

MONTHLY REPORT



# IRAN CASE FILE

AUG 2018

Your window on Iran  
from in side and abroad



**RASANAHA**  
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# EXECUTIVE SUMMARY



This report addresses the most prominent developments on the Iranian arena in August 2018. It includes three sections: Internal Affair that deals with domestic issues, Arab Affair that deals with Iran's interactions with its neighboring countries in the Middle East, and International Affair that deals with Iran's interactions and ties with key international players.

## Internal Affair

The first file deals with the ideological position of the clerics concerning Iran's livelihood crisis. They hold Rouhani's government responsible for the deterioration of living conditions and adopted inflammatory speeches to instigate the public against the government. This resulted in some demonstrators attacking one of the Shiite seminaries in Karaj city.

The second file analyzes the most important political developments in Iran during the month of August. This file is dedicated to the questioning of President Hassan Rouhani in the parliament, the questions raised by the members of parliament to the President and their responses to Rouhani's answers, also the transmittal of this case to the judiciary to reconsider such decision as well as reactions of MPs to Rouhani's questioning.

Also, this file will present the questioning of the Labor, Finance and Economy Ministers and the votes to remove them.

On the military issue, the report deals with Iran's threats to close the Hormuz Straits and the provocative message it sent to Washington if it decided to block Iran's oil exports. On the security situation, the report deals with the protests in several Iranian cities and the attacks carried out by the military against the protesters because of their anti-government slogans. The attacks resulted in casualties and injuries to protesters in several Iranian cities.

On the economic issues, the report deals with the recent economic developments in the Iranian arena during August. Particularly, the most prominent issue was the parliamentary hearing of Rouhani on the economic situation. His answers, however, did not provide any compelling answers for the current economic crisis and they only focused on the impact of U.S. pressure and its withdrawal from the nuclear agreement. Rouhani claimed that his government's performance was better than the previous

government and committed to “the Supreme Leadership’s instructions “, and his government is not afraid of America and it will not give it the chance to win. Rouhani mentioned that his government will change the public vision about their country and that there are internal political challenges hampering cooperation with the government to tackle the economic problems. Finally, he ended his speech in parliament with an unrealistic promise of solving the current crises within a few months. Nevertheless, it was not surprising that his answers to four of his five questions about the current economic crises were rejected.

Moreover, the economic file reviewed the most important sectoral developments and their implications such as the decline in Iran’s oil exports as many international oil and shipping companies have suspended their dealings with Iran because of U.S. sanctions. Similarly, some countries announced a cut in their oil imports from Iran –in an attempt to halt them completely in November. The European and international banks’ capital no longer goes towards investments in Iran. Under these circumstances, the Central Bank of Iran has stopped using foreign currency at the official price, resulting in a shortage of foreign reserves. Some of the macroeconomic indicators in Iran show high rates of unemployment and inflation, as well as, depreciation in the local currency.

### Arab Affair

This section deals with the latest developments and the future of Iran’s role, in the light of its efforts to reinforce its military and economic presence in Syria after ISIS and Idlib. This is related to the visit of the Iranian Minister of Defense and the Assistant Minister of Roads and Construction to Syria in August and the increase in financial support for its militias in Syria. This section presents the elements which influence Iran’s behavior such as the Russian-Iranian-Israeli deal, the American moves, and threats against Iran in Syria, the succession of Israeli raids against Shiite militias, the Russian-Iranian conflict over spheres of influence in Syria, and the return to the political path on the basis of the Astana talks. Finally, this section deals with the future of Iran’s role in Syria by focusing on the obstacles of its withdrawal.

Finally, this section discusses the Yemeni National Army advance, backed by the Arab coalition forces to support legitimacy in Yemen under the leadership of Saudi Arabia, the ballistic missiles launched by the Iranian-backed Houthi militias inside Saudi territory, and the U.S State Department’s escalation against the Iranian regime, as stated by US officials.

### International Affair

This part of the report is dedicated to Iranian-American developments in August 2018, especially after the first part of the U.S. sanctions came into being, which increased tensions between the countries because of their unyielding views towards negotiations. The first part deals with the U.S. State Department’s working group on Iran, that has been adopted to add more pressure on Iran, by reviewing the nature of the sanctions and their impact on the Iranian regime. The second part focuses on Iran’s moves to cope with American pressure by adopting internal policies to resist the repercussions of the sanctions or intensifying its endeavors with European and regional partners to maintain their positions by sticking to the nuclear agreement or with economic cooperation with Iran.

may suggest that there are items which could harm Iranian interests for the sake of maintaining the Iranian-Russian military alliance, on the account of Iran’s previous demands on its share in the Caspian riches.



# INTERNAL AFFAIR

## Ideological File

Clerics and defending the people against  
oppression

The consecutive popular uprisings and continued protests that the Iranian street has witnessed for several months because of severe economic conditions, several clerics blamed the government for the deteriorating situation, calling on Rouhani to take decisive measures. They issued messages to reassure the people that the clerics are siding with them against the soaring prices and rampant corruption. They called on the security apparatuses not to intervene to suppress those protesting the severe economic situation in Iran.

Cleric Jawad Amali said in a meeting with senior commanders of the security apparatuses in eastern Tehran that the prime mission of the security forces is to safeguard the state and not to intimidate the people. He said that the utmost priority should be safeguarding the state. He added silencing the people through oppressive tactics will be counterproductive. Therefore, the people should be calmed down, not silenced. There should be a line drawn to distinguish between calming the people and silencing them, calmness, which is a mainstay for people, should be fostered within society.<sup>(1)</sup> The interim leader of Friday prayers in Tehran Ayatollah Mohammed Imami Kashefi called for cracking down on monopolists in the economy, asserting they should be called to account.<sup>(2)</sup>

Kashefi was not the last one to speak on the issue, other fellow clerics in Qom, during Friday sermons, and by statements, blasted the government's failure to provide the economic conditions for a decent life as well as the economic security for the state. They called on the judiciary to accelerate measures aimed to fight economic corruption. Noori Hamedani, Makarem Shirazi and, Safi Gilbaijani warned of the consequences of the current economic situation. Noori Hamedani said the government's mismanagement is to blame for the biggest portion of the current economic crisis. He called on the government, to provide the conditions of a decent living standard. But his demands went unheeded. On his part, Makarem Shirazi called on the government to earnestly stand up to corruption. Gilbaijani asserted the necessity of speedily resolving the economic problems of the people. He wondered whether the time has not come for



officials to pay heed to the poor economic conditions and help the poor overcome their hardships. He pointed, during his meetings and statements, to the issue, asserting that living conditions are getting harder for the greatest part of the people and economic volatility, soaring prices, unemployment, divorce, and moral decadence are on the rise. He said bribery and other forms of vice have become routine in some governmental departments which are mainly tasked with enforcing rights and justice.<sup>(3)</sup>

Based on the above remarks, the clerics seem to have a strategy to hold the government responsible for worsening living conditions. The strategy aims to exonerate the ruling religious elite of any responsibility for the economic crisis. This can be deduced from the remarks made by Jawad Amali last May to which we have pointed. It has been tacitly agreed, among clerics, to contain the public outrage and circumvent their core demands related to the religious elites failure and the dictatorial role they play by repressing freedoms, destroying the economy and wasting the resources of the state. This was echoed in the remarks of the Iranian thinker Sadiq Ziba, who said, “The radical fundamentalists are repeating the same mistake of last December, which means that they want to lead the people and youth to more anger and rage due to unemployment and the bad economic situation. The move is aimed to show up Rouhani’s government, making it appear responsible for the deteriorating situation. They say that all the anger and hate should be unleashed on the government”. He noted that the fundamentalists did a similar thing last December in Mashhad. They even took the matter to the Supreme National Security Council over the protests that broke out in Mashhad against the soaring prices. And they seek to do the same thing now.<sup>(4)</sup>

In addition to criticizing the economic crises of the state, there is another reason that pushes the religious elite to accuse the government of failure: the erosion of the Islamic Revolution’s model of governance. When the state was Islamized at the hands of Khomeini and his comrades, he laid out fluid and progressive visions about the Islamization of state and society. This Islamization policy included the economic sectors. Thus, any collapse of the economic model being implemented represents a severe blow to the system of governance and its philosophy. But the clerics want to show that neither the government nor the ministers are fit for implementing this Islamic economic model. They said the government is the only party to blame for the economic failure.

## Political File



### **The face-off between parliament and Rouhani's government**

Over the past few years, the Iranian government has managed to convince parliament to cancel requests by members of parliament to question President Rouhani and a few his ministers, especially those involved in the economic sector, though the quorum was sufficient to question the president and members of his cabinet.

But it seems the government failed this time to convince lawmakers to retract their motion to question it. This came following a heated political exchange between the government and lawmakers due to the dire economic crisis, especially in the past few months. This came after the US pulled out of the nuclear deal and the re-imposition of economic sanctions on Tehran.

Lawmakers unite to interrogate Rouhani.

In interrogating Rouhani, the lawmakers invoked article 88 of the Iranian constitution which states, "Whenever at least one-fourth of the total members of the Islamic Consultative

Assembly pose a question to the President, or any one member of the Assembly poses a question to a minister on a subject relating to their duties, the President or the minister is obliged to attend the Assembly and answer the question. This answer must not be delayed more than one month in the case of the President and ten days in the case of the minister, except with an excuse deemed reasonable by the Islamic Consultative Assembly."

### The lawmakers' questions

Approximately 94 lawmakers came forward with a request to pose a question to Rouhani in his capacity as President of the republic and the government. They asked him the following questions:<sup>(5)</sup>

- » Why has the government failed to curb the smuggling of goods?
- » What are the reasons behind the continuation of sanctions on Iranian banks?
- » Why is the government unable to take measures aimed to curb unemployment?
- » Why has stagnation hit the economy after the European firms withdrew from Iran?
- » Why has the national currency declined against foreign currencies?

### Rouhani's options

As Rouhani appeared before the lawmakers to answer their questions, he faced many dilemmas, as any of his answers to the lawmakers' questions could stir a big deal of controversy given the delicate juncture through which the country was going. This controversy could be stirred in the lawmakers themselves or in the people who are awaiting answers and urgent solutions to the economic crisis. On the one hand, Rouhani was well-aware of the fact that if he repeated his justifications about the crises facing the country, he may be faced with a strong reaction from the people and its representatives in the parliament. All of them expected



clear answers based on facts. But if he wanted to be truthful and blame other Iranian apparatuses and their role in the deteriorating situation, this could get him into trouble with the hardliners such as the Supreme Leader and the IRGC.<sup>(6)</sup>

Before answering the questions, Rouhani called on both what he called friends and enemies not to consider his questioning as a sign that there is a dispute between the government and parliament. He then moved on to speak on the issue of a 'crisis of confidence' that has developed because of US sanctions on Tehran, wondering about the reasons behind this crisis so the regime is able to overcome the difficult situation through which the country is going. He called for speaking to the people in a way that regained their confidence in the government.<sup>(7)</sup>

As he responded to the five questions brought forth by the lawmakers, Rouhani defended the economic performance of his government. He attributed the crises hitting the country to the conspiracies hatched by Washington against Tehran. He also cited the sanctions imposed by the US on the country. Instead of speaking of the true reasons behind the US withdrawal from the nuclear deal, he shifted the blame onto the Iranian citizens who took to the streets to protest the deteriorating economic conditions post US withdrawal, denying any responsibility from him or the regime for that move. He sought to woo the lawmakers by attacking the White House. He pledged to face the

economic challenges and defeat the enemies of the country within the White House, as he put it.<sup>(8)</sup>

Rouhani's responses and his staunch defense of the government's performance were not convincing for the lawmakers. But his answer to the question on the reasons behind US sanctions on Iranian banks was somewhat convincing. Therefore, the whole matter was referred to the judiciary. For this decision, lawmakers invoked Article 213, which states, "In case the lawmakers find themselves unconvinced by the answers of the president, that he overstepped and violated laws while assuming his duties and that he refrained from his powers and to resolve these issues, the whole matter should be referred to the judiciary."<sup>(9)</sup>

But the parliament retracted the move after deliberations between the lawmakers and the parliament's presidential body under the guise that Rouhani had not breached the law.<sup>(10)</sup>

It seems the Supreme Leader Ali Khamenei who plays a pivotal role in striking a balance between the political currents had no desire to heighten pressure on Rouhani unlike the ministers of labor and economy who were impeached. This comes despite the fact he leveled harsh criticism at Rouhani and his economic performance. He said, "Rouhani should stay in power to prevent the country from sliding into chaos. And his government should strongly perform its duties and solve the country's problems."<sup>(11)</sup>

### Reactions to interrogating Rouhani

When it came to the issue of interrogating Rouhani, the lawmakers' reaction varied. And the issue found great interest among the Iranian people, who continued to monitor the economic and political developments through which the country is going. The lawmaker's affiliations and their loyalties to the different political trends impacted their position on Rouhani's interrogation.

