

Iran's 'Resistance' Bloc Rises amid New U.S. Sanctions

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Oct 29, 2018

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Brief Analysis

Hardliners see the latest pressure as proof that defiance works better than compromise—an attitude they are likely to change only if the pressure intensifies.

With U.S. economic sanctions against Iran set to go into effect November 4, domestic pressure on President Hassan Rouhani's government is sure to intensify. The reimposed sanctions follow President Trump's withdrawal earlier this year from the Joint Comprehensive Plan of Action (JCPOA), as the nuclear deal is known. Even setting current dynamics aside, the pattern in Iran holds that a second-term president becomes increasingly irrelevant in major national decisionmaking.

Thus, on October 22, Ezzatollah Zarghami, the former head of Iranian state radio and television, and a member of the "Expertise Field" (*Howzeh-ye Karshenas*) in Ayatollah Ali Khamenei's office, revealed that "some of the organizations controlled by the Supreme Leader" were seeking permission to "manage the country" given their belief that the executive branch is incapable of carrying out its duties. Zarghami specified two powerful entities outside government whose leadership apparently strives to remove Rouhani from power: the Foundation for the Oppressed and Disabled (*Bonyad-e Mostazafan va Janbazan*) and the Office for the Execution of Imam Khomeini's Order (*Setad-e Ejra-ye Farman-e Imam*), a multibillion-dollar conglomerate. Both are controlled by the Supreme Leader, and Zarghami implied that other organizations held a similar view. Earlier this year, on June 24, Gen. Yahya Rahim Safavi, Khamenei's military advisor and former commander-in-chief of the Islamic Revolutionary Guard Corps (IRGC), said, "Sometimes it looks like the country can be better managed without the [Rouhani] government." The day after that, Mohammad Dehghan, a member of parliament close to the IRGC, echoed this sentiment, saying, "If the government really feels that it is unable to manage the country, it should let competent people do the job."

Several subsequent attempts were aimed similarly at casting doubt on the president's ability to handle the looming

economic crisis. On September 6, the Supreme Leader spoke out publicly against removing Rouhani from power or undermining his authority: “Creating organizations parallel to government will not succeed, and experience proves that the job should be done by those who are in charge through legal channels.” Yet Zarghami, in explaining Khamenei’s position, said the Supreme Leader was not opposing the activities of such unelected institutions, but rather arguing against the idea that they should “take over the whole management and replace the government.” In other words, Ayatollah Khamenei is reluctant to make institutions under him fully responsible for economic management in place of the Rouhani government.

This stance is reflective of Khamenei’s broader hedging in response to the economic situation. In one such recent example, on June 21, he refused to undertake the steps necessary to keep Iran off the Financial Action Task Force (FATF) blacklist—namely, by changing its countering the financing of terrorism (CFT) system. But, as with Khamenei’s flexible attitude toward the JCPOA, after voicing opposition to FATF compliance, he ultimately gave the Majlis the green light to adopt the measures, evidently through a letter to Majlis speaker Ali Larijani. At the same time, he empowered hardliners both inside and outside the Majlis—including the *Kayhan* newspaper, which serves as his mouthpiece—to radically attack the moves by describing them as “self-sanctions.” So, just as with the nuclear deal, he allowed the move to proceed but gave himself leeway to criticize the arrangement in the future as contrary to his true desires.

Crackdowns on Crime, Civil Society

On August 11, in an extra-constitutional move, Ayatollah Khamenei approved a request by the judiciary to set up “special courts” to address financial crimes against the backdrop of a deteriorating national economy. As the Supreme Leader put it in his statement, “Punishments for those accused of economic corruption should be carried out swiftly and justly.” And the subsequent two and a half months have indeed seen dozens of individuals quickly tried in these special courts and sentenced to death or lengthy prison terms. This has all come amid Iranian officials blaming “enemies” for the rial’s plunge and for meddling with the country’s financial and banking system.

