

The Most Important Speech of the Year in Iran: Hostile to the West, No Concessions at Home

by [Patrick Clawson \(/experts/patrick-clawson\)](#)

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ABOUT THE AUTHORS



[Patrick Clawson \(/experts/patrick-clawson\)](#)

Patrick Clawson is Morningstar senior fellow and director of research at the Washington Institute for Near East Policy.



Brief Analysis

Historically a reliable indicator of Khamenei's thinking, the Supreme Leader's annual Mashhad address focused mainly on foreign policy, especially why the West should not be trusted, along with his usual call for Iran to develop its non-oil economy.

The oration delivered by Iran's Supreme Leader Ali Khamenei on Nowruz, the first day of the Persian new year as well as the vernal equinox, carries more significance than any other. This year's speech was strikingly different from last year's in that it focused on foreign policy, was belligerent to the West, and offered little hope about the country's economic suffering. By contrast, the 2018 address mostly entailed a recounting of the socioeconomic and other domestic accomplishments of the Islamic Republic.

Background on the Nowruz Addresses

Clerical orthodoxy has long been hostile to the Nowruz festival, with its undeniable Zoroastrian character. The annual address by Ruhollah Khomeini, the Islamic Republic's founding leader, never so much as used the word "Nowruz." Khamenei takes a less antagonistic approach, but even in this year's address, he described the only true Nowruz as Imam Ali's birth.

Khamenei and Iran's president—now Hassan Rouhani—offer Nowruz greetings each year that are broadcast on television; in recent years, Foreign Minister Mohammad Javad Zarif has also issued a Nowruz message. These should be ignored. What matters instead is the speech Khamenei gives on the first day of the new year to the hundreds of thousands who make the annual pilgrimage to the Imam Reza Shrine in Mashhad, where tourism officials claim five million came for this year's occasion. Khamenei loves to take advantage of the huge crowd

gathered in his favorite city, where he has always felt most comfortable. His annual speech has been a good indicator for what he will do in the coming year.

Giving Up Hope In the West

Khamenei's speech in 2018 relegated foreign policy to an afterthought, and the 2017 speech had no harsh or defiant rhetoric about foreign enemies. This year, Khamenei announced up front that his first theme—and by far his lengthiest—would be Iran's problems with the West. He was blunt: he has given up on the Europeans. "In practice," he said, "they have left the JCPOA"—referring to the acronym for the nuclear deal. He described the mechanism they created for trade with Iran as a "joke," saying that it was as different from their obligations as night is from day. When castigating the West, he constantly lumped Europe and the United States together, at one point reflecting on the three hundred years of European colonialism when the United States was not involved. It is striking that he did not single out the United States as the source of all evil; other than his attack on "first-rate idiots" and his exaggerated claim that 60,000 U.S. military advisors were stationed in Iran before the 1979 revolution, his criticisms were trained on the West, not just the United States.

When it comes to diplomacy with Europe, talking itself isn't the problem, according to Khamenei. Trust is the problem—because the Europeans tell lies, they laugh at Iran, they are backstabbers. He at one point became quite passionate about this: "Deep inside, Western politicians are savage individuals in the true sense of the word. You should not be surprised at this. They wear a suit, they wear a tie, they put on perfume, and they carry a Samsonite briefcase, but they are savages and they act in a bestial manner in practice."

The logic of his speech—although Khamenei did not make this explicit—is that since Iran is getting nothing from the JCPOA and the Europeans are effectively hostile actors, then this leaves the Islamic Republic empty-handed. Nor did he hint that Iran could derive hope from JCPOA partners Russia or China. His references to China were made only in passing. But he identified Russia and Britain as countries that ruined Iran in the nineteenth century. He said not a word about Iran and Russia cooperating in Syria. And he did not exempt Russia from his judgment about the Europeans, saying, "We can have no hope in them."

As all this applied to the JCPOA, Khamenei appeared to be giving no reason to remain in the deal but also no reason to leave it—while refraining from his past arguments on how Iran must make technical progress in the nuclear field. He did not claim Iran has no desire for nuclear weapons, but he sounded a confident note that Iran's pinpoint-accurate missiles are an effective regional deterrent, perhaps suggesting nuclear weapons are not needed.

The message toward Arab countries was as muddled as that toward the west. Here Khamenei reassured listeners that he—contrary to recent statements by his counselor, former defense minister Ali Shamkhani—has no problem with the Saudi nuclear program. But he soon revealed his logic by citing his confidence that the Saudi regime would soon fall, with its nuclear assets ending up in the hands of the "*mujahedin*" (his term), who would seize power.

In turning to the economy, he gave his people no reason to expect sanctions relief. He instead focused entirely on how Iran must use the sanctions as an opportunity to build its own economy. Those who characterized the sanctions as a source of problems, he said, were giving in to the empty boasts of the enemy. Just as the country had first struggled to respond to Iraqi bombing raids during the Iran-Iraq War but has now developed missiles fierce enough to deter its enemies, the Islamic Republic must, he asserted, develop "economic deterrence" in order to withstand its enemies' actions. This rhetoric aligned with Khamenei's longstanding theme that Iran needs an "economy without oil"—drawing on the slogan of Muhammad Mossadegh, the deposed prime minister from the 1950s—thus granting it a "resistance economy."

