



---

Chapter Title: Economic Expansion: The IRGC's Business Conglomerate and Public Works

Book Title: The Rise of the Pasdaran

Book Subtitle: Assessing the Domestic Roles of Iran's Islamic Revolutionary Guards Corps

Book Author(s): Frederic Wehrey, Jerrold D. Green, Brian Nichiporuk, Alireza Nader, Lydia Hansell, Rasool Nafisi and S. R. Bohandy

Published by: RAND Corporation

Stable URL: <https://www.jstor.org/stable/10.7249/mg821osd.12>

---

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



This content is licensed under a RAND Corporation License. To view a copy of this license, visit <https://www.rand.org/pubs/permissions.html>.



RAND Corporation is collaborating with JSTOR to digitize, preserve and extend access to *The Rise of the Pasdaran*

JSTOR

## Economic Expansion: The IRGC's Business Conglomerate and Public Works

---

From laser eye surgery and construction to automobile manufacturing and real estate, the IRGC has extended its influence into virtually every sector of the Iranian market. Perhaps more than any other area of its domestic involvement, its business activities represent the multidimensional nature of the institution. The commercialization of the IRGC has the potential to broaden the circle of its popular support by co-opting existing financial elites into its constellation of subsidiary companies and subcontractors. Similarly, through the socialization and recruitment of rural and lower-class populations into the *Basij*—frequently accompanied by technical job training, scholarships, and other financial benefits—the IRGC offers the promise of societal mobility to those who would otherwise be denied it. Added to this image of egalitarianism is the IRGC's role in building up the rural economy through the numerous public-works projects carried out by the *Basij*.

The subtext of this apparent economic populism is, of course, the IRGC's control of Iran's shadow economy—the illicit smuggling networks, kickbacks, no-bid contracts, and the accumulation of wealth by its senior officials that remains largely unseen by the Iranian population. Added to this is the inevitable displacement of traditional business elites by its monopolization of key financial sectors. Yet reports of opposition to this growing dominance remain largely at the anecdotal level. To determine how and in what form the IRGC's economic expansion can both cultivate legitimacy and provoke dissent, it is necessary to canvass the full sweep of its business interests and public works.

## Origins of the IRGC's Economic Activities

The roots of the IRGC's entry into the economic realm lie in the wake of the Iran-Iraq War, when Supreme Leader Khamenei instituted a formal ranking system into what had been a flat IRGC organization. The introduction of a genuine hierarchy began the process of inculcating the notion of perquisites, privileges, and status for the senior leadership of the IRGC into its institutional culture. The profit motive became even more pronounced in the 1992–1993 period, when business-savvy President Rafsanjani initiated the idea of involving government organizations in business transactions as a way to generate independent income.<sup>1</sup> By the late 1990s, the process of economic expansion had begun in earnest, and it has accelerated even more during the Ahmadinejad presidency, which has favored the IRGC by offering it numerous lucrative no-bid contracts, especially in the areas of oil and natural gas extraction, pipeline construction, and large-scale infrastructure development.<sup>2</sup>

It is important to note that the IRGC's expansion into the business sector harnessed the informal social networks that had developed among veterans and former officials. Thus, when we describe the IRGC's economic influence, we use a very broad definition that captures the informality of its reach. Moreover, the model of a shadow economy and the creation of networks of patronage and clientage are roughly analogous to an institution that has long been a feature of Iran's postrevolutionary landscape—the *bonyads*, or parastatal, revolu-

<sup>1</sup> Sazegara (2006).

<sup>2</sup> Gharargah-e Sazandegiye Khatam al-Anbia (Ghorb) (2007); National Iranian Gas Company, "Ba hozur-e vazir-e naft va farmandeye kolle sepah-e pasdaran: emza-e moghavelenam-eyeye projeye ehdas-e khat lule-e haftom-e sarasari-e gas" (The seventh national gas pipeline contract was signed in presence of the minister of oil and the head of IRGC), June 7, 2007; Technology Development of Iranian Oil Industry, *Negahi be amalkard-e sherkat-e melli naft dar sal-e 1385* (National Iranian Oil Company outlook 2006), 2006; Iran Economic News Agency, "Tarh-e LNG 2 va 3 emza shod" (LNG 2 and 3 plans were signed), no date; Ministry of Oil News Agency, "Emza-e Gharardad-e Shirinsaziye Gas projeye Iran LNG" (The contract of gas sweetening of Iran's LNG project was signed), November 4, 2007; BBC News Persian, "Gharardad-e jadid-e tosee-ye meidan-e gazi-e pars-e jonoubi" (Pars Jonoubi new gas contract), May 1, 2005.

tionary foundations that constitute vast reservoirs of wealth controlled by key clerics, ostensibly for charitable purposes. Indeed, one scholar remarked that the IRGC's affiliated companies were effectively "militarized bonyads."<sup>3</sup>

## Foundations (Bonyads)

The bonyads under the Islamic Republic are not necessarily a new phenomenon, but rather are a continuation of informal and extralegal economic networks from the shah's reign. The Pahlavi Foundation under the shah, for example, was direct predecessor of such Islamic bonyads as the Mostazafan Foundation.<sup>4</sup> After the shah's overthrow, the Pahlavi Foundation's assets were taken over by the newly created Mostazafan Foundation.

