



Iran Protests: It's not about Gas Prices

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November 28, 2019

Iran is a different country today than it was just two weeks ago. An overnight tripling of gas prices precipitated an avalanche of protests, unprecedented in the country's modern history. Protesters in cities nationwide have torched hundreds of banks, as well as the offices of Friday prayer imams, police stations, and seminaries. Gas stations were initially popular targets, but not anymore. The regime has disconnected the internet across the country. Some reports from the inside suggest that soldiers performing mandatory military service were forbidden from contacting their families, and were mobilized to confront the protesters as law enforcement and career service-members struggled unsuccessfully to re-establish order. The number of killed protesters might be as high as 500.

Over the past ten years, gas prices have risen 30 times as the government has cut subsidies in Iranian currency. The currency's value, during the same period, has dropped 12 times against the U.S. Dollar. The youth unemployment rate stands at 30 percent, to which we must add those who have left the labor force in despair of finding employment. Real annual GDP growth has frequently been negative, except for 2016 when Iran's frozen assets, worth a quarter of Iran's GDP, were released following the JCPOA (Joint Comprehensive Plan of Action), better known as the Iran nuclear deal. Some estimates suggest that, by the end of this year, it might reach minus 10 percent.

Amidst these catastrophic trends, the regime has significantly increased the budget for the Islamic Revolutionary Guard Corps (IRGC), escalated its military involvement in Syria and Iraq, and increased support for its network of proxy militias, chief among which are the Houthis in Yemen, Hezbollah in Lebanon, and Hamas in the Gaza Strip. In addition to which, this year's budget included a significant increase in appropriations for religious foundations and the IRGC. In summary, the regime is starving citizens to support its hegemonic aspirations, buy friends, and fill the pockets of the clerical elites.

Two and a half years ago, the regime's fortunes looked very different. President Hassan Rouhani had successfully reinvented himself as a "reformist," and was running for a second term. His predecessor, Mahmoud Ahmadinejad, was a viciously anti-American and antisemitic religious fanatic, even by the advanced standards of the Iranian regime. During Ahmadinejad's tenure, pursuit of the country's nuclear program had isolated Iran, and Rouhani had been elected on a platform of restoring social policies of the pre-Ahmadinejad era and reaching a nuclear deal that would lift sanctions. He had managed to deliver on the second of these pledges. The first remained unfulfilled. Nevertheless, celebrations greeted Rouhani's 2017 landslide victory (against an opponent who was even more fanatical than Ahmadinejad, and who had overseen the mass executions of political prisoners in 1988). Young men and women poured into the streets

and began dancing in public. Rouhani and Javad Zarif, his minister of foreign affairs responsible for negotiating the JCPOA, were the most popular people in Iran.

It would only take seven months for a widespread uprising to begin—protesters were perhaps not quite as numerous as during the 2009 Green Movement, but the violence of the unrest and the number of cities involved surpassed it. Within just a few months, Rouhani and Zarif were no longer national heroes, they were villains. Two years after the JCPOA had been signed, the prosperity Iranians had been promised had not arrived and the people were poorer. The money released by the nuclear deal had been used to control inflation, but it hadn't generated growth in incomes. What finally triggered the protests was an announcement of the upcoming year's budget (the Iranian calendar begins in March), which revealed a significant increase in appropriations for the IRGC and the clerical class. Four and a half years of Rouhani's rule, the release of frozen assets, and the lifting of sanctions had done very little to change the everyday lives of the citizens. The conclusion for Iranians was that hardliners, moderates, and reformists were no different, and sanctions were not the problem. The problem is the entirety of the regime.

The protests went on for a few weeks, until the regime successfully repressed them with a violent crackdown, but economic conditions only worsened. Small and sporadic demonstrations continued over the next two years, until last week, when the government raised the price of gas. The price of the first 15 gallons, essentially a single full tank, increased by 50 percent. Beyond that, the price increased by 300 percent. This is not the first time the government has significantly raised the price of gas. 13 years ago, a two-tier price system was implemented for the first time, and the subsidized price rose by 25 percent, while the unsubsidized price rose by 500 percent. Naturally, the public reaction was negative, but no public protests erupted, which indicates that the unrest this time around is not caused by the gas price hike—that was simply the trigger that released much deeper grievances.

This is not something that the Iranian regime's Western defenders and apologists would like you to believe. The National Iranian American Council (NIAC) is an advocacy group that was close to the Obama administration and which lobbies for the interests of the Islamic Republic. Its founder and former president Trita Parsi and senior research analyst Sina Toossi have both vehemently attacked the Trump administration for re-imposing sanctions against Iran, and claimed that this is the chief cause of the country's economic turmoil. Negar Mortazavi, a correspondent for the *Independent* and an analyst for BBC and Al-Jazeera, has adopted a similar line.

