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Applying the Advocacy Coalition Framework to Analyze Iran's Automotive Industry Strategy

Mohammadreza Dadgostar[1], Ph.D. Student in Public Policy at the University of Tehran

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Abstract

Iran's automotive industry, despite decades of governmental support and its strategic position, has failed to achieve sustainable and competitive development. Based on the author's doctoral dissertation in Public Policy, this study asks why the cycle of failure in automotive policy persists in Public Policy, poses the question of why the cycle of failure in automotive policy persists. Utilizing the Advocacy Coalition Framework (ACF), it analyzes the conflicts among three producer coalitions, centered on the national brand, assembly, and imports, during the period from 1991 to 2024. The research method is based on systematic grounded theory, employing the analysis of documentary and media data. The findings indicate that the lack of a unified and stable strategy stems from a fragile balance among the coalitions and the reproduction of contradictory decisions with each change of government. External shocks, such as sanctions and currency crises, have not led to policy learning; instead, they have pushed policymaking back toward deeply rooted protectionist beliefs. Policy learning has largely been intra-coalition and limited to secondary beliefs, while inter-coalition learning has not occurred due to intense conflict and the devil-shift phenomenon. Consequently, the automotive industry suffers from the accumulation of unfinished policies and unresolved conflicts. Finally, a three-stage transition model, comprising smart assembly, regulated imports, and the revival of a development-oriented national brand , is proposed.

Keywords: Automotive Industry, Advocacy Coalition Framework, Policy Learning

چکیده

صنعت خودروسازی ایران علیرغم دهه‌ها حمایت دولتی و برخورداری از جایگاه راهبردی، در دستیابی به توسعه‌ای پایدار و رقابت‌پذیر ناکام مانده است. این پژوهش، برگرفته از رساله دکتری خط‌مشی‌گذاری عمومی، به تبیین علل پایداری «چرخه شکست سیاست‌گذاری» می‌پردازد. این مطالعه در چارچوب نظریه «ائتلاف‌های حامی» و با اتکا به روش نظریه داده‌بنیاد نظام‌مند بر پایه تحلیل اسنادی و رسانه‌ای، منازعات میان سه ائتلاف اصلی محورهای برند ملی، مونتاژ و واردات را در بازه زمانی 1991 تا 2024 واکاوی کرده است. یافته‌ها حاکی از آن است که فقدان دکترین و استراتژی سیاستی منسجم، ناشی از تعادل شکننده میان ائتلاف‌ها و بازتولید تصمیم‌های متعارض با هر چرخش دولت است. تکانه‌های برون‌زا نظیر تحریم‌ها و بحران‌های ارزی نیز به‌جای تسهیل «یادگیری سیاستی»، سیاست‌گذاری را به رجعت ساختاری به‌سوی باورهای کهن حمایت‌گرایانه سوق داده‌اند. فرآیند یادگیری سیاستی عمدتاً درون‌ائتلافی و محدود به باورهای ثانویه مانده و یادگیری بین‌ائتلافی به‌دلیل قطبی‌شدگی، تعارض منافع و بروز پدیده «شیطنت‌انگاری متقابل» عقیم مانده است؛ وضعیتی که انباشت سیاست‌های ناتمام و منازعات حل‌نشده را رقم زده است. در پایان، الگویی سه‌مرحله‌ای برای گذار پیشنهاد می‌شود که مشتمل بر مونتاژ هوشمند، واردات تنظیم‌شده و قاعده‌مند، و احیای برند ملی با رویکردی توسعه‌گراست.

1. smrdadgostar@ut.ac.ir

Introduction

Despite strategic position and decades of government support, Iran's automotive industry remains one of the most problematic public policy arenas. The sector produced over 1.12 million vehicles in 2024 (14% of industrial output, 2% of GDP) but has failed to achieve sustainable, quality-driven, or globally competitive development. This raises a fundamental question: why, despite extensive investment, import bans, and annual production exceeding one million vehicles, has the industry not progressed toward sustainable development?

