

PolicyWatch #1630

## Setback for Iran's Opposition: Khamenei's Hardline Reinforced

By [Mehdi Khalaji](#)

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A few hours after the official demonstration marking the February 11 anniversary of Iran's 1979 Islamic Revolution, Supreme Leader Ali Khamenei stated, "Was the presence of tens of millions of motivated and aware people in the festival of the thirty-first anniversary of revolution enough to awaken [to their mistakes] the internal enemies and deceived individuals who sometimes hypocritically speak of 'the people'?" Khamenei had spent months worrying that the opposition Green Movement would hijack the anniversary. Yesterday, he seemed to regain his self-confidence by proving that he could manage Tehran's streets. In light of this development, how will the Supreme Leader deal with both Iran's political crisis and the nuclear dossier?

### What Happened on February 11

By controlling a huge city like Tehran on such a sensitive day, Khamenei proved his operational capabilities as commander-in-chief of the armed forces. A few days before the anniversary, the regime clamped down on all communication channels, from internet to cell phones to satellite television, interrupting them or placing them under surveillance in order to diminish the opposition's ability to organize protests. It also raised the level of intimidation, making daily arrests of political and student activists as well as ordinary people and publishing wanted posters of individuals who had participated in the December 2009 Ashura demonstration. Meanwhile, the streets in which opposition protests were supposed to take place were closed twenty-four hours beforehand. Even as the pro-regime demonstration unfolded, hundreds of thousands of Basij militiamen and Revolutionary Guards (some deployed from other cities) were able to control the city, assaulting Green Movement demonstrators as soon as they shouted antigovernment slogans. The movement's leading public figures were targeted directly: Mehdi Karrubi and Zahra Rahnavard, Mir Hossein Mousavi's wife, were both beaten up badly, while Karrubi's son and dozens of his close friends were arrested.

At the main demonstration, Khamenei sounded and appeared self-confident and in no mood for compromise -- the events of the day suggested there was no need to accept the advice of relatively moderate conservatives who had urged that course of action. The regime's radicals, including President Mahmoud Ahmadinezhad, have always believed in taking the offensive when it comes to domestic or foreign policy. Ahmadinezhad has criticized former president Muhammad Khatami for his detente policy and said Iran would not be able to convince the West of its nuclear rights "by begging for them." The regime's leaders have a similarly uncompromising attitude toward the domestic crisis -- a fact that will no doubt radicalize the Green Movement further, increasing the possibility that social and economic discontent will transform into a politically motivated uprising.

### The Crisis Continues

The political crisis in Iran is not limited to what goes on at the street level; ending it will require more than massive security operations during Tehran's frequent government-sponsored rallies. Another aspect of the crisis is deep controversy and divisions among the Islamic Republic's elites. In addition to the split between the hardliners and the Mousavi-Karrubi-Khatami camp, there is also bitter enmity between Khamenei and former president Akbar Hashemi Rafsanjani (who now heads the Expediency Council and Assembly of

Experts), as well as between Ahmadinezhad and Majlis Speaker Ali Larijani's faction. A more self-confident Khamenei may increase pressure on the political circles associated with Karrubi, Khatami, Mousavi, and Rafsanjani, making arrests, condemning some individuals to long prison sentences, or executing more detainees as the judiciary has already promised to do. This would infuriate Ahmadinezhad's critics in the government and associate Khamenei with the president even more than before. By eschewing compromise and offering greater support to Ahmadinezhad, Khamenei is tightening his circle of supporters and making his authority more fragile, despite yesterday's outcome.

In addition to the political crisis, Ahmadinezhad's economic policies seem to have generated discontent, especially within the lower and lower-middle classes that the president claims as his main constituency. Last month, Tehran city's security council raised the issue of a "workers' crisis" in the capital. Many factories have gone bankrupt and shut down, and many laborers have not been paid for months or were fired without benefits. Recently, laborers, drivers, and other workers in a variety of industries -- including the Tehran Metro (especially Sadr Station), the Isfahan Steel Company, the Farnakh and Mahnakh companies in Qazvin, the steel operations in Malayer, the Tube company in Ahvaz, the telecommunications industry in Shiraz, and the third phase of Abadan refinery -- either went on strike or protested against their working conditions. Many of these workers were fired or arrested; Mansour Osanloo, head of the Tehran Bus Drivers Syndicate, is still in prison.

Ahmadinezhad has overcome strong objections in the Majlis to his controversial program of phasing out extensive subsidies, especially on energy, which currently account for about one-fifth of Iran's national income. Consumers will have to pay much higher prices as this plan goes into effect beginning March 22, the Iranian New Year. To be sure, the subsidies have encouraged waste, and consumers may adjust by buying less so that their total outlay does not increase dramatically. To compensate for the change, the regime had pledged to make cash payments to low-income families, but this plan has been thrown into doubt. Ahmadinezhad has proposed a budget that greatly expands government spending over the next year at a time of declining oil revenue. He plans to finance this budget in part by postponing cash compensation for the subsidy phase-out and, in the long term, limiting those payments to only a portion of the revenue generated.

The president's proposed budget has drawn ridicule from economists and businessmen for a number of reasons, including its projection that Iranian state firms will be able to borrow 9.5 billion euros on international markets despite U.S. pressure. The Majlis will almost certainly make considerable changes. In any case, given the tough economic environment, the government is unlikely to make cash payments that fully compensate for the subsidy phase-out. This may pose political problems by generating unrest among those who have come to depend on the low prices. Such problems could be compounded by the higher inflation rates that economists expect to flow from the subsidy phase-out and huge budget deficit.

### **Implications for Iranian Foreign Policy**

In light of yesterday's outcome, Khamenei no doubt believes that he is firmly in control. In his anniversary statement, he warned, "Friends and enemies of the Iranian people should know that the people ... have made their decision and will destroy any obstacle before their path toward progress and prosperity."

Similarly, Ahmadinezhad has long argued that tough action -- be it against domestic opposition or the outside world -- brings results. In his speech yesterday, he defiantly stated that "every day Iran will produce in Natanz several kilos of 20 percent nuclear fuel.... We have the ability to produce...80 percent enriched uranium." His remarks illustrated that Iran's leaders link their domestic self-confidence with their nuclear negotiating tactics. It seems less likely now that the regime will feel an urgent necessity to resolve the nuclear dispute. In fact, it might adopt a tougher stand on the issue, with hardliners believing they need not endorse compromise with either the international community or the domestic opposition. And if the West and its partners soften their proposals, the regime could well interpret it as further proof that a tough stance reaps positive results. That turn of events would only reinforce the hardliners' position that Iran should plow ahead on the nuclear front irrespective of what the UN, the West, or the United States does.

*Mehdi Khalaji is a senior fellow at The Washington Institute, focusing on the politics of Iran and Shiite groups in the Middle East.*

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