in turn allowed neo-pan Islamism to incorporate wider aspects of Iranian history to ideologically generalize its economic and political corporate interests. One can point to the growing recognition of national minorities as a part of Iranian history as opposed to an Islamic *ummat*. As Navid Fozi observes

In light of renewed ethnic consciousness among Iranian Kurds, Arabs, and Turkic groups, the Supreme Leader Khamenei declared 2007 "the Year of National Unity and Islamic Harmony." Thereafter, even the national state-run media gave different ethnic and religious groups a public voice, allowing them to present their traditions, languages, and cultural heritage. Moreover, they covered archeological projects in an attempt to create a vision of one great historical nation with shared roots. All of this promoted a positive impression of pre-Islamic Iran, which was in direct contrast to the image of ignorance and oppression promoted in the early years of the revolution. (Fozi 2016, 240)

It is also important to note how the various elements of neo-Pan Islamism were utilized for legitimization of Iran's assertive embedment in the region and beyond. For instance, Iran's stance against the Gaza Massacre was dressed in a pan-Islamist language while its military presence in Iraq and later Syria had an overtly Shia tone. At the same time, the neo-national bourgeois fraction highlighted "the national-cultural aspect of Iranian identity" when approaching Central Asian republics (Zimmt 2017, 139). Last but not the least, Iran's increasing diplomatic cooperation with anti-American governments in Latin America was guised in anti-imperialist notions.

Before moving to the next section, I should stress that the reconciliation of Iran's pre-Islamic history with millenarian Shia mythologies through an emphasis on 'justice' did allow the neo-pan Islamism to attain a more universalist anti-imperialist tone. As such, it allowed the neo-national bourgeois fraction to appeal to wider segments of the Iranian society, the region and beyond. Nonetheless, this discourse had a contradictory nature since its universalism and hence its anti-imperialism was unmistakably Iran-centric.

### *Developmentalism*

Similar to the war period, in this ideological project, the imperialist powers and the domestic forces that compromise with them have perpetuated a dependent economy in Iran. Hence, a major condition for securing Iran's national autonomy is a domestic economy which is not 'dependent'. However, such economic development is not merely premised upon 'self-sufficiency' or 'resource nationalism' but rather what may be called 'developmentalism'; that is, a form of technological and scientific progress which would position Iran on par with global powers. This in turn would allow other disadvantaged nations to rely on or follow Iran's path. This is best depicted by the discourses around Iran's nuclear program and their privileged position in the neo-national identity discourse.

In the neo-pan Islamist narrative, gaining nuclear technology is central for the assertive participation of Iran in the regional and global economy. Accordingly, the merits of attaining nuclear technology were highlighted by pointing to its centrality in addressing issues such as oil dependency, enhancing energy security, export potentials and the creation of backwards and forwards linkages between diverse sectors of the Iranian economy. In this sense, the neo-pan Islamist discourse maintains that just like the nationalization of Iran's oil industry under Mosaddegh, the pursuit of nuclear technology is a legitimate 'right' and necessary for reclaiming Iran's 'status' as regional if not a global player. This is precisely the why imperialist powers and their regional collaborators have consistently attempted to halt Iran's nuclear programme through imposition of sanctions, military threats and assassination of nuclear scientists (Bowen, Moran, and Esfandiary 2016, 73–39; see Mohammad Nia 2012; Moshirzadeh 2007).

The neo-pan Islamist discourse celebrates how resisting the imperialist world order and self-reliance has allowed Iran to defend its 'rights' and reclaim its 'status' in the world by joining the few countries who possess indigenous nuclear technology. For instance, in this narrative the 5+1 nuclear negotiations as well as the 2006 NAM support for Iran's nuclear rights are viewed as the indications of Iran's rising status in international relations. These issues have already been detailed in other analyses. What stands out for this study, is how "the achievements of Iranian scientists in advancing the nuclear programme are used in political discourse to evoke a sense of Iran's power and an unstoppable momentum" (Bowen, Moran, and Esfandiary 2016, 77).

#### *Appealing to Popular Classes*

The neo-national bourgeois fraction's identity discourses also converge on the narrow Pan Islamism of the war period as far as the centrality of appealing to popular classes is concerned. After all, prioritization of social justice through returning to the ideals of the 'Islamic revolution' such as the struggle against aristocratism (*Ashrafi-gari*) is a recurring theme in the

neo-pan Islamist discourse. This ideological project nonetheless departs from the narrow Pan Islamism of the war period in four interrelated ways.

First, in the late national bourgeoisie ideological project, the struggle for social justice was organically linked to ideas of ‘sacrifice’ and ‘martyrdom’ for the war front (see Khosronejad 2013). In the neoliberal narrative this relation was transformed by suggesting that social justice was to follow from the trickle-down effects of economic development (see Rezaei Panah and Izadi 2013). In neo-pan Islamism however, this reasoning was reversed by emphasizing that in the context of the intensification of the sanctions regime, social justice would ensure Iran’s economic development (see Ghoreishi and Alizadeh Aghdam 2017). This is best reflected in the predominance of ‘developmental’ issues in Iran’s annual slogans, which are declared by the Supreme Leader on the occasion of the Iranian Year. These slogans have included ‘supporting national production, Iranian labour and capital’, ‘economic jihad’ and ‘resistance economics’ (Tabnak.ir 2018).

Second, in narrow pan-Islamism of the war period, the predominant notions of ‘moral economy’ revolved around the central role of the state in ‘supporting’ the ‘downtrodden’. This was in turn predicated on ‘nationalization’ of the economy on the one hand and redistribution of wealth on the other hand. Hence, the popular classes were in effect represented as passive economic subjects since their participation in the economy was deemed appropriate through the intermediary of state. As such, the private sector actors were described as ‘leech-like capitalists’ (*zalu sefat*), hoarders (*mohtaker*), dependent (*vabasteh*), exploiters (*estesmargar*) and lackeys of imperialists (*amel-e-estekbar*) (Rezaei Panah and Izadi 2013).