Two important bonyads, which are not directly controlled by the IRGC but are indirectly influenced by it, are the Bonyad Mostazafan (Foundation of the Oppressed or The Mostazafan Foundation) and the Bonyad Shahid va Omur-e Janbazan (Foundation of Martyrs and Veterans Affairs). The Bonyad Mostazafan is the largest foundation in Iran and is also well integrated into the Iranian economy. It officially operates as a nongovernmental organization, though it is directly supervised by the Supreme Leader, who appoints its director.<sup>5</sup> The current director of Mostazafan is Mohammad Forouzandeh, the former head of the Ministry of Defense and Armed Forces Logistics and a former IRGC officer.<sup>6</sup>

According to one of the foundation's former directors, Mohsen Rafiqdust, Mostazafan allocates 50 percent of its profits to providing

<sup>3</sup> Comments by an Iranian-born scholar at a RAND-sponsored conference, Rome, Italy, October 29, 2007.

<sup>4</sup> "Nobody Influences Me!" *Time Magazine*, December 10, 1979.

<sup>5</sup> "Bonyads Ripe for Restructuring," Middle East Data Project, Inc., Iran Brief 8, December 1999.

<sup>6</sup> Mehdi Khalaji, "Iran's Revolutionary Guard Corps, Inc.," Washington Institute for Near East Policy, *PolicyWatch*, No. 1273, August 17, 2007.

aid to the needy in the form of low-interest loans or monthly pensions, while it invests the remaining 50 percent in its various subsidiaries.<sup>7</sup> It owns and operates approximately 350 subsidiary and affiliate companies in numerous industries including agriculture, industry, transportation, and tourism.<sup>8</sup> Mostazafan's largest subsidiary is the Agricultural and Food Industries Organization (AFIO), which owns more than 115 additional companies. Some of the foundation's contract work also includes large engineering projects, such as the construction of Terminal One of the Imam Khomeini International Airport.<sup>9</sup>

Mostazafan also has a history of soliciting contract work abroad. It currently maintains economic connections with countries in the Middle East, Europe, Africa, and South Asia, as well as in Russia and other former states of the Soviet Union. Mostazafan subsidiaries pursued contracts in the late 1990s to construct a railway system and urban rail system and to manage a livestock project in Libya.<sup>10</sup> More recently, the General Mechanic Civil and Housing Organization, another Mostazafan subsidiary, began work in 2004 on a \$30 million, 36-month contract to build a 37-km road into the Hajar mountains in the United Arab Emirates. The road was one of multiple phases in the construction of the Jebel Jais mountain resort.<sup>11</sup>

Some reports allege that Mostazafan facilitated the development of pseudosecret organizations, such as the Nur Foundation, which was reportedly established in 1999 to import sugar, construction materials, and pharmaceuticals. It is also said to maintain an office near a suspected nuclear research laboratory in Tehran.<sup>12</sup>

<sup>7</sup> Robert Fisk, "War Wounded Find Comfort from Billion-Dollar Man," *The Independent*, May 26, 1995.

<sup>8</sup> Mostazafan Foundation, homepage, 2008.

<sup>9</sup> "Turkish Firm Signs up for Tehran Airport," *Middle East Economic Digest*, April 30, 2004.

<sup>10</sup> "Iran Clinches Cement Contract," *Middle East Economic Digest*, January 10, 1997.

<sup>11</sup> "RAK Unveils Multi-Billion Dollar Plans," *Middle East Economic Digest*, June 3, 2005.

<sup>12</sup> Open Source Center, "Iran: Mostazafan va Janbazan Supports Veterans, Covert Activities," May 2, 2006.

In addition to Bonyad Mostazafan, the Bonyad Shahid maintains a strong link to the IRGC, with former IRGC Air Force commander Hossein Dehghan acting as its president. Shahid gives home loans to thousands of Basijis and the families of martyrs. It has reportedly loaned 120 million rials to urban families and 150 million rials to rural families.<sup>13</sup> Shahid is also involved in numerous economic endeavors, including participation in a joint venture with the Industrial Development and Renovation Organization and Defense Ministry subsidiary, the Iran Electronic Development Company. In March 2004, this company was part of a consortium that won a mobile-phone license from the Iranian government, but the deal fell through because of political objections.<sup>14</sup>

## Construction, Engineering, and Manufacturing Companies

The IRGC's industrial activities began not long after the Iran-Iraq War, when President Rafsanjani's government encouraged the IRGC to use economic activities to bolster its budget.<sup>15</sup> The corps took control of several confiscated factories and established the *moavenat khodkafae* (headquarters of self-sufficiency) and *moavenat bassazi* (headquarters of reconstruction). These two headquarters established various companies active in the agriculture, industrial, mining, transportation, road construction, import, and export sectors.<sup>16</sup> Shortly thereafter, the IRGC established a reconstruction headquarters, which operated within the IRGC's air force, navy, ground force, and Basij. In 1990, the headquarters became *gharargah sazandegi khatam alanbia*, abbreviated as Ghorb. Ghorb, also known as Khatam al-Anbia, established several companies

<sup>13</sup> "Iran: Profile of IRGC-Linked Website, Sobhe-Sadegh" (2006).

