

How oil price slump is squeezing Hezbollah, Iran's Shi'ite ally

by [Nicholas Blanford](#)

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([The Christian Science Monitor](#)) Hezbollah, a Shi'ite militant group, is facing a new enemy: financial austerity.

A slump in global oil prices and nuclear-tied sanctions are squeezing the group's patron Iran, which has already funneled billions of dollars to the Syrian regime. As Iran tightens its belt, Hezbollah has had to impose salary cuts on personnel, defer payments to suppliers, and reduce monthly stipends to its political allies in Lebanon, according to a wide range of political and diplomatic sources in Beirut, including friends and foes of the powerful Shi'ite party.

The financial difficulties do not pose an immediate threat to Hezbollah's political and popular standing in Lebanon. Moreover, the flow of Iranian largesse is controlled by Ayatollah Ali Khomeini, Iran's supreme leader, and isn't part of the government's oil-dependent budget.

But the belt-tightening underlines just how reliant Hezbollah is on Iranian largesse to pay its ever increasing army of fighters, as well as to bankroll its massive social welfare network of schools and hospitals upon which much of its Shi'ite support base depends.

"Salvaging the regime in Syria and fighting ISIS in Iraq have forced Iran to divert more resources away from Hezbollah at a time when the resource base in Iran is shrinking" due to lower oil revenues and international sanctions, said Randa Slim, a Hezbollah expert and a director at the Washington-based Middle East Institute.

Iran, Hezbollah's spiritual and logistical sponsor, has long provided funding for Hezbollah. Although the specifics are unknown, quoted estimates by analysts over the past decade range from \$60 million to \$200 million a year. When Hezbollah first emerged in the 1980s as a Shi'ite force in Lebanon, Iran was its principle sponsor. It has since diversified by building up an overseas network of legal and illegal

businesses.

A 50 percent crash in global oil prices since last June to below \$60 a barrel spells trouble for Iran, which based its current budget on oil fetching \$100 or more. While oil traders see a mismatch of global supply and demand driving the downturn, observers here suspect that Saudi Arabia, the world's largest producer, is deliberately manipulating prices to cripple its arch-rival Iran.

Last month, after OPEC members opted not to cut production, Iranian President Hassan Rouhani alleged a "conspiracy against the Muslim world." On Thursday, Iran's deputy foreign minister, Hossein Amir Abdollahian, told Reuters that if Saudi Arabia does not intervene to reverse the slump it would be a "serious mistake that will have a negative result on all countries in the region".

Syria as a proxy battleground

The rivalry between Iran, a Shi'ite republic, and Saudi Arabia, a Sunni monarchy, is exemplified in war-torn Syria. Tehran's support for Syrian President Bashar al-Assad has ensured its continued survival—to the frustration of Saudi Arabia and other Gulf regimes that seek Assad's ouster. For Iran, defending Assad is integral to preserving the "axis of resistance" that unites Iran, Syria and Hezbollah in opposition to Israel and the West.

A Beirut-based diplomat with extensive contacts in Syria estimates that Iran funnels between \$1 billion to \$2 billion a month into Syria to keep Assad in power. Of that, some \$500 million is spent on military assistance, mostly for the National Defense Force, a 70,000-strong loyalist militia commanded by the Iranian Revolutionary Guard Corps (IRGC), according to this diplomat and others who monitor Syria closely.

"They [the Iranians] have officially given around \$5 billion in credit, and when you consider the financial aid, military aid, discounted oil, and man hours of IRGC officials the number must be north of \$10 billion. Absent Iranian largesse, Assad would not be financially solvent today," said Karim Sadjadpour, a senior associate of the Middle East program at the Carnegie Endowment for International Peace.

Yet this largesse isn't likely to stop, despite the falling oil prices. Some analysts believe that Iran would prefer to make a deal with the international community over its nuclear ambitions rather than compromise on Syria as the economic sanctions are tied to the former rather than the latter. Iran agreed last November with six

world powers to extend through June negotiations on curbing Iran's nuclear program.

"I think people will go hungry in Tehran before Iran will cease its investments in this so-called axis of resistance," Sadjadpour said.

Discretionary spending

For Hezbollah, an important caveat is the source of its Iranian funding. The money comes from the multi-billion-dollar private resources at the disposal of Ayatollah Ali Khomeini, Iran's Supreme leader. These institutions have accumulated enormous wealth via religious donations and investments in property and commerce.

So while the institutions will be "indirectly effected" by Iran's worsening economy, "you are talking about a solid money reserve, you are talking about tens, maybe hundreds, of billions [of dollars] of reserves," said a Lebanese oil industry expert who has extensive contacts in Iran, speaking on condition of anonymity. While Hezbollah has definitely taken a hit in terms of Iranian funding, the expert adds, it is not life threatening.

"Those organizations [like Hezbollah] are kind of sacred and they [Iran's clerical leaders] are even ready to cut off any internal budget but not to touch those allocated budgets [to Hezbollah]," the expert said.

According to Lebanese sources close to Hezbollah, salaries of some managerial staff have been halved and stipends to the party's non-Shi'ite political allies in Lebanon have been slashed. In one example, a former senior Lebanese army officer who today heads a small Hezbollah-allied political faction has seen his monthly allowance drop from \$60,000 to \$15,000, according to these sources.

Graft creeps in

Compounding the cash crunch are increasing allegations of corruption within the organization. The Hezbollah-run Rassoul al-Azzam hospital in Beirut's southern suburbs, which has treated hundreds of casualties evacuated from Syrian battlefields, used to pay its suppliers every three months, one well-placed source said. Now, payments are made every six months with an Iranian official flying in specially to handle the transfers so as to prevent pilfering.

“The whole thing is falling apart,” said a Lebanese politician closely following Hezbollah’s financial problems. “It’s corruption on a cataclysmic scale.”

In 2009, Hezbollah was deeply embarrassed when a Shi’ite businessman used his close connections to the party to defraud some 10,000 investors here of an estimated \$300 million in what was a Ponzi scheme. The scandal tarnished Hezbollah’s traditional reputation for financial probity, a rarity in Lebanon. However, since its 2006 war with Israel, Hezbollah has grown considerably in terms of manpower, military might, political influence, and social programs, all of which has made it harder to manage.

“It is a price Hezbollah has paid and will continue to pay as it moves more and more into governance and as the organization grows in size and responsibilities,” said Slim, the Hezbollah expert.