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The Gasoline Protests in Iran: Initial Assessments and Implications

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Protests have been underway across Iran since November 15, 2019 in the wake of the government's decision to increase gasoline prices sharply and ration gasoline consumption. These moves reflect the intensity of the economic crisis facing Iran following the re-imposition of sanctions. The government, which had previously backtracked on its intention to implement economic austerity measures out of fear they would lead to a resumption of popular protests, found itself having to take a calculated risk in an attempt to boost its ability to weather the effects of the sanctions. On the political level, the government's decision may further weaken President Rouhani's already shaky public and political status, especially ahead of parliamentary elections in early 2020. At this point, the regime appears to have significant repression capabilities and be ready to use them if and when necessary. However, the protests sharpen the dilemma faced by the authorities who are committed to austerity and streamlining measures, but fear the intensification of popular protests. Nonetheless, at this stage it does not appear that the Iranian leadership intends to yield to the demand of the United States administration to agree to return to negotiations without sanctions relief, or that it will change its assessment that it can buy time, at least until the next US presidential election in November 2020.

Since November 15, 2019, there have been widespread protests throughout Iran, following the government's decision to increase the price of gasoline sharply and ration consumption. The price of ordinary gasoline was raised from ten thousand rials (about 9 US cents) to 15 thousand rials (about 12.7 US cents), while the monthly gas allowance for a private car was cut to 60 liters. Any additional purchase beyond this quota will cost 30,000 rials (about 26 cents) per liter. The protests have hit dozens of cities, including Tehran, Mashhad, Esfahan, Tabriz, Shiraz, Sanandaj, Karaj, and several cities in the oil-rich Khuzestan province of southwestern Iran. Protesters set fire to gas stations, banks, and public buildings, and blocked roads. The security forces, which had bolstered their deployment in central cities ahead of the protests, are working to disperse the demonstrations, and as of November 16, access to the internet was almost completely blocked. More than 15 fatalities have been reported so far, but most of these reports have yet to be verified.

The current protests are the most serious in Iran since the wave of protests in December 2017-January 2018. Like the previous round, the motive for the current protests is essentially economic, although it includes calls of a political and anti-establishment nature. As in the past, the crowds criticized Supreme Leader Ali Khamenei and President Hassan Rouhani, as well as the Iranian regime's activities outside the borders of the country, which have taken a heavy economic toll at the expense of alleviating the plight of Iranian citizens.

Senior Iranian government officials, led by Supreme Leader Khamenei, and President Rouhani, continue to support the fuel policy, which they said reflects a broad consensus and stems from the desire to improve the situation of society's weaker levels. They announced that projected revenues from raising gas prices would be used exclusively to transfer benefits to 18 million needy families. President Rouhani noted that the government could not provide a response to the economic hardship of the weaker levels due to the severe budget deficit, and therefore had to raise gas prices, albeit at a lower rate than recommended by economists. The government officials also claimed that the decision would allow Iran to continue exporting fuel in the coming years despite the continued increase in domestic gasoline consumption, and that it would also help combat fuel smuggling and air pollution.

The government's decision marks a return to the gas rationing policy, first introduced in 2007 by former President Mahmoud Ahmadinejad against a backdrop of growing demand for gasoline for domestic consumption and concern over deepening economic sanctions against Iran. Then as well, violent protests erupted following the decision in several major cities, including Tehran, and were suppressed by the authorities. Gasoline rationing was discontinued in 2015 following the JCPOA and the lifting of economic sanctions. The timing of the current decision is apparently related to the submission of the budget by the President for approval by the Iranian parliament (Majlis), expected sometime in the coming weeks. Following the wave of protests across Iran that broke out before submission of the budget in early 2018, Rouhani had to make significant changes to the proposal, which included price hikes, higher taxes, and a significant reduction in the number of people eligible for state benefits. In an unusual move, a majority of the Majlis voted against the original budget proposal, forcing the government to rescind its intention to raise gas prices by dozens of percent and revoke the entitlement of millions of citizens to benefits.