<sup>14</sup> "Special Report: Iran," *Middle East Economic Digest*, August 24–30, 2007.

<sup>15</sup> Sazegara (2006).

<sup>16</sup> Behrouz Khaligh, "Changes in the Political Structure of the Islamic Republic: From the Clerical Oligarchy to the Oligarchy of the Clerics and Guards," *Akhbar e Rouz*, July 4, 2006a.

active in agriculture, industry, mining, road building, transportation, import, export, education, and culture.<sup>17</sup>

Khatam al-Anbia has since become one of Iran's largest contractors in industrial and development projects, and today is considered the IRGC's major engineering arm,<sup>18</sup> not unlike the U.S. Army Corps of Engineers. IRGC commander Sattar Vafaei stated in an interview that about 25,000 engineers and staff work for Khatam al-Anbia. Ten percent of these personnel are IRGC members and the rest are contractors. The company has launched an official Web site, as well as an internal journal called *Road and Tunnel Magazine*, though neither has published numbers reflecting the company's assets.

According to the Khatam al-Anbia Web site, the company

- has been awarded more than 750 contracts in different construction fields, including dams; water diversion systems; highways; tunnels; buildings; heavy-duty structures; three-dimensional trusses; offshore construction; water supply systems; and water, gas, and oil main pipelines
- has completed 150 projects involving technical consulting and supervision
- is currently implementing 21 new projects, many of which are slated for rural areas.<sup>19</sup>

The Ministry of Oil, Transportation, and Energy and the mayor of Tehran have signed several contracts with the IRGC through Khatam al-Anbia. These projects are contracted to Khatam al-Anbia and are performed either by its subsidiaries or by private companies contracted by Khatam al-Anbia. The Khatam Web site lists some of these companies, as well as the nature of their work. Two of the most prominent Khatam subsidiaries are Sepasad and Hara; the former is currently construct-

---

<sup>17</sup> Gharargah-e Sazandegiye Khatam al-Anbia (Ghorb) homepage.

<sup>18</sup> Pars Special Economic Energy Zone, "Didar-e Jami az maghamat-e arshad-e sepah pas-daran as tasisat-e parse jonubi" (Visit of IRGC top rank officials from Pars Jonoubi establishments), May 29, 2007.

<sup>19</sup> Gharargah-e Sazandegiye Khatam al-Anbia (Ghorb), homepage.

ing Line Seven of the Tehran Metro,<sup>20</sup> while the latter directs tunnel construction and excavation operations throughout the country. Other projects performed by Khatam subsidiaries include the construction of part of the Tehran-Tabriz railway,<sup>21</sup> the Karkheh dam,<sup>22</sup> reserve packages and a jetty in the Pars Jonoubi Gas field,<sup>23</sup> and a 900-km gas pipeline from Asaluye to Iranshahr.<sup>24</sup> Subsidiaries are also engaged in several hydroelectric and dam-construction projects in West Azarbaijan, Kordestan, Kermanshah, Ilam, Lorestan, and Khuzestan.<sup>25</sup>

Khatam al-Anbia is highly active in the oil sector and is said to be operating as the sole contractor for Iran's gas industry.<sup>26</sup> The agency's deputy director for reconstruction, IRGC Brigadier Abdolreza Abedzadeh, said that the company had 247 ongoing "industrial and mining" projects and had completed 1,220 projects since 1990.<sup>27</sup> Iran's oil ministry has signed a number of no-bid contracts with the company worth billions of dollars. Government officials claim that these contracts were awarded because of the lower cost offered by the IRGC, its skilled corps of engineers, its experience with large projects, and its

<sup>20</sup> International Crisis Group (2007). See also "Haftomin khate metroye Iran ra sepah mis-azad" (7th line of Tehran Metro to be built by IRGC), *Keyhan*, April 20, 2006.

<sup>21</sup> Tehran City Hall Information Management Organization, "Bakhsi az khat-e ahane Tehran Tabriz be zire zamin montaghel mishavad," February 13, 2007.

<sup>22</sup> "Dam Project Goes to Revolutionary Guards," *Middle East Economic Digest*, October 7, 1994.

<sup>23</sup> "Gharardad-e Shirinsaziye gase faze 12 parse jonubi emza shod" (The Agreement on the Sweetening of Gas from South Pars Phase 12 Has Been Signed), *Shana*, November 4, 2007.

<sup>24</sup> BBC News Persian, "Gharardad-e 1.3 milliard dollari sepah ba vezarat-e naft" (The \$1.3 Billion Agreement Between the Guards and the Oil Ministry), May 8, 2006. See also Shahrgone, "Vagozari-e ehdas-e khat-e lule-e gaz be sepah bedune anjame tashrifat-e monaghese," no date.

<sup>25</sup> Gharargah-e Sazandegiye Khatam al-Anbia (Ghorb), homepage.

<sup>26</sup> Open Source Center (2007c).