» Some believed that Rouhani is the one who should interrogate others for the current economic situation in his capacity as president of the republic. But others believed only Rouhani is the one to blame for the dire situation in the country. Also, they said the heads of the legislative and judicial branches, as well as the hardliners who put obstacles in the path to the nuclear agreement and caused its cancellation, are responsible for the suffering of the people and the worsening economic crisis that the Iranian regime has been facing for years.<sup>(12)</sup>

» Rouhani's supporters believe that when he came to the presidency, Iran was faced with Chapter VII of the United Nations Charter, as well as six Security Council resolutions, but Rouhani made great efforts at that time and reached an agreement with the major powers on its nuclear program. This agreement saved the country from sanctions and improved the economic situation and the relationship with the international community. Were it not for the destructive role played by the hardliners, the situation would have continued to improve. Therefore, Rouhani's advocates see that the interrogation was a suitable opportunity for the president to speak of the role played by the hardliners in making the country slide into its current quagmire. Also, he could seize the opportunity to defend himself before the people.<sup>(13)</sup>

» Others believed that the accountability of Rouhani is a parliamentary right. But this step is inappropriate now because it will undermine efforts to counter the international pressure on Iran and will not be in the interest of the Iranian regime. This questioning, according to them, is nothing more than a political score-settling game. And it is not aimed to find solutions to the current crises.<sup>(14)</sup>

» A fourth group believed that the economic problems that the state and government are facing are so complicated that they will not be solved after convening a hearing to question Rouhani or by impeaching some of his ministers. The problems are of an international and political dimension.<sup>(15)</sup>

### Interrogating the ministers of labor and economy



» Before interrogating Rouhani, the Iranian parliament posed questions and presented a motion of no confidence in the Minister of Labor, Cooperation and Social Welfare Ali Rabei and the Minister of Economic and Financial Affairs Masoud Karbasian.

» On August 8, 2018, the Iranian parliament posed questions to the Minister of Labor, Cooperation and Social Welfare Ali Rabei. After listening to clarifications from the minister and posing questions to which he responded, 243 lawmakers voted to decide whether Rabei was fit to remain in his position. About 129 lawmakers

voted to withdraw confidence from Rabei, 111 lawmakers voted in his favor and three lawmakers abstained. Thus, Rabei was removed from office.

The second minister, who was removed from office after the parliament refused to renew its confidence in him, was the Minister of Economic and Financial Affairs Masoud Karbasian. About 137 lawmakers voted in favor of the no-confidence motion, while 121 voted against and two abstained.<sup>(16)</sup>

### Axes of interrogating the Minister of Economic and Financial Affairs

The ministry's non-commitment to its mission when it comes to the banking sector, not implementing the plans declared by the minister after he won confidence of the lawmakers, the lack of sound governance and the inability to make the right decisions which could help bring the economy back on track, inefficiency in preparing and implementing financial and economic policies, the lack of a fair tax system, which resulted in productive units and lower-income segments bearing most of the tax burden, and finally the minister's lack of interest in the resistant economy led lawmakers to withdraw their confidence from him.<sup>(17)</sup>



The weak performance of some ministers may have caused part of the country's stifling economic crisis. But the Iranian regime in general and particularly Rouhani's government appear to deliberately use the two ministers (and possibly other ministers in the future) as a scapegoat to contain the mounting public anger. This anger is rising due to the deteriorating economic situation and it is posing a threat to the future of the regime, not only the government.

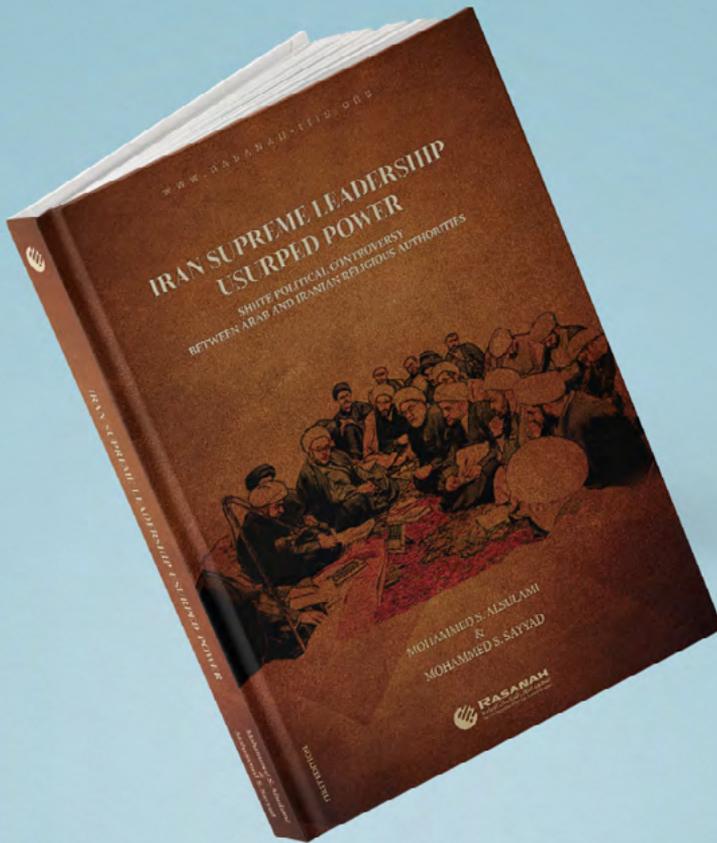
Rouhani, who has been urged to change his economic team over the past few months, may have given the green light to lawmakers loyal to him to support a no-confidence

motion against the ministers of labor and economy. The aim may have been to ease the mounting pressure he is being subjected to and protect himself before being interrogated in parliament.

Although all the political currents agreed that there is a need to address the economic crisis and the US withdrawal from the nuclear deal, as well as, the subsequent sanctions, the issue of impeaching the ministers of labor and economy as well as questioning Rouhani may be nothing more than a new link in the series of the historic conflict between competing political currents. And we cannot consider that these political currents may have risen above their differences due to the severe crises hitting the country. The fundamentalists could seek to trim the powers of Rouhani in the future, not because the position of the Supreme Leader in supporting his right to stay in power until the end of his term has changed, but because the hardliners want to shift the blame for the dire conditions in the country to Rouhani and the reformists.

# IRAN SUPREME LEADERSHIP USURPED POWER

Shiite Political Controversy Between  
Arab and Iranian Religious Authorities



Mohammed S. Alsulami & Mohammed S. Sayyad



## Military and Security File



### Iran sends a message to Washington in the Hormuz Strait

Considering the tensions between Iran and the United States and the re-imposition of US sanctions, the Revolutionary Guards have confirmed that Iran will not remain idle and there will be a firm response from the Iranian government. The Spokesman for the Revolutionary Guards, Ramadan Sharif, said Sunday, August 5, 2018, that “exercises were conducted to control the safety of waterways in the framework of the implementation of the annual program of training the Revolutionary Guard,” according to Fars news agency.<sup>(18)</sup> “These maneuvers were conducted under the supervision of the Revolutionary Guards Commander, Mohammad Ali Jafari, who stressed the need to maintain and strengthen the overall defense capability to ensure the strategic security of the Strait of Hormuz and the Gulf, and to respond appropriately to potential threats from enemies.”<sup>(19)</sup>

Iran is preparing to close the Hormuz Strait, through which a third of the world’s oil supplies are exported, and to conduct huge maneuvers in the Arabian Gulf and the Gulf of Oman. This comes because of escalating tensions in the region, US officials said, including William Urban, Spokesman for the US Central Command. Tensions have risen with Washington after US President Donald Trump imposed economic sanctions on Iran. This has caused concern for some countries in the region, particularly Israel, whose Prime Minister Benjamin Netanyahu announced that his country would not tolerate Iran if it closed the Hormuz Strait. Urban said that the United States, in cooperation with its allies in the region, is currently seeking to strip Iran of its influence



in the Middle East to ensure freedom of navigation and the flow of merchant ships without being harmed. The presence of US troops and training in the Gulf has been a concern for Iran, prompting Iran's Foreign Minister, Mohammad Javad Zarif, to criticize the presence of US troops in the Gulf through his Twitter account. "What are these forces doing seven thousand miles from their territory? He added that Washington has lost credibility in the region and that even its allies in the region do not trust it.<sup>(20)</sup>

The conflict on Twitter between Trump and Rouhani intensified after Trump warned that the United States will no longer tolerate the Iranian regime's threats. He stressed that his country would not tolerate any military recklessness by Iran that could pose a threat to the region or the flow of trade, such as closing the Strait of Hormuz. Hours after Trump's comments, Rouhani threatened that the war with Iran would be the mother of wars. He added that there are no forces capable of curbing the influence of Iran in the region, whether the United States or any other nation, saying that Tehran has stronger and more dangerous cards



than closing the Strait of Hormuz.

According to the CNN, many US officials believe that Iranian military exercises on sea routes pose a threat for two reasons. They come at a time when relations between the US and Iran are witnessing their lowest point and these exercises are bigger than the preceding ones. CNN said Washington expected the naval fleet, involved in the military exercises, to have 100 naval vessels, most of them small boats, as well as air and naval forces.

Iran has reactivated using speedboats to conduct naval patrols near US vessels. Iran quit this tactic when Trump took office since he threatened to firmly respond to any provocations. There are many questions about Iran's intentions to close the Strait of Hormuz as it is fully aware of the strength of the United States and its allies, particularly their military might in the region. This could be clear in the remarks of US military officials. A retired Navy admiral told CNN, "If Iran chooses to close the Strait of Hormuz militarily; the United States and its allies in the Arabian Gulf will be able to open it within days."<sup>(21)</sup>

James Jeffrey, a former US ambassador to Turkey who now serves as an expert at the Washington Institute, previously told Business Insider that Tehran was bluffing about closing the Strait of Hormuz to rattle markets and raise the price of oil. "They're doing this to spook consumers," Jeffrey said.<sup>(22)</sup>

### Protests hit Iranian cities

After a record drop in the Iranian currency against the US dollar, large popular protests broke out on the streets of Iran on Saturday, August 4, 2018, resulting in the death of one person in the city of Karaj (a suburb of Tehran). This prompted the city's officials to impose military rule. According to videos posted on social media and the Voice of America, protesters appeared to have staged demonstrations in the cities of Karaj, Tehran, Qom, Shiraz, and Ashtard on Saturday evening. The protesters expressed their dissatisfaction with the current regime by chanting slogans on the Hafiz Bridge in Tehran, shouting 'the Iranian dies but he cannot accept humiliation' and 'death to the dictator.'<sup>(23)</sup>



One of the most popular videos was the video of the protest in the Jühdesht district of Karaj, biggest of its kind in the region. It lasted for several consecutive nights. It involved harsh anti-government clashes and chants. A video from the Yavatabad region showed the real suffering of the people and drew the attention of the international community when the protesters tried to gather in Wank Square. But they were prevented by the officers deployed across the area.