This question matters because Iran's auto industry is an arena of political contestation and governance dysfunction. Previous studies have focused on four approaches: (1) lack of coherent industrial policy (Azhdari & Shojaee, 2015; Nadiri et al., 2019; Maadi Roudsari et al., 2019; Fartoukzadeh & Tahmasebi, 2020); (2) rentier political economy and unhealthy firm-government relations (Tavasoli Roknabadi et al., 2025; Soleimani et al., 2023; Beigi et al., 2022); (3) governance failure and uncoordinated regulation (Esmaeilipour Masuleh & Sadeghi Niaraki, 2021; Ameri Shahrabi et al., 2024; Ameri & Samak Jalali, 2024); and (4) weak innovation systems (Arjmandi et al., 2023; Naghizadeh et al., 2018, 2022; Dini Turkamani et al., 2020). Despite their analytical richness, these approaches fail to explain a recurrent pattern: nearly every administration over three decades has adopted rational policies on paper, yet a deep gap persists between policy documents and implementation. The problem lies in structures that block implementation.

Asking "How has the recurrent cycle of policy failure been linked to conflicts among national-brand, assembly, and import coalitions?" and using the Advocacy Coalition Framework (ACF), this study argues that Iran's auto industry is an arena of confrontation among three coalitions: (1) national-brand production (self-sufficiency as security necessity); (2) assembly (foreign collaboration for technology and diversification); and (3) import (liberalization to break monopoly). This perspective illuminates why one coalition prevails, which shocks destabilize the balance, and why policy learning rarely leads to lasting change.

The ACF (Sabatier & Jenkins-Smith) is suited for analyzing high-conflict, complex policies (Jenkins-Smith & Weible, 2025). Through three-tiered belief systems, policy-oriented learning, and external shocks, it explains stability and change in policy subsystems. Using systematic grounded theory (Strauss & Corbin) and analyzing documentary and media data through open, axial, and selective coding, this study identifies the core category of institutional lock-in resulting from absence of a coherent strategy and reproduction of contradictory decisions driven by coalitional conflicts.

Theoretical Framework

The Advocacy Coalition Framework (ACF) is a mid-range theory developed in the late 1980s by Sabatier and Jenkins-Smith. It emerged in response to inadequacies of traditional stage-sequential theories, emphasizing complexity, ambiguity, and the role of beliefs and coalitions. The ACF requires long time horizons (a decade or more) and comprises six main components (Nohrstedt et al., 2023).

First component is Policy Subsystem; the primary unit of analysis. Unlike theories focusing on the state, the ACF focuses on actors from various levels (governmental, private, civil and media) who regularly seek to influence a specific policy domain. Subsystem boundaries are redefined by actors through contestation. Second component is Policy Actors; individuals or organizations seeking to influence the subsystem. They possess bounded rationality and rely on belief systems to simplify the world.

Third component is Three-tiered belief systems – (a) Deep core beliefs: fundamental normative values guiding actors across all policy domains, highly resistant to change; (b) Policy core beliefs: subsystem-specific normative and empirical beliefs (diagnosis of problems, value prioritization), transformable through external shocks or major policy failures; (c) Secondary beliefs: specific policy instruments (tariffs, incentives, regulations), most flexible and amenable to change.

Fourth component is Advocacy Coalition – actors from different institutions sharing common policy core beliefs, coordinating activities to translate beliefs into policy or prevent change. Public policies reflect the balance of power among competing coalitions. Fifth component is Policy-oriented learning – enduring changes in thought or behavior from experience, leading to belief revision. Learning occurs primarily at secondary belief level under moderate conflict; cross-coalition learning increases with policy forums facilitating dialogue.

Sixth component is Policy change in four pathways: (1) external events (socio-economic transformations, crises); (2) internal events (policy failures, corruption exposure); (3) policy-oriented learning (gradual instrument changes); (4) negotiated agreements under "hurting stalemate."

This study employs the ACF to explain fluctuations in Iran's automotive policymaking over three decades, specifically how conflicts among national-brand, assembly, and import coalitions, along with external shocks (sanctions, currency crises), explain lock-in and contradictory policy reproduction. Using Strauss and Corbin's systematic grounded theory, data from official documents (laws, parliamentary reports) and media archives (Hamshahri and Donya-e-Eqtesad) were analyzed through open, axial, and selective coding, yielding the core category of institutional lock-in from absence of coherent strategy and reproduction of contradictory decisions driven by coalitional conflicts. Triangulation and peer review enhanced trustworthiness.

The National-Brand Production Strategy in Iran

Despite fluctuations, the national-brand production strategy has been the hegemonic narrative in Iran's automotive policy conflicts for three decades. Emphasizing domestic design, development, and Iranian intellectual property, it was accompanied by developmental logic and institutional cohesion in certain periods but mostly devolved into symbolic, protectionist discourse without technological foundation.

