

In Iran, Economic Despair Leads to Political Rage

by Hugh Fitzgerald



Iran has been wracked in recent weeks by demonstrations in dozens of cities across the country. These demonstrations against the government were first prompted by the government's announcement that the subsidies for gasoline prices would be ended. Under the price changes, the price for a liter of rationed gasoline rose to 15,000 rials, or about 13 cents, from the previous price of 10,000 rials per liter, and a monthly ration for each private car was set at 60 liters. Any purchases over that limit would be triple the previous price. Factoring in both the amount of gasoline the average consumer would need to buy above the 60 liter monthly limit, it has been calculated that prices would roughly double. The protests over the gas price hike immediately morphed into general protests against the economic mismanagement and corruption of the mullahcracy; protesters shouted "we don't want the Islamic Republic."

Another source of popular rage is the amount the Iranian government spends abroad on foreign adventures. This includes its financial and military aid to the Houthis in Yemen and to Syria's Assad, and especially, its generous support for both Hamas and Hezbollah. The Iranian government has already had to decrease its subsidies to Hamas, forcing the terrorist group to slash salaries to its members. It has done the same for Hezbollah which, with Iranian funds having been greatly reduced, must now rely more on revenues from Hezbollah members involved in the drug trade, bringing cocaine and heroin from South America to Europe; the Shi'a terror group has even become desperate enough to put out collection boxes. What the Iranian protesters are now demanding is a complete end to the amounts the Tehran government sends to allies and proxies abroad.

Iran's policies in the Middle East have not been succeeding. In Yemen, its Houthi proxies are still being held in check by the Saudis. In Iraq, protests – including those by Shi'a – have been raging against Iran for meddling in the country's politics. In Lebanon, Lebanese of every sect have been demonstrating against corruption and mismanagement of the economy, and demanding that the entire government resign. Even in southern Beirut, the very stronghold of Hezbollah, Shia have expressed their fury with the corruption in the terror group and its leader Hassan Nasrallah.

The full story is [here](#):

The critics of President Trump's Iran policy have been proven wrong: the US sanctions are imposing significant pressure on the ruling mullahs of Iran and the ability to fund their terror groups.

Before the US Department of Treasury leveled secondary sanctions against Iran's oil and gas sectors, Tehran was exporting over two million barrel a day of oil. Currently, Tehran's oil export has gone down to less than 200,000 barrel

a day, which represents a decline of roughly 90% in Iran's oil exports.

Iran has the second-largest natural gas reserves and the fourth-largest proven crude oil reserves in the world, and the sale of these resources account for more than 80 percent of its export revenues. The Islamic Republic therefore historically depends heavily on oil revenues to fund its military adventurism in the region and sponsor militias and terror groups. Iran's presented budget in 2019 was nearly \$41 billion, while the regime was expecting to generate approximately \$21 billion of it from oil revenues. This means that approximately half of Iran's government revenue comes from exporting oil to other nations.

Even though Iran's Supreme Leader, Ayatollah Ali Khamenei, boasts about the country's self-sufficient economy, several of Iran's leaders recently admitted the dire economic situation that the government is facing. Speaking in the city of Kerman on November 12, Iranian President Hassan Rouhani acknowledged for the first time that "Iran is experiencing one of its hardest years since the 1979 Islamic revolution" and that "the country's situation is not normal."

Rouhani also complained:

"Although we have some other incomes, the only revenue that can keep the country going is the oil money. We have never had so many problems in selling oil. We never had so many problems in keeping our oil tanker fleet sailing... How can we run the affairs of the country when we have problems with selling our oil?"

"Thanks to the US policy of "maximum pressure," the Islamic Republic's overall economy has taken a major beating as well. Lately, the International Monetary Fund (IMF) has again adjusted its forecast for Iran's economy and pointed out that Iran's economy is expected to shrink by 9.5% rather than 6%

by the end of 2019.