In the neo-national bourgeoisie fraction’s ideological project, however, the popular classes were to be empowered by their participation in Iran’s development as active economic

subjects. I have already substantiated this when I discussed the monetarization of non-wage benefits and will not go to details. What needs to be highlighted here is that in this identity discourse the role of the state was not to provide for but rather facilitate the conditions of possibility for such active participation in the economy. Accordingly, downsizing the government, decentralization and empowerment of small and medium enterprises became a major tenant of this identity discourse. For instance, the key slogan in Ahmadinejad's first presidential campaign which was decisive in his surprising victory over Rafsanjani (the architect of Iran's post-war economic liberalization) was 'returning the oil revenues to people's dinner tables' (see Harris 2015). One can also refer to the institutionalization of 'provincial tours' under Ahmadinejad's presidency, where cabinet meetings were held outside the capital. In these provincial tours which were accompanied by highly publicized mass meetings, Ahmadinejad promoted the popular classes' participation in Iran's development by popularizing cash subsidies, affordable housing, justice shares and empowerment of small and medium enterprises. What is more, these provincial tours which made at times included individual meetings with the president or alternatively sending direct letters, made the state seem more 'accessible' to the popular classes, particularly in the peripheral rural and urban areas (see Ansari 2007).

Finally, in its ideological project, the neo-national bourgeois fraction has attempted to differentiate itself from the imposition of puritan cultural practices which were predominant during the war period (see Vakil 2011, 169).

### **The Limitations of the Neo-National Bourgeois State Ideological Project**

Before moving to the next section, I should also briefly point to some of the limitations of the neo-pan Islamist discourse as state ideological project. On the one hand, the neo-pan Islamic discourse could appeal to and co-opt the popular classes to the extent to which it was materially

grounded in incorporating them in the ‘regional accumulation strategy’. I have already pointed to the organic relation between the two when discussing the monetarization of non-wage benefits. What needs to be highlighted here is how the unfolding of the immanent economic crisis tendencies associated with these measures limited neo-Pan Islamism’ appeal. For instance, once the inflationary pressures of the regional accumulation strategy were accentuated by the intensification of the sanctions regime, the nuclear programme and Iran’s intervention in the region came to be increasingly perceived as ‘costly’ to the popular classes. What is more, competitive imports from the emerging economies increasingly raised questions about the neo-national bourgeoisie fraction’s commitment for supporting domestic manufacturers and small commodity producers.

On the other hand, as I argued before, Iran’s embedment in the region was to a large extent predicated on the internalization of imperialist moments of control qua destabilization and sectarianization. These moments were however interiorized inside Iran as well. This is best reflected in the rise of ethno-nationalist and sectarian forces in Iran in relation to which the neo-national bourgeois fraction adopted a ‘security’ approach. For instance, one can refer to the military attacks on PJAK in Kurdistan and Jundullah in Baluchistan, rising number of executions and imprisonments in non-Persian provinces or the destruction Dervish worship sites (see Abdolmohammadi 2020, 149; see Parsa 2016, 172). At the same time, there were no significant improvement in granting constitutionally guaranteed rights such as education in nationalities own languages. Such context imposed significant limits to the appeal of the neo-pan Islamist discourse to Iran’s nationalities. These limits were further exposed by Iran’s standing in the region after the Arab revolutions. That is, to cement its control over its sphere of influences in light of the intensification of regional contestation over the outcome of the Arab revolutions, Iran

increasingly relied on and propagated sectarian forces. For instance, Iran's military intervention in Syria was overtly justified by pointing to the urgency of defending holy Shia shrines in Syria. This in turn had a major role in limiting Iran's ideological stance in the region (see Seliktar and Rezaei 2019, 167–202).

The conservation effects of the preceding ideological projects also imposed certain challenges to the Iran neo-national bourgeoisie ideological project. For instance, attempts in relaxation of the Islamic dress code for women were often outweighed by the 'morality police' (see Vakil 2011, 169). Besides, the expansion of satellite television networks and internet access in Iran led to the widening of the space of ideological contestation. Among other issues, the neo-national bourgeois fraction tried to contest these spaces through the establishment of its own satellite televisions, internet filtering, and the establishment of a national internet network. Despite this, these contested spaces had a key role in reinvigoration of previous and new ideological projects such as Persian nationalism and other verities of ethno-nationalism (Akhavan 2013; Joula 2007; Saleh 2016).

### Institutional Selectivity of the State and Ventilation of Class Conflicts

As Poulantzas reminds us, "the capitalist state best serves the interests of the capitalist class only when the members of this class do not participate directly in the state apparatus, that is to say when the ruling class is not the *politically governing class*" (Poulantzas 1969, 73). Hence, it is necessary to elaborate on the way in which the institutional selectivity of the post-revolutionary state facilitated the emergence of forces who institutionalized the neo-national bourgeois form of development within the state apparatuses. As I argued before, in the absence of institutionalized political parties, electoral cycles played a crucial role in various fractions' attempt in the power bloc to organize hegemony by appealing to popular struggles. To reiterate,

the issue here is not the ‘democratic’ nature of the Islamic Republic, but rather the role of representative intuitions in ventilation of class and fractional conflicts such that a revolutionary situation is averted. This is certainly not limited to Iran or (semi-)peripheries in general. Nonetheless, the contradictory juxtaposition of ‘exceptional’ and ‘normal’ moments in the post-revolutionary state formation makes it all the more necessary to elaborate on the ventilating function of the representative institutions.

Broadly speaking, since the consolidation of the Islamic Republic, two broad political factions (each of which composed of many different groupings) had contested Iran’s representative institutions. During the war, these factions both of which composed the Islamic Republic Party came to be identified as ‘Islamic Left’ and ‘Islamic Right.’ The former which was dominant in the Parliament and had secured the post of prime minister, advocated state intervention in the economy, promoted nationalization of basic industries, foreign and domestic trade as well as land reforms. The latter which had significant support in the unelected bodies such as the Guardian Council, opposed these measures to gain more compromises for non-monopoly capital and small commodity producers. During the protracted crisis of the late neo-national bourgeois form of development, sections of the Islamic left gradually adopted neoliberal tendencies. This particularly evident under Khatami’s presidency when most of the Islamic left came to be identified as reformists. At the same time, the Islamic Right which had initially supported Rafsanjani’s liberalization policies, distanced itself from structural adjustment policies. Instead, the Islamic Right which now identified itself as ‘principalists’ criticized the negative effects of neoliberal policies on the ‘vulnerable classes’ and promoted a more state-led form of development (see Moslem 2002).

