



BRIEFING PAPER

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Iran update 2018

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Summary

Demonstrations in December 2017 across Iran appear to have been sparked by resentment at economic hardship, particularly after the next year's [budget was revealed](#).

[Anger was directed](#) at both Rouhani and at the Supreme Leader Khamanei, and the demonstrations involved young working class Iranians outside Tehran, people who might be expected to support hard-line Islamists.

The demonstrations were much smaller than those over the 2009 election result, however, and present no immediate threat to the Islamic Republic. Whether either the pragmatists or the hard-liners [gain most](#) from the events remains to be seen.

The [international deal](#) over Iran's nuclear programme remains at risk. In January President Trump maintained sanctions waivers, allowing the US to continue complying with the deal, but for the last time, he said. The President [called on](#) the Europeans and Congress to fix the "flaws" in the deal before the next 90-day review.

3 Commons Library Briefing, 1 February 2018

Limits on Iran's programme expire at various points over the next 25 years, and the deal does not cover the Iranian ballistic missile programme or its foreign policy. Opponents of the deal say that these are serious weaknesses, while supporters say that the deal is better than having no limits on Iran's path to developing a nuclear weapon. [Commentators argue](#) that it will be difficult to insert new provisions into the deal since Iran has ruled that out.

Iran's destabilising actions in its region in pursuit of its struggle for regional supremacy with Saudi Arabia have probably intensified, particularly since the Iranian involvement in the Syrian conflict.

Hizbollah has [become increasingly important](#) as a partner in spreading Iranian influence – its intervention in Syria has been very significant. Iran has followed a similar model in training and equipping Shiite militias in Iraq, something which worries observers about that country's future stability.

1. Domestic politics

Demonstrations sparked by economic hardship?

Protesters took to the streets in Iran from 28 December 2017. The disturbances spread from Mashhad in eastern Iran to other cities over the following days and in places turned violent. Over 21 protesters were killed, as were two members of the security forces, in what was the biggest threat to the Islamic Republic since the government put down Green Movement protests against rigged elections in 2009.

Mashhad is Supreme Leader Ali Khamenei's home town and a stronghold for anti-Rouhani Iranians. In private, hardliners initially welcomed the protests, as they might weaken the reformist Rouhani Government. Some commentators, particularly Rouhani supporters, suggested the protests were fomented by hardliners. Publicly, the hardliners condemned the protests and blamed them on foreign mischief-making,¹ while Rouhani acknowledged economic difficulties and recognised people's right to protest. He also said that the protests were not just about the economy and that the real problem was disaffection among young people for the authorities, stating that the root cause of the problems is the distance between young people and the authorities: "One cannot impose their lifestyle on future generations".²

Raised expectations that are then not fulfilled are often associated with rebellions, and Iran's recent protests seem to fit that pattern. Having elected Rouhani against fierce opposition from the conservative establishment, Iranians hopes have been dashed – economic growth resulting from increasing oil exports has not yet benefitted ordinary people much.

A controversial budget revealed

The Rouhani government revealed its 2018 budget in early December 2017. The budget represented a cut in public spending in real terms of several percentage points, continuing his Government's relatively austere budgetary policies. His government has cut subsidies, which will lead to some fuel prices going up by 50%. And welfare payments, set up by the previous Ahmadinejad government, will be cut, meaning an end to benefits for up to 30 million people.³

Meanwhile, however, public funding for the Islamic Revolutionary Guards Corps (IRGC) and powerful religious foundations linked to senior regime figures was maintained, and they pay little tax. \$853m went to the religious foundations, a nominal 9% increase over last year's budget.⁴

¹ ['Iran protests: Supreme leader Khamenei blames 'enemies'', BBC News Online, 2 January 2018](#)

² ['President in a meeting with economy minister and ministry deputies', President of Iran press release, 8 January 2018](#)

³ ['Rouhani's budget transparency stokes Iran unrest', Financial Times, 17 January 2018](#)

⁴ ['Rouhani's budget transparency stokes Iran unrest', Financial Times, 17 January 2018](#)

By being unusually frank about the budget, the Rouhani Government may have intended to direct the public's anger against the IRGC and the religious institutions, run by his hard-line opponents. The protests were as much about his own failures to improve conditions, however.

Inflation rebounded at the end of 2017, while the official unemployment rate is over 12%, and has been on a rising trend over the last two to three years; youth unemployment is much higher, peaking at over 30% at the end of 2016.⁵ (Half the population is under 30.)

