

## Corona is the latest battleground between Rouhani and the IRGC

By Steven Turner

*Supreme Leader Ali Khamenei exploits the health crisis to further expand the political and economic influence of the Iranian Revolutionary Guard Corp (IRGC); meanwhile, the administration of President Hasan Rouhani resists marginalization by accusing Khamenei and the IRGC of undermining his economic reforms to enrich themselves at the nation's expense.*

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### **Budget Fraud Report**

On Tuesday morning the 26 of Farvardin, 1399 (April 14, 2020), Adel Azam, the Chairman of the Court of Accounts of the Islamic Republic, read a report before the *Majles* titled, "Summary of Budget Fraud in 1397 (2018)." This report accused the government of corruption, mismanagement, and the pilfering of state funds. Budget reports are mandated. However, the way this one was presented, i.e. read before the *Majles*, and its damning substance, were unlike past reports, which were issued without such fanfare.

The Budget Fraud Report of 1397 is incomplete. It is careful not to explicitly accuse the Supreme Leader of the Islamic Republic Ali Khamenei, the Iranian Revolutionary Guard Corp (IRGC), and the military institutions and security establishment of impropriety. Rather, it does so implicitly by exposing the scope of [corruption](#) in the current government, illegal salaries and [subsidies](#) to government debtors and contractors, and identifying sectors of the economy that are known to be IRGC-controlled.

IranWire wrote a series of articles detailing various aspects of the report to further shine a light on its mentions of currency [manipulation](#), astronomical costs of small development [projects](#), misappropriation of [funds](#), and more. In these reports, IranWire brings up the important question of why this report was presented in such a way as to draw public ire; i.e., why would the government accuse itself of money laundering and corruption before the *Majles*? In short, the answer is that factions in the government loyal to President Hasan Rouhani and his administration prepared the report to blame Khamenei and the IRGC for sabotaging the administration's efforts to fix Iran's economic troubles. In fact, the IRGC, with Khamenei's blessing, have become quite brazen in their efforts to pilfer Iran's treasury, as well as to undermine Rouhani's efforts to curb such corruption.

## **Rouhani versus the IRGC**

Rouhani has faced significant opposition from hard-liners over the course of his tenure. The IRGC has been outspoken in its criticism of his political and economic policies. Such policies have been aimed at easing tensions with the West in the hopes of opening Iran's economy to foreign investment and cooperation. Political opposition from the Right is generally presented as ideological opposition to the West, and particularly the United States, for decades of interference in Iranian political affairs. However, practically speaking, the IRGC opposes Rouhani's economic policies because they are largely aimed at curbing its political influence by breaking up its cabals.

His efforts have included tackling corruption and monopolies, such as the IRGC's ownership and management of hundreds of companies in construction, oil and gas, telecommunications, security, finance and other industries. These companies are frequently awarded government contracts without competing bids, which prevents competition and opportunity in the market for private companies. They also receive large government loans without paying them back or reporting how the money is spent.

As noted, IRGC efforts to undercut Rouhani's influence and expand its own are not new. However, it is no small matter that, over the past two months, the IRGC has, at the expense of the Rouhani administration, been granted a tremendous amount of formal control of the political system and economic infrastructure in order to spearhead the official governmental response to the health crisis caused by the coronavirus.

## **Corona Response**

The effect of the coronavirus on Iran's short-term economic situation has been devastating. When the pandemic first hit Iran in mid-February, the Iranian government acquiesced to pressure from China, its largest trading partner and oil customer, to [not temporarily suspend](#) travel between the two countries. First of all, this move indicated the acute vulnerability of Iran's so-called "resistance economy," though that is a separate discussion. Additionally, the number of corona-related deaths, and the inability to distribute medical equipment, let alone essential goods, such as food and medicine to the provinces, further highlighted the country's inadequate economic infrastructure and logistical capabilities. Mismanagement, cumbersome bureaucratic hurdles, and corruption also played a part in Iran's dismal response to the health crisis.

In an online [panel](#) hosted by the Asia Society on April 7, Ali Vaez, the Iran Project Director at the International Crisis Group, described how hard-line factions were using the devastating

effects of the health crisis on Iran as ammunition to undercut the legitimacy of the Rouhani regime in the hopes of positioning itself to takeover the *Majles* and win the presidency in the 2021 elections. Similarly, [Mehdi Khalaji](#) and [Saeid Golkar](#) at WINEP detailed how the Iranian Revolutionary Guard Corp (IRGC), with the blessing of the Supreme Leader Ali Khamene'i, has taken the lead on the pandemic response. By doing so, the IRGC put itself in a position to increase its political and economic influence and control of Iranian industry in the near-term, with the hopes of solidifying it in the long-term. One question that must be asked is, what will a hard-line, IRGC-led regime mean for Iran's economy?

## **2021 Elections**

Elections in the Islamic Republic are far from democratic. The Supreme Leader and his cronies on the Guardian Council exercise their formal authority to determine who is allowed and who is not allowed to run for office in Iran. They usually choose candidates, and victors, based on who they think both the population and they themselves can live with. By the time elections roll around, they have already predetermined who will win and the vote tally, which they use as a tool to show the population that its voice was heard, even if it was not accepted.

Politically, the Trump administration's decision to drop out of the JCPOA, and its implementation of a "maximum pressure" strategy to impose further crushing sanctions on Iran gave Khamenei and the IRGC all the excuse they needed to design an outcome to the 2021 elections in which their candidates will sweep the *Majles* and the presidency.

In the meantime, as Rouhani is increasingly marginalized, the IRGC is actively expanding its authority. This has included reopening provincial offices that the government had ordered closed in a centralization effort to curb IRGC interference in administration affairs. As Rouhani goes, so do his relatively moderate ideologies, his anti-corruption policies, and his benign governing style. The IRGC, in contrast, is widely corrupt, militaristic, and authoritarian. It will not have to wait until elections in 2021 to implement its policies. So, in terms of anticipating economic policy, one must consider what will happen to the Iranian economy when a hard-line government replaces the Rouhani administration.

## **Implications of an IRGC Regime**

Initially, the IRGC will strengthen its grip on Iranian industry. This can already be seen through its seizure of infrastructure in its corona response. However, if the IRGC transitions from an opposition faction working to hinder Rouhani's economic policies, then it will have responsibilities and accountability associated with governing. The economic struggles of the

middle and lower classes will become its own failures, rather than a rallying cry for its support to take over. Will it, as the hard-line faction, have the capability to make the kinds of tough concessions it prevented Rouhani from making, as it will not have to fear being attacked from the Right? How will it manage the calls to end corruption and break up monopolies, or to curb the bureaucracy that keeps small businesses out of the market?

To right the Iranian economy, the IRGC will need to do more than simply blame moderates and the West. It will need to drastically undercut its own systemic corruption and industrial monopolization, as well as to govern. Such changes to its modus operandi will undoubtedly include significant ideological acrobatics, as it would be impossible to continue to operate as it has up until this point if it hopes to use economic improvements to build political legitimacy.