To return to the main issue. From 2003 onwards, Iran's electoral politics witnessed the rise of a new political force in the second municipal and village council elections, the seventh parliamentary elections, and finally the ninth presidential elections. On the one hand, in these elections the reformists who had secured majorities in the parliament and the city and village councils as well as presidential elections since 1996 overwhelmingly lost to the 'principalists'. On the other hand, the composition of the 'principalist' faction had remarkably changed. That is, new forces from the periphery of Iranian state structures (both in spatial and institutional sense) organized loose electoral alliances and began to play a decisive role in the representative institutions. For instance, the 'Alliance of Developers' managed to win the most decisive battle in the city and village councils by winning 14 out of 15 seats in the Tehran city council and proceeded to select Ahmadinejad as the mayor. The decisive moment however which best reflects this trend is Ahmadinejad's 'unexpected' victory against the reformist and principalist 'old guard' candidates in the 9<sup>th</sup> presidential elections (Ehteshami and Zweiri 2007, 33–45).

First, since the conclusion of the war with Iraq and following the centralization of state apparatuses, there occurred a shift towards a presidential system. As such, with the considerable enhancement of presidential powers, this post became the most contested amongst Iran's political factions. Equally important is the 'republican' and 'national' nature of the presidency. That is, unlike other representative institutions, the president is not elected on a regional electoral basis but rather a national one. Hence, given the absence of institutionalized political parties, the presidential campaign process itself is among the most important sites of organizing hegemony for the various fractions of the power bloc.

Second, Ahmadinejad was a relatively unknown figure who had spent most of his career as a low-ranking bureaucrat in the periphery of Iran in regions such as Kurdistan and Azerbaijan.

As such, until the very last days of the campaign process, he was considered to be trailing well behind the other candidates who wielded considerable influence among the post-revolutionary apparatuses and political factions. Nonetheless, Ahmadinejad presented himself as an ‘outsider’ against a corrupt ‘political establishment’ by blending “political symbols from humility and frugality to justice and development” (Ehteshami and Zweiri 2007; Harris 2015, 438). In this sense, his electoral victory shows that his campaign’s weaknesses in terms of access to state apparatuses and support from political factions proved pivotal in appealing to the electorate. What is more, as implied throughout this chapter, it was after Ahmadinejad’s ‘unexpected’ victory that various aspects of the neo-national bourgeoisie state project and accumulation strategy crystalized and legitimated as concrete institutional bundles.

Last but not the least, subsequent to Ahmadinejad’s presidential victory, the relation of force within the executive bureaucracies significantly changed. Kevan Harris’ observations are to the point.

Ahmadinejad began to act as a breakaway boss in both symbolic and material arenas, pushing to reshape the political dynamics of the Islamic Republic so that his brand of machine politics would trump and displace pre-existing elite networks and their social bases. With a tight circle of aides at his side, he quickly began to muscle in on executive bureaucracies and replace top officials with less-experienced, new...cadres [from Iran’s peripheries both in spatial and institutional sense]. (Harris 2015, 439)

My observations above are not to imply that the presidency was the only force which represented the neo-national bourgeois fraction. After all, like all other fractions of the power bloc, the neo-national bourgeoisie was also composed of various competing forces. These rivalries found their material condensation in the state formation in the form of competition

among and within the state apparatuses. For instance, one can refer to the intense rivalries between the executive and the parliament on hosts of issues such as approval of ministerial posts or the restructuring of the subsidies. I will return to these issues later. For now, and from a state theoretical perspective, what stands out about Ahmadinejad's election and how the institutional selectivity of the post-revolutionary materialized through the contradictory juxtaposition of 'exceptional' and 'non-exceptional' moments. That is the vetting of candidates by the Guardian Council narrowed the field of political contestation by excluding forces which were outlawed after the consolidation of the Islamic Republic. However, despite such narrowing of the political field, or better because of it, the electoral strategies adopted by forces from Iran's institutional and provincial peripheries were privileged in the context of the post-war crisis.

It is then not surprising that Ahmadinejad and the forces which organized his presidential campaign (the so-called 'Kurdistan ring') had for long acted as low-ranking bureaucrats in peripheries where contradictions of the post-revolutionary Iran were condensed. That is, in these spaces the question of nationalities, urban-provincial gaps and the social question were articulated together. What is more, these peripheries linked Iran to the MENA region through historical, cultural, linguistic and religious ties at a time when the contradictions of the neoliberal order were condensed in formations such as Iraq (see Harris 2015).

#### [Decentralization of State Apparatuses](#)

To recall, the main feature of the late national bourgeoisie state project was the marginalization of the pre-revolutionary apparatuses and the passive incorporation of popular struggles. That is, "the formation and fortification of a set of parallel state institutions" which "served to mobilize ascend from below...[and] absorbing social demands (Harris 2019a, 81). In the post-war period, however, the neoliberal tendency pushed for a form of centralization that

excluded as much as possible other contenders for hegemony as well as the indirect presence of the popular classes in the state apparatuses and institutions.

My elaborations on the regional accumulation strategy, lower-order foreign policy and neo-pan Islamist ideological project all point to the moments of continuity and break with the post-revolutionary state projects. It is however important to recognize that this contradictory juxtaposition did not take place through the transformation of the post-revolutionary state, but rather by way of the restructuring of state apparatuses. The most prominent moment here is ‘decentralization’ which is another major aspect of the neo-national bourgeoisie state project.