The resumption of economic sanctions against Iran in November 2018, and even more so, the revocation of waivers for some countries to purchase oil from Iran in May 2019, has, as expected, aggravated Iran's already shaky economic situation. The worsening economic crisis has now forced the government to implement some previously planned

austerity measures, despite the assessment that the decision will provoke public protest, especially in light of ongoing popular protests in Iraq and Lebanon, which have heightened the concern of the Iranian authorities that the protests could spill over into Iran. Against that background, they apparently chose to announce the decision at midnight between Thursday and Friday (the day of rest in Iran).

The decisions regarding gasoline prices and rationing and the subsequent outbreak of protests have a number of implications:

- a. On the economic level, the measures are evidence of the intensity of the economic crisis facing Iran following the re-imposition of economic sanctions. The sharp drop in state revenues from oil has already forced the government to reopen the state budget and take a series of steps to reduce the deficit, such as withdrawing more than \$10 billion from the National Development Fund, with the aim of preserving some of the oil revenue to prevent market shocks due to price fluctuations on global markets, and withdrawing tens of billions of dollars from foreign currency reserves.
- b. While the decisions led to wide scale protests, they could also help the government advance structural economic reforms that will improve the efficiency of the Iranian economy. For years, Iranian authorities have refrained from implementing the recommendations of Iranian economists and the International Monetary Fund to reduce subsidies on gasoline and convert them into targeted subsidy payments. If these moves reduce gasoline consumption and improve economic efficiency, this may help the Iranian economy gradually acclimate to the sanctions regime. This would follow measures already taken by the government to reduce the dependence on state revenues from oil and to stabilize the local currency exchange rate (rial) against the US dollar.
- c. On the political level, the government's decision may further weaken President Rouhani's already precarious position. Government spokesmen have stressed that the decision to raise gasoline prices was made at a forum of the heads of the three branches of government (executive, legislative, and judiciary). However, opponents of the President on the conservative right rushed to take advantage of the decision and the widening protests to attack the President and his policies. They argued that the decision was illegal because it required the approval of the Majlis and that it was made at the wrong time, as Iranian citizens are already suffering from worsening economic hardship and inflation at a rate of some 40 percent. Although the prospects of reversing the decision are slim, in particular in light of Khamenei's statement of support, it is clear that the President's critics intend to take advantage of the growing protests to increase their efforts to undermine his political and public status, all the more so in advance of parliamentary elections, scheduled for February 2020. These elections will

constitute a major test of power for the two main political camps, the pragmatists and the conservative right, in advance of presidential elections expected to take place in the summer of 2021.

The current protests seem to have intensified the Iranian regime's sense that it is under threat, especially in the wake of the ongoing protests in Iraq and Lebanon, and reinforce its awareness of the need to intensify efforts to quash any potential threat to its stability. The regime has likely been preparing in recent years for the possibility of renewed protest, and thus possesses significant repression capabilities and is ready to use them if and when necessary. These capabilities are particularly effective given the difficulty of turning the protest into an organized movement with a leadership that can offer a political alternative to the current regime. As in the past, the regime also benefits from the ability to divert at least some of the public criticism of the government and present the President as responsible for the economic crisis. Nevertheless, the wave of protest once again indicates the intensity of public frustration and is fueled by increasing popular distrust of the authorities and their failure to provide effective solutions to the hardship of the civilian population.

In conclusion, the Iranian authorities today face a complex dilemma. On the one hand, they are committed to austerity and economic efficiency measures in order to reduce the budget deficit and provide a response to the effects of sanctions. On the other hand, these measures could lead to increased economic hardship and intensify the popular protest. Despite the present reality, at this stage it does not appear that the Iranian leadership intends to yield to the demands of the US administration or that it will change its assessment that it can continue its efforts to buy time, at least until the next US presidential election in November 2020.