The strategy revived in the 1990s post-Iran–Iraq War. The industry, suspended in the 1980s with annual production of only 24,000 vehicles, became associated with two ideas during Reconstruction: economic self-sufficiency (a Revolutionary pillar) and authoritative development (enhancing Iran's power as a model for Muslim nations). The 1993 currency crisis served as an external shock enabling national-brand coalition dominance. The administration imposed a complete import ban and enacted the 1992 Automotive Law, placing heavy tariffs on CBU imports while offering six-year tax exemptions to domestic manufacturers, effectively granting Iran Khodro and Saipa control of the entire market (Moudoudi, 2005; Manteghi, 2011).

Under Khatami's first administration, the coalition reached peak cohesion and legitimacy. Support for domestic production included a clear developmental horizon: 500,000 units, 30% exports, powertrain localization, and forex equilibrium. Foreign investment was accepted only if it led to exports, viewed as a tool to strengthen the national brand. Policy instruments rested on three pillars: volume increase, local content deepening, and import bans. Rapid production growth, parts manufacturer expansion (from dozens to hundreds), and the Samand as the first national car reinforced belief in success. However, seeds of future contradictions were sown: exclusive focus on quantity over quality, and technological dependence on Peugeot, design knowledge remained French.

During Khatami's second administration, the coalition faced a contradiction. Policymakers recognized domestic market limits and product inability to compete. An attempt at conditional globalization began (Renault's L90 project) but remained incomplete. A segment of the Majlis and sovereign institutions saw foreign collaboration as "ceding the national market to foreigners," and manufacturers showed little R&D inclination. The coalition remained dominant but lost cohesion, entering hesitation and inaction.

Under Ahmadinejad, the strategy was redefined in ideological, justice-oriented language. Slogans like "national motor," "national car," and "Iran as automotive hub of the Islamic world" emerged, but discourse relied on political mobilization and symbolic self-sufficiency rather than realistic planning. The German-partnered gas-fueled powertrain project failed due to technological gap neglect. Pressure for low-cost cars and import combat pushed manufacturers toward obsolete models. The automobile became a political commodity; price increases tied to public discontent. Policymakers managed consequences rather than reforming cost structures.

During Ahmadinejad's second term, sanctions challenged the coalition, which positioned itself as the only option. Peugeot and Renault withdrew, severely hitting supply chains but enabling return to self-sufficiency discourse. The industry entered survival mode: production fell from 1.5 million to below half, with unprecedented losses. Nevertheless, the coalition leveraged employment (nearly one million jobs) as a social shield to defend its monopoly, reframing criticism as attacks on workers' livelihoods.

Under Rouhani's first administration (JCPOA period), the national-brand coalition was pushed to the margins, replaced by assembly and foreign cooperation. But the 2018 sanctions shock returned the coalition to the center, not from a developmental position, but from survival and crisis management. The 2021 Automotive Industry Regulation Law, despite mentioning conditional imports and technology transfer, became a regressive document due to institutional vetoes and insistence on domestic protection.

Under Raisi and thereafter, the strategy reached institutional lock-in. With coalition consolidation in high-level institutions (centered on the Expediency Discernment Council), imports remained effectively banned. So-called "national" products (Tara, Shahin, Rira), despite claims of domestic design, failed to differentiate from previous models. Limited production and persistent quality issues left them unable to replace obsolete vehicles.

After three decades of unfulfilled promises, public opinion is deeply skeptical of the national brand. Successful experiences (e.g., South Korea) show that building a national brand requires: indigenous technological capability, risk-taking industrial entrepreneurs, market ownership focus, appropriate export timing, design quality, policy persistence, and complementary institutional instruments (Jacobs, 2022). In Iran, these pillars have been absent or, amid coalitional conflicts and external shocks, have failed to materialize.

The Assembly Strategy in Iran

Unlike the dominant national-brand discourse, the assembly strategy in Iran has always played a complementary, marginal role, at times serving as a tool to moderate market pressures. This strategy focuses on producing vehicles designed and owned by foreign manufacturers, with Iran limited to importing CKD kits and assembling them. Despite repeated promises of localization and technology transfer, it has failed to become sustainable. Thailand's smart assembly model, with phased localization, champion models, and export orientation, created a powerful domestic parts chain and global market presence without a national brand (Doner et al., 2021). Iran's path reflects a deep gap from this model.