<sup>27</sup> Khalaji (2007). See also Matthew Levitt, "Make Iran Feel the Pain," *Wall Street Journal Europe*, July 2, 2007; Alireza Jafarzadeh, "Islamic Revolutionary Guards Corp (IRGC): Control Over All Aspects of the Iranian Regime," Strategic Policy Consulting, statement National Press Club meeting, August 22, 2007; and Kim Murphy, "Iran's Guard Builds a Fiscal Empire," *Los Angeles Times*, August 26, 2007.

access to heavy machinery and sizable assets.<sup>28</sup> In one such contract, the ministry awarded Khatam \$1.3 billion to build the aforementioned 900-km natural gas pipeline to transfer 5 million cubic meters of gas from Asaluyeh in the province of Bushehr to Iranshahr in the province of Sistan and Baluchestan. When pressed as to why the ministry waived the bidding requirement for Khatam al-Anbia, a ministry representative claimed that providing gas to underprivileged regions was an urgent necessity and that a formal bidding process would have taken more than a year to complete.<sup>29</sup> An additional \$2.5 billion contract was awarded to Khatam al-Anbia without a bid to finish phases 15 and 16 of the Pars Jonoubi (South Pars) oil field.<sup>30</sup>

Khatam al-Anbia deputy director Abdolreza Abedzadeh recently told the Iranian press that 70 percent of Khatam's business is military related. However, employees are often less forthcoming. When questioned as to the nature of the work, company employee and civil engineer Mohammadreza Rajabalinejad informed the *Wall Street Journal*, "I'm not allowed to tell you anything."<sup>31</sup> Other employees are typically unwilling to discuss the nature of Khatam's contracts as well.<sup>32</sup> Members of the Iranian press have complained that reporters "have repeatedly asked this company to provide more detailed information on the company and the exact figures for completed projects, the number of personnel, and the problems facing this major contractor, but the company has refused to comply."<sup>33</sup>

---

<sup>28</sup> "Namayandeye vali faghi dar sepah-e padaran: sepah nabayad abzar-e tashakkolhaye siasi shaved" (Representative of the Supreme Leader to the IRGC: The IRGC should not get involved in politics), *Sharq*, July 2006.

<sup>29</sup> National Iranian Gas Company (2006).

<sup>30</sup> Ministry of Oil News Agency (2007). See also Pars Special Economic Energy Zone (2007) and BBC News Persian (2005).

<sup>31</sup> Andrew Higgins, "As Hard-Liners Rise, Shadowy Revolutionary Guard Muscles in on Airport and Nabs Energy Deals; Dawn Clash Over a Drilling Rig in the Persian Gulf," *Wall Street Journal*, October 14, 2006.

<sup>32</sup> Higgins (2006).

<sup>33</sup> Open Source Center (2007c).

In an interview with the newspaper *Sharq*, Abedzadeh answered questions regarding the company's funding and employment and also responded to allegations that the company had accepted certain government contracts without engaging in a formal bidding process. He also admitted to receiving a no-bid contract for the Asaluyeh-Iranshahr pipeline project and justified the process by claiming that "[the government has] seen our work. We must have done something for them to be willing to award us the contract without bidding."<sup>34</sup> He also acknowledged winning the no-bid contract for phases 15 and 16 of the South Pars oil field, explaining that Pars Oil and Gas had "promised the project" to Khatam even before a foreign partner had pulled out of the contract for which Khatam had bid and subsequently won. Abedzadeh went on to explain,

So the foreign company withdrew from the consortium. What were we supposed to do? . . . We spoke with Pars Oil and Gas officials. We asked whether they wanted to repeat the tender. Was there enough time? We said we had worked on our documents. We said you have our bid. Then they said they intended to award the contract without the formalities.<sup>35</sup>

When pressed as to the nature of Khatam's employment and funding, Abedzadeh emphasized that the IRGC's military activities and Khatam's construction activities are kept "completely separate" and that only 10 percent of Khatam's labor is derived from IRGC ranks, and the rest consists of subcontractors. As for Khatam's funding, Abedzadeh asserted that the majority comes from Iran's foreign currency reserve. In response to the interviewer's question as to how the company obtained these funds if "the foreign currency reserve account was established so 50 percent would be reserved and 50 percent would be loaned to the private sector, not to the government," Abedzadeh stated, "Others obtain those funds as well. . . . The government does

---

<sup>34</sup> "Iran Press: General Discusses IRGC Role in Engineering, Economic Contracts," *Sharq*, August 13, 2006.

<sup>35</sup> "Iran Press: General Discusses IRGC Role in Engineering, Economic Contracts" (2006).

not do us any favors. We are paid to do our work. We are fined if we do not. Our difference with private companies is that we do not get to spend our profits.” However, when asked whether profits from Khatam’s construction projects are used to fund defense initiatives, he admitted, “It does help. It helps the development funding the government provides for the armed forces.”