Death and arrest of protesters in Iran amid deteriorating economic conditions

These Iranian protests are no different from those that preceded them. As is usual in Iranian politics, instead of listening to the basic demands of the street, the state

resorted to military confrontation as a policy of repression, resulting in victims who were unlawfully killed and many arrested on charges of “rioting.” The most shocking example of repression is what was seen on Saturday, August 4<sup>th</sup>, 2018. A protester in Karaj area was killed by a live bullet. Others were wounded in the clashes. The Iranian police have so far failed to identify the shooter who killed the 26-year old innocent protester after he received several gunshots in the back. He died immediately. Karaj’s public prosecutor Haji Reza Shakrami explained that the identity of the perpetrator is still unknown.<sup>(24)</sup>

### Protesters arrested

#### As for the arrests, several Iranian newspapers,

including the reformist paper Sharq, reported that the Iranian government made many arrests. The arrest cases, where the accused were handed sentences, include the Fine Art student Parsia Refai. She is 21. And she studies at Tehran University. She faced charges of participating in protests aiming to damage national security, spreading anti-regime propaganda, and throwing the regime into chaos. She was sentenced to seven years in jail. But according to her lawyer, Said Khalili, through his Twitter account that the verdict was “unjust and exaggerated”, adding that the accusations leveled at his client regarding her participation in activities harming national security were baseless. He indicated that the protests in which his client participated was against the Students’ Federation regarding students’ entrance to their dormitories, thus the protests were within the rights and laws enshrined in the constitution.<sup>(25)</sup>

The protests spread across several Iranian cities. They started on the streets of Isfahan’s Shahpur city and within a week expanded to the streets of Tehran. From Tehran, the protests’ momentum led to Qom, the religious capital of the country. The city saw mass protests and outrageous chants against the regime. Among the slogans heard frequently at the protests were ‘O Khamenei...feel ashamed and go out’, ‘speak up O Iranian’, ‘death to the dictator’ and ‘death to soaring prices’ and other similar chants.

As a result of the increasing protests in several Iranian cities, especially in Jowhar Dasht in Karaj, military officials resorted to the use of military force. Some considered this as military rule by the government. This military action defied Iran’s regulations and Article 79 of the constitution, which stipulates prior approval by the parliament in the event of war or the state of emergency.

In the wake of mounting protests in the Iranian street and sharp clashes between protesters and police officers, particularly the Basij forces, the US Secretary of State Mike Pompeo tweeted in Persian. He said that the US government supports the Iranian people, who have been sidelined by their government and hopes Iranians will enjoy the taste of freedom.

Shiraz, a city in the south of Iran, also saw huge protests. But the gatherings did not last for a long time due to police repression. The protesters chanted slogans against clerics before being attacked. Iranian protests over the past six months have unfolded dramatically in many Iranian cities, with protesters expressing their dissatisfaction with the current regime, the country’s officials, politicians, and reformist activists. This comes in view of the austerity they have suffered because of the economic crises and international sanctions imposed on the country. They chanted slogans that reflect the pain they are living through such as ‘O Shah Reza...come back to life’...O reformists and fundamentalists...it is over.’<sup>(26)</sup>

## Economic File



### The indications of the questions posed to Rouhani on the dire economic situation

The deterioration of the economic conditions coincided with the re-imposition of US sanctions on Iran and this led to mounting discontent against Rouhani's government. This discontent moved from the popular level to the level of control. The Iranian street's dissatisfaction with the economic situation can be seen clearly in the many protests held by the youth and other segments in recent months. These popular protests have been led by workers as well as bazaaris.<sup>(27)</sup> Criticism has been directed to Rouhani himself and questioned before parliament on the deteriorated economic situation. This happened on August 28. He was asked five questions on the economic crisis. But his answers were not convincing. The following are the questions and an analysis of Rouhani's answers and the indications of his words:

#### First: The questions posed by parliament to Rouhani

The Iranian parliament posed five questions to Rouhani.<sup>(28)</sup> The questions focused on the economic crises engulfing Iran. The questions were as follows:

**Question 1:** Why did the government not succeed in controlling the smuggling of goods, which is one of the most important factors in paralyzing national production?

**Question 2:** What is the reason for the continuation of the banking embargo, even though more than two years have passed since the implementation of all the commitments of the nuclear agreement?

**Question 3:** Why does not the government take appropriate actions to reduce excessive

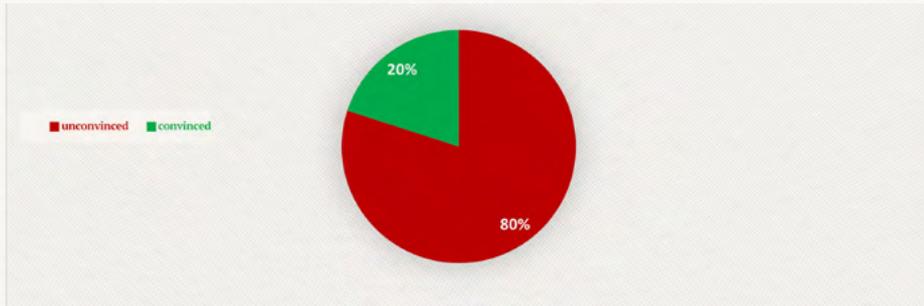
unemployment?

**Question 4:** What is the reason for the economic recession that has been going on for years despite the promises that the recession is over?

**Question 5:** What is the reason for the rapid rise in foreign exchange rates and the very low price of the national currency?

The percentage of the lawmakers who were convinced versus those that were not convinced with Rouhani's answers on the economic situation can be seen in the below chart;

*Chart (1): The percentage of the lawmakers' conviction with Rouhani's answers*



### **Second: A breakdown of Rouhani's answers to the five questions**

Rouhani's answers centered on two main axes: speaking of his accomplishments since he took power and being committed to the directives of the Supreme Leader as well as presenting the internal challenges and external pressures put on the economy.

1- In his answer to the questions related to the government's failure to curb the smuggling of goods, currency decline and the continuation of sanctions on banks, Rouhani denied the government's failure to carry out its mission, citing a decline in smuggling operations. He said imports declined from \$ 25 billion in 2013 to \$ 12.6 in 2016.<sup>(29)</sup> As for the embargo on banks, Rouhani spoke of the role of the nuclear agreement in opening Iran's banking relations with the outside world, bringing in \$ 22 billion from abroad in foreign investments. Also, He said that keeping Iran on FATF's (Financial Action Task Force) blacklist hindered banking dealings between Iran and the world. He noted that the government has made great efforts to remove Iran from the blacklist. But it needs the legislative and judicial authorities to assist. This was an attempt to blame these two authorities. He avoided speaking about the billions of dollars smuggled out of the country by Iranians following the nuclear deal. Iranians bought real estate assets in neighboring nations such as Turkey. Rouhani ignored the fact that the foreign investments signed by Iran attracted cautious investors who were on the lookout for new sanctions on Iran, which have already been implemented.

2- On the reasons behind the government's failure to reduce the unemployment rate, Rouhani cited two reasons 1- difficulty in employing foreign investment because of political instability<sup>(30)</sup> 2- and a saturated labor market. There have been 700,000 job opportunities from 2015 to 2017, according to Rouhani. And those joining the labor market were about 936,000 per year during the same period. He pointed directly to the role of previous governments in increasing unemployment. "The unemployment rate now stands at 12.1 percent, which is a very big figure. And if the 11<sup>th</sup> and 12<sup>th</sup>



governments, installed during the two presidential terms of Rouhani, followed in the footsteps of the previous government, the figure could increase to 22 percent or even more.” It seems that he turned a deaf ear to the remarks of the Head of the Parliamentary Labor Committee Mohammad Reza Badamshi when he revealed that the unemployment rate for some age groups reached 28% (between 15 and 29 years).<sup>(31)</sup>

3- On the economic recession and the sharp decline in the national currency, he denied there is such a recession and defended the performance of the government on the economy. He said that economic growth did not register any negative figures but at the time when the government took office in 2013, while the economy saw growth rates in 2016 and 2017. He denied that an economic recession still exists. Even if this is true statistically, the fruits of growth have not trickled down to the Iranian street. Rouhani attributed the decline in national currency to psychological factors, financial speculation, external pressures, from the US administration, and the decline of Iranian oil exports since mid-2018. He avoided speaking on inflation, given parliament did not pay much attention to this point.

### **Third: indications of Rouhani’s answers**

There are five main indications that can be inferred from the responses of Rouhani during the parliamentary hearing, which are as follows:

#### *1-Seeking a boost from the Supreme Leader*

During the hearing, Rouhani repeated the words of ‘at the directives of the Supreme Leader’ at least three times during his televised speech. He alluded to the same terms as ‘the directives and recommendations of the leadership’ as if he wanted to tell the lawmakers that their criticism of the government will surely include the Supreme Leader as the government performs its duties based on the full knowledge and blessing of the Supreme Leader.

#### *2-The lack of a realistic vision and shifting blame to internal and external challenges*

Rouhani’s speech revealed he is detached from the realities of the economic crises experienced by the Iranians. He may have turned a blind eye to it to improve the image

of his government. Moreover, his vision on the timeframe needed to overcome this economic hardship, that has been biting Iranians for years and even before the nuclear agreement fell apart, was unrealistic. These crises did not cease after signing the nuclear deal. Therefore, is this government able to resolve these crises in the span of months as Rouhani has promised? In this respect, he says, “We must talk to the people in the right language so that the people are convinced that Iran’s problems will be resolved within a few months, we must explain to the people that we will overcome these problems through the directives of the leadership and coordination between the three branches of power and the armed forces.”<sup>(32)</sup>

During his speech in the parliament, Rouhani spoke of the role of the previous governments in exacerbating the crises such as unemployment, citing the lack of cooperation by the branches of power and political currents with him. He pointed to the negative impact of US sanctions on the financial resources of the country. There is no question that he is right about the impact of US sanctions, although the last package only started a few weeks ago and its full impact has not been felt yet.

### *3-Lack of parliament’s realization of the economic problems or a desire for political forestry*

This appeared in the question posed in parliament on the reason behind the continuation of the economic recession. In his answer to the question, Rouhani stated that a recession means negative growth in the Gross Domestic Production (GDP) for at least two or three years, which has not happened since the beginning of 2016.

But, the media always confuse between the decline in growth rates and the recession, a mistake that the lawmakers should not follow as it should include academic elites of high knowledge. This question suggests whether the parliament lacks these elites or there is a desire to put the president in an awkward situation through conveying a message that the people feel nothing but the economic recession in their everyday life even if the economic indications suggested otherwise.

### *4-The decline in the people’s confidence Rouhani*

It seems that along with the parliament, the public was not convinced with Rouhani’s justifications for the economic performance of his government.

A poll conducted by Entekhab website showed that nearly 88 percent of Iranians, who visit the site, were not convinced with Rouhani’s answers. More than 40,000 respondents partook in the poll. Only 22 percent were convinced with Rouhani’s clarifications on the economic situation.<sup>(33)</sup>

The reformist activist Sadiq Ziba Kalam, mocking Rouhani’s answers, wrote on his Twitter account that, “It is true that the country has suffered a water crisis, but the president managed during each calamity to bring a pot of clean fresh water with him to the parliament. He has courageously managed to throw it over the hopes and aspirations for months.”<sup>(34)</sup>

From the foregoing, we conclude Rouhani is under pressure due to the deteriorated economic situation in general. He failed in bringing forward convincing answers about the reasons behind the ongoing crisis. His answers revolved around the impact of external pressures and US withdrawal from the nuclear deal, stressing that the performance of his government is far better than that of its predecessors and that all that the government has been doing was at the directives of the Supreme Leader. He pointed to the change in the people’s vision and confidence when it comes to Iran’s future. Rouhani stressed that there are internal political challenges that hindered cooperation between the government and other apparatuses to address the economic problems. His

speech was concluded with an unrealistic promise to resolve the ongoing crises within several months. So, it is no surprise that the parliament rejected his answer on four questions out of five posed to him during a hearing on the ongoing economic situation.