The assembly coalition emerged in the early 1990s. In 1994, a cabinet resolution approved Kerman Motor's partnership with South Korea's Daewoo (66% Daewoo, 34% Iranian). It stipulated 70% local content by the fifth year and production of Daewoo's latest models. Policymakers defined assembly as a stepping stone toward a national brand, but promises were never realized. Assembly remained confined to low-value-added parts (batteries, tires, decorative components).

During the 2000s, the coalition faced two distinct trajectories. First, state-owned manufacturers (Iran Khodro, Saipa) entered luxury vehicle assembly to offset losses from administered pricing and meet affluent demand: Suzuki Grand Vitara, Peugeot 407, Citroлn C5, Nissan Murano. Projects followed a roadmap (CBU imports then assembly then localization) but stalled at the second stage and ceased with sanctions. Second, private assemblers faced absent incentives for localization. The tiered tariff policy lost efficacy due to weak monitoring and tariff circumvention through cheaper part imports.

A turning point was cooperation with Chery (China) in the late 2000s. Iran Khodro CEO Manteghi defined the S21 project with a cost target of approximately $5,000 per car. Unlike the Renault L90 contract, technology transfer, platform ownership, and global value chain participation were not priorities. The bitter L90 experience, political opposition and repeated amendments, loomed over the project. It was explicitly stated: "If the domestic parts manufacturer cannot produce a part, we will import it from China." Local content was valued only insofar as it did not hinder low-cost production.

During the 2010s (JCPOA period), the assembly coalition became dominant for the first time. Post-JCPOA agreements with Peugeot and Renault included joint ventures, minimum 40% local content, and 30% exports, a belated attempt to learn from past failures. However, implementation faced delays and institutional incoordination. Localization and export conditions were not met. The Peugeot 2008 started with minimal local content, and costs rose so high that promises of an affordable car became invalid. Experts noted that without 150,000–200,000 units annually, deep localization is not economically viable; policy requirements became symbolic.

The 2018 sanctions shock collapsed the assembly coalition. Peugeot and Renault withdrew, the international financial network was disrupted, and exchange rate jumps shattered supply chains. Private manufacturers (more dependent on imports) faced deeper crisis than state-owned ones; part of their capacity was idled. From Raisi's administration onward, "Chinese assembly" emerged. With intensified sanctions and blocked competitive imports, major private manufacturers (Modiran Khodro, Kerman Motor, Bahman Motor), exempt from administered pricing, filled the gap left by European, Japanese, and Korean brands. Their share of national production exceeded 24% in 2024. However, unlike Thailand, growth was not accompanied by increased local content depth.

A Parliament Research Center report (October 2025) showed that existing tariff structures allow assemblers with very limited investment and local content of only about 20% (welding, final assembly, painting, simple parts) to circumvent import restrictions (Bakhshi et al., 2025). The tiered tariff policy has been nullified because it monitors where parts were purchased, not where they were actually produced. Several factors have prevented assembly from becoming a successful alternative: absence of phased localization with enforcement; weak logistics infrastructure (contrary to Thailand's investment in Laem Chabang Port and Eastern Economic Corridor); sanctions impact on supply chains; and assemblers' short-term interests overriding developmental imperatives.

Thailand raised local parts to over 80% and exported over 60% of production through local content requirements (25% in 1971 to 54% in 1987), champion models (pickups then economic cars), and tax policies linked to industrial objectives (Warr & Kohpaiboon, 2019). In contrast, Iran's assembly has neither generated exports nor avoided high forex intensity. Five private assemblers received over 3.3 billion in foreign currency in 2023, averageing over 13,000 per vehicle. Assembly has become a dependent, forex-consuming model with no significant value added or technology transfer.

The Import Strategy in Iran

Unlike the other two strategies, the import strategy has never become dominant or stable. It has consistently occupied a marginal, defensive position marked by extreme fluctuations. In Iran, imports have not functioned as a permanent strategy (e.g., UAE or Qatar) nor as a tool for market regulation and competitive pressure (e.g., South Korea, EU). Rather, they have been framed as a political lever and source of luxury vehicles for affluent classes during forex abundance, and as an "original sin", capital flight and foreign dependence, during crises.