## Illicit and Black Market Activities

Parallel to these overt construction activities, the IRGC also controls a vast shadow economy of illicit enterprises that are hidden from public view. Accusations of the IRGC’s black-marketeering, like dissent against its monopolization of key business sectors, remains fragmentary and anecdotal. Among the first to level these charges was the reformist cleric Mehdi Karrubi, who, as Speaker of the Sixth Majles under President Khatami, indirectly accused the IRGC of operating 60 illegal jetties in the country without government supervision. Ali Ghanbari, another Majles member, followed suit, arguing that

unfortunately one third of the imported goods are delivered through the black market, underground economy, and illegal jetties. Appointed institutions [by Supreme Leader Khamenei] that don’t obey the [rules of] the government and have control over the means of power [violence]; institutions that are mainly military, are responsible [for those illegal activities].<sup>36</sup>

The abundant availability of banned commodities in Iran, including alcoholic beverages and narcotics, has led to allegations of IRGC involvement in illegal smuggling activities. While there are no independent means of substantiating such allegations, the IRGC is the only organization, it is argued, that could engage in such large-scale trafficking, due to its vast networks and access to countless jetties unsu-

---

<sup>36</sup> Radiofarda, “Sepah, Terrorism, and Militarism Irani dar meidan-e Jahani” (IRGC, Terrorism and Iranian Militarism in the globe), August 15, 2007b; Sazegara (2006).

pervised by the government.<sup>37</sup> Facilities such as the Martyr Rajai Port Complex in Hormuzgan province are reportedly used to export state subsidized gasoline outside the country.

The IRGC is estimated to yield a 200–300 percent profit on such illegal sales. One Majles member recently stated that IRGC black-market activities might account for \$12 billion per year. Another parliamentarian suggested that “invisible jetties . . . and the invisible hand of the mafia control 68 percent of Iran’s entire exports.”<sup>38</sup> Others claim that a high volume of contraband goods enter the country via “illegal and unofficial channels, such as invisible jetties supervised by strongmen and men of wealth.”<sup>39</sup> There are also claims that the IRGC facilitates the transfer of alcohol, cigarettes, and satellite dishes across portions of the Iran-Iraq border that it controls.<sup>40</sup>

Yet at the same time, IRGC and Basij forces have been commended for their positive role in fighting illegal smuggling—a further illustration of the institution’s multidimensional and frequently contradictory nature. LEF commander Geravand in Kermanshah province thanked the Basij and the IRGC for their cooperation in the recent initiative to step up security, which has resulted in the seizure of over 200 types of weapons, 75,000 “indecent” CDs, 900 satellite dishes, more than 200 kg of various drugs, and more than 44,000 bottles of foreign liquor.<sup>41</sup>

Our canvassing of available open sources and interviews leaves open the question of where the IRGC’s profits are going. It is logical to presume, however, that the funds are used for the following:

- personal enrichment of senior officers

<sup>37</sup> Radiofarda (2007b); Sazegara (2006).

<sup>38</sup> Open Source Center, “Iran Economic Sanctions, Government Corruption 1-7 Nov 07,” *OSC Summary in Persian*, IAP20071119306005, November 1–7, 2007d.

<sup>39</sup> Open Source Center (2007d).

<sup>40</sup> Radiofarda (2007b). See also Sazegara (2006) and Murphy (2007).

<sup>41</sup> Open Source Center, “Iran: Kermanshah Province Highlights, 9–21 Jun,” *OSC Summary in Persian*, IAP20070705434001, June 9–July 5, 2007a.

- funding the acquisition of weapon systems, training, and operational and maintenance costs
- development of Iran's non-Persian peripheral provinces
- bribing powerful political and clerical figures so that they do not oppose increases in IRGC political power
- supporting covert activities abroad
- supporting the Iranian nuclear research program, which is supervised by the IRGC
- providing financial support to IRGC veterans and their families, as well as to the families of IRGC personnel killed in the line of duty
- supporting the ongoing enlargement of the Basij by offering stipends and housing allowances to new recruits.

## Public Works

The IRGC may calculate that any dissent or blowback over its growing business profile and illicit profiteering will be offset by the networks of patronage and clientage that it has built with a myriad of companies. Similarly, the Pasdaran's role in spurring rural economic development through public-works projects affords it a clear opportunity to build a base of rural popular support that can counterbalance any opposition from more urban, entrepreneurial classes.

With these imperatives in mind, the IRGC has two objectives in its rural public-works programs. First, the presence of the IRGC or Basij in these areas acts as a preventative security measure and a bulwark against popular uprisings against the state. At the same time, IRGC officials are able to claim that the presence of Basijis provides increased security for villagers in these areas.<sup>42</sup> Second, construction activities help to create a positive image for the Basij and for the IRGC. As mentioned earlier, our interviews with visitors to Iran suggest that this outreach is, in fact, shaping perceptions; in contrast to the favorable views in the provinces, urban Basij are more frequently viewed

---

<sup>42</sup> IRNA (2007c).

negatively, as enforcers of strict social mores and as the regime's anti-reformist shock troops.