The economic hardship among ordinary (and particularly younger) Iranians draws attention to the divisions in Iranian society, where privileged groups such as the IRGC and the clergy control much of the economy. Corruption is rife in Iran,⁶ and the protesters chanted slogans against the spending of public money on an aggressive foreign policy in Syria, Lebanon; foreign policy is strongly influenced by conservative factions.

Disappointment with Rouhani

Another theme of the protests was regret at voting for Rouhani. There certainly seems to be resentment that a supposedly reformist president has, in his second term, seemed to challenge the conservatives even less than he did in the first.⁷ As well as failing to trim generous public funding to the IRGC and the foundations, Rouhani has appointed several conservatives to important Government posts.

Protesters also called for Khamanei to step down or even: "Death to the dictator".⁸ One analyst also highlights the growing demands for women's rights as a motive for the events.⁹

How will the demonstrations affect Iran?

It is not clear what the effect of the protests will be on Iranian politics. They are different from those of 2009 in that they were much smaller, largely leaderless and they originated in working class communities, normally the bedrock of the hard-liners' support. The protests were aimed both at the pragmatic and the hard-line factions of the elite. Populist former president Ahmadinejad appeared during some demonstrations, raising expectations that he would use them to attempt a comeback.

Some observers say that the protests could be an opportunity for reformists, however:

Rouhani can leverage public discontent to push the political establishment toward structural changes so fervently desired by the population. The chance that he can successfully take advantage of this dynamic is made greater by the way many

⁵ Trading economics: [Iran youth unemployment rate](#)

⁶ Iran come in at position 131 out of 176 countries in Transparency International's [2016 corruption perceptions index](#), one place worse than Sierra Leone

⁷ 'Iranian protesters provide wake-up call for authorities', *Gulf States News*, 11 January 2018

⁸ '[Iranians chant 'death to dictator' in biggest unrest since crushing of protests in 2009](#)', *Observer*, 31 December 2017

⁹ '[Here's why the Iran protests are significant](#)', *CNN*, 3 January 2018

Iranians are wary of taking part in the protests, even though sympathetic to the demands raised in them. Specifically, he could submit to parliament a package of major reforms, including constitutional amendments to empower elected institutions and a timetable for implementing them.¹⁰

Many seem to agree that the short-term impact of the protests are likely to be limited. The protests lacked leadership and a clear set of demands. What is more, Iranians know that the government is prepared to resort to violence to ensure its survival. The authorities' response to the protests was harsh: some 1,700 arrests were made, according to official figures,¹¹ while human rights activists in Iran were concerned that more than one activist was said to have committed suicide in custody. Iranians have also seen the results of the uprisings in Egypt and Syria.

The general mood of frustration with Iranian leaders could have unpredictable consequences; much will depend on a new generation of political leaders.

Reaction

Considering the scale of the protests in comparison with those that took place in 2009, the reaction abroad may have been out of proportion.

US president, Donald Trump, quickly tweeted his support for the protests:

Big protests in Iran. The people are finally getting wise as to how their money and wealth is being stolen and squandered on terrorism. Looks like they will not take it any longer. The USA is watching very closely for human rights violations! Big protests in Iran. The people are finally getting wise as to how their money and wealth is being stolen and squandered on terrorism. Looks like they will not take it any longer. The USA is watching very closely for human rights violations!¹²

The official reaction in the UK and the rest of Europe was somewhat more muted. Foreign Secretary Boris Johnson made a statement on 1 January defending Iranians' right to protest:

The UK is watching events in Iran closely. We believe that there should be meaningful debate about the legitimate and important issues the protesters are raising and we look to the Iranian authorities to permit this.

We also believe that, particularly as we enter the 70th anniversary year of the Universal Declaration on Human Rights, people should be able to have freedom of expression and to demonstrate peacefully within the law.

We regret the loss of life that has occurred in the protests in Iran, and call on all concerned to refrain from violence and for international obligations on human rights to be observed,¹³

¹⁰ Ali Vaez, '[How Iran's President Rouhani Can Turn Crisis into Opportunity](#)', International Crisis Group, 4 January 2017

¹¹ 'Iranian protesters provide wake-up call for authorities', *Gulf States News*, 11 January 2018

¹² Twitter, 31 December 2017

¹³ '[Foreign Secretary statement on Iran](#)', Foreign and Commonwealth Office press release, 1 January 2018

European leaders were perhaps conscious of the sensitivities in Iran, where outside support for protests could undermine them and provide an excuse for a tougher crackdown by the authorities.