Imports have consistently been accompanied by taboo. In the 1980s, imports ceased and production fell to ~24,000 vehicles. In the early 1990s, responding to the 1993 currency crisis, the 1992 Automotive Law imposed heavy progressive tariffs (exceeding 100%) plus six-year exemptions for domestic producers, making CBU imports economically unviable. This law entrenched a pattern: whenever the country faces forex shortage or political crisis, vehicle imports are first sacrificed. During the 1990s, import share approached zero; state-owned manufacturers operated in a hothouse environment mass-producing Paykan then Peugeot 405.

In the 2000s, with oil revenue abundance, the first relative opening emerged. In 2005, following partial tariff reductions, imports resumed and grew to a peak of ~102,000 units by 2014. However, import share never exceeded 10%, and imports remained limited to luxury models for the wealthy. This had two consequences: (1) imports did not create competitive pressure (negligible share, high prices posed no threat); (2) the public image of imports as "luxury goods for the upper classes" strengthened anti-import discourse. Any liberalization attempt was met with accusations of "serving wealthy interests and causing capital flight."

During Khatami's second administration, "imports as competitive pressure" entered official discourse for the first time. Economists, parliament members, and Commerce Ministry experts identified market monopoly as the cause of low quality and high prices. A seven-year tariff reduction plan was formulated. However, this coalition remained a minority against the dominant narrative ("risk of destroying nascent industry" and "capital flight") and could not change policy. The market remained closed; imports became a potential threat rather than an operational tool.

During Ahmadinejad's first administration, anti-import discourse intensified ideologically. Luxury imports were attacked as "promoting un-Revolutionary culture" and "extravagance." The Supreme Leader also cautioned against the phenomenon. The import tariff was fixed at

90% for most of this period, and imports entered at astronomical prices. Paradoxically, state-owned manufacturers themselves entered luxury vehicle assembly (Peugeot 407, Citroлn C5, Nissan Murano), reproducing the same social and class effects of imports without any competitive benefits.

The 2010s can be regarded as the period when imports were sacrificed to external shocks. During Rouhani's first administration (JCPOA), imports flourished briefly with greater variety. But the 2018 sanctions shock and unprecedented exchange rate jump led to a complete import ban. Preserving forex for essential goods prevailed over other considerations. The ban continued until 2022. In the interim, the market became extremely monopolistic, the factory-market price gap reached unprecedented dimensions, and the automobile became a capital good and speculation tool.

The November 2021 Automotive Industry Regulation Law could have been a turning point. It permitted imports but imposed four conditions: (1) technical specifications prioritizing electric/low-consumption vehicles; (2) after-sales service and technology transfer; (3) importer technical qualifications and official dealership representation; (4) import ceiling based on market regulation and forex resources. Implementation faced serious obstacles. First, in 2024, the High Council for Oversight (under the Expediency Discernment Council) rejected parliament's resolution to reduce tariffs and increase forex allocation, instead ruling for 100% import tariffs. This demonstrated that the anti-import coalition is entrenched in high-level institutions. Second, official dealership representation was practically impossible under sanctions, blocking large-scale imports.

In 2023–2024, subsequent amendments eased used and electric vehicle imports. Article 11 permitted used vehicle imports without technology transfer or dealership conditions. Under January 2024 implementing regulations, electric vehicle import tariffs were reduced to 4%, unprecedented in Iranian tariff history. Nevertheless, total import value in 2024 reached $1.31 billion (over 50,000 units), still considerably below the 2014 peak of 102,000 units.

In sum, imports in Iran are caught in the duality of conditional opening during forex abundance and complete prohibition during crises. This extreme fluctuation has three consequences. First, domestic manufacturers have never experienced sustained competitive pressure, lacking incentive to improve quality or reduce costs. Second, consumers have been deprived of choice: during prohibitions, forced to buy low-quality, expensive domestic vehicles; during limited openings, only the affluent can afford high-tariff imports. Third, policymakers have never used imports as an intelligent signaling tool to domestic production and assembly coalitions. While Australia's experience shows that gradual but unplanned tariff removal can cause industry collapse, Iran's experience reflects a different failure: preserving domestic monopoly through periodic import bans without protection leading to quality or competitiveness. The policymaker protects the industry and accepts heavy social and economic costs, yet fails to develop it. The policymaker prohibits imports but creates no competitive alternative.