### Developments in other sectors this month

Due to increasing tensions at home after a new package of US sanctions, it was necessary to impeach some government officials. The first one was the Minister of Labor Ali Rabei. Then the Minister of economy Masoud Karbasian was fired.

It is possible that those officials will not be the last ones to be impeached in the government, especially after the imposition of the second package of US sanctions which will take effect as of November. Tallies, including the official and foreign ones, suggest that several sectors are being hit by dire economic conditions.

On the oil sector, Iran's oil exports in August saw the highest decline compared to the last four months. In the first half of August, it decreased by 600,000 barrels per day. The total exports reached 1.68 million barrels per day, a decrease of 20% from the same period in July and 62% compared to May, with exports estimated at 2.7 million barrels per day.

Some experts predict that exports in early November will reach 800,000 barrels per day. The sharp decline is due to the suspension of major international oil companies from buying Iranian oil, such as France's Total, Royal Dutch, and others. Many international companies have refused to ship, transport or insure Iranian oil. India and China's imports of Iranian oil reached their lowest levels in August, as shown in the following table:<sup>(55)</sup>

*Figure (1): China and India import of Iranian oil  
(in thousand barrels per day June to August)*

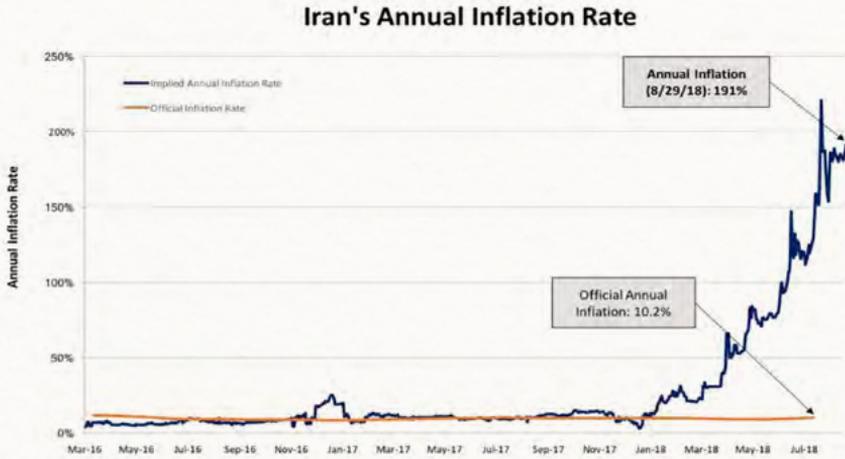
| Destination | August  | July    | June    | May     |
|-------------|---------|---------|---------|---------|
| China       | 615,688 | 799,452 | 722,100 | 751,645 |
| India       | 203,938 | 706,452 | 670,433 | 710,936 |

Source: *forbes.com*

According to Reuters, statistics indicate a decline in European purchases of oil from Iran estimated at (35%) in August compared to last April. And a 50% drop in Japan's purchases, expected to reach 100% by mid-September.<sup>(56)</sup> It would have been possible to drop the rates of oil exports to record levels much higher than now if it weren't for some countries that have invested in purchasing Iranian oil at reduced prices such as Italy and Greece as well as Turkey.<sup>(57)</sup>

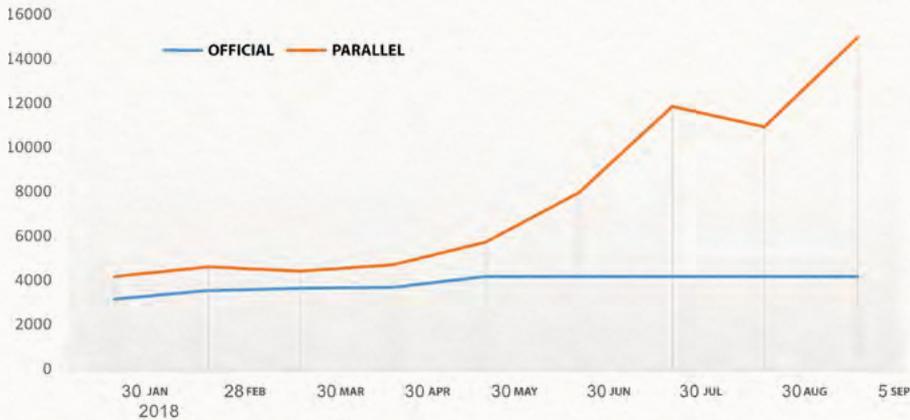
As for unemployment and inflation rates, the number of unemployed reached about 20 million in the age group of 15-25 years. According to the Chairman of the Iranian parliament's Manpower Committee, the unemployment rate was 28%.<sup>(58)</sup> On the other hand, Professor of Economics at Johns Hopkins University Steve Hank noted that inflation in Iran has reached its peak. It hit 191% in late August, disputing the figures presented by the official authorities in Iran as it is shown below:

Figure (2): Official and non-official inflation rates in Iran (March 2016-August 2018)



Regarding foreign currency, the rise in prices continues month after month against the local currency, especially dollar prices. By the end of August, the dollar’s exchange rate reached 10,000 Tomans. It rose to 15, 000 Tomans on September 5- as shown in the following figure.

Figure (3): Dollar exchange rates against the toman (January-September 2018)



Prepared by the Unit of Economic Affairs at the International Institute for Iranian studies  
 Source: The Central Bank of Iran

Due to the rise in the dollar’s exchange rate against the toman, the Assistant Minister of Roads said that the Central Bank can, from now on, pay for airlines companies by foreign currency with the government pricing. He called on those firms to resort to the

market to secure their needs of foreign currency. This threatens the aviation sector and could lead airlines to suspend their activities. It is worth mentioning that the Central Bank of Iran has stopped the payment of foreign currency at the government exchange rate to airlines for almost a month.<sup>(39)</sup>

When it comes to foreign investment, banks in the European Union, Japan, and South Korea suspended their activities with Iran, according to Organization for Investment of Iran. Although no European bank has officially declared non-cooperation with Iran, some banks have suspended their financial activities with Iran. Therefore, the possibility of Iran benefiting from foreign investment is diminishing.<sup>(40)</sup>

### Future Vision

Addressing the economic crises in Iran will need a long time, not only a short period or merely several months as Rouhani pledged during his parliamentary interrogation. There are radical problems that remained unresolved even during the two years of implementing the nuclear deal. These problems include corruption, smuggling, the involvement of military institutions in economic activity, and wasting financial resources on external expansionist projects at the expense of a crisis-ridden economy. This crisis is not a spur of the moment nor was it caused only by US sanctions, even if the latter has a role in aggravating it. As the aforesaid factors will remain unchanged, the change, when it comes to impeaching ministers and officials, will be a change in the face only.

## INTERACTIONS OF EVENTS

### Ideological aspect

- » The Friday prayer leader in Hamadan calls for solving the economic crises. The Friday prayer leader in Kermanshah said the dire economic conditions in the country are more harmful than US sanctions.
- » The Mashhad Friday prayer leader Ahmed Alam Huda calls on the public to protest against corruption. A number of students responded to his call and held a demonstration demanding the judiciary to deal firmly with corruption.
- » Mostafa Abdi, Gonabadi Dervish minority advocate, was sentenced by a court to be flogged, jailed and exiled. He is one of the directors of Majzooban Noor.
- » Protestors attacked a seminary in the Karaj city of Alborz Province.
- » A group of clerics demonstrated at the Al-Faydia school in Qom.

### Political aspect

- » Rouhani accepted the resignation of Mohammed Baqir Nobkht as a spokesman for the government after his appointment as Head of the Planning and Budgeting Authority.
- » The Deputy Speaker of the Iranian Parliament Ali Motahri holds the opponents of the nuclear agreement responsible for the crises hitting the country.
- » Iranian lawmakers call on Rouhani to prevent the army's intervention in the country's foreign policy.
- » Tensions erupt in the Iranian parliament during the discussion on revoking the house arrest imposed on Mir Hossein Mousavi, Mehdi Karroubi, and Zahra Rahnword.

### **Security and Military aspects**

- » U.S. Think Tank: Iran possesses the biggest missile stockpile in the Middle East which concerns regional countries
- » The Head of Basij forces declared that the first phase of Ashoura maneuvers has started
- » The Chiefs of Staff of Syrian, Russian, Iraqi armies meet
- » 12 names are submitted in the case related to importing cellular phones. The main charge is spreading mischief in Iran.
- » An armed cell is neutralized in the southeast of the country

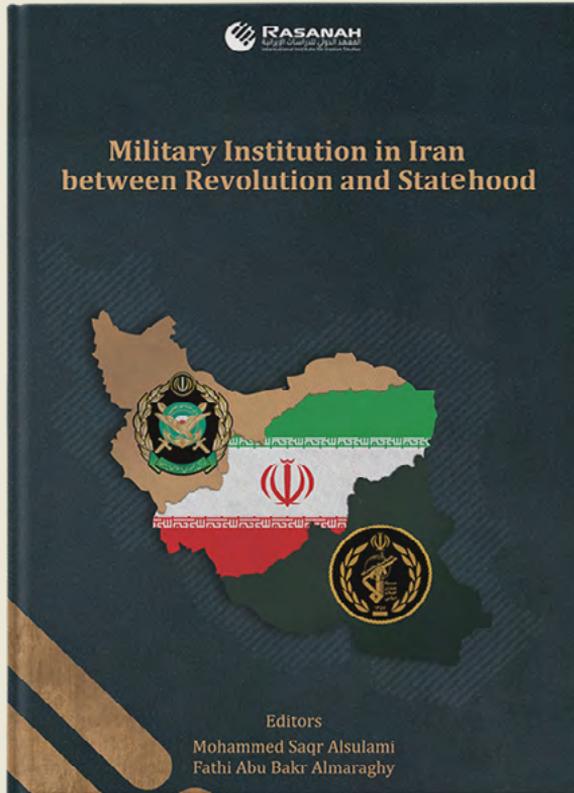
### **Economic aspect**

- » A preliminary roadmap agreed to increase the volume of trade between Iran and Turkey to \$ 30 billion.
- » The price of foreign flights from Iran has increased by two to three times as a result of the government-backed dollar halt.
- » Raising interest rates on deposits in foreign currencies and the largest share was for the US dollar to attract Iranian savings.

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## Military Institution in Iran between Revolution and Statehood

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## ARAB AFFAIR

**The** Iranian regime ignored regional and international calls to change its destabilizing expansionist strategy in the Middle East. Stemming from its ideological, economic, political and historical perspectives, Iran seeks to expand its sphere of influence in its target countries, particularly Iraq, Syria, Lebanon, Yemen and parts of the Arabian Gulf- which are geographically close and includes several Shia enclaves serving as a bedrock for Iran's expansionist strategy. Therefore, Iran has entrenched its economic and military presence in Syria to protect its gains and to implement the rest of its expansionist agenda. Iran cannot afford to lose Iraq and Syria, especially its militias, particularly the Houthis rebels, have greatly regressed. The Saudi-led coalition fighting the Houthis has taken several steps to stabilize Yemen and to protect the international navigation lanes at Bab Mandeb.