The IRGC often touts its rural projects as the core of its effort to achieve Islamic unity in line with principles of the revolution. Senior Basij officers hold frequent press conferences to praise the efforts of young Basijis in assisting disadvantaged populations. A recent news report commending the IRGC for its work in rural development stated, "Construction is not possible but through cooperation and like-mindedness. Just as they stood shoulder to shoulder with each other during the war, so in peace too, they have to stand shoulder to shoulder."<sup>43</sup>

The IRGC has initiated several large-scale development projects throughout the country in recent years. One such project is the 900-km "peace pipeline" originating in Asaluyeh, Bushehr province, and extending to Hormozgan province and Iranshahr.<sup>44</sup> Not only does the IRGC recruit local individuals from these provinces to work on the pipeline, thus providing local employment, it also generates other projects along the pipeline route, such as road and school building in adjacent villages.<sup>45</sup> Other IRGC-sponsored rural projects, managed under the auspices of the Khatam al-Anbia, include the Kerman-Zahedan railway system, the construction of the Chabahar port in Sistan-Baluchistan, and the development of a system to transfer natural gas from Asaluyeh.<sup>46</sup>

It appears that, since its inception in 2000, the role of the construction Basij has become increasingly important. The majority of smaller rural development operations are generally carried out by the construction Basij in ethnic-minority regions such as the provinces of Sistan-Baluchestan, Ardabil, Zanjan, and East Azarbaijan. In 2001, Supreme Leader Khamenei recommended the formation of the Hejrat

---

<sup>43</sup> Islamic Republic of Iran Network Television (Tehran), "Iran War Experience at Service of Agriculture and Construction," BBC World Monitoring, August 8, 2007b.

<sup>44</sup> IRNA (2007c).

<sup>45</sup> IRNA (2007c).

<sup>46</sup> Vision of the Islamic Republic of Iran Sistan-Baluchestan Provincial Television, "Iranian Militia Chief Names Commander in Sistan-Baluchestan," FBIS IAP20070524950023, May 23, 2007b.

Plan (Cultural and Constructive Movement) of the construction Basij, a program with a two-pronged approach to development. On the one hand, the program aims to bolster the economic development of impoverished areas by improving infrastructure and local services. At the same time, it is intended to be an indirect vehicle for indoctrination and resisting corrosive foreign influences.<sup>47</sup> Basij commanders in rural provinces have made an effort to extol the virtues of the program and its popularity among young people. Colonel Dezham Khoy, head of the Ardabil Construction Basij, for example, asserted that approximately 8,500 students and other residents had joined the region's Basij unit in 2007 alone. He stated that these numbers correspond to a 50 percent increase in recruitment from the previous year.<sup>48</sup>

According to Basij sources, in just the two months of August and September 2006, the construction Basij managed to establish 1,800 small manufacturing and training units in rural areas of Iran.<sup>49</sup> Brigadier General Mohammad Hejazi has observed that the group became truly effective in 2006, with an estimated 3.2 million recruits.<sup>50</sup> He stated that 14 billion tomans (almost \$15 million) had been allocated in the 2007 national budget for increased development activities, as Supreme Leader Khamenei expected more vigorous efforts both in infrastructure and human capital development.<sup>51</sup> Hejazi has expressed optimism that the Basij will continue to enjoy strong governmental support: "Fortunately, the ninth government's position toward the Basij is most favorable and many members of government are active Basij members. We hope that these favorable points of view will help enhance the Basij and its standing in society."<sup>52</sup>

<sup>47</sup> Open Source Center (2007a).

<sup>48</sup> Ardabil Provincial TV, "Paramilitary Force Works on Construction Projects in Iran's Ardabil," FBIS IAP20070802950066, August 1, 2007b.

<sup>49</sup> IRNA, "More Than Thirty-Six Percent of Working Women Have a College Education," April 8, 2008.

<sup>50</sup> Vision of the Islamic Republic of Iran Network 1, "FYI—Commander of Iran's Basij Interviewed on Development Basij Day," FBIS IAP20070510950001, May 9, 2007a.

<sup>51</sup> Vision of the Islamic Republic of Iran Network 1 (2007a).

<sup>52</sup> "Commander Says Basij Not to Allow Intimidation by Terrorists," *Javan*, FBIS IAP20070601011003, May 27, 2007.

Increased government funding and support has indeed stimulated the growth of construction Basij activities. Colonel Firuz Jahantigh, head of the construction Basij in Sistan-Baluchistan, recently said that, in addition to the Asaluyeh-Iranshahr gas pipeline and the Zahedan-Bam railway project, the rural Basijis are working with Khatam al-Anbia to complete major projects such as the Chahnimey-e Chaharrom (a fourth water reservoir) and a roadway between Chabahar and Milak (Zabol).<sup>53</sup> Hejazi has estimated that, by the end of 2007, the construction Basij will have volunteered approximately 20 million hours of labor in the form of services and construction projects throughout the country.<sup>54</sup> Many of these activities involve small-scale projects, such as painting school buildings and repairing tables and chairs.<sup>55</sup> Other, more widespread operations include relief efforts in areas affected by natural disasters<sup>56</sup> and health campaigns to inoculate young children.<sup>57</sup>

Government support has also increased efforts to form partnerships with other government and provincial organizations. The local Endowment and Relief Organization in Ardabil allocated 50 million rials (\$5,400) to build an Islamic school and 100 million rials (\$11,000) to build a potable water pipeline.<sup>58</sup> Other projects, such as the renovation of dilapidated school buildings, are performed in conjunction with the Ministry of Education.<sup>59</sup> In Zanjan province alone, the Basij had slated 202 schools for renovation, as well as a number of recreational facilities.<sup>60</sup> More recently, emphasis has been placed on coordination

---

<sup>53</sup> Sistan-Baluchistan Provincial TV Zahedan Vision of the Islamic Republic in Open Source Center, "Iran: Highlights: Iranian Military Developments 23–29 November 2007," *OSC Summary in English*, IAP20071203397002, November 23–29, 2007g.