While most every other oil economy in the Middle East is growing, albeit by small amounts, Iran's economy has shrunk by almost 10% in 2019, with an even greater decrease predicted for the coming year. Meanwhile, its arch-enemy Israel has a growth rate of about 3.5%.

One of the reasons behind IMF's gloomy picture of Iran's economy is linked to the Trump administration's decision not to extend its waiver for Iran's eight biggest oil buyers; China, India, Greece, Italy, Taiwan, Japan, Turkey and South Korea. Instead of showing economic growth in 2019, Iran's economy would be 90% of its size by the end of 2019 in comparison to two years ago, based on a recent report from the World Bank.

Iran's national currency, the rial, also continues to lose value: it has dropped to historic lows. One US dollar, which equaled approximately 35,000 rials in November 2017, now buys you nearly 110,000 rials.

In two years, the rial has dropped to less than one-third of its previous value. This has made foreign goods almost impossibly expensive for the long-suffering Iranian consumer to buy. Domestic manufacturing is a very small part of Iran's economy, so not only does the country not have sufficient goods to supply its own consumers, to make up for the suddenly very expensive foreign ones, but Iran cannot take advantage of the low rial in selling goods abroad, for it has so few goods to sell.

In addition, the Islamic Republic appears to be scrambling to compensate for the loss of revenues it is encountering. A few days ago, for example, Iran's leaders tripled the price of gasoline. It appears a sign of desperation to generate revenues in order to fund their military adventurism in the

region and support their proxies and terror groups.

A correction to this piece is needed. Iranian leaders raised the price of gasoline in a two-tier system: a 50% rise for the first 60 liters a consumer buys each month, with a tripling of the price of all gasoline bought beyond that 60 liters.

This increase immediately led people to rise up against the government. In the last few days, several Iranian cities have become the scenes of widespread protests and demonstrations. The protests first erupted in Ahvaz and then spread to many other cities in the Khuzestan province as well as in the capital Tehran, and Kermanshah, Isfahan, Tabriz, Karadj, Shiraz, Yazd, Boushehr, Sari, Khorramshahr, Andimeshk, Dezful, Behbahan and Mahshahr.

Tehran's diminishing resources have also caused Iranian leaders to cut funds to the Palestinian terror group Hamas and the Lebanese militant group, Hezbollah. Hamas was forced to introduce "austerity plans" while Hassan Nasrallah, the leader of Iran's proxy, Hezbollah, has also called on his group's fundraising arm "to provide the opportunity for jihad with money and also to help with this ongoing battle."

The Hezbollah attempt to replace Iranian subsidies now consists of three strands: first, increasing profits from the sale of heroin and cocaine, brought by its members from South America to Europe; second, donations from well-off Shi'a living in the West who are willing to contribute; third, the small donations placed in Hezbollah collection boxes by Shi'a, mainly in Lebanon, Iraq, and India.

To the likely dismay of Washington's critics, President Trump's Iran policy has been heading in the right direction. By escalating economic sanctions, the ruling mullahs and their proxies are going bankrupt. Other nations now need to join the US by also adopting a "maximum pressure" policy –

even if they would rather continue to do business with Iran and undermine President Trump's administration – to them, a "twofer". If Iran succeeds in developing its nuclear weapons breakout capability, in the end it will be used to blackmail precisely them.

The re-imposition of sanctions on Iran by the Trump Administration has been a spectacular success, though one the major media takes no interest in publicizing. That media naturally begrudges the President any such achievement. He has not only reimposed sanctions so that Iran now sells one-tenth of the amount of oil it did only two years ago, but has now ended the waivers that were formerly granted to the eight biggest buyers of Iranian oil; China, India, Greece, Italy, Taiwan, Japan, Turkey and South Korea.

Fortunately, the Trump Administration did not listen to the naysayers, but went right ahead, turning the screws ever tighter on Iranian oil sales, with the devastating results for the mullahs we all see. And both for Iran's economy, and for its threatened rulers, as long as Trump is in control, it's going to be downhill all the way.

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