The neo-national bourgeois fraction’s approach to the restructuring of state apparatuses was not a priori given, but rather materialized in and through the interiorization of imperialist relations into the contradictions of post-revolutionary Iran. That is, on the one hand, the securing of Iran’s newly gained international autonomy through an assertive embedment in its spheres of influence necessitated the addressing of Iran’s regional disparities. After all, as I argued before, the contradictions of the post-revolutionary Iran were condensed in the provinces that linked Iran to its spheres of influence. At the same time, this process was predicated on securing support and appealing to forces from the periphery of Iranian state structures (both in a spatial and institutional sense). I have already demonstrated both of these moments by pointing to the effects of corporatization of parastatal institutions on decentralization of state monopoly capital and the changing relation of force within the executive bureaucracies

On the other hand, the restoration of hegemony following the post-war protracted crisis was to a large extent dependent on appealing to and passively incorporating the fragmented popular struggles of this period. As I explained before, the main way through which the neo-national bourgeoisie fraction appealed to these struggles was through the monetization of non-

wage benefits. As I indicated before, this process was materialized in and through the inauguration of new state institutions (e.g. Provincial Justice Share Cooperatives, Imam Reza Fund for Employment Marriage and Housing). At the same time, the parastatal institutions associated with providing welfare to the popular classes (Social Security Fund, the Foundation for the Dispossessed) were also empowered through their corporatization. In this sense, the indirect presence of the popular classes in the state formation increased compared to the post-war period, when the parastatal institutions particularly the ones associated with providing welfare to the popular classes were centralized. Unlike the war-period, however, this increased indirect presence was not channeled towards their mobilization of the popular classes for the war front, but rather their incorporation in the regional accumulation strategy.

It is important to note that the ‘institutional selectivity’ of the post-revolutionary state formation also imposed certain limitations to decentralization of the state apparatuses. This is best reflected in the conservation effects of the centralization of the state apparatuses during the post-war period. For instance, since the end of the war, the Planning and Budget Organization (PBO) the status of which had changed from a ministry to an ‘independent’ institution, was in charge of drafting and monitoring Iran’s development plans as well as the allocation of national budget. Under Ahmadinejad’s presidency, the PBO was identified as the major obstacle towards ‘fiscal decentralization’ through local planning at the level of provinces. Accordingly, the PBO was dismantled and replaced by a new institution (the Management and Planning Organization) under the control of the executive. Nonetheless, “instead of local planning, the development projects were partly formulated at the provincial level and partly formulated through...Management and Planning Organization under the control of the executive” (Nakhaei and Daryani 2011).

Another important limitation to decentralization was the concentration of power in ‘exceptional’ institutions. For instance, the Office of the Supreme Leader not only managed to impose its own choices on sensitive ministries (e.g. intelligence ministry) (Warnaar 2013, 52), it exerted enormous influence on foreign policy issues. After all, the Office of the Supreme Leader legally commanded the IRGC, which had a decisive role in Iran’s orientation in its spheres of influence (see Rezaei 2018, 10–12). The intensity of the conflicts between the presidency and the office of the supreme leader is reflected in the Supreme Leader’s signalling the possibility of shifting to a parliamentary system to marginalize the presidency as well as the Guardian Council’s vetting of Ahmadinejad’s allies in the 2013 presidential elections (Ayatollahi Tabaar 2018). Despite the imposition of significant obstacles to ‘decentralization’, these conflicts between and within the state apparatuses were and managed by the institutional norms which were established in the post-war period. That being said, as the contested presidential elections of 2009 or what is commonly referred to as the ‘Green Movement’ shows, the conflicts and contradictions within the power bloc did not always remain within these institutional norms and practices. Three moments are worth mentioning here.

First, during the elections campaign and the subsequent instabilities, the power bloc was polarized around the various forces which had promoted the neoliberal tendencies on the one hand and those which had favored state-led development in the post-war conjuncture. What matters here the most from the perspective of the power bloc is not whether the elections were ‘rigged’ or not. After all, since the consolidation of the Islamic Republic, the very structure of elections has revolved around the narrowing of the political field such that contradictions within the power bloc are managed within these institutional norms and practices. Rather, the new moment here is how these norms and practices were short-circuited in various forms ranging

from allegations of massive electoral fraud, calls for new elections, and a limited support for the demonstrations.

Second, the nature of the intensified contradictions within the power bloc during the presidential elections and the subsequent instabilities simultaneously points to the strengths and limitations of the neo-national bourgeois fraction in generalizing its hegemony within the power bloc. On the one hand, the interiorization of the crisis of the neoliberal world order not only entails the crisis moments, but also the neoliberal moments. That is, to the neoliberal tendencies in the power bloc, Obama's presidential victory in 2008 signalled the end of the neo-conservative project of 'regime change'. At the same time, Obama's endorsement of the March 14<sup>th</sup> movement in Lebanon implied that if neoliberal forces were to become dominant, the United States would be open to integration of Iran in the Atlantic markets and security arrangement in MENA (Alnasseri 2009a). Nonetheless, be it through massive electoral irregularities or suppression of the wave of demonstrations that primarily but not exclusively sought to cancel the elections results, Ahmadinejad was reinstated as president. In either case, these dynamics not only point to the marginalization of the neoliberal tendency through decentralization but also explain why this tendency short-circuited the post-revolutionary institutional norms by supporting the demonstrations. On the other hand, the intensification of the sanctions regime and the considerable American military presence around Iran narrowed the neo-national bourgeoisie fraction's capacities in organizing its hegemony within the power bloc. That is, had the sanctions regime not intensified or if American military presence was not as strong in the region, this fraction could have better organized its hegemony by giving compromises to the neoliberal tendency within its accumulation strategy and state project.