2. The nuclear deal

Trump policy

The future of the 2015 deal between the permanent five members of the UN Security Council and Iran over the Iranian nuclear programme, the Joint Comprehensive Plan of Action (JCPOA), was called into question by the election of Donald Trump to the US presidency. He had denounced it several times during the campaign and maintained hostility towards it after inauguration.

The US Congress passed [legislation](#) to require the President to report back to Congress every 90 days to 'certify' both that Iran was complying with its terms and that the deal continued to be in US interests. Twice the President reluctantly certified the deal to Congress, partly under pressure from other senior ministers.

At the third opportunity, in October 2017, President Trump declined to certify the deal, on the grounds that Iran's actions were not proportionate to the sanctions relief granted under the deal.

Decertification does not end the deal, nor does it even mean that the US is walking away from it. It does give Congress a 60-day opportunity to re-impose sanctions on Iran using an expedited procedure. The initiative is now with Congress to decide how to act.

Many supporters of the deal accept that it has not changed Iran's foreign policy, which continues to be disruptive. Many opponents accept that it is not clear how to replace the deal, which is succeeding in imposing limits on Iranian uranium enrichment, if not on the Iranian ballistic missile programme (something which it was never intended to do).

Some have suggested re-negotiating the deal (the 'sunset clauses', by which limitations on the programme expire after a certain time, are particularly controversial). Iran has explicitly rejected renegotiation, and other signatories do not support it.

EU policy

Reacting to the decision not to certify the deal, European leaders sent a [unified message of support](#). The reaction of the EU could be the key to the survival or otherwise of the agreement. The US, through presidential or congressional action, could walk away from the deal, but some in both the EU and in Iran have argued that the deal could survive if the other signatories continue to support it. For the EU to confront the US in this way would be legally complicated and politically difficult, however. Some have suggested reviving a [1996 EU Directive](#) protecting EU companies from the extraterritorial effects of US sanctions legislation, which could help EU-Iran trade to continue even after the re-imposition of US sanctions.

Several analysts argued for a new, separate negotiations that would address concerns about the ballistic missile programme and regional policy, leaving the nuclear deal in place.

January 2018

On 12 January 2018, Donald Trump announced that he would extend the waivers on US sanctions for another 120 days. He also wanted renegotiation, however:

Today, I am waiving the application of certain nuclear sanctions, but only in order to secure our European allies' agreement to fix the terrible flaws of the Iran nuclear deal.¹⁴

He added:

This is a last chance. In the absence of such an agreement, the United States will not again waive sanctions in order to stay in the Iran nuclear deal.¹⁵

He added 14 more names to the list for association with the ballistic missile programme and other "illicit activities", but these were not connected to the nuclear programme and were not considered likely to cause Iran to walk away from the deal..

Again, it is the failure of the JCPOA to cover the ballistic missile programme and the "sunset clauses" that are proving most controversial.

Iran remains opposed to adding requirements (to cover ballistic missiles or periods beyond the present eight, 10, 15 and 25-year periods) to the existing deal, as do the other signatories to the plan.

The Trump Administration is aiming for a supplemental agreement that would impose conditions such as these outside the JCPOA. Iran's agreement would be required for any such deal, unless it were unilaterally imposed, in which case it would be seen as a violation of the JCPOA and Iran would not feel bound to continue respecting it.¹⁶

Analysts suggest that the US Congress is unlikely to impose new sanctions while Iran remains compliant with the existing terms of the deal.¹⁷

The EU also opposes imposing new sanctions that would destroy the deal, but some leaders, such as Emmanuel Macron of France, have indicated that they want to see further progress on missiles and Iran's regional policy:

Is this agreement enough? No. It is not, given the evolution of the regional situation and increasing pressure that Iran is exerting on the region, and given increased activity by Iran on the ballistic level since the accord.¹⁸

¹⁴ ['Statement by the President on the Iran Nuclear Deal'](#), White House press release, 12 January 2018

¹⁵ *Ibid.*

¹⁶ Robert Malley and Philip Gordon, ['Destroying the Iran Deal While Claiming to Save It'](#), International Crisis Group, 21 January 2018

¹⁷ Robert Einhorn, ["'Fix' the Iran deal, but don't move the goalposts"](#), Brookings Institution, 18 January 2018

¹⁸ ['Iran regional behaviour means nuclear deal not enough'](#), *Reuters*, 19 September 2017