<sup>54</sup> Vision of the Islamic Republic of Iran Sistan-Baluchestan Provincial TV (2007a).

<sup>55</sup> IRNA (2007c).

<sup>56</sup> Open Source Center (2007a).

<sup>57</sup> Omestad (1998).

<sup>58</sup> Ardabil Provincial TV, "Ardabil Officials Inaugurate Basij Work Plan," FBIS IAP20070627950072, June 25, 2007a.

<sup>59</sup> Vision of the Islamic Republic of Iran Network 1 (2007a).

<sup>60</sup> "Zanjan Islamic Guards Chief Notes Importance of Basij Training Camps," Iranian Labor News Agency, FBIS IAP20070626950077, June 25, 2007.

with provincial offices of the Agricultural Jihad Organization (AJO) to improve the self-sufficiency of rural areas. Commander of the East Azarbaijan province Basij Mohammad Yusef Shakeri stated that Basij work in the agricultural sphere has increased by almost 180 percent since 2006.<sup>61</sup> The head of the province's AJO, Salman Shefa'at, confirmed that Basij assistance in the farming sector was significant, with approximately 40 percent of Basij activities in the province related to agricultural development.<sup>62</sup>

## The Dilemmas of Economic Expansion

Despite the apparent beneficence of its public-works initiatives, the IRGC's economic expansion is fraught with dilemmas. Among the various areas of its domestic ascendancy, its widening business profile probably has the greatest potential to buffet its future trajectory. As we note in our concluding remarks, a comparative inquiry into the development of similar politico-economic military conglomerates in Pakistan and China suggests the potential for internal dilution of the IRGC's corporate cohesion—if not open fractionalization. According to one Iranian-born observer, there are growing tensions within the IRGC about the institution's corporate narrative of a return to the “golden age,” e.g., the ideological purity, militancy, stridency, and insularity that marked the postrevolutionary period.<sup>63</sup> Those within the IRGC who critique this perspective, which they undoubtedly regard as antiquated, argue that such traditionalism is fundamentally incompatible with the imperatives of globalization and economic development and integration. In addition, Iran's possible acceptance of globalization and adoption of a liberalized economy may work against the IRGC's busi-

---

<sup>61</sup> “Iranian Resistance Force Involved in Development of East Azarbaijan,” Fars News Agency, FBIS IAP20070621950059, June 21, 2007.

<sup>62</sup> “Iran: East Azarbaijan Takes Lead in Construction Basij Plan,” Fars News Agency, FBIS IAP20070702950129, July 2, 2007.

<sup>63</sup> Comments of an Iranian-born scholar of Iran at a conference sponsored by RAND, October 29, 2007.

ness interests. As an economic organization more interested in monopoly rather than open competition, the IRGC may wish to keep Iran's economy closed off and under its tight control. If this is the case, U.S. and international sanctions may not weaken the IRGC, but instead enhance its formal and illicit economic capabilities.

Certainly, the lack of financial transparency and accountability into Iran's inner economic workings empowers and supports the IRGC's many illicit activities, as well as its control of a shadow economy. But there are also arguments that the IRGC should harness, rather than resist, globalization, with the question of World Trade Organization accession emerging as a key point of debate in Iran.

Another potential risk—one that has not currently manifested itself in a visible way—is increasing backlash by certain sectors of the population, such as traditional merchant elites, companies that lose on bids for contracts, and the like. On this issue, it is important to note that the IRGC's ascendancy to political power, via the 2005 presidential elections and earlier in its assumption of provincial administration posts, was predicated on a platform of populism, personal modesty, and technocratic proficiency. These virtues stood in stark contrast to the perceived corruption, excesses, and oligarchic tendencies of certain clerical factions—particularly those clustered around Ali Akbar Hashemi Rafsanjani and his so-called “oil mafia.” As noted by French analyst Frederic Tellier,

The (Islamic) revolution spawned its own ruling class and its own tribe of oligarchs with no connection to the real population. . . . To the Pasdaran, the people ignored by the shah are now the same people groaning beneath the feet of the mullahs.<sup>64</sup>

As the IRGC moves closer to resembling the economic oligarchy it sought to displace, it ultimately loses much of the initial appeal that ushered it into power. To what degree are segments of the Iranian population aware of this? And have they linked the IRGC's control of the expansive shadow economy with their own worsening economic

<sup>64</sup> Frederic Tellier, *The Iranian Moment*, Washington, D.C.: Washington Institute for Near East Policy, February 2006, p. 52.

situation? According to a Western diplomat resident in Iran from 2003 to 2006, this dissent has not transpired:

There is no bazaari backlash at this point. The general population doesn't know about the IRGC's illegal jetties, the Caspian Sea villas and their Swiss bank accounts.<sup>65</sup>

Part of this ignorance may stem from the IRGC's secretive conduct of business transactions. In other cases, it may result from the broad-based clientage it has cultivated, co-opting private companies as subsidiaries of its umbrella consortiums. Similarly, by mobilizing and militarizing Iranian civil society through the aforementioned levers of indoctrination and training, the IRGC may have achieved some consensus from business elites and citizens seeking upward financial mobility. As noted by Tellier,