Third, when the contradictions within the power bloc cannot be managed through institutional norms and practices, the persistence of the power bloc as such is endangered. In the case of the ‘Green movement’ however, the demonstrations were mostly though not exclusively composed of urban new petit bourgeois in Tehran and a few other major urban centers. At the same time, unlike the Arab revolutions which unfolded shortly after, this protest movement could not develop concrete links to the popular classes neither organizationally nor ideologically (see Harris 2012). These dynamics are reflective of the strengths and limitations of the neo-national bourgeois in ‘generalizing’ its corporate economic and politics interests to the popular classes and the petite bourgeoisie. That is, through decentralization, monetization of non-wage benefits and the promotion of a neo-Islamist discourse the neo-national bourgeoisie fraction was relatively successful in appealing to, coopting and disciplining the popular classes and the new petite bourgeoisie outside the major urban centers. To reiterate, this is not to imply the progressive nature of this fraction by underestimating issues such as the suppression of nationalities and workers’ struggles. For instance, like other fractions of the power bloc in the post-revolutionary Iran, the neo-national bourgeois fraction also suppressed workers struggles for the formation of independent unions, working conditions and wage rises (Maljou and RaeesDana 2012). Nonetheless, the crucial moment here is how the articulation of these disciplinary measures with decentralization, monetization of non-wage benefits and the promotion of a neo-Islamist discourse fragmented the popular struggles (see Harris 2011). This fragmentation in turn had a deceive role in the popular classes’ passive approach towards the Green Movement. At the same time, the very unfolding of this protest movement reflects the neo-national bourgeoisie fraction’s weakness in terms of integrating the new petite bourgeoisie in major urban centers.

## The Neo-National Bourgeois form of Development: Dominance or Hegemony?

My observations in this chapter demonstrate how, in a precarious international and regional constellation, the post-war crisis of hegemony in Iran was partially addressed. That is, on the one hand, the neo-national bourgeois as a new fraction ascended to the power bloc in and through the correspondence of the ‘regional accumulation strategy’ and the ‘neo-national bourgeois state project’. Hence, one can talk about the emergence of a neo-national bourgeois form of development, despite its immanent economic and political crisis tendencies.

On the other hand, the very unfolding of this form of development in global and regional crisis constellation makes it difficult to assume a hegemonic position for the neo-national bourgeois fraction and the form of development that was inaugurated under the ascendancy of this fraction. What makes this all the more important is how the gaining of a relative degree of international autonomy for Iran occurred in and through the internalization of the imperialist moments of control qua securitization and sectarianization. That is, Iran’s embedment in the region was to a large extent predicated on Iran’s contribution to the creation of permanent insecurities in and around its spheres of influence. This in turn not only prevented the consolidation of Iran’s embedment in the region, but also contributed to the interiorization of these permanent insecurities in Iran. Iran’s defensive posture following the Arab revolutions as exemplified by the intervention in the Syrian conflict formation and the rise of ethno-nationalist and extremist forces in Iran best reflects the unsettled nature of this form of development. At the same time, the intensification of intra-imperialist contradictions certainly had a key role in the maintenance of Iran’s newly gained international autonomy, as well as the expansion of the space of accumulation to a regional one. Nonetheless, as the internationalization of the sanctions regime indicates, these contradictions do not exclude moments of convergence among new and

old imperialist powers. These dynamics had a central role in accentuating the immanent crisis tendencies of the neo-national bourgeois form of development. For instance, the intensification of the sanctions regime since 2011 weakened the extent to which the neo-national bourgeois fraction could appeal to and co-opt the popular classes. I have already demonstrated this by the adverse effects of the sanctions regime on the subsistence level of the popular classes and segments of the petite bourgeoisie and how this in turn weakened the legitimacy of Iran's lower-order imperialist foreign policy

It is also important to note that the ascendancy of the neo-national bourgeoisie fraction to a position of dominance within the power bloc did not materialize in and through a radical transformation of the state. Rather, this process took place through the institutional selectivity of the post-revolutionary state. Such selectivity both facilitated and imposed important limitations on the rise and the dominance of new forces within the state apparatuses who institutionalized the neo-national bourgeois form of development. Both of these moments are reflected in the extent to which these forces were able to restructure the post-revolutionary state through 'decentralization'.

## Conclusion

In this chapter, I identified and analyzed the 'neo-national bourgeois form of development' as the correspondence between the 'regional accumulation strategy' and a state project which revolved around the adoption of 'lower-order imperialist foreign policy', the promotion of a 'neo-pan-Islamist identity discourse', and 'decentralization' of post-revolutionary state apparatuses. The major point that this chapter brings to the fore is that the resolution of Iran's post-war crisis took place through the interiorization of a global structural crisis. The unsettled and contradictory nature of this constellation facilitated the emergence and

dominance of the neo-national bourgeois form of development while it prevented its hegemony. In this sense then, this form of development neither presents a 'passive revolution' nor 'Bonapartism'. Rather, what is involved here is a peculiar juxtaposition of moments of continuity and break with the previous forms of development in Iran, which may be termed 'authoritarian messianism'.

# Conclusion

## A 'Late' Revolution?

Despite exhibiting similar features, revolutions in the MENA region are all unique in their own ways. That is, in the post-WW2 years, revolutions in the (semi-)peripheries tend to materialize through the interiorization of imperialist relations and their articulation in each formation's specific contradictions (Alnasser 2011, 2016a; see Poulantzas 1976, 22). These variegated revolutions in turn overdetermine the conjunctures of class struggle and the form of state in these formations in complex and particular ways for a long time. However, the significance of the 1979 revolution is not just in the way in which it led to the transformation of the Iranian state and a radically new conjuncture of class struggle, but more importantly the 'anachronistic' conditions of possibility for such transformation. Put differently, the decline of old imperialist powers and the inauguration of the bi-polar world order following the Second World War, had facilitated the advent of a wave of anti-colonial/imperialist revolutions, coups and wars of national liberation in MENA. In the case of Iran however, the 1953 coup against Mosaddegh's National Front initiated a diametrically opposed process where Iran adopted a sub-imperialist position in the region.

With the gradual materialization of the 'the emergence phase of the neoliberal world order' in MENA since the early 1970s, the various forms of development that were inaugurated subsequent to the post-war anti-colonial/imperialist wave came to their structural limits. These crises were often materialized in the emergence of structural adjustment policies, military coups, civil wars and regional and international realignments. It was in this markedly changed regional and international relations of force that the 1979 revolution unfolded against the sub-imperialist

form of development in Iran. In this sense, the ‘late’ character of the revolution and the post-revolutionary state formation implies that its persistence - albeit major restructurings - is due to a peculiar juxtaposition of domestic, regional and international dynamics.