Advocacy Coalitions within the Three Strategies

The research findings are organized through core ACF concepts to demonstrate how coalitional conflicts, belief systems, external shocks, and policy-oriented learning have shaped Iran's automotive policy subsystem over three decades.

The automotive policy subsystem consists of a complex network of actors seeking to influence policies: Ministry of Industry, Mine and Trade; IDRO; Majlis; Expediency Discernment Council; Competition Council; National Standards Organization; Environmental Protection Organization; Central Bank; Iran Khodro and Saipa; private manufacturers; parts makers; importers; labor unions; and media. Subsystem boundaries are not fixed. Actors such as the Fuel and Transportation Management Headquarters (Ahmadinejad) or Vice Presidency for Science and Technology (Raisi) have entered at various times. Adjacent subsystems, foreign policy (sanctions, JCPOA), energy policy (gasoline rationing, subsidies), and social policy (job creation, youth population), continuously overshadow automotive policies and redefine boundaries.

Analysis reveals three coalitions with distinct three-tiered belief systems.

Deep core beliefs: The national-brand coalition holds that development requires a strong national industry and industrial independence is part of national security, beliefs reinforced, not weakened, by sanctions or currency shocks. The assembly coalition prefers gradual industrial development based on learning and integration into global value chains, viewing the state as facilitator rather than operator. The import coalition believes consumer welfare and competition take precedence over self-sufficiency; the state should not protect inefficient industries lacking comparative advantage.

Policy core beliefs: The national-brand coalition prioritizes preserving large domestic manufacturers and maximum localization, even at quality cost. The assembly coalition emphasizes partnership with foreign manufacturers and technology transfer through assembly, advocating moderate tiered tariffs. The import coalition regards import liberalization and tariff reduction/elimination as its policy core, focusing policymakers on safety, standards, and environment.

Secondary beliefs: Disagreements center on tariff rates, import quotas, localization requirements, pricing conditions, and tax exemptions. The national-brand coalition leveraged local content requirements to dominate the policy arena, keeping private assemblers below 5% of the market for over two decades, prevented import growth via heavy tariffs, and used forex allocation controls. The assembly coalition advocates tax incentives, low tariffs, and forex allocation for parts imports, justifying activities through regional planning policies (assembly lines in western and southern provinces). The import coalition's maneuvering focused on breaking the import monopoly, resulting in a grey market for imports from the 2010s onward. Tariff reduction succeeded in the EV sub-sector during the fourteenth administration (2024–present). Proposals for used vehicle imports and imports for Iranians abroad remain largely theoretical. Table 1 summarizes the three-tiered belief systems.

The ACF states that external shocks can disrupt coalition balance and create conditions for policy change. Three major shocks fundamentally altered Iran's coalition balance: First, the 1993 currency crisis led to a complete import ban and national-brand coalition dominance. Preserving forex reserves prevailed over all other considerations; the import coalition was eliminated from the policy arena. Second, the 2018 sanctions reimposition and currency jump returned the national-brand coalition to the center, not from a developmental position but from survival and crisis management. The assembly coalition (dominant during Rouhani's first administration) quickly collapsed; foreign partners left Iran. Third (an internal event), the Supreme Leader's direct intervention in the automotive debate and dissatisfaction with domestic product quality led to the Automotive Quality Improvement Law (2010), strengthening regulation and standards for a period.

In Iran, policy learning has been largely intra-coalitional and limited to secondary beliefs. Example: foreign contracts. Khatami's second administration, after a decade of self-sufficiency efforts culminating in the Samand, attempted foreign cooperation within the national-brand framework via the Renault L90 project but failed. Rouhani's first administration learned from this and incorporated 40% localization, 30% exports, and FDI into post-JCPOA agreements with Peugeot and Renault. However, this learning did not penetrate policy core beliefs. With the 2018 sanctions shock, policy reverted to deeper beliefs.

Cross-coalition learning (belief change through interaction with rivals) is extremely rare. Dialogues between the Ministry of Industry, Mine and Trade and import critics typically lead not to mutual persuasion but to a "devil shift" (exaggerating opponents' power and malice). Opponents of imports accuse proponents of being "agents of affluent class interests and profiteers"; proponents accuse opponents of "supporters of monopoly and low-quality production."

