

Protests in Iran: Why? What Impact? How Should the U.S. Respond?

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Brief Analysis

Washington Institute experts discuss the economic, social, diplomatic, and

military implications of the anti-regime demonstrations sweeping Iran. Read a summary or watch video of the full event.

On January 4, Patrick Clawson, Michael Eisenstadt, and Hanin Ghaddar addressed a Policy Forum at The Washington Institute. Clawson is the Institute's Morningstar Senior Fellow and director of research. Eisenstadt is the Institute's Kahn Fellow and director of its Military and Security Studies Program. Ghaddar is the Institute's Friedmann Visiting Fellow and a veteran Lebanese journalist and researcher. The forum was moderated by Michael Singh, the Institute's Lane-Swig Senior Fellow and managing director. The following is a rapporteur's summary of their remarks.

NOTE: Mehdi Khalaji was also scheduled to participate via teleconference but was unable to complete his presentation due to unforeseen technical problems.

MICHAEL SINGH

Major upcoming U.S. policy decisions on Iran, including sanctions waivers, decertification of the nuclear deal, and congressional efforts to amend the Iran Nuclear Agreement Review Act, have been colored by what is happening inside Iran. So far, the Trump administration has shown support for the protestors through the president's Twitter feed and other statements by U.S. officials. If more sanctions are levied on Iran for human rights abuses, they would inevitably play into imminent decisions regarding Iran-related legislation that is up for review.

The United States would like to see the international community express some joint sentiment about the protestors and galvanize wider support for them, but European responses have been lackluster. Perhaps that is because EU states have a tremendous amount of financial, political, and diplomatic capital invested in the nuclear deal. The Europeans have expressed much more interest in dialogue with President Hassan Rouhani and Foreign Minister Mohammad Javad Zarif.

PATRICK CLAWSON

Macroeconomic indicators imply that Iran's economy is in pretty good shape: its GDP will grow more this year than the U.S. GDP; its budget deficit will be smaller relative to the economy's size than America's; and it is running a healthy current account surplus in its international trade. Yet the situation for most of the Iranian population is quite poor. The country's annual survey of living standards shows that relevant markers are still more than 10 percent worse than they were a decade ago. Unemployment and inflation are rising, with price increases concentrated among staples such as bread, which recently underwent its first increase in three years, up 15 percent.

As for how the economic situation may be affecting the protests, two important issues stand out. The first is the cost of Iran's destabilizing activities abroad. In absolute numbers, the regime's spending in this regard seems relatively inexpensive, but it is significant compared to the size of the economy. U.S. officials have claimed that the regime spends around \$7 billion per year on such activities, mostly to prop up the Syrian regime and fund various terrorist groups; they also point out expenditures of up to \$2 billion on missile and nuclear activities. Even if the actual amount of foreign expenditures is only half of the U.S. claim, \$4 billion dollars is roughly 1 percent of Iran's GDP. For perspective, 1 percent of the U.S. GDP is \$180 billion. Put another way, \$4 billion is more than Iran's planned social subsidy cuts for 2018, which will affect 30 million Iranians. The indirect costs of regional adventurism are even higher; Iran's 2018 budget allots \$12 billion for military expenditures, much of which would not be needed if the regime were less aggressive.

Second, Iran's banking system is tottering. According to President Rouhani's December 10 budget speech, six "fraudulent institutions" now hold about 25% of the money market. Many of these credit institutions are connected

to the Islamic Revolutionary Guard Corps or prominent clerics. They have been paying high deposit rates and charging outrageous interest rates on loans, some as high as 35 percent. Several of these institutions failed last November, and there is no system of deposit insurance in Iran. As Rouhani warned in December, up to four million Iranians face "total ruin of their lives" from the financial crisis, and the banks are not in much better shape than the credit institutions.

Despite the urgency, Tehran has spent two years dithering on the matter. This is not because the situation is somehow unsolvable; any IMF economist could suggest a number of obvious reforms to prevent a bank collapse, and countries such as Cyprus and Iceland have survived much worse financial crises. Yet the partisan deadlock in Iran is worse than Washington's and has prevented leaders from making the necessary decisions.

Demographical factors could be significant as well. Protest movements are generally driven by the young; scholars note that revolutions are most likely to occur in places where the median age is under twenty-six. Iran's population is aging; its median age of thirty-one is higher than Israel's and ten years older than Iraq's.

That said, the Islamic Republic is an ideological regime, and the protests show that the hearts and minds of the people may have turned away from revolutionary ideology. Many Iranian commentators note that the country now resembles Leonid Brezhnev's Soviet Union—the people are just going through the ideological motions without conviction. Tellingly, the regime took a full week to mobilize counter-protests, which is a long time compared to past episodes. This suggests that the leadership was not sure it could pull off pro-regime demonstrations.

MICHAEL EISENSTADT

The regime has been very effective at closing down information channels coming out of Iran, making it difficult to assess what is truly going on. Yet the Islamic Republic's history provides a useful framework for understanding the protests.