It is this peculiarity which makes the critical study of post-revolutionary Iran necessary, stimulating and yet enormously challenging. That is, engagement with this topic is like “the beginner who has learned a new language [and] always translates it back into his mother tongue” (Marx 2000). Hence a comprehensive analysis of post-revolutionary Iran is a daunting task that is well beyond the scope of any individual study.

What I have tried to achieve throughout this study is to identify the moments of continuity and break in post-revolutionary Iran from a historical materialist perspective, through employing the relevant aspects of Poulantzas’ state theory, dependency approaches, world system theory and the regulation school. To the best of my knowledge, what differentiates my conception of ‘forms of development’ and conjunctures of class struggle in Iran from other critical contributions are the following.

### **Imperialism, Interiorization and the Primacy of Internal Factors**

First, I conceptualized a ‘form of development’ as the correspondence between a fraction of the power bloc’s ‘accumulation strategy’ and ‘state project’. Doing so, I tried to break away from a mechanist reduction of the forms of development in Iran (or their conceptualization in isolation from) the ‘external’ forces. In this approach, Iran as (semi-)periphery does not face imperialism as monolithic bloc, but rather in and through the interiorization of intra-imperialist rivalries, conflicts, strategic and tactical convergences into the domestic contradictions of Iran. To operationalize this theoretical assumption, I then took three methodological steps. To begin with, in chapter two, I schematically periodized the imperialist relations of power from the

perspective of MENA into three discrete phases; the ‘emergence’, ‘consolidation’ and ‘crisis’ phases of the ‘neoliberal world order’. In the following chapters, I then identified what ‘external’ aspects (i.e. specific aspects of the international and regional relations of force) overdetermined the interiorization of the neoliberal world order in Iran. These overdeterminations both developed in response to the domestic developments in Iran and had a key role in determining the parameters of the conjuncture of class struggle. To reiterate, I pointed to the following ‘external’ aspects during the ‘emergence’, ‘consolidation’ and ‘crisis’ phase of the neoliberal world order respectively;

- a) enhanced geostrategic importance of Iran as a relaying post for American imperialist strategy in the region from mid-1970s until the fall of the monarchy, intensified intra-imperialist rivalries over the outcome of the revolutionary process in Iran from February 1979 until the beginning of the Iran-Iraq war, and finally the war between Iran and Iraq
- b) intensification of the sanctions regime and the American military siege over Iran
- c) Internationalization of the sanctions regime and Iran’s embedment in the region

To assess the concrete form of the interiorization of each phase of the world order- and relatively distinct conjunctures within each phase -into the domestic contradictions of Iran ,I then utilized various economic, political, military and ideological categories (e.g. FDI inflows, trade orientation and composition, oil dependency, technological dependency, sanctions regime, sectarianization qua securitization, ‘pan’ identity discourse’). More specifically, in analysing the above categories, I contextualized them in hegemonic struggles which are conditioned by the ‘state form’ (or its dissolution) and its ‘structural selectivity’. This contextualization further

differentiates my Poulantzasian analysis of the state formation in Iran from other critical studies. I will discuss this below.

### The Iranian State Formations and ‘Relative Autonomy’

Second, I approached the state formation in Iran as a “*specific material condensation of relationship of forces among classes and class fractions*” (Poulantzas 2000, 129) which “exhibits an opacity and resistance of its own” (Poulantzas 2000, 130). More specifically, this condensation is an “uneven” one since the ‘structural selectivity of the state’ facilitates the hegemony of the power bloc around a hegemonic or dominant fraction. At the same time, the popular struggles find their presence in the state formation indirectly and as necessary compromises which facilitate the reproduction of the hegemony of the power bloc (Alnasseri 2016a). As a corollary then, the state has a ‘relative autonomy’ – albeit an uneven one – from the ruling as well as the popular classes. On this basis, I identified two ‘state forms’ in Iran since the early 1960s;

- a) the ‘monarchical’ state form as an ‘exceptional’ type of state with a very narrow space for ventilation of class and fractional conflicts, the indirect presence of popular classes and a limited ‘national autonomy’
- b) the post-revolutionary state form as a particular juxtaposition of ‘normal’ and ‘exceptional’ features, broader space for the indirect presence of popular classes and wider ‘national’ and later ‘international autonomy’

The explication of the monarchical state form was not only crucial in demarcating the specificity of the post-revolutionary state from the former, but also laying out the pertinent ways in which its crisis and dissolution conditioned the unfolding of the Iranian revolution as well as the post-revolutionary state formation. More specifically, I demonstrated how the relative

autonomy of each state form had a central role in the selective interiorization of imperialist relations and their crises. In this way, the structural selectivity of each state form facilitated the hegemony, dominance or crisis of a fraction of the power bloc with a distinct ‘accumulation strategy’ and ‘state project’. Here again, in conceptualizing the dominant fractions of the power bloc, my analysis is differentiated from other critical contributions to the study of Iran. That is, in my approach, “the term fraction is used here not as an abstract economic category that refers to money, industrial or commercial capital, but as a societal force (political, economic, and ideological) pursuing a project of political hegemony” (Alnasseri 2011, 123).

Accordingly, in my discussions, I analysed how the relative autonomy of each state form conditioned the probability, scope and limitations of forms of development and their crises. This in turn not only allowed me to demarcate the post-revolutionary state form from its predecessor, but also identify the following conjunctures of class struggle and/or forms of development;

- a) the ‘sub-imperialist form of development’ (the early 1960s to mid 1970s)
- b) the crisis of the sub-imperialist form of development (the late 1970s to the collapse of the monarchy on February 1979)
- c) the ‘revolutionary conflict formation’, (between the collapse of the monarchy to the beginning of Iran-Iraq war on September 1980)
- d) the ‘late national bourgeoisie form of development’, (the beginning of the Iran-Iraq war to the death of Ayatollah Khomeini on June 1988)
- e) the ‘protracted crisis of the late national bourgeoisie form of development’ (between the death of Ayatollah Khomeini to the March 2003 occupation of Iraq)
- f) the ‘neo-national bourgeois form of development’ (between the occupation of Iraq and the signing of Joint Plan of Action between Iran and 5+1 group on November 2013)

As evident in the above periodization, there is no one-to-one correspondence between changes in imperialist relations, (whether manifesting in a new world order, or a new phase within an existing one) and domestic developments in Iran. Rather, as I demonstrated throughout my analysis, the ‘external’ factors overdetermine the coordinates of class struggle by way of their interiorization into the domestic contradictions of Iran. As explicated in my discussions on Iran, this process is overdetermined by the structural selectivity of a given state form. What is more, this periodization, shows the moments of continuity and break in post-revolutionary Iran by contextualizing them in the above process.