Through its recruitment, selection and socialization process, the Pasdaran now acts as a kind of ideological filter for future conservative leaders in the Islamic Republic. It offers a way to co-opt and become initiated into the financial mysteries of the Iranian regime, which any person of consequence in the system must know in order to defend his or her financial interests.<sup>66</sup>

For their part, IRGC commanders have justified their institution's economic expansion, deploying a diverse set of themes ranging from the memory of the IRGC's role in the vaunted "sacred defense," to its efforts in the postwar reconstruction, to the cost-efficiency of its commercial services, which ultimately benefit the average Iranian. The Iranian constitution is also frequently cited. The deputy director of Khatam al-Anbia, Abdolreza Abedzadeh, for example, clarified in an interview that Iran's constitution allows for the military to operate economic ventures during peacetime.<sup>67</sup> Echoing this, IRGC commander

<sup>65</sup> Authors' discussion with a Western diplomat, based in Tehran from 2003 to 2006, Los Angeles, California, July 18, 2007.

<sup>66</sup> Tellier (2006, p. 17).

<sup>67</sup> International Crisis Group (2007).

Safavi defended the economic activities of the IRGC, citing Article 147 of the constitution. He argued that the nation's military forces are required to participate in development and reconstruction activities during peacetime, a task that they are now performing by the direct order of the Supreme Leader. Khamenei's former representative in the IRGC, Ali Saeedi, has also stated that the engineering and construction capabilities the IRGC acquired during the Iran-Iraq War should be used for peacetime development activities:

The armed forces need a large number of equipment, machinery, and devices during the war efforts that become idle at the peace time. It is normal for countries to use those assets for civilian purposes. Based on this, we have decided that some of the IRGC's engineering capabilities should be used for civilian purposes.<sup>68</sup>

Despite these attempts to justify its economic and business omnipresence, instances of popular dissent against the IRGC have appeared. As an illustrative example, a businessman who lost a bid on a construction project to an IRGC-affiliated company stated to a Western reporter in 2007,

How can we compete? Why can they offer such an inexpensive price for a civil project like this? A, they have access to cheap assets and equipment owned by the IRGC. B, for unskilled workers they can use the drafted soldier, though we have to pay. C, they are confident that once they win the tender, they can ignore the overruns.<sup>69</sup>

Echoing this theme, in a letter to the government, 29 private contractors protested the seemingly boundless economic activities of the IRGC, writing,

---

<sup>68</sup> "Namayandeye vali faghi dar sepah-e padaran: sepah nabayad abzar-e tashakkolhaye siyasi shavad" (Representative of the Supreme Leader to the IRGC: The IRGC should not get involved in politics) (2006).

<sup>69</sup> Murphy (2007).

Responsibilities [of the military and civilian institutions] are well defined in the Constitution. [Moreover] the goal of the “Next 20 Years’ Economic Projection,” is to make the government smaller. [We ask the question] whether it makes sense economically and technically, to award [all the] large scale projects to the military or paramilitary organizations?<sup>70</sup>

The most visible instance of criticism against the IRGC’s growing business profile occurred when it forced the expulsion in May 2004 of a Turkish company, Tepe-Akfen-Vie, which was under contract to operate the newly opened Imam Khomeini Airport. To do this, the IRGC’s air force abruptly shut down the new airport on its first day of operations, embarrassing Iran internationally as incoming flights were diverted, straining Iranian-Turkish relations, and hastening the growing impotence of the Khatami administration by forcing the impeachment of his transportation minister. One of the IRGC’s reported motives for closing the airport was that its own engineering firm had lost out on the airport contract to the Turkish company.<sup>71</sup> In addition, the IRGC may have sought total oversight over the airport’s operations as a key transportation hub in its illicit smuggling activities.<sup>72</sup>

Perhaps more than any other instance, the IRGC’s closure of the Imam Khomeini Airport illustrates the way in which its economic interests, along with its expansive indoctrination efforts, can empower and impel it toward a more explicitly political role. While it has not quite reached the stage of a political “counterauthority” to other institutions, such as the Office of the Supreme Leader, its power is indis-

<sup>70</sup> Behrouz Khaligh, “Tagheerat dar sakhtar jomhuri eslami: gozar az oligarshi rowhaniat be oligarshi rowhniat va sepsh” (Transformation in the political structure of the Islamic Republic: A passage from the clerical oligarchy to the oligarchy of the clergy and the IRGC), July 20, 2006c.

<sup>71</sup> “Iranian Paper Says Airport Controversy Takes Iran’s Internal Divisions ‘Sky-High,’” *Iran Daily* (Tehran), FBIS IAP20040510000022, May 10, 2004; “Iranian Paper Says Iran’s Prestige Damaged By ‘Embarrassing’ Airport Closure,” *Iran News* (Tehran), FBIS IAP20040510000031, May 10, 2004; IRNA, “Iranian Transportation Ministry Denies Blaming IRGC For Closure of New Airport,” FBIS IAP20040831000004, August 31, 2004.

<sup>72</sup> Murphy (2007).

putably rising. At the same time, its growing politicization could force increased pressures on its internal cohesion similar to those resulting from its economic expansion. We will discuss these dynamics in the next chapter.