Robert Malley and Philip Gordon argue for International Crisis Group that the Europeans and the US Congress should not go too far trying to placate the Trump Administration, however:

Paradoxically, the deal almost certainly would have greater odds of surviving a blunt unilateral American withdrawal than a joint U.S.-European attempt to rewrite it. A JCPOA violation with Congress's and Europe's imprimatur and consent would leave Iran with little choice but to reciprocate in ways that likely would kill the deal. A Trump administration violation over their objection might not. Having protected its credibility as a fair arbiter, Europe in particular would retain leverage to try to persuade Tehran to comply with its nuclear obligations despite U.S. violations, by pointing to the benefits of preserving strong political and economic Iranian/European bilateral ties that would be lost if Iran too disregarded its commitments.¹⁹

¹⁹ Robert Malley and Philip Gordon, '[Destroying the Iran Deal While Claiming to Save It](#)', International Crisis Group, 21 January 2018

3. Regional activities

The Islamic Republican Guards Corps (IRGC), and particularly its overseas arm, the Qods Force, has been at the forefront of these regional activities.

Syria, Hizbollah, Yemen

The biggest reason for Lebanon's importance to Iran is the existence of Hizbollah, the Iran-backed Shiite militia that is more powerful than the Lebanese Army.²⁰

As well as by fighting against Israel, Hizbollah has built support by providing social services and health care, again largely funded by Iran. The group also has an influential television station, al-Manar, a radio station and is very active online. It also has 12 MPs in the Parliament.

The group is believed to have perhaps 30,000 full-time, highly trained and motivated fighters and a smaller number of reservists.²¹ With training and funding from Iran probably amounting to hundreds of millions of dollars per year,²² the military force has grown strongly since the 2006 conflict with Israel and is very closely linked with the Iranian Revolutionary Guards (IRGC). When it comes to projecting power in the Arab world, Hizbollah has the advantage over the IRGC of being an Arab force.

Particularly since the 2006 conflict with Israel, Hizbollah, the Party of God, has become Iran's most important partner in projecting power throughout the region. It decided in 2013 to throw its weight behind the Assad Government in Syria, along with Iran and Russia, ensuring its survival. A Sunni regime in Syria could have spelt the end for Hizbollah, as it relies on Syria for support and as a conduit for [Iranian weapons and money](#). Participation in the Syrian conflict changed Hizbollah's image from a champion of Arabs against Israel to a supporter of Iran against Sunnis, however.

Hizbollah has helped the Houthi rebellion against the internationally-recognised Government of Yemen, too. In November 2017 Saad Hariri, Prime Minister of Lebanon and son of the assassinated Rafiq Hariri, announced his resignation from Saudi Arabia. Back home, many Lebanese thought he had been kidnapped and forced to resign by the Saudis, who were angry at the missile fired at Riyadh by the Houthi rebels in Yemen. Saudi Arabia blamed Hizbollah for that missile and the Shiite militia's backers, Iran. UN experts have not so far concluded that the missiles fired at Saudi Arabia in late 2017 were deliberately supplied by Iran, but a UN report issued in January 2018 did say that the ballistic missiles were of Iranian origin and that Iran had breached the arms

²⁰ For more detail see the Commons Briefing Paper [Lebanon 2018](#)

²¹ ['Iran Out to Remake Mideast With Arab Enforcer: Hezbollah'](#), *New York Times*, 27 August 2017

²² *Ibid*

embargo applicable to Yemen by failing to block the supply of arms to the Houthis.²³

Iraq

As well as acting through Hizbollah, Iran has played a very strong role in Iraq, training Shiite militias in the fight against ISIS. Commentators worry that these militias could undermine future stability in Iraq by cementing the marginalisation of Sunni populations, encouraging support for ISIS or future radical Sunni organisations.

Afghanistan

The IRGC is reported to have trained an Afghan militia to fight in Syria.

Destabilisation

Countries such as Saudi Arabia and Bahrain claim that unrest in their Shia populations is stirred up by Iran. Iran's perceived role as the champion of the Shia and its defiance of Saudi Arabia probably inspire Shia populations, and there has been some evidence of Iranian involvement, although little has been independently verified.²⁴

²³ ['UN report accuses Iran and Saudis over Yemen'](#), *CNN*, 15 January 2018

²⁴ ['Iran 'set up Bahrain militant cell'](#), *BBC News Online*, 20 February 2013

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