## First: Latest updates and the future of Iran in Syria

### Entrench Iran's presence in Syria

#### 1- Visits of top Iranian officials to Syria

First: The visit of the Minister of Defense: A high-ranking delegation of Iran's Army, led by the Iranian Defense Minister Amir Hatami visited Syria on August 27, 2018. Hatami met with the Syrian President Bashar Assad and his counterpart General Ali Abdullah Ayyoub. "Syria is in a very, very important juncture. It is passing through the critical stage and it is entering the very important stage of reconstruction," said Hatami.<sup>(1)</sup> He added that the unity of the Syrian people, along with the combined efforts of the government and the Resistance Axis defeated ISIS.<sup>(2)</sup> They signed a Military Cooperation Agreement. According to the agreement, "Iran will participate in the reconstruction of the armed forces and defense industries in Syria to allow it to return to full capacity," said Hatami.<sup>(3)</sup> Tehran's military attaché to Damascus, Abolqassem Alinejad confirmed, "the military advisors will maintain their presence in Syria [...]Iran will help Syria in clearing minefields in different parts of the country."<sup>(4)</sup>

An Iranian economic delegation headed by the Deputy Minister of Roads and Urban Development, Amir Amini, visited Damascus on August 13, 2018 to improve economic cooperation between the two countries and to follow up the Memorandum of



Understanding (MoU) for strategic economic cooperation signed on May 2018- when the Iranian Minister of Roads and Urban Development Abbas Akhoundi visited Damascus. The MoU improved cooperation in industry, information technology, and in the small medium enterprise sector. Also, it set feasibility studies for the improvement of water supply and the development of new transformer stations and permitted necessary arrangements to be made for the meeting of the High Commission for Economic Affairs. The date of signing the joint agreements and contracts has not been confirmed yet.<sup>(5)</sup>

A source at the Ministry of Roads and Reconstruction of Iran revealed that the agreements and contracts to be signed during the joint committee with Syria would deal with the reconstruction of infrastructure in Syria, and long-term strategic objectives in the economic and cultural fields. Also agreements in banking and customs, industry and telecommunications, energy, as well as, the initiation of small-scale economic projects.<sup>(6)</sup>

The main priority of the negotiations was to establish a railway linking Iran to the Mediterranean Sea from Shalmaja crossing through Iraq's Basra to Syria.<sup>(7)</sup>

The question raised here is: what are the indications behind the two visits for military and economic cooperation? The visits came at a very critical juncture for Iran; as its economic woes increase after the U.S. re-imposition of sanctions, the regional and international pressure intensifies to stop its expansionist activities in the region, and Israel's insistence on the withdrawal of Iranian forces from Syria reaches an unprecedented level.

Apparently, Iran disregards regional and international calls to stop its expansionist activities, especially from Israel. Hatami's visit was a direct Iranian response to the U.S. National Security Adviser John Bolton's visit to Israel — on August 19— to discuss ousting Iranian militias from Syria and to coordinate joint military operations against Iran in Syria.<sup>(8)</sup>

The visit conveyed a message to regional and international actors that 'Iran entered Syria to stay and not to leave.' Iran strives to entrench its presence in Syria, secure its gains and ensure its expansionist project or the so-called "Shiite Crescent" is completed. As Syria approaches the reconstruction phase, Iran is keen to improve cooperation with Syria —not only in reconstruction but also in military affairs<sup>(9)</sup> to ensure its influence on the ground in the post-war period.

Matthew Brodsky, a Middle East analyst told Haaretz the telecommunications sector is clearly important to Iran not only for financial returns but for eavesdropping. Hezbollah's telecommunications contracts in Lebanon have paid enormous dividends in this regard as "Iran is further securing the land corridors that run from Iran, through Iraq, and into Syria." Ariane Tabatabai, an expert on Iran and a political scientist at the Rand Corporation told Haaretz, "Israel's goal of getting Iran out of Syria is unrealistic, in light of the Islamic Republic's expectation to make profits from the reconstruction process."<sup>(10)</sup>

The Iran-Iraq-Syria railway is a translation of Iran's expansionist ambition to develop a land corridor between Tehran and the Mediterranean. The Head of National Security and the Foreign Policy Committee in Iran's Parliament, Heshmat Allah Falahat Pische, said every country looks after its interests, "thus, Iran must look after its own interests and should not only deal with Russia, since Assad realizes Iran is Syria's only strategic ally, which countered the attempts to divide it up."<sup>(11)</sup>

## 2- Iran funding militias in Syria

On August 28, 2018, the Head of the Iran Action Group Brian Hook said, "Iran has at least \$16 billion in supporting its proxies in Syria, Iraq, and Yemen [...] extended at least \$4.6 billion in lines of credit to Syria."<sup>(12)</sup> The U.N. special envoy for Syria, Steffan de Mistura, said on August 6, 2018, Iran gives Syria \$6 billion per year. While Nadim Shehadi, an Associate Fellow at Chatham House, said the amount is double of what de Mistura mentioned.<sup>(13)</sup> In February 2018, BBC Persian News published a report revealing that the amount of money Iran had spent from 2011-2016 in Syria is around \$36 billion— nearly triple its defense budget. According to the report, Iran had given Bashar Assad \$14-15 billion from 2011-2012.<sup>(14)</sup>

There are no official statistics to track the government's funding for militias. The bubbling discontent over Iran's deteriorating economic conditions— and their worsening post-U.S. withdrawal from the JCPOA and the re-imposition of sanctions— along with calls to stop its expansionist activities have resulted in Iran's decision makers hiding the real numbers from the Iranian people. The protesters in recent demonstrations have chanted, "No Gaza No Lebanon... My soul for Iran."

## Factor affecting Iran's role in Syria

### 1- Russia-Israel Deal

Alexander Lavrentiev, President Vladimir Putin's special envoy for Syria said, "Iranian-backed forces had pulled heavy weaponry to a distance of 85 kilometers from the Golan Heights frontier." In addition, Russia assured Israel that it will keep Iranian forces 100 km away from the Golan Heights while the Syrian regime restores full control over the country's southern borders—after expelling Iranian militias.<sup>(15)</sup> This agreement means the Israelis believe that it is not easy to expel Iranian militias from Syria.<sup>(16)</sup> Probably, Assad restoring full control over Syria's southern border is strategically significant for the Israelis as they seek to return the Golan Heights to the stability it had experienced over the last 40 years—since the 1974 disengagement agreement.<sup>(17)</sup>

The Assad regime has restored control over 60% of Syria, including the Jordan-Syria-Israel border triangle and full control over the Syrian part of the Golan Heights that borders Israel and Jordan. It seems that Israel will be satisfied with the Russian promise to withdraw Iranian forces approximately 85 km from the Israeli border.<sup>(18)</sup> The Iranian military presence is crucial for the Russians, at this critical period to save their gains in Syria, until the Syrian Army becomes strong enough and restores full control over Syria. The Iranians understand this; therefore, they have strengthened their military and economic cooperation with the Syrians.

### 2- U.S. maneuvers and threats against Iran in Syria

The Russian Defense Ministry Spokesman, Major General Igor Konashenkov, unveiled that the U.S. navy's Sullivan's Destroyer with 56 cruise missiles arrived in the Arabian Gulf, and the U.S. Air Force B-1B strategic bomber armed with 24 air-to-surface cruise missiles was deployed to the Al Udeid air base in Qatar—capable to strike Iranian, and Assad regime targets' in Syria.<sup>(19)</sup> General Joseph Dunford, Chairman of the Joint Chiefs of Staff, told his Russian counterpart, Valery Vasilyevich Gerasimov, any use of chemical weapons in Idlib will be met with a strong and swift response, according to the U.S. State Department Spokesperson Heather Nauert on August 28.<sup>(20)</sup> The U.N. Security Council meeting to discuss Idlib on August 28, the U.S. Ambassador to the United Nations Nikki Haley expressed U.S. concerns over a possible military attack on Idlib saying, "Assad's



brutal regime — backed by Russia and Iran — cannot continue to attack and terrorize Syria’s citizens.”<sup>(21)</sup> An Iranian convoy and its allied militia were hit by an Israeli airstrike. The U.S. Secretary of Defense James Mattis confirmed that the U.S. wants to remove Bashar Assad and has three conditions for a complete withdrawal of approximately 2200 troops from Syria 1- complete termination of ISIS, 2- reconstruction of the Syrian Army, and 3- revival of the Geneva political process.<sup>(22)</sup> The recent U.S. threats reflect the Trump administration’s policy, adopted since early 2017, which aims to curtail Iran’s influence in the region by re-imposing sanctions.

### 3- Israeli strikes against Iranian militias

Despite the Russian-Israeli deal to withdraw Iranian militias from Israel’s borders, Israel targeted pro-Iranian militias, and the Iraqi Hezbollah, in the town of Bukamal near the Iraqi border. Israeli military sources told Debka the striking of Iraqi militias, which coincided when John Bolton’s meeting with Nikolai Patrushev in Geneva, was a message from Israel —backed by the U.S.- to Russia that Tel Aviv and Washington are serious about ousting Iranian forces from Syria.<sup>(23)</sup>

Israel’s Defense Minister Avigdor Lieberman said on August 30, “Regarding all the stories about an agreement, I have nothing to do with it; I am not involved in the whole issue. I do not believe in it, the only agreement is the reality on the ground,” referring to the Iranian-Syrian defense pact.<sup>(24)</sup> He expressed his satisfaction with Assad restoring the area bordering the Golan Heights, “Assad knows how the situation will be at his border.” “We have not and we will not intervene in Syrian domestic affairs unless to: enforce the 1974 Disengagement agreement, prevent Syria being used as a Launchpad for attacks on Israel, and to prevent the smuggling of weapons to the Lebanese Hezbollah through Syrian territory.”<sup>(25)</sup>

### 4- Iran-Russia dispute over delineating their spheres of influence

With Assad’s regime on the verge of victory in Syria’s civil war after Idlib, a new stage in Syria has almost emerged planned by the Russians and Iranians. Ten Russian warships and two submarines were deployed to the eastern Mediterranean in support for Assad’s regime attack on Idlib, according to the Russian media. This Russian naval build-up increased after concluding the Iranian-Syrian defense pact on August 28, to protect its naval facility in Tartus. Though Russia and Iran support Assad in his war against opposition forces, their interests are intersected in Syria. Each one of them strives to secure reconstruction agreements and contracts with Assad’s regime and are keen to protect their military presence in Syria.<sup>(26)</sup>

Despite concluding a joint military cooperation agreement, Assad’s regime expressed its discontent over Iran’s incursion in Syria. Assad’s forces attacked twice pro-Iranian militias. New realities on the ground in Syria after Idlib are bound to the power conflict amongst regional and international actors in the Syrian crisis.<sup>(27)</sup>

### Returning to the Astana peace talks

Despite the fact that regional and international powers are racing to expand their spheres of influence in the post-ISIS Syria, the 10th round of the Astana talks were held in Sochi July 30-31, attended by representatives of Assad’s regime, opposition factions, the U.N. envoy to Syria, and it was co-sponsored by Russia, Turkey, and Iran. It was held to discuss the humanitarian situation, political realities in Syria, and the destiny of Idlib, the last opposition-held enclave in Syria —after Assad’s regime announced a large-scale assault on Idlib to retrieve it from opposition forces.<sup>(28)</sup>



Concluding the two-day talks, the three guarantor states affirmed the international community must respect Syria's sovereignty, unity, and territorial integrity and stressed the necessity of counter-terrorism operations in Syria against ISIS, the Nusra Front, and all the individuals, groups and organizations affiliated with ISIS that have been identified by the U.N. Security Council. Also that all parties must step up efforts to forge a political settlement, paving the way to write a draft of Syria's new constitution as soon as possible. They called on the United Nations and partner organizations to increase their humanitarian support to Syria.<sup>(29)</sup>

The question raised here: How the three guarantor states; Russia, Turkey, and Iran held a new round of Astana talks while they race to expand their spheres of influence in Syria? How is that even possible when Russia and Iran repeatedly violated the de-escalation agreement by conducting air

raids against the four zones: Idlib and its surrounding countryside, the northern Homs countryside, Eastern Ghouta, and parts of Deraa.