Perhaps most important, the regime's founders are revolutionaries, and there is nothing they fear more than a counterrevolution. Iran's current leaders drew a number of lessons from their revolution against the shah and from past efforts to suppress counterrevolutionary movements.

The first is the need for strong, decisive leadership. The shah's weakness and indecision contributed to the revolution's success. This is part of the reason why the Islamic Republic has been so quick to suppress previous protests.

Second, the security forces must be properly trained, equipped, and employed (<http://www.washingtoninstitute.org/policy-analysis/view/irans-coercive-apparatus-capacity-and-desire>), with clear guidance and strong political support. The regime has spent a lot of money on its riot forces, though it is unclear how disciplined and well-trained they are.

Third, morale and cohesion must be preserved within the security forces. Yet both of these elements are affected by the social makeup of individual units, as well as the social and class cleavages present in Iranian society. This is a real problem amid the current protests because many security personnel are reportedly drawn from the country's lower and lower-middle classes and its smaller cities and towns—the same people they are being asked to suppress (<http://www.washingtoninstitute.org/policy-analysis/view/provinces-lead-the-center-in-irans-protests>).

The regime's method of countering past protests consisted of four pillars: avoiding large-scale use of lethal force; emphasizing face-to-face melees to intimidate the more faint-hearted oppositionists; targeting key opposition leaders with indefinite house arrest and isolation; and breaking the morale and spirit of protestors through televised confessions, torture, sexual humiliation, and rapid release of detainees so that they could tell others about their brutal treatment. Yet if authorities overreach or miscalculate during the current uprising, they could escalate the

violence.

As for the regime's activities abroad, recent events should not affect Iran's foreign deployments in the short term, since they involve only a small number of specialized units such as the Qods Force. In the long term, however, the protests could affect **force-structure decisions (<http://www.washingtoninstitute.org/policy-analysis/view/iran-after-sanctions-military-procurement-and-force-structure-decisions>)** for years to come, with more resources allocated to internal security.

Going forward, U.S. officials should use restrained language about the uprising. Washington needs to express support for the protestors, but full-throated declarations could deter some Iranians from joining the demonstrations and would make the United States look ineffectual if the uprising is suppressed. U.S. officials should also keep the focus on the regime—if Washington reimposes nuclear-related sanctions, it could enable Iranian leaders to redirect the people's economic frustrations toward the United States.

HANIN GHADDAR

Popular discontent with the Iranian regime's regional activities is not limited to Iran. Hezbollah, the Lebanese militia that leads most of these activities, faces growing challenges within its own constituency. In fact, the signs of discontent in Lebanon are very similar to those seen in Iran.

Well before Iran's protests broke out, Lebanese Shia anger toward Hezbollah seemed to increase drastically because of the group's involvement in the Syria war, which has resulted in more dead Lebanese fighters than all of its past conflicts combined.

The war has also massively eroded the economic situation of Hezbollah's domestic constituency. Its payroll is now restricted to soldiers and their families; as a result, many of its troops are essentially fighting for money rather than ideology. The preferential payments have also created class and cultural divisions that are fostering real tension between fighters and Shia civilians. Even as militia members benefit from the war, the group has made serious cuts in its social service networks to fund the increased military activity. Today, a young Shia has to risk his life in order to benefit from Hezbollah's resources.

This discontent **was openly expressed (<http://www.washingtoninstitute.org/policy-analysis/view/shia-unrest-in-hezbollahs-beirut-stronghold>)** through protests last October in Dahiya, a Hezbollah stronghold in the suburbs of Beirut, with demonstrators in the district's poorest neighborhood chanting slogans against Hezbollah leader Hassan Nasrallah. The marches were contained and the protestors were forced to apologize on camera, but the underlying discontent remains unaddressed.

Other signs of discontent were obvious in the most recent municipal elections, in which many Shia voted against Hezbollah and Amal candidates. For example, 40 percent of voters in Baalbek—Hezbollah's stronghold in the Beqa Valley—supported anti-Hezbollah candidates.

Lebanon's current economic downturn looks to worsen in the coming year, so it would not be surprising if more protests erupt, especially if Iran's uprising reverberates among Lebanese Shia. Any sign of weakness could push the people to reconsider Iran and Hezbollah's supremacy in the region—which could in turn push Lebanon's political forces to reconsider their compromises with Hezbollah.

This summary was prepared by Erika Naegeli.



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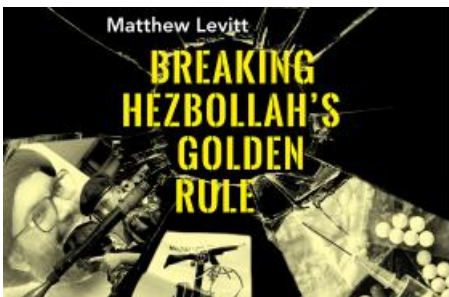
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