Among those sentenced during this fast and furious roundup have been Vahid Mazloumin, known as the “King of [Gold] Coin,” and Esmail Ghasemi. On October 21, the Supreme Court approved their life sentences for “corruption on earth through sabotage in the economic system” and for creating an illegal trade network in foreign currency and gold coins. In particular, the judiciary has accused these “corrupters” of having a strong relationship with government officials and collaborating with institutions like the Central Bank. On August 4, Ahmad Araqchi, a currency administrator at the Central Bank, was sacked; he was arrested the next day. (He is a nephew of Abbas Araqchi, the nuclear negotiator and deputy foreign minister.) On September 23, judiciary spokesman Qolam-Hosseini Mohseni-Ejei announced that Valiollah Seif, former Central Bank governor, had been barred from leaving the country. Reportedly, Seif holds an Australian permanent residency card and his family lives in Australia.

Outside the financial sector, the government has widened a security crackdown against strikers such as teachers and tanker drivers. In recent months, in a bid to intimidate, Tehran has carried out hundreds of arrests targeting the business community, syndicates and student associations, human rights and environmental activists, protest organizers and advocates for mental health, subsequently issuing lengthy prison sentences to demoralize these citizens. Some have even been murdered without account, such as Farshid Hakki, a prominent activist whose burned corpse was found in the trunk of his car on October 17.

Nexus of Regional and Domestic Policy

With respect to the U.S. sanctions, some officials close to Khamenei have been pushing for a strategy of greater “resistance,” aimed at getting Washington to back off. One perceived victory on that front came after the September 23 attack, attributed to the Islamic State (IS), on a military parade in Ahvaz, in the southwestern Iranian

province of Khuzestan, which left more than two dozen dead. The IRGC responded by targeting “terrorist” bases—the Iranian claim of IS targets remains unconfirmed—in Syria with surface-to-surface missiles and drones. In the following days, the dollar’s value relative to the rial fell for the first time in many months, the world price of oil rose, and the United States decided to withdraw Patriot missiles that had been protecting U.S. military forces in Bahrain and Kuwait. Although most observers saw these developments as unconnected to the Iranian action, the hardliners begged to differ. On October 10, a *Kayhan* editorial, “Economic Security Through Missile Supremacy,” suggested that this reaction had led to extraordinary economic benefits: “The depreciation of the dollar and oil price rise demonstrated that the Iranian people’s resistance and the IRGC’s missile launch had reversed the result of U.S. threats. More important, it proved that in the real field of international and regional confrontation, resistance is the only way to counter threats, not negotiation.” The editorial continued, “When the enemy’s secret agents were talking about negotiation, the U.S. dollar’s value was on the rise, but when missiles hit near American forces in Syria, that value declined.” In the paper’s view, the “Westoxicated” faction’s claim that resistance leads to war and economic problems had been proven wrong. To the contrary, the missile attack had confirmed that effective resistance leads to economic security, likewise demonstrating a direct link between military capability and economic resilience.

As for another apparent benefit, the “missile launch sent a clear message to the region’s countries. It made sheikhdoms of Arab countries in the Persian Gulf understand that any cooperation with the United States related to sanctions on Iran would affect not only the security of their countries but also their economy.” Furthermore, the passive U.S. reaction to the launch was seen to indicate the seriousness with which Washington took the intended message. As proof, advocates of stronger resistance cited the tagline of a *Wall Street Journal* article dated October 1: “Even as Trump warns of the Islamic Republic’s threat, America shifts air and sea power away from region.” The United States, in this interpretation, was continuing to show its aversion to intervening in the region, explaining the oft-repeated statement by Khamenei that “due to Iran’s defense capability, there will be no war.”

The hardline Iranian camp sought to highlight other signs of purported success. As the same *Kayhan* editorial explained, “on the day of the collapse of the dollar in Iran, the Turkish prosecutor issued a detention order indicting 417 suspects, including 126 Iranians charged with money laundering and the transfer of dollars to the United States”—evidently through Turkey. “Most of dollar recipients,” the piece claimed falsely, “are Iranian-American Jews.” The editorial concluded by affirming “Ayatollah Khamenei’s statement: ‘submission is much costlier than resistance.’”

Quandary for Washington

Khamenei and the hardliners have a long history of reading any developments as proving the wisdom of their favored policy of resistance rather than a policy of negotiation and compromise. Not surprisingly, that has been their reaction to increased U.S. economic pressure. Once again, it appears that the adage of many Iran watchers holds true: Tehran does not respond to pressure, it only responds to great pressure. Washington will have to sustain and likely increase (smarter) pressure on Iran’s decisionmaking centers before the hardliners reluctantly agree to allow negotiations, which they will criticize even while allowing them to go forward.

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