### Future of Iran's role in Syria

A senior White House official told Haaretz, "on paper there seems to be a consensus among Israel, the United States, Russia, and leading Arab countries that Iran must get out of Syria. The military threat Iran poses in Syria is a big concern everywhere in the region." However, neither of those parties have a plan or strategy to achieve this goal. Russia the major player in Syria has told Israel many times that Russia alone cannot get Iran out of Syria. "Putin told Bolton that he also wants Iran to leave Syria, but that Russia alone can't achieve this."<sup>(30)</sup>

Iranian affairs analysts still assume that U.S.-Israel talks over "expelling Iran from Syria," is unrealistic because there are thousands of Iranian fighters and Iran is waiting to reap the gains from Syria's reconstruction". "Getting all of its military and loyal militias out of Syria could hurt its plans to profit from the rebuilding at a time when the country desperately needs income because of American pressure." Hussein Ibish, an expert at the Arab Gulf States Institute in Washington, said that according to Saudi Arabia, the United Arab Emirate and Bahrain, their main goal is to contain Iran's presence in Syria, stressing the most realistic objective now for all parties is to deprive Iran of any victories or achievements in Syria by hindering the establishment of Iran's corridor linking Tehran to the Mediterranean.<sup>(31)</sup>

An option some Israeli officials raised is that Assad could be an ally after ousting Iran because he does not have any benefit from its presence in Syria when he is victorious. "In fact, Iran can only become a source of danger for Assad because of Tehran's possible confrontations with Israel," they added. However, Assad contradicted this possible scenario when he said that he wants Iran and Hezbollah to stay in Syria for a long period

and help him guarantee stability in his country. A senior European diplomat told Haaretz that Assad cannot endure ousting Iran saying, “Assad needs Iran and will continue to need Iran in the near future. His rule is not going to be strong and stable even once he controls the entire country. Iran’s presence will help him deter the angry and oppressed population of his country from even thinking about reigniting the civil war. He won’t give up on that anytime soon.” Ali Alfoneh, an expert on Iran who has written about the various militias operating in Syria said, “their continued presence in Syria provides the regime with an opportunity to consolidate its rule and expand its authority beyond major urban population centers [...] In the longer term, we may even witness a permanent presence of those militias on Syrian territory and a demographic-sectarian change in strategic areas.”<sup>(32)</sup>

## **Second: Developments in the Yemeni crisis considering U.S. escalation against the Houthis**

Since President Trump taking office U.S.-Iran tensions have escalated over Iran’s expansionist project in the region, especially that in Yemen. The United States seeks to curtail Iran’s destabilizing behavior in the Middle East. In August, the United States took new procedures against Iran funding the Houthi rebels to place further pressure on the Iranian regime. The Houthis have been attacking Saudi cities with ballistic missiles

### **Indications of decline in the Houthis’ influence in the Yemeni crisis**

Yemen’s national army, air-covered by the Saudi-led coalition forces, has been advancing in the fronts of Saada governorate and retook control over three districts: Al Dhaher, Bakil Al Mir, and Razih, a military source said. They also ousted the rebels out of many villages: Alsafeyah, Aljareib, Alali Market, Murbah, Alqofa’ai, Massah, Jarari, alnathrah, Almajrem, Umdaheim, Kafat Ja’wan, Alghayfel, Alsaykhabah, and Alnakarah.<sup>(33)</sup> “The national army overtook Alshnaifa’ Mountains, located between Saada and Aljawf,” the source added.<sup>(34)</sup>

The successive victories of the national army and the Saudi-led coalition in Yemen, made the Houthis realize that they have lost large territories, so they resorted to violating the U.N. 2216 resolution. The Houthi rebels fired seven ballistic missiles at populated towns in Saudi Arabia in August 2018—the total number of Houthi ballistic missiles against Saudi Arabia has reached 183 until the end of August 2018.<sup>(35)</sup> Lt. Cmdr. Rebecca Rebarich, Spokesperson of the U.S. Department of Defense (DoD), said on August 29 that the Houthis launched random ballistic missiles at populated areas in Saudi Arabia.<sup>(36)</sup>

### **U.S. escalations against the Houthis in Yemen**

During a press conference on August 28, the U.S. Secretary of Defense James Mattis said the U.S. supports Saudi Arabia in defending itself in Yemen, “put on notice [and that its] continued mischief in the Middle East will not be tolerated by the United States”. The U.S. goal is to reduce the risk of civilian casualties and pave the road for a political settlement sponsored by the United Nations as soon as possible.<sup>(37)</sup>

On August 28, the Head of the Iran Action Group Brian Hook said during the conference organized by the Foundation for the Defense of Democracies in Washington that the group is working to convince countries around the world to join the U.S. campaign against Hezbollah and Iran, stressing the U.S. will continue placing further pressure on Iran to restrict its [regional] behavior. Hook referenced 12 requirements outlined by U.S. officials earlier for a new settlement with Iran and “that Tehran would need to show progress on them before closer ties or sanctions relief could be considered.” He added, “Now that we’re out of the deal, it has really given us a great deal of diplomatic freedom

to pursue the initiatives,” stressing that Washington asked for “a change in Iranian behavior,” – not regime change. Hook stated that Iran spent tens of billions of dollars to destabilize the Middle East, “Iran has spent at least \$16 billion on supporting its proxies in Syria, Iraq, and Yemen.”<sup>(38)</sup> He highlighted the importance of U.S. military presence in Syria saying, “a number of troops that we obviously have in Syria, and we will continue to talk about the need -- to deny Iran the presence that it needs to conduct operations.”<sup>(39)</sup>

The US envoy to the United Nations condemned Iran’s destructive behavior in the Middle East at the U.N. Security Council meeting on August 28 —which coincided with Mattis’s press conference. She held Iran accountable for using innocent civilians as human shields in Gaza, Yemen, and Lebanon.” “I never thought the Iran deal could be fixed,”<sup>(40)</sup> she added. She also emphasized Iran’s destabilizing activities in the region, including providing the Houthi rebels with weapon shipments.<sup>(41)</sup>

### INTERACTION OF EVENTS:

- » Hossein Jaber Ansari, a top aide to Foreign Minister Mohammad Javad Zarif, said Iran’s military presence in Syria is upon a direct request from the Syrian government.
- » The Iranian ambassador to Ankara said Idlib would be on top of the agenda of a Summit held by Russia, Iran, and Turkey in Iran on Friday.
- » The Head of the National Security and Foreign Policy Committee in the Iranian Parliament, Heshmat Allah said Iran is the only ally for Syria.
- » Hezbollah conducted military exercises to occupy Israeli settlements.
- » Seizing shipment of explosives headed to the Houthi rebels at Hodeidah.
- » Ali Hussein Sheiba Bazli, one of the founders of the Houthi militia was killed in the south of Saada.
- » Ahmed Jibrán Yateem, the Houthi paratrooper commander was killed on the Marran front in Saada.

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# INTERNATIONAL AFFAIR

## US-IRAN RELATIONS

### The policy of escalation and tools of confrontation

US-Iran relations witnessed several developments in the month of August 2018. The United States resumed sanctions on Tehran on August 7, 2018, and to exert more pressure on Tehran it announced the opening of the Iran Action Group in the State Department. This heightened pressure comes at a time when Iran's economic woes continue to increase. On the other hand, Iran has moved on several levels to face this crisis, knowing that the second round of sanctions come into being on November 5, 2018, targeting its energy sector. These sanctions will aggravate the situation in Iran and threaten its internal stability.

### The United States escalation against Iran in the month of August 2018

#### 1. The first set of sanctions on August 7, 2018

After mutual escalation between both countries in the month of July 2018, US-Iran relations have entered a new era after the re-imposition of US sanctions on August 7, 2018.

These sanctions are the strongest ones to be imposed on Iran since signing the nuclear deal and they target the gold, steel, aluminum, and automobile sectors. Also, trade in Riyals has been limited, along with restrictions on the purchase of foreign currency, particularly US dollars in the currency market. In addition, some waivers issued by the United States after signing the nuclear deal have been canceled starting from August 8, 2018. Since this decision, the carpet, food, commercial aviation, and spare parts sectors have faced difficult times. The Trump administration provided time to foreign companies working in these to slow down their economic activities and eventually cease their activities altogether, or else, they would be included in the sanctions starting from August 8, 2018. However, the contracts that have been signed earlier and end after August 6, 2018, are excluded from the sanctions.<sup>(1)</sup>

Before signing the new sanctions, Trump anticipated Tehran would submit to pressure and enter negotiations. In a speech to his supporters in Florida on August 1, 2018, Trump said, "I feel they will talk to us soon." He added, "maybe not and this is good too." In fact, Trump's statements align with the tactics he used previously before meeting the North Korean President Kim Jong-un. Trump applies pressure to reach an understanding



**Donald J. Trump**   
@realDonaldTrump

Follow 

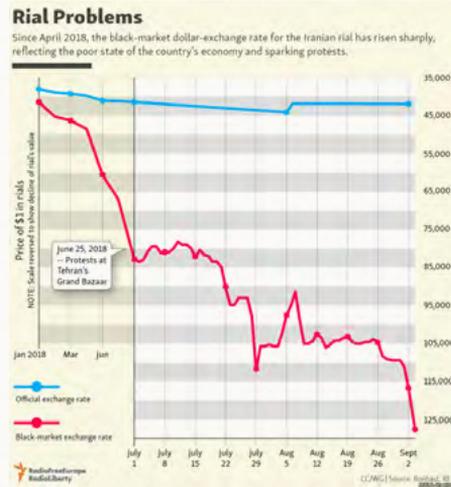
The Iran sanctions have officially been cast. These are the most biting sanctions ever imposed, and in November they ratchet up to yet another level. Anyone doing business with Iran will NOT be doing business with the United States. I am asking for WORLD PEACE, nothing less!

2:31 AM - 7 Aug 2018

and his administration has taken a stern posture towards Iran to change the regime as a main goal of the sanctions.<sup>(2)</sup>

The new U.S. sanctions on Iran were accompanied by two developments: first, pressure on Iran’s trade partners when the U.S. gave foreign companies ninety days to end their business with Tehran. Second, proclaiming that the aim of the sanctions was to achieve international peace, as tweeted by Trump on August 7, 2018.<sup>(3)</sup>

The sanctions have taken their toll on the Iranian economy. The Iranian currency devaluated sharply while internal riots broke out in the country, a significant challenge for the Iranian regime as explained in the table (1) below.<sup>(4)</sup> In addition, giant companies that returned back to Iran during the past two years announced ending their cooperation with Tehran such as Boeing, Peugeot, Total, Maersk and others. To exert the strongest sanctions on Iran, the United States refused to grant any waivers to any companies to keep their investments in this country.<sup>(5)</sup>



**2. The Iran Action Group in the U.S. State Department.**

To step up pressure on Iran and force changes in Iran’s behaviors, the U.S. Secretary of State Mike Pompeo announced the opening of the Iran Action Group on August 16, 2018. This group is charged with coordinating the State Department’s activities related to Iran, coordinating between the United States and its allies concerning sanctions, and being in contact with countries that continue to do business with Iran after the second set of sanctions in November 2018. The group is headed by Brian Hook, the State Department’s Director of policy planning who has become Washington’s special representative for Iran.<sup>(6)</sup>

This group is a carbon copy of the CIA’s procedure in the 1950’s to overthrow Mohammed Mosaddeq, Iran’s democratically elected Prime Minister;<sup>(7)</sup> a note brought up by Iran’s Foreign Minister, Mohammed Javad Zarif in the following tweet:

This group aims to step up pressure on the Iranian regime, threaten regime change,

 **Javad Zarif**   
 @JZarif 

65 years ago today, the US overthrew the popularly elected democratic government of Dr. Mossadegh, restoring the dictatorship & subjugating Iranians for the next 25 years. Now an “Action Group” dreams of doing the same through pressure, misinformation & demagoguery. Never again.