Also absent from Khamenei's Nowruz speech was any mention of his past theme that the West would realize its mistakes and the great harm caused by its lost access to the lucrative Iranian market. While not holding out hope, he

also did not make threats. Indeed, quite different from his July 2018 explicit endorsement of President Rouhani's taunt—"If Iran cannot export its oil, no oil from any country in the region will be exported"—he made no such threats this time.

Ceding No Ground at Home

In certain past years, Khamenei talked at length about the situation of ordinary people. In 2018, he cited many statistics—even technical ones like the Gini coefficient—to argue that the poor have done well under the revolution, while offering detailed numbers indicating improvements in education. Indeed, his main theme in 2018 was how much the revolution has improved the lives of Iranians, giving them "national self-confidence," in his phrasing. This time, he barely said a word about the poor. For instance, he mentioned nothing about how workers must be paid on time; protests over unpaid wages have become a common event across the country.

Khamenei was wise not to brag, because this year has been tough for Iranians. Central Bank of Iran numbers show that average family spending in fiscal year 2017/18 was 10% below that of a decade earlier, adjusted for inflation, with even that number likely down sharply in FY 2018/19. (Embarrassed by the Central Bank's data, the government stripped it of authority to issue inflation figures). The latest official unemployment rate, 13.5%, is the highest in twelve years, and it would be much higher if more women joined the labor force. Indeed, a smaller percentage of Iranian women are in the labor force than Saudi women.

The problem, as Khamenei elaborated in his speech, goes far beyond sanctions. Rouhani, when running for the presidency in 2013, promised to restore competency after the Mahmoud Ahmadinejad years. But he has done the exact opposite, running the economy at least as badly as Ahmadinejad did. When hit with sanctions, Ahmadinejad allowed the currency to float, which gave a boost to exports and curtailed imports while maximizing rial revenue per dollar of oil exports for the government budget. Rouhani has instead distorted the economy in an ineffective bid to keep consumer prices low: banning exports of many items; allocating \$15 billion to subsidize imports, especially food (forcing Iranians to wait hours in line in hopes of getting the cheap food); and setting an official exchange rate less than one-third the free rate, with the predictable result that corruption has boomed while consumers get little benefit. In his address—while acknowledging that he is "no economist"—he said the pressure from sanctions created an opportunity for structural reforms. He complained such reforms had been abandoned with the letup of Western pressure. Four years ago, he noted, he had been told bank reform legislation was about to be sent to the Majlis—but it still has not made it there.

As always, Khamenei proposed a phrase to describe the coming year, and as usual it centered on the economy: it would be the year for "boosting production." He'll need major luck to achieve that. With the banking problems curtailing credit, the fluctuating exchange rate creating great uncertainty about the price of inputs and parts, the government budget channeling resources to ineffective subsidies instead of productive spending, and export bans enacted for many of the products Iran could easily sell abroad, the Iranian economy faces all sorts of obstacles.

As a final note, Khamenei sounded uncharacteristically uncertain on many fronts. Especially from his concluding words to the religious youth, he seemed worried that the revolution's train journey to its final destination—Islamic civilization—was quite behind schedule. He implied that the religious youth need a freer hand to eradicate "Westoxication" (*gharbzadegi*). But Khamenei, it bears noting, appeared to be in the bloom of health at seventy-nine, despite some recent reports suggesting the contrary. He also remains an eloquent speaker, a reality obscured by his website's clunky English translations.

Implications for the West

The U.S. campaign of maximum pressure appears to have convinced Khamenei that Iran will not see sanctions relief. The picture he painted had no light on the horizon—indeed, little if any grounds for hope at all. If that is the

state of his thinking—and the Mashhad speech has been the best available indicator of his authentic views—then the Trump administration has had considerable success convincing Khamenei that the pressure will continue, and that Iran cannot count on outlasting U.S. hostility.

As of now, Khamenei is signaling no flexibility in response to these pressures—neither on foreign policy nor at home. But he is not the confident Khamenei of days past who proudly sang the successes brought by resistance. Instead, he argues that Western nations cannot be trusted, so Iran should not bother dealing with them.

Patrick Clawson is the Morningstar Senior Fellow and director of research at The Washington Institute. ❖

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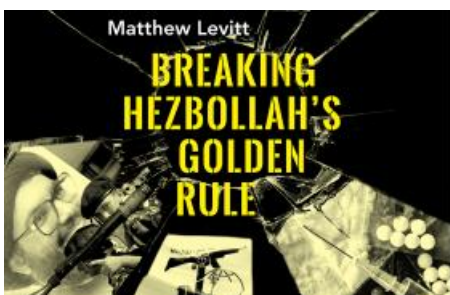
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