### **‘National’ and ‘International’ Autonomy**

Last but not the least, my discussions on Iran differ from other studies in so far as my analysis systematically engages with issues regarding ‘national’ and ‘international autonomy’ of the state and consequently forms of development. My investigation on Iran indicated that the ‘international constitution’ of the Iranian state in ‘globally pre-structured space’ has not excluded the gaining of a relative degree of ‘national’ and later ‘international autonomy’.

In my analysis of the pre-revolutionary state formation, I demonstrated how the structural selectivity of this state facilitated a ‘sub-imperialist form of development’ through selective interiorization of imperialist relations. I nonetheless showed that sub-imperialism did not entail total obedience to the hegemonic imperialist power. Rather, the monarchical state form acted as a relaying post for American imperialist strategy in the MENA region, despite, or better, because of the selective interiorization of intra-imperialist contradictions. This in turn allowed a degree of national autonomy in and through a close alignment with the United States.

My analysis also demonstrated how this close alignment had a key role in the persistence of the pre-revolutionary state, while contributing to the dominance of ‘exceptional’ moments.

This made the monarchical state form particularly vulnerable to the crisis of imperialism under American hegemony (i.e. the emergence phase of the neoliberal world order). I explicated this vulnerability by analysing the crisis of the sub-imperialist form of development from the mid-1970s and how it conditioned the unfolding of the Iranian revolution as well as the post-revolutionary transformation of the state.

I further explicated how the post-revolutionary state was formed in an extraordinary constellation; the paralysis of contending forces during the revolutionary conflict formation, the Iran-Iraq war, the crises of state-led forms of development in MENA and intensified bi-polar rivalries in MENA which were also marked by increasing intra-imperialist rivalries. I then demonstrated how this juxtaposition led to a peculiar articulation of exceptional and normal moments in the post-revolutionary state formation.

What stands here is how this state form had an accentuated affinity in enabling the state apparatuses and specific forces within the power bloc to strategically maneuver around intra-imperialist and bi-polar rivalries. In this way the selective interiorization of intra-imperialist contradictions in this state form was crucial in the securing of a greater degree of national autonomy compared to the monarchical state.

At the same time, I also explicated how the post-revolutionary state had a broader capacity in ventilation of class and fractional conflicts. On the one hand, this made it easier to adopt to modifications in international, regional and domestic relations of force through restructuring of state apparatuses. On the other hand, the restructuring of the state apparatuses had a key role in maintaining Iran's national autonomy despite the post-war crisis and the consolidation phase of the neoliberal world order. What is more, the same features were central in resolving the post-war crisis through the gaining of a relative degree of international

autonomy. This was materialized in and through an assertive embedment in MENA following the crisis phase of the neoliberal world order.

Considering what was said above, my analysis implies that in Iran as a (semi-)periphery, the nature of forms of development cannot be assessed in terms of a dichotomy between ‘dependency’ or ‘auto-centricity’. Rather, forms of development may be regarded as ‘relatively autonomous’ depending on the degree of the state’s ‘national’ or ‘international autonomy’. The late and neo-national bourgeois forms of development were both relatively autonomous compared to the sub-imperialist form of development. Nonetheless, the neo-national bourgeois forms of development materialized in and through the gaining of a relative degree of international autonomy. As such, this form is the most ‘relatively autonomous’ in the context of Iranian history.

### **The Crisis of the Neo-National Bourgeois form of Development?**

I should stress that my analysis of forms of development in Iran has an intermediate and open-ended character and as such raises more questions than answers. On the one hand, the theoretical perspective from which I approached this topic mainly followed Poulantzas’ relational theory of the capitalist type of state. Nonetheless, Poulantzas’ work is mainly concerned with the core formations. the closest he comes to a concrete and systematic analysis of the (semi-)peripheries is in *Crisis of Dictatorships: Portugal, Spain and Greece*; a work which I relied on heavily. At the same time, to the best of my knowledge, there has neither a systematic attempt to re-work Poulantzas’ relational approach from the perspective of the (semi-)peripheral state formations nor a Poulantzasian work on Iran. These issues presented enormous theoretical and methodological challenges the addressing of which falls well beyond the scope of any individual work.

It was against the backdrop of these challenges that I tried to operationalize this approach for the case of post-revolutionary Iran by relying on the relevant aspects of dependency approaches, world system theory and the regulation school. In this sense, my analysis is neither theoretical nor empirical. Rather it is a theoretically informed analysis which seeks to identify the concrete conjunctures of class struggle in Iran from the perspective of ‘forms of development’. Such intermediary operationalization of a relational approach to state formation in Iran may also be utilized for the study of other (semi-)peripheries. Nonetheless, the major theoretical questions still remain; For instance, can we talk about a ‘(semi)-peripheral type of state’ and if so, what are the specificities regarding its ‘relative autonomy’ and ‘interiorization of imperialist relations’?

On the one hand, my analysis of the of neo-national bourgeois form of development in Iran points to an ongoing process and as such poses new questions for further research. To begin with, the emergence and ascendancy of the neo-national bourgeoisie fraction to a position of dominance within the power bloc is not specific to Iran. The applicability of this form of development has already been substantiated in the cases of Turkey and South Africa (Alnasseri et al. 2011). Even so, there needs to be more research to substantiate the specificity and applicability of this form of development in other (semi-)peripheries, particularly in the MENA region. Only then, one can concretely assess the concrete effects of the rise of this form of development in the region (e.g. militarization, economic integration, formation of competing regional blocs, etc.). Further research on this topic is also pivotal in determining whether the neo-national bourgeoisie is a conjunctural development during a crisis constellation or can be sustained beyond the current international and regional relations of force.