10:41 AM - Aug 19, 2018

 6,799  3,648 people are talking about this

and ensure this regime changes its behavior and negotiates a new treaty. Indeed, the Trump administration insists on signing a new agreement with Iran which will include restrictions on its internal and external behavior without any preconditions.

In a statement on the U.S. State Department's website, Hook praised the two-part documentary on Iran broadcasted by the BBC Front Line program that gave intimate details about several aspects of life in Iran. Also, in his statement, Hook addressed a number of diverse issues such as the protests against the obligatory Hijab, religious freedoms, Christian and ethnic minorities (Ahwaz, Baha'i, and Dervish), unemployment, the economy, currency devaluation, corruption and hypocrisy of the Iranian regime, the incident of detaining an Iranian diplomat in Vienna accused of a bombing attempt, Iran's support to Hezbollah and its proxy militias in Syria, Iraq, and Yemen, and public demonstrations. As for the U.S. position, Hook said the campaign to pressure Iran aimed to protect the American people and U.S. allies and its partners from the Iranian regime. He said the Trump administration had imposed seventeen sets of sanctions on Iran targeting 145 individuals and entities connected to Iran since 2016. Since the U.S. withdrawal from the nuclear deal last May, the Trump administration has imposed six sets of separate sanctions targeting thirty-eight individuals and entities related to Iran. Hook asked the countries concerned with Iran's hostile behavior to join the U.S. campaign to pressure Tehran. He mentioned several conditions (the same conditions announced by the U.S. Secretary of State, Mike Pompeo in June 2018 after the US withdrawal from the nuclear deal) to start negotiating a new treaty with Tehran as mentioned below:<sup>(8)</sup>

- » Provide the International Atomic Energy Agency (IAEA) a full account of the military dimensions of its nuclear program and where it had stopped.
- » Stop uranium enrichment and never pursue plutonium reprocessing, as well as, closing its heavy water reactor
- » the IAEA unqualified access to all its nuclear sites.
- » End ballistic missile proliferation and stop the development of nuclear-capable missile systems.
- » Release U.S. citizens and those of its partners and allies.
- » End support to terrorist organizations, including Hezbollah, Hamas, and Islamic Jihad.
- » Respect the sovereignty of the Iraqi government, by permitting the disarming, demobilization, and reintegration of the Shia.
- » End support to the Houthi rebels in Yemen and work towards a peaceful political settlement in that country.
- » Withdraw all forces under Iranian command throughout the entirety of Syria.
- » End support for the Taliban and harboring senior al-Qaeda leaders in Afghanistan.
- » End all IRGC Al-Quds Division activities and support for terrorists, as well as militant partners around the world.
- » Stop threatening U.S. regional allies, including Israel, Saudi Arabia, and the UAE, as well as, international shipping lanes.

### **Iran's gamble on surviving the nuclear deal and the support of its allies**

U.S. pressure has complicated the internal situation in Iran. The reactions differed on renegotiations considering the uncertainty over Iran's ability to overcome the economic consequences of sanctions.

#### **1. Controversy in Iran about renegotiations**

The issue of renegotiations with the United States is still a point of controversy in

Iran. The Supreme Leader, Ali Khamenei rejected any negotiations with the United States when he said on August 13, 2018, “Today, America suggests conducting new negotiations and this is not new, but the formula has changed and we will not hold any new negotiations.”<sup>(9)</sup> The IRGC supported Khamenei’s position by inclining towards escalation and launched a war of words against the United States when the IRGC Commander, Major General Mohammed Ali Ja’fari said, “The Iranian people will not allow officials to renegotiate with the United States. The Supreme Leader’s supporters believe that holding new negotiations would exert more pressure on Iran than President Rouhani was exposed to before because of the harsh economic conditions which have arisen from U.S. sanctions.”<sup>(10)</sup>

On the other hand, the other current favors renegotiating with the United States, but is concerned about the credibility of the Trump administration after its withdrawal from the nuclear deal. However, they support negotiations to escape pressure that would exacerbate the regime’s challenges, knowing that the Trump administration threatens sanctions for regime change in Tehran. In the same context, the Iranian member of parliament, Ali Motaheri addressed a letter to the IRGC General Commander saying, “Ali Ja’fari and the other mujahidin brothers in the IRGC have to follow the decisions of the supreme authorities concerning negotiating or not with the United States.”<sup>(11)</sup>

It seems that Iran is trying to gain time, which means that the issue of negotiations would remain controversial and under open discussion in the media or inside closed rooms. In fact, Iran will not be serious and respond positively unless the regime feels a serious threat to its survival and interests. Delaying negotiations much further is an Iranian strategy to figure out the possibility of saving the nuclear deal away from the United States with the support of its partners or by a change in the Trump administration.<sup>(12)</sup>

## **2. Gambling on saving the nuclear deal and the support of Iran’s allies.**

Internally, Iran is gambling on its internal unity in the face of U.S. pressure. It is gambling on some economic procedures to avoid the impact of sanctions on its economy. Iran attempts to handle the devaluation of its local currency, to reach cooperative arrangements with foreign partners beyond the U.S. dollar, sign oil contracts by navigating banking sanctions and rely on the so-called, Resistance Economy.

Externally, Iran is gambling on saving the nuclear deal despite the U.S. withdrawal from the international pact. It also relies on some countries that are committed to the agreement and their economic relations with Tehran, mainly, China and Russia that, according to the Iranian President Hassan Rouhani, announced their commitment to their obligations and contracts with Iran.<sup>(13)</sup>

Iran believes the other signatories to the nuclear deal with Tehran can withstand U.S. pressure as they declined Washington’s demands and pressure to abide by the new sanctions on Iran. In response to the U.S. demands, the British Foreign Ministry excluded adopting, on August 12, the U.S. position on Iran<sup>(14)</sup> and called on Germany to improve European autonomy by developing an independent financial transfer system from that of the United States for the European Monetary Fund to avoid U.S. sanctions.<sup>(15)</sup> In addition, the High Representative of the European Union for Foreign Affairs and Security, Federica Mogherini and the Foreign Ministers of Germany, France, and Britain issued a joint statement, criticizing the U.S. position as lifting sanctions was an essential part of the agreement between the P5+1 group. The other signatories of the nuclear deal (other than the United States) pledged to continue buying Iranian gas and oil, maintain significant financial channels with Iran and preserve strong economic relations with Tehran.<sup>(16)</sup>

For its part, China opposes the U.S. position on Iran. On the sidelines of the Shanghai meeting in June 2018, the Chinese officials emphasized China's relationship with Tehran. In addition, when the French oil company Total announced leaving Iran, China National Petroleum Corp reaffirmed the continuity of its business in Iran and purchased Total's share in the Iranian oil market. Also, Russia announced a commitment to its obligations and that it would abide by its contracts with Iran.<sup>(17)</sup> The European Union encouraged businessmen to increase their investments and trade deals with Iran in clear defiance of the American position concerning this issue.<sup>(18)</sup>

In fact, the heightened tension between these countries and the United States does not only reflect in the Iranian crisis, but also in other issues. This means that the Iranian crisis with the United States has become a bone of contention which all sides trying to prevent the United States from deciding unilaterally on international vital issues, and this represents a clear rivalry that could possibly reshape the power structure in international relations.

**Finally**, it can be said that President Trump has succeeded in exerting pressure on the Iranian regime and that the first set of sanctions have been successful in exerting significant pressure on the Iranian economy. In case the Iranian regime decides to maintain its existing policy, the second round of sanctions will be of greater influence, knowing that the United States seems to be serious and determined to put the Iranian regime under extreme pressure. On its part, the Iranian regime could possibly react to pressure and hold an open or secret dialogue with the United States considering the doubts about the survival of the nuclear deal without U.S. approval. Despite the pledges of the other signatories of the nuclear deal, these countries face significant challenges considering U.S. determination to implement its policy towards Tehran and the decreasing possibility of saving the nuclear deal, which would force Iran to review its position on renegotiating a new treaty as appears in the following indications:

» Some foreign companies have left the Iranian market to avoid U.S. sanctions. About ten international companies have already left Iran such as Boeing, General Electric, Maersk, Peugeot, Reliance Refinery Complex, Siemens, and Total for gas and petroleum. In addition, the U.S. administration said that about fifty international companies and entities have pledged to leave Iran.<sup>(19)</sup>



- » Fluctuations in the European position concerning this issue. Some European nations informed Iran about their commitment to the nuclear deal. However, the European policies might not succeed as big companies in these countries are worried about their economic interests and cannot rely on their countries' policies. In fact, these companies are concerned about avoiding U.S. sanctions and are aware of Iran's harsh economic conditions because of these sanctions. This was evident when British and French airlines suspended their flights to Iran starting from the beginning of September 2018 for lack of profitability of such flights, which reflects volatility and unreliability of the European position.<sup>(20)</sup> These developments were confirmed by the Chairman of the Iranian Investment Organization, Sa'eed Khani Ushani when he announced that financing contracts with Europe, Korea, and Japan have been suspended and the only ones implemented now are those signed with China and Russia.<sup>(21)</sup>
- » The United States has imposed sanctions on- Russia, China, and Turkey- Iran relies on frustrating U.S. policies in the month of August 2018 in addition to the existing differences between these countries and the United States on several issues as explained in the table (2) below. In fact, the United States has imposed sanctions on the three countries because of differences with them, but the position of these countries on relations with Iran is clear and exists.<sup>(22)</sup>

**Table (2): The points of dispute between the United States and the other nuclear deal signatories<sup>(23)</sup>**

| Points of dispute         | countries                 |
|---------------------------|---------------------------|
| Trade customs duties      | China, the EU, and Turkey |
| Military expenditures     | NATO and EU members       |
| Climate change agreements | China, Russia, and the EU |
| Economic sanctions        | Russia                    |

The internal pressure resulting from harsh economic conditions and increasing popular discontent and protests, including the involvement of some factions which had previously supported the regime after its financial and economic policies had affected their financial and moral status.<sup>(24)</sup> In fact, these events are real challenges for the Iranian regime and its survival that would force it to react positively to President Trump's pressure.

Nevertheless, U.S. sanctions and pressure are not as effective as they were pre-signing the nuclear deal in 2015. To reach the same level of influence it requires more U.S. pressure on Iran and its partners, as well as, on Iran's regional and international spheres of influence that will turn out in the upcoming months.

## RUSSIA-IRAN RELATIONS



### Recognizing the Caspian Sea's legal status considering a crisis in Iran

In the month of August 2018, the five Caspian littoral states- Russia, Iran, Kazakhstan, Azerbaijan, and Turkmenistan signed an agreement to divide the Caspian Sea after twenty years of dispute between all sides. The agreement was of great impact on Russia-Iran political, economic, and military relations and on foreign powers in the Caspian Sea.

On August 12, 2018, the Fifth Summit was held between the presidents of the five Caspian states in the Kazakh city of Aktau to sign an agreement to lay the legal foundation of the Caspian Sea. The agreement was a landmark in terms of length of the negotiating period that lasted for more than twenty years. The dispute between these countries was concentrated on classifying the Caspian as a sea or a lake.

### The Caspian Sea: wealth and history of conflict

The Caspian Sea is characterized by its great wealth and extensive area. It's the biggest enclosed sea in the world with a total size of 317,000 km<sup>2</sup>. Its length is 1200 Km while its width is almost 300 m. and 1,023 m. deep.<sup>(25)</sup> The Caspian Sea is one of the richest sources of energy and fisheries. Some reports revealed that it has about 48 billion barrels of oil and nine trillion cubic meters of natural gas.<sup>(26)</sup>

Previously, the Caspian Sea was divided in half between Tsarist Russia and Iran as they were the only littoral states of the Caspian. In 1845, the Russian Tsar forced Iran to sign an agreement that prevented it from any activities in the Caspian except fishing on a small scale. This situation continued until 1955 when the former Soviet Union gave Iran a right of 11% in the Caspian Sea. After the collapse of the Soviet Union, Iran asked for 20% of the Caspian and its wealth. However, the legal status of the Caspian Sea was frozen due to the absence of a unanimous agreement on this issue. In 1991, new four states emerged- Russia, Kazakhstan, Turkmenistan, and Azerbaijan on the Caspian Sea, leading to new disputes between these countries and Iran on each state's right in this region.