The research findings indicate four distinct periods of coalition balance over three decades:

1. 1990s (Khatami's first administration): The national-brand coalition achieved complete hegemony with developmental logic (production, localization, export horizon). The assembly coalition played a complementary, marginal role. The import coalition was effectively eliminated from the policy arena.
2. 2000s (Khatami's second administration through Ahmadinejad): The national-brand coalition remained dominant but lost internal cohesion. The assembly coalition was fragile, exposed to accusations of "ceding the market to foreigners." The import coalition appeared only discursively and very weakly.
3. 2010s (Rouhani's first administration): The assembly coalition and conditional foreign cooperation became dominant for the first time. The national-brand coalition was pushed to the margins but not eliminated. The import coalition achieved analytical legitimacy. However, the 2018 sanctions shock disrupted this balance, and the national-brand coalition (with survival logic) became dominant again.

4. 2020s (Raisi and thereafter): "Institutional lock-in" prevails. The national-brand coalition is not only dominant but entrenched in high-level institutions (Expediency Discernment Council). The import coalition is removed from the policy agenda. The assembly coalition is reduced to a passive form dependent on Chinese automakers. Unlike previous periods, effective policy forums for cross-coalition dialogue are absent; even parliamentary laws (e.g., reducing import tariffs) are vetoed by high-level institutions.

The ACF predicts cross-coalition learning is more likely under moderate conflict. In Iran, conflict among coalitions has often been intense. Actors view each other as enemies, not rivals; moral and political accusations replace technical dialogue. Policy-oriented learning has been largely intra-coalitional and limited to secondary beliefs.

Example: the low-cost car experience. During Khatami's administration and then under Ahmadinejad, the promise of a car priced under $10,000 was made but failed due to lack of clear price definitions, standards, and economic models. Under Raisi, this promise was repeated as the "economic car," yet still lacked clear operational definition and appropriate production/supply strategies. This demonstrates that even intra-coalitional learning at the secondary belief level has been incomplete; policymakers have not learned from their own past failures.

Conclusion and Policy Recommendations

This study was formed in pursuit of answering the fundamental question of why Iran's automotive industry, despite decades of government support, extensive investment, and annual production of over one million vehicles, has failed to achieve sustainable, quality-driven, and globally competitive development. The research findings demonstrated that the answer to this question cannot be sought solely in the absence of industrial policy, rentier political economy, regulatory failure, or weak innovation systems. Rather, the factor that has had the greatest influence is the specific pattern of coalitional conflict within the automotive policy subsystem. In the midst of the confrontation among the three strategies, national-brand production, assembly, and imports, policymakers are unable to establish a single, consistent strategy over the long term. Each time a coalition comes to power, it ignores or dismantles the infrastructure of the previous coalition, and the cycle begins anew. Iran's automotive industry suffers not from a lack of policies, but from the accumulation of unfinished policies and unresolved coalitional conflicts. The drafting of macro-policy documents at the beginning of each administration cannot provide a solution to this problem. With each change of government, instead of the continuation of policy learning, there has been a return to deep protectionist beliefs. In this situation, the struggle among coalitions has itself become the problem, rather than a means of solving it.

Based on the findings of this study, any redesign of Iran's automotive policy strategy first requires accepting the reality that abrupt change and the eradication of the dominant coalition are not possible. Three decades of experience have shown that such an approach only leads to the reproduction of previous cycles. Instead, a three-stage transition model with a defined time horizon and objective performance indicators is proposed.

Stage One: Adoption of a Smart Assembly Approach for a minimum of five years. In this stage, the policymaker must formally accept the assembly strategy as the dominant strategy. However, this must not be the current type of assembly, which consists of importing CKD kits with localization below 20% and no technology transfer, but rather a smart assembly approach inspired by successful experiences such as those of Thailand, Turkey, and Brazil.

Stage Two: Regulated Imports covering the second five-year period of the plan. After the parts manufacturing industry has been strengthened in the first stage and the increase in local content has been institutionalized within automotive firms, imports are opened in a controlled manner. The purpose of imports at this stage is to create competitive pressure on domestic manufacturers and to close the price and quality gap. The policymaker does not aim to meet the entire market demand through imports.

Stage Three: Revival of a Developmental National Brand – the final stage of the proposed plan. The implementation timeframe for this strategy is long-term, covering years eleven through twenty of the program. The essential consideration at this stage is to avoid creating a national brand in a hothouse environment protected from the rules of competition.

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