Destabilizing Risks and Their Potential Effects on Iran’s 2024 Parliamentary Elections

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ABSTRACT

This paper is a risk analysis examining threats to the stability of the Iranian state, the likelihood of further threat escalation, and their implications, done at the behest of the Islamic Labor Party for their consideration of potential campaign strategies in the upcoming 2024 parliamentary elections.

Introduction

During the 1979 Iranian Revolution, anti-government protesters overthrew Iran’s Pahlavi dynasty. Forty-four years later, Iran’s government faces similar perils as those that contributed to the previous revolution: citizen dissatisfaction expressed in protests, unsustainable economic inflation, a heinous human rights record, and political exclusion from the West. Iran’s continued inability to resolve these issues increases its risk of a 1979-equivalent challenge.

Geopolitically, Iran faces escalating tensions with Israel over its nuclear program. Politically, government corruption allegations have weakened the 2024 election’s legitimacy. Further sanctions on Iran will deter foreign investment, exacerbating economic stagnation. Socially, the women’s rights movement challenges the government’s religious authority and laws.

While Iran faces multiple key risks, political risks will remain at the forefront of Iran’s instability. Due to the upcoming elections, government officials and citizens will polarize political issues such as corruption and schisms among the Iranian clergy to benefit their candidate. Tangible evidence of government ineptitude through heightening political risks has the greatest potential to be escalated leading up to the 2024 elections.

Political Risk: High

General Overview

Iran is an authoritarian theocratic republic with a Shia Islamic political system. The government comprises the Supreme Leader, the President, the Assembly of Experts, the Guardian Council, and the Iranian Parliament. The Supreme Leader holds the highest authority in Iran, with the ability to override any political decision by other actors on a religious basis. A body of 88 Assembly of Experts selects the Supreme Leader. The President is elected by popular vote to a four-year term and is responsible for the executive branch, foreign diplomacy, and implementing policies. The Parliament is responsible for passing legislation, approving the budget, and overseeing the executive branch. The parliament-elected Guardian Council vets all candidates running for office and interprets the Constitution.
Corruption

Transparency International ranks Iran as 25/100 on the corruption perceptions index, indicating high public sector corruption. 63% of Iranian citizens believe government corruption is the primary cause of their economic problems (Al-Monitor). Concerns about the Iranian government’s corruption will escalate and fuel an anti-government movement in the upcoming 2024 parliamentary elections.

Because the ruling Islamic Republic Party uses its representation on the Guardian Council to dismiss left-wing candidates, no party can challenge the current party’s alleged embezzlement of tax revenue. In Iran’s 2016 parliamentary elections, only 1% of the most moderate left-wing reformist candidates were approved by the Guardian Council (Human Rights Watch), raising citizen perception of government illegitimacy. Corruption allegations have divided the regime’s leaders, causing the Combatant Clerics Association to withdraw from the 2024 elections because of citizen pressure.

Recent corruption scandals reflect a lack of checks on the Guardian Council. In April 2023, industry minister Reza Amin distributed SUVs purchased with tax revenue to over seventy members of Parliament (Iran International). Due to sanctions and a lack of domestic supply, cars are an expensive commodity in Iran. The scandal has increased domestic pressure on the Supreme Leader’s loyalists to crack down on corruption, dividing the regime’s leaders (Al-Monitor). To protect their re-election campaign in 2024, the Parliament impeached Amin and Parliamentary officials tied to the scandal.

In the short-term period before the 2024 elections, voters will pressure the government on corruption issues. Long-term government actions to decrease corruption could lessen the nation’s political risk by decreasing anti-regime supporters. However, the 2024 elections will likely see a heightened risk of greater polarization within the government and gridlock when the regime’s leaders turn against each other.

Schism Among Iran’s Clerics

Iran’s clerics are an elite group that receives compensation from the government for studying in seminaries. Clerics hold high political control, providing religious legitimacy for the Iranian government's actions. However, a mass movement of over 5000 clerics has denounced Iran’s crackdown on protesters. Clerics have leveraged their political influence to organize anti-government protests nationwide (Khalaji). Clerics actively discourage support for the Islamic Republican Party’s candidates in the upcoming 2024 election and have endorsed the opposing reformist Association of Combatant Clerics party.