But the truth is more complicated. There is no question that the sanctions have been hurting Iran's economy, but they are not the primary factor. Two years ago, when the protests broke out, the United States was still a party to the JCPOA, and sanctions had been lifted. In 2018, Iran faced an inflation crisis. At the peak of the crisis, the annual inflation rate reached three digits, which prompted Johns Hopkins University and Cato Institute economist Steve Hanke to move Iran up to number three on his misery index. At the time, the United States had set a withdrawal date from the JCPOA but had not yet withdrawn.

Amidst spiraling economic turmoil, the regime has refused to scale back its foreign policy adventurism.

Already a dry country, decades of water policy mismanagement have led to related environmental crises, declining agricultural industry, and shortages of drinking water; during the

hot summers, tap water is regularly disconnected, often for several hours. This, however, has not prevented Iran from exporting water to Iraq in exchange for influence. A water pipeline to Iraq, discovered in southern Iran, created a wave of national anger earlier this year. Last year, despite the country's severe economic challenges, Iran's military spending rose to 4.4 percent of its GDP, outstripping the United States' military budget, which accounts for 3.6 percent.

Moreover, the Iranian people themselves are demonstrating that the United States is not their target. In a country once infamous for its "Death to America!" rallies, protestors now chant "Death to the Dictator!" and "Death to Khamenei!" (the supreme leader of the Islamic Republic) and "No to Gaza! No to Lebanon! My life [only] for Iran!" On November 18, a brave young woman tore down a "Down with USA" poster, to cheers and applause from the assembled crowd of anti-regime protesters.

Some have suggested that the protests are a product of economic anxiety and not by nature anti-regime. This, too, is incorrect. Gas stations were the protesters' initial targets, but they soon moved on to attacking and torching police stations, posters of Ayatollahs Khamenei and Khomeini (the regime's founder), seminaries, and offices of imams—Friday prayer imams enjoy immense political influence in their cities and regions, which includes control of the local Basij militia units and occasionally other forms of armed forces.

Iran's economy is a combination of centralized communism and kleptocracy. All major corporations in Iran are controlled either by the IRGC or senior leaders of the regime, and oil, the country's most important industry, is nationalized. The same applies to the telecom industry and several others. Corrupt politics does not allow for growth. Often, small business owners opt not to expand their businesses, fearing it will be seized by the regime. Major contracting projects, meanwhile, are auctioned to allies of the regime. The character of the Iranian economic system made its failure inevitable. American sanctions only accelerated the decline.

Until last week, the internet was almost completely shut down. NetBlocks, which maps internet usage, reports that current usage in Iran was five percent of the normal rate. This small percentage was mostly limited to senior government officials, regime allies, and those few Iranians with access to a satellite connection. This made it incredibly difficult to send and receive information; nothing came out and nothing went in. What little news and footage did get out was transmitted using SMS, MMS, and by those with access to satellite internet. Emerging reports of what is happening in Iran are, consequently, very difficult to confirm.

During the Green Movement, the regime imported foreign fighters from Lebanon. This seems to have happened again in some cities—it has been reported that Afghan Fatemiyoun Brigade was deployed to Karaj near Tehran, out of fear that law enforcement units might be reluctant to use force or may even join the protesters. Elements within the domestic security apparatus have been sending anonymous messages of solidarity with the protesters. Artesh (the national military) and the police are sympathetic to the people. The IRGC's position is more complicated—while many of its members are true believers, others joined because it is the only institution that can offer stable employment and good benefits. Now the regime is having to reinforce its domestic security services with foreign militias, at a time when it cannot afford to offer much in compensation given its empty treasury.

For now, the regime has mostly succeeded in cracking down the protests through the use of violence. Internet connectivity has risen to 64 percent of the normal time. Yet, challenges remain

ahead. The economic damage caused by the protests will further deteriorate people's economic conditions, most likely making real GDP growth rate fall significantly below earlier forecasts. The violent crackdown, the death toll, and the disconnecting of the Internet, have increased the resentment against the regime and turned people even more against it. It is difficult to see a future in Iran without even more widespread and violent protests.

The Islamic Republic offers a reminder of John F. Kennedy's observation that "those who make peaceful revolutions impossible will make violent revolutions inevitable." Totalitarian and ideological regimes always make violent revolutions inevitable.