Second, the ‘lower-order imperialist’ character of this form of development in Iran means that hegemonic struggles in Iran have a more accentuated effect in Iran’s spheres of influence, particularly, Iraq followed by Syria, Lebanon and Afghanistan. At the same time, since the ascendancy of the neo-national bourgeois to the power bloc, Iran has become a regional power in MENA. Accordingly, the study of this form of development in Iran is indispensable to analysing the horizon of possibilities in Iran’s spheres of influence, the dynamics of conflicts and cooperation among regional powers and their standing towards imperialist powers.

Last but not the least, ever since the signing of Joint Plan of Action between Iran and 5+1 group on November 2013, a series of significant events have taken place in Iran. To begin with, the signing of the Joint Comprehensive Plan of Action (JCPOA) between Iran and 5+1 on 2015 has resulted in substantial compromises on enrichment levels, quantity of centrifuges and uranium stockpile, caps on research and development and stringent monitoring (Gärtner 2020). These reversals in Iran’s nuclear capacities make it extremely difficult to follow the neo-national bourgeois fraction’s nuclear policy; that is “developing the technical foundations from which nuclear weapons could be acquired relatively quickly” (Bowen, Moran, and Esfandiary 2016, 7). At the same time, the JCPOA has also contributed to uncertainties about the structure of the sanctions regime. This is best reflected in the relative easing of sanctions, particularly in the oil sector until 2018 and the tightening of American unilateral sanctions since the United States’ withdrawal from JCPOA since 2018 (Laub and Robinson 2020). These signing of the JCPOA and its consequences both reflect and contribute to the intensification of rivalries and conflicts within the power bloc. Simultaneously, Iran’s substantial compromises on its nuclear programme will have a negative effect on its ability to maneuver around the intra-imperialist contradictions.

Recent modifications in Iran's spheres of influence are also of enormous importance, since the major condition of possibility for the neo-national bourgeois form of development is its assertive embedment in the region. Among other issues, these new developments are best captured in Iraq where the October Revolution seems to have created the nucleus of a 'national' resistance movement which aims for the restoration of Iraq as unified politically constituted space political. The repercussions of the unfolding of such resistance movements on Iran's international autonomy and its *modus operandi*, the lower-order imperialist foreign policy cannot be underestimated. That is, the persistence of this movement could have an accentuated effect in Iran's other spheres of influence (particularly Lebanon and Syria) and weaken Iran's ability to maneuver around intra-imperialist contradictions and rivalries amongst the regional powers.

The above processes are inseparable from the changing domestic relations of forces. For instance, Hasan Rohani's consecutive presidential victories since 2013, the strengthening of the 'reformist' fraction's position in the parliament and city councils after the 2016 and 2017 elections all point to the relative empowerment of the forces associated with the neoliberal tendency within the representative institutions. At the same time, in the recent years, Iran has witnessed an unprecedented intensification of popular struggles. This is best reflected in December 2017 and November 2019 protests which unlike the ones associated with Green Movement, were primarily triggered by 'economic' issues (e.g. rapid and sudden rise in fuel prices). More specifically, compared to the Green Movement, the 'geography' of the recent protests indicates a shift towards peripheries of major urban centers, small towns and rural spaces (Sadeghi 2019). The brutal crackdown against these popular struggles has suppressed them for the time being. Nonetheless, the suppression of the protests themselves indicates a constellation where the power

bloc attempts to pacify political or economic issues with ‘military’ means. To quote one the most Gramscian verses of poetry by the Iraqi author Saadi Youssef,

“Of the surface of the earth, generals know only two dimensions:  
whatever rises is a fort  
whatever spreads is a battlefield” (Youssef 2003, 172).

Needless to say, in the absence of concrete and institutionalized compromises, ‘securitization’ of these protests can only lead to their reinvigoration.

All in all, the recent international, regional and domestic modifications pertaining to Iran cannot be overestimated. The intensification of contradictions within the power bloc and the rise of popular struggles have posed the question of a revolutionary situation; that is whether the *crises* of neo-national bourgeois form of development (political, economic, security) can or have already led to its *crisis*. In either case, I should stress that revolutionary situations in themselves do not necessarily coincide with progressive and emancipatory projects. Rather, what they involve is periods of intensified contestation within and between the power bloc and the popular classes. In these constellations, the limitations of a state form in ventilation of the class and fractional conflicts as well as the contingencies of class struggle (tactical mistakes, underestimation or overestimation of the contenders) play a more significant role. Nonetheless, as I showed in my analysis of the Iranian revolution, even if a state form is dissolved, it has long-lasting consequences on future developments. Hence, an accurate estimation of what is to come (a protracted crisis, military coup, civil war or a revolution) or ‘what is to be done’ (revolutionary strategy, reformism) is predicated on contextualizing the recent modifications in

the relations of force in the limits and potentials of structural selectivity of the post-revolutionary state.

This is certainly a daunting task not the least because the complexities involved in Iran's embedment in the region require familiarity with the unsettled situation there. What is more, the execution, exile, imprisonment and marginalization of generations of remarkable organic intellectuals of the left has ruptured the evolution of historical materialism in Iran. Nonetheless, if historical materialist approaches in Iran are to remain relevant and contribute to emancipatory projects, they should neither overestimate nor underestimate the role of analytical struggles. More precisely, emancipatory developments in Iran are in the last instance determined by the popular struggles. This however should not give way to 'volunteerism'. Rather, the adoption of accurate political strategies for emancipatory projects cannot proceed without the concrete analysis of the crisis constellation. As Poulantzas argued in a different context "without precise knowledge, the various strategies that may be elaborated run the risk of, at best, remaining a dead letter. At worst, they can lead to serious defeats" (Poulantzas 1978, 336). It is in this sense that critical approaches can play an indispensable role in transforming past defeats into retreats in a longer struggle.

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