Each geographical region within Iran has individual clerics that represent their religious interests. Most Iranian citizens strongly consider their representative clergy’s endorsements in determining their votes. As a result, support for the Islamic Republican Party will likely decline in the 2024 elections. However, the government cannot punish the clergy without instigating further protests. When Supreme Leader Ali Khamenei placed cleric Montazeri under house arrest for supporting the Association of Combatant Clerics, violent threats, riots, and protests from opposing citizens resulted in Montazeri’s release. The regime’s legitimacy will be further challenged as the Islamic Republican Party is impotent at preventing clerics from pushing their reformist agenda to influence voters.

Succession Crisis of Iran’s Supreme Leader

While the timeframe for Iran’s succession crisis is difficult to predict, 84-year-old Iranian Supreme Leader Khamenei’s long affliction with prostate cancer puts Iran's political succession in the hands of the Assembly of Experts (The Guardian). However, because Khamenei’s key political opponents were killed when he ascended to power, no government member has the authority to succeed him (Rezaei). The Supreme Leader’s death will launch a political battle between the Islamic Revolutionary Guard Corps (IRGC), current President Ebrahim
Raisi, and the present Supreme Leader's son, Mojtaba Khamenei. The governance strategy for each option will increase Iran’s political volatility as all three have promised to take a harsher stance supporting the hijabi law. Many Iranian citizens dislike all three candidates and will likely oppose their succession (Hussain). Mojibata Khamenei is known for allegations of corrupt activities, Raisi has taken a strong stance against women, and the IRGC has repeatedly used military force on civilians.

**Shock Event: IRGC Coup**

The IRGC, the primary military force, engages foreign proxies and is a significant economic player inside Iran, owning lucrative businesses and real estate. The increasing profitability of the IRGC’s businesses is tied to sanctions that make black market profiteering viable. IRGC succession will increase international apprehension regarding Iran, particularly in nations currently engaged in proxy wars against the IRGC, weakening the chances of trade expansion and further straining geopolitical relations (Hussain).

**Social Risk: High**

**Mahsa Amini Protests**

On September 16, 2022, Mahsa Amini was detained for failing to wear her hijab properly in public and later died in Iranian police custody. This catalyzed the Iranian women's rights movement, causing the protest to evolve into a general opposition force including disenfranchised ethnic groups. Although street demonstrations and media coverage have both decreased, many women still refuse to wear their hijab publicly and boycott businesses that support the hijab requirement (Karmi & Gambrell).

Iranian women will not cease protesting until the government grants them more rights. Sorraya, a thirty-three-year-old Iranian woman, shares the motive of most: "This is for a better future for my daughter." Since the protesters' goal is to establish a new system for the next generation rather than a short-term motive, while protests might decrease, they will not completely dissipate until the government agrees to address the issue. However, progress is unlikely. A leaked government letter encouraged rhetoric claiming that the protests are a joint Israel-American attempt to de-legitimize the government (Iran International). Iran's strategy of suppression and denial makes protests a chronic social risk. Instead of solving or even mitigating the issue, the government has forced the families of women killed by Iranian authorities for disobeying hijabi law to confess that their deaths were suicide or based on a pre-existing disease (Gheytanchi). If there is further mistreatment of women who defy hijabi laws, unrest will reignite and possibly result in even more intense anti-government sentiment that will pose a greater threat to the Iranian regime.

**Economic Frustration**

The Iranian government’s mismanagement of the economy has increased protests throughout the country. In 2022, labor organizations organized 780 strikes because financially suffering businesses could not pay their workers on time (Human Rights Watch). With 95% of Iranians worried about their livelihoods, economic problems pit the regime’s past supporters against the government (Yee & Fassihi). In the 2017 and 2019 economic protests, inflation was 50% less than in 2023 (Shan). Consequently, protests against the regime’s economic policies will intensify in the upcoming 2024 election compared to previous years (Yee & Fassihi). Economic pressure will incentivize the Parliament to provide short-term economic policies, such as government subsidies.

Wealthy business owners who support the regime because of minimal labor laws now oppose the government’s policies, challenging its legitimacy throughout all socioeconomic classes. Internet shutdowns amidst protests caused 47% of companies to lose 50% of their income over a span of six months (Aslani). Many
businesses are caught in the crossfire between the government and protesters. The Iranian government has shut down companies that fail to report women for violating hijabi law. Protesters boycott businesses that follow the government's orders. Even the government’s traditional supporters, wealthy business owners, are concerned about Iran’s suppression of protesters.

Economic frustration will only increase due to Iran’s continued stagflation, an economic phenomenon when economic stagnation, unemployment, and inflation rise simultaneously. To mitigate inflation, Iran’s central bank is raising its interest rates, which is predicted to increase the unemployment rate by 9% before the election, exacerbating social unrest (Central Bank of Iran).

Student-Led Protests

Students have protested in over 144 universities due to 30% youth unemployment (the second largest after undeveloped countries) and have been further galvanized by Amini’s death. Compared to previous generations in the 1980s-1990s, when the government strongly censored information, Iran’s Gen Z has greater access to information through the internet and more educational opportunities. Gen Z was absent during the golden years of Iran’s revolution in 1979, many of whose more orthodox supporters might not even consider the notion of a regime change.

Unemployed youth have won the sympathy of older generations for their tenacity and higher education background. On multiple occasions, businesses and labor groups staged strikes in sympathy with youth protesters, with sustained support in Iran’s Kurdistan, Sistan, and Baluchistan regions (Esfandiari). Older generations have been more likely to join the younger generation of student protesters as they see the student-led movement as an investment in the country’s future and their own potentially improved well-being (Wright). Students’ ability to garner intergenerational support threatens the regime’s leadership.

2023 protests are more likely to be more successful than previous attempts due to decentralization, where no single decision attracts protestors to the movement. Without a specific leader to suppress, Iran has found it difficult to stop student protests (Whiteman). The student-led protests’ de-centralized structure will increase the risk they pose to Iran’s government, especially as the 2024 parliamentary elections approach, bringing more citizen scrutiny of government officials.

More students will drop out of school or forgo attending university to join anti-government movements as a university degree no longer guarantees a stable income (Pola Lem). As a result, Iran’s emigration increased by 50% in 2023 (LA Times). As more students leave the nation or drop out of university, Iran will face growing economic consequences, leading Iranian authorities to find themselves forced to address the social risk of student unrest.

Economic Risk: Medium

Inflation and Cryptocurrency

From 2020 to 2021, food prices in Iran increased by 71.5% (IMF). However, inflation will likely be subdued by consumer cryptocurrency reliance and the government’s cryptocurrency program.

The Iranian government and its citizens see cryptocurrency as a way to circumvent international sanctions and exchange the rial for a more stable currency. 70% of Iranians are interested in Bitcoin mining, and some have already purchased VPNs (Cuen). Since Iran’s sanctions make it difficult to trade oil internationally, Iranians are exchanging their energy reserves for Bitcoin by using electricity to mine Bitcoin (Reuters). 29% of Iranians own more than $5000 worth of crypto, despite only 14% of citizens earning more than $10,000 annually (Cuen). However, cryptocurrency exacerbates income inequality as the 30% of Iranians below the poverty
line who cannot afford cryptocurrency cannot offshore their accounts to protect their balance from the rial’s rapidly declining value (Sexton & Sudetic). Offshoring reduces the money circulating in Iranian society, worsening poverty.

Iran’s government owns $10 billion worth of cryptocurrency to stabilize inflation. On January 2023, Iran and Russia partnered with BRICS to forgo using US dollars in a trade settlement (Partz). By avoiding the dollar, the price of the rial becomes more stable, combating inflation in Iran and countering the US hegemony (Helms). When the deal goes into effect on July 19th, 2023, Iran will see greater economic stabilization, less rampant inflation, and more international competitiveness.

However, while the risk of inflation will decrease before 2024, cryptocurrency will not be a complete solution to Iran’s long-term economic crisis. Due to a cryptocurrency-induced 20% increase in blackouts, Iran has curbed commercial crypto mining by confiscating over 220,000 mining machines (Dudley). Less crypto mining results in heightened inflation for the wealthy but reduces income inequality. Raisi’s 2023/2024 fiscal year proposal will increase the salaries of government workers by only 20%, which is considered insufficient.

*Shock Event: Crypto Crash*

There are a myriad of issues that might instigate a crypto crash: greater government regulation, other countries banning its use, or loss of consumer confidence in digital currency. In the event of a crypto crash, Iranians will likely fall back to their national currency, exacerbating inflation. The Iranian government’s ability to circumvent sanctions will be dampened, reducing exports, decreasing employment, and decreasing geopolitical leverage. Iranians with established careers in cryptocurrency will lose their income, increasing poverty.

*Fiscal Policy*

Iran’s expansionary fiscal policy for the current 2023/2024 economic year will continue to increase its foreign debt and reduce its ability to invest in important issues. Iran’s government is backing away from oil and gas projects that would improve its economic output and fiscal policy (Times of Israel). Even though they hurt the government’s fiscal policy, Iran gives citizens of all economic backgrounds surplus subsidies to maintain political support for the 2024 election (Financial Times).

To finance its country’s strained budget, Iran announced that it would issue more government bonds. Last year, $700 million in bonds were sold to investors (Iran International). However, due to proliferating inflation in 2023, domestic investors are unwilling to buy Iranian bonds (Bailey). Iran’s untransferable debt system makes international investment highly unlikely. Without bond consumers, Iran cannot invest in its military and economy. Iran’s decreasing oil revenue is hurting its ability to repay investors, decreasing its credit and discouraging further investment (Reuters). Therefore, Iran’s predicted 28% bond assurance is unrealistic, given the government’s inability to attract interest in the past fiscal year (Rome).

Despite income tax increasing by 50% to finance government spending, Iran’s 23/24 economic year fiscal budget plan’s reliance on overly optimistic revenue expectations will likely plunge them into further debt (Soghom). The plan predicts that Iran will export 1.4 million barrels of oil at $84 per barrel. Last year, Tehran predicted the same volume and missed it. Analysts predict Iran will export 1 million barrels daily at a lower price, as Tehran needs to lower prices to increase demand amidst US sanctions. Raisi has also allocated $3.3 billion more oil to the Defense Ministry. By directly connecting oil to the military, Iran incentivizes Western governments to prevent US oil investments in Iran (Rome). The Parliament typically increases military spending above the fiscal budget, which will cut into revenue as well. Iran’s failed fiscal policy will likely fuel inflation as the government finances through debt monetization, as it did this year.
Sanctions on Iran

Iran faces sanctions from nine countries, excluding the entire EU. Iranian sanctions have de-incentivized foreign investment, costing $200 million in Foreign Direct Investment (FDI) in 2020 alone (Ziabari). With less investment for businesses, unemployment levels are 11% compared to the global average of 6% (Marcrotrends). Funds that could alleviate other risks are allocated instead to bypassing sanctions, which have caused a $400 billion loss for Iran.

Iran is sanctioned for being a global sponsor of terrorism, suppressing women’s-rights protesters, and creating a nuclear program. Instead of surrendering to the West's demands, Iran has sacrificed short-term economic growth. However, the model is unsustainable in the long term (Kozhanov). Iran's oil sector, which generates 82% of Iranian export revenues and holds 62% of Iran’s workforce, has been significantly affected by increasingly effective Western embargos. With limited trading partners, Iran's oil price fell by $44 a barrel.

Sanctions have hampered Iran’s importation of foreign medical goods. However, Iran relies on importation for one-third of drug treatments (Pietromarchi). Health insurance in Iran does not cover drug expenses, so citizens face rising drug prices alone. Local drugs created by Iranian companies to replace international ones have been reported to have lesser effectiveness or dangerous side effects (Gorgi). Sanctions have left health policy reforms underfunded or ineffective (Bill & Melinda Gates Foundation). Due to sanctions, Iran’s universal healthcare coverage was withdrawn. From 1990 to 2019, deaths attributable to sanctions grew by 43%, with the highest burden on neglected ethnic minorities in the provinces of Sistan and Baluchistan and the lowest on Tehran (see figure below). Such a weakening of the Iranian healthcare system harms its citizens’ support of the government against embargoes and sanctions.

Figure 1. Effect of Sanctions on Iran’s Healthcare System (Jones 2022)
Geopolitical Risk: Medium

Saudi Arabia-Iran Escalation

Iran’s presence as a significant Shia power in the Middle East challenges Saudi Arabia’s Sunni hegemonic legitimacy. Iran-Saudi sectarianism has driven four proxy wars, worsening diplomatic ties. Amidst growing international concerns about Saudi Arabia’s and Iran’s turbulent relations, China launched the Joint Trilateral Statement (JTS) in March 2023, giving the nations two months to re-establish foreign embassies, create a joint intelligence program, and stop participating in proxy conflicts. Saudi Arabia-Iran de-escalation depends on whether both nations will fulfill the requirements of the Joint Trilateral Statement. However, while JTS will improve trade, progress on the Yemen proxy war will likely be surface diplomacy, increasing their risk of conflict.

JTS will temporarily enable the nations to collaborate on mutually beneficial economic fronts. While US efforts to mend the Iran-Saudi relationship failed in 2016, Iran’s 2024 parliamentary elections may motivate its government to consider successfully re-establishing relations with Saudi Arabia because more than 60% of Iranians say the economy is their most pressing issue (US Institute for Peace). Tehran reaped more than $14 billion from steel exports to Saudi Arabia due to the JTS. Saudi Arabia also has an incentive to mend relations with Iran. Saudi Arabia recently launched Vision 2030, an economic plan to diversify its economic partners and exports. Stabilizing relations increases foreign direct investment, as an escalation in tensions would threaten Vision 2030’s funding.

However, preventing Iran’s and Saudi Arabia’s most prominent proxy war, Yemen, is highly improbable. Previous attempts at a Saudi-Iran truce in 2021 failed due to Iran’s continued supply of weapons to the Houtini rebels (Junyent). Even if Iran fulfills their deal with the JTS, the Houthis might not agree to a ceasefire. Houthi leader Abdulwahab al-Mahbashi explained, “Resolving the Yemen issue can only be achieved through negotiations between the Houthis and Saudis, not Iran and Saudi” (Khalid). The Houtinis have enough weapons stock and alternative financial investors to do without Iran's support. Thus, the JTS will not de-escalate the Saudi-Iran proxy war in Yemen. China has limited involvement in supporting a proxy war negotiation, as they have been distancing themselves from the military outcome, instead focusing on trade reconstruction (Farouk). Due to turbulent military relations, a Saudi-Iran joint intelligence program will reach limited progress, if any at all.

Shock Event: Anti-Iran Saudi Violence

During the 2015 pilgrimage to Mecca, anti-Iranian sentiment in Saudi Arabia resulted in the Mina stampede, killing 464 Iranians and the emerging Iranian-Saudi deal. If citizens defy Saudi authorities again to commit violent actions against Iranians, Iran will likely dismiss the JTS due to internal pressure and sever diplomatic ties (Ghosh). Violence is not unlikely, as stampedes in Mecca occurred in 1994, 1998, and 2004. Currently, just 15% of Saudi Arabians say good relations with Iran are important (Pollok). If anti-Iran violence occurs, the risk of direct confrontation will escalate dramatically (Crisis Group).

Israel-Iran Escalation

Iran’s expanding nuclear program, chronic pro-Palestinian posture, and increasingly vehement anti-Israeli stance risk escalating conflicts that endanger the existence of the present Iranian state. Since the US abandoned the Joint Comprehensive Plan for Action (JCPOA) in 2018, Iran has strengthened its nuclear program by 60%, raising Israeli concerns about an Iranian nuclear attack (US Institute for Peace). As current Western sanctions
are proving ineffective and a long-term nuclear deal is unlikely to emerge soon, there is little to deter Iran from further escalating tensions with Israel.

Israel will likely consider stronger action if Iran's nuclear program becomes a more significant threat. When Iraq and Syria developed nuclear weapons, Israel destroyed their nuclear sites (Global Guardian). Israel has already assassinated many leading Iranian nuclear scientists, and Israeli Prime Minister Netanyahu has threatened further escalation, saying, "95% of Israel's security problems come from Iran. The longer you wait, the harder [military action] becomes. We have waited very long," (US Institute for Peace). If Israel strikes Iranian nuclear facilities, substantial Iranian retaliation is likely as Iran’s anti-Israel rhetoric only encourages escalation. Iranian Supreme Leader Khamenei declared, "We believe the solution to Palestine is in destroying the Israeli regime" (Taleblu). Domestic opposition to anti-Israeli escalation is low, as only 30% of Iranians support closer ties to Israel.

However, Iran, Israel, and the US are currently discussing a deal to reduce Iranian nuclear enrichment to 60% in exchange for sanctions alleviation. Netanyahu emphasizes that the agreement does not bind Israel from taking offensive action against Iran, making Israel-Iran escalation still probable but not imminent.

**Shock Event: War**

58% of Israelis support war with Iran, even without US support (Hermann). The risk of a military escalation will be at its height in 2025, when the nuclear agreement that allows for international oversight of Iran's nuclear-related imports ends, threatening Israel (Falk). A retaliatory or preemptive Israeli attack on Tehran would pressure regional nations to engage in the conflict. A war would exacerbate Iranian-Israeli proxy wars in Syria, Palestine, Lebanon, Iraq, and Yemen (Lane). Casualties will increase when these nations receive additional military support.

**Recommendations**

The Islamic Labor Party’s 2024 campaign should focus on mitigating domestic political and social risks that tangibly affect the party’s working-class base.

To prevent government officials from unlawfully prosecuting protestors, the Islamic Labor Party’s campaign should emphasize establishing a minimum length for criminal trials. They should also encourage designating public juries instead of political figures as the determinants of guilt. Executions of protestors and heavy force through the Iranian military or IRGC on civilians should be outlawed to avoid conflict. The party should offer an alteration of the fiscal policy through less military spending, using additional grant funding to help financially struggling businesses pay their workers on time. Companies that exceed labor standards, such as hiring a larger portion of women and providing paid opportunities for graduate students, should be prioritized to incentivize social change. By guaranteeing representation for the Mahsa Amini, labor rights, and student-led movements, the Islamic Labor Party can tap into a “silent majority” demographic with historically low turnout (Batmanghelidj). This should result in greater and deeper support for the Islamic Labor Party.

Politically, the party should focus on the Islamic Republican Party’s corruption as its economic impacts particularly affect the working class. The Islamic Labor Party should advocate for criminal punishment for embezzlement, expanding repercussions beyond impeachment. Significant punishments will deter corruption and contribute to the restoration of belief in the legitimacy of the Iranian government. To prevent the Guardian Council from abetting corruption, the Guardian Council should consist of individuals with different political ideologies, including reformist groups and ethnic minorities, generating support for an important governing organization that should reflect the diverse makeup of the country. This would further contribute to the perceived legitimacy of the government. The Labor Party should also support clerics that denounce the government’s crackdown on regime protestors by offering them an official political platform of pro-citizen clergies.
As they currently support a reformist party, some clerics might then be more inclined to support the Islamic Labor Party, which would be influential in increasing support in the upcoming elections.

Highlighting the short-term nature of the Islamic Republican Party’s economic and geopolitical policies is essential for the party’s success. By prioritizing long-term economic growth and raising the minimum wage instead of passing temporary subsidies, the Islamic Labor Party can distinguish its people-oriented campaign from the Islamic Republican Party’s strategy of passing short-term policies to increase support in the election.

The party should avoid running a campaign focused on decreasing geopolitical risks with Saudi Arabia and Israel. Iranian citizens already perceive both nations negatively, so they are unlikely to vote based on the party’s ability to resolve geopolitical conflicts. Any geopolitical risk de-escalation campaign should focus on its economic and social benefits to appeal to its working-class voter base. By promising improved US-Iran relations on economic fronts, voters will appreciate the Islamic Labor Party for promoting a focus on improving everyday living conditions and better healthcare.

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References