### ***The Caspian body of water: a sea or a lake?***

Iran believes the Caspian body of water is a lake while the other states believe it is a sea.<sup>(27)</sup> This classification is of great importance for the Caspian states, especially Iran. If it is classified as a sea, it will be subject to international law regarding the sea that states, “Each state has the right to claim an offshore of no more than twelve nautical miles as its territorial sea,<sup>(28)</sup> but if it is considered a lake, all Caspian states share it equally”. The importance of this classification for Iran is that it has a short coastline at the Caspian and will be the biggest loser if it is classified as a sea. However, the agreement between the five states did not include demarcation of the Caspian Sea or determining its classification.

According to the Russian Deputy Foreign Minister, Grigory Karasin, the terms of the agreement gave the Caspian special status; neither a sea nor a lake. He said that the agreement allowed all Caspian littoral states to share the surface of the Caspian while it will divide its bottom and sub-surface resources between the five parties. This means that the Caspian Sea will not be subject to sea conventions, but a new law will be developed in cooperation between all its littoral states.<sup>(29)</sup>

### **Terms of the agreement**

According to the Kremlin, the agreement states, “Shipping and fishing, scientific experiments, the establishment of pipeline networks are to be done by consensus of all parties with taking the environmental issues into consideration when executing giant maritime projects.” The agreement prohibits the presence of any third-party armed forces and that the five states bear the responsibility of maintaining the security of the Caspian, its administration, and wealth.<sup>(30)</sup> However, the agreement is not final as talks between the Caspian littoral states on dividing the deep-sea wealth are still unresolved.

### **The new Caspian agreement states the following:**

First, the presence of any third-party armed forces is prohibited. Trade, shipping, tourism, and military presence in the Caspian is confined to its littoral states only.

Second, the lands of the Caspian states cannot be used as a starting point by any third-party to launch any military operation against any of these states. Security is one of the most important issues in the agreement as it includes the region, land, and sea, which means that this agreement prohibits any of the five littoral states to allow any third-party to establish any military base on its lands and maritime boundaries.

Finally, shipping is to be conducted by raising the Caspian states flags and all military vessels and submarines must take permission to access the territorial waters within eighteen nautical miles of any of the littoral states.

The agreement was written in six languages, including the five Caspian states’ languages and English as a reference in case of any disputes between the five parties. The agreement states that the Caspian littoral states can benefit from the resources within their territorial waters that will be agreed upon and in case of any disputes about any field; either all parties benefit from this field or none.<sup>(31)</sup>

### **Reflections of the agreement on Iran’s interior**

The Iranian President Hassan Rouhani said that Iran had gained special advantages of the Caspian agreement and that some points of dispute had been resolved while others persist. He added that the north Caspian states- Russia, Kazakhstan, and Azerbaijan- had agreed on the share of each party in the seabed. Rouhani said that Russia had

gained 17% of the Caspian while the south Caspian states- Iran, Turkmenistan, and Azerbaijan- are still negotiating their shares and that they had agreed to give Iran special privileges for its coastline on the Caspian. Finally, Rouhani asserted that the agreement had resolved crucial issues for Iran's national security as it had thwarted the U.S. and NATO plans to deploy their forces in the Caspian Sea or build any military installations in the region. However, there are no declared talks between the United States and NATO and any of the Caspian littoral states to build any military bases while it is difficult for any third-party naval units to reach this enclosed sea.<sup>(52)</sup>

On the other hand, this agreement caused quite a stir and discontent in Iran for many reasons. According to the Iranian constitution, this agreement is illegal as the Iranian government was not transparent concerning the terms of the agreement. From a legal perspective, article 77 in the Iranian constitution states, "The Shura Council must ratify all pacts, contracts, treaties, and international agreements. Article 78 states, "It is prohibited to bring about any changes on the state boundaries except some minor changes with taking the state's interests into consideration and that these changes must not be brought up

by one side or harm the independence and unity of the Iranian lands and to be ratified by four-fifths of members of the Iranian Shura Council."<sup>(53)</sup> Based on these points, the Iranian members of parliament expressed their displeasure for not being informed about the agreement signed between Iran and the other Caspian states. Other members of parliament considered the agreement illegal for not being ratified by four-fifths of Iran's parliament. Despite the agreement not including

a final border demarcation, article 77 of the Iranian constitution states that the parliament must ratify international agreements and treaties. In fact, it seems that the Iranian government got a green light from the Iranian Supreme Leader, Ali Khamenei to sign this agreement, which provoked the Iranian parliament to insist on pursuing the matter further.<sup>(54)</sup>

In addition, the agreement brought about national discontent in Iran. Under the Twitter hashtag "#CaspianSeaSellOut" Iranian's expressed their rage while others gathered in front of the parliament in Tehran to protest the government's handing over of Iran's share in the Caspian Sea for free to Russia. The protestors drew parallels between this agreement to the treaty of Turkmenchay signed in 1828. Many Iranians believe that their government must not compromise Iran's legitimate rights in the Caspian while others believe that it must not accept less than 50% or at least 20% of the sea. Iranians questioned their government's lack of transparency concerning the agreement. To them, the Caspian Sea is more than an oil and gas field as it has a significant historic and cultural value for Iran. Earlier, Iran asked for dividing the Caspian Sea equally between the five littoral states (20% each) but retreated from these demands as it is expected to



get a smaller share. The Iranian government announced that it had the right to have a special status in the Caspian Sea, but people feel that their government has made painful concessions instead of gaining privileges in the region, which explains public discontent with their government's decision.<sup>(35)</sup>

### **Future of the Caspian Sea after the agreement**

Despite signing the agreement, the points of dispute between Iran, Azerbaijan, and Turkmenistan still persist on dividing fisheries, oil and gas fields in the southern part of the Caspian Sea. In addition to some other issues as stated by the Iranian President, Hassan Rouhani who said, "Some former disputes between the three countries still stand, especially on developing the Kabaz/Sardar field and on the construction of a pipeline for oil and gas in the Caspian seabed." Due to these differences, no progress has been achieved on any of the disputed projects even after signing the agreement between the Caspian states. Hence, the agreement is still a point of controversy as Iran has not gained the same economic and security advantages as Russia. Furthermore, Iran has given up its historic demands in the Caspian Sea and moved beyond its insistence on classifying the Caspian as a lake but not a sea. These notable concessions by Iran had to be covered with premature claims of victory to appease the public when Rouhani talked to the Iranian people about the intangible gains of the agreement. In fact, Russia achieved more gains than Iran and can start investing in the Caspian Sea anytime. While Iran cannot start any investments even after signing the agreement as it still disputes the south Caspian states on the aforementioned issues. Indeed, U.S. unprecedented pressure on Iran forced it to make significant concessions for the sake of rapprochement with Russia and signing a regional security agreement.<sup>(36)</sup>

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# SUMMARY AND CONCLUSIONS

## Internal Affair

### Ideological File

- » There have been signs that the clerics, who are not active players in power, have intentions to blame Rouhani's government over the deterioration of living conditions, to clear the ruling clerical elite of any responsibility.
- » The clerics are likely to commit the same mistake of December 2017 in stirring the public and pushing them to protest.

### Political File

- » The Iranian government is possibly going to face further parliamentary questioning over the next period, which could lead to a vote of no confidence in other ministers since the parliamentary members are still unhappy because of a plummet in Iran's currency and a deterioration in the environmental situation.
- » Iran's new Minister of Economy may fail to improve the economic situation because of the international and political nature of the crisis.
- » There is a notable understanding between Rouhani and the Supreme Leader, Ali Khamenei recently, so it is clear that the removal of the two ministers was preceded by an agreement by both leaders.
- » The fundamentalists will use the questioning of the president and the removal of the two ministers, to influence the reformists in the upcoming election.

### Military and Security File

- » Iranian forces are aware of their military status and they do not have the capability to confront the United States.
- » The United States and its allies in the region will not take a few days to reopen the Hormuz Straits if Iran decides to close it.
- » The protesters and the military clashed resulting in casualties and injuries.
- » Iran used the military rule against the protesters without parliament's approval, which is against Iranian law.
- » Dramatically, Iranian disappointment towards the regime has increased recently.
- » The deterioration of the economic situation has impacted negatively on the political situation.
- » Iranian threats are only a means for the Iranian regime to deceive enemy states.

### Economic File

- » The parliament was not convinced of Rouhani's four answers about the current economic crises.
- » 88% of Iranians are not satisfied with Rouhani's answers according to a poll of 40,000 Iranians.
- » Rouhani's government evades its responsibility for the current crisis and blames the

former government and U.S. pressure.

- » An unrealistic view of the current economic crisis by the government to solve the economic problems within a few months despite the second phase of U.S. sanctions in November.
- » Under populist pressure, the Iranian parliament took practical steps, because of the severe economic crisis, resulting in impeaching the Labor and Economy ministers.
- » Iranian oil exports declined continuously, from 2.7 million bpd in May to 1.68 million bpd in August.
- » The European Union decreased its import of Iranian oil significantly and its banks' investments in Iran.
- » There are new indicators of economic deterioration, high inflation, unemployment, and foreign currency shortage.

### Arab Affair

- » Iran realizes that all parties, including its Russian and Syrian allies, are seeking to pull it out of Syria. Meanwhile, Iran's decision-makers are aware that none of these parties has a plan to get it out. On one hand, Russia finds Iran's presence in Syria as a strategic tool to maintain its interests. On the other hand, Assad finds Iran's presence as a means to consolidate his governance after ISIS and Idlib, as well as, to suppress any protests. Despite international and regional efforts to curb Iran's influence in Syria, Iran has reinforced its military and economic presence to take advantage of the economic contracts and reconstruction process.
- » U.S. officials cite a new escalation against the expansionist Iranian project in the region and Yemen in particular. This comes along with the efforts of the Arab Alliance to support the legitimate government to limit Iran's influence in Yemen by targeting the Houthis to limit their influence to capture the rest of the Yemeni territory. These efforts contributed positively towards the progress of the Yemeni National Army.

### International Affair

- » U.S. policy has maintained its escalation towards Iran. There is an American bet to pressure Iran, which may eventually force the Iranian regime to negotiate over a new agreement.
- » The U.S. looks forward to a new nuclear deal, which will include, along with the nuclear issue, other vital issues such as Iran's regional role and its ballistic missile program.
- » Undoubtedly, U.S. sanctions have negatively impacted Iran's internal economic situation. Consequently, some of the major international companies withdrew from the Iranian market. In addition, the internal crisis has become a strategic option for the United States to bet on, especially after a deterioration in living standards, a high rate of poverty and a plummet in Iran's domestic currency.
- » Some countries have adopted different positions towards America on Iran; therefore, these countries are under pressure from the United States and they may be subject to sanctions in the future. This, in turn, makes their opposing position to the American position impossible to maintain, and this is what the Iranian regime senses.
- » U.S. sanctions may push the Iranians to consider negotiations with the Americans. There are supporters of negotiations in Iran since they feel that the internal crisis could overthrow the regime, or it can be used by the U.S. to bring chaos and instability in Iran.

- » \_Russia was able to sign the Caspian Sea Agreement to determine its share of the sea and its riches without solving the problem of Iran's share and it did not delineate Iran's maritime borders with both Azerbaijan and Turkmenistan.
- » The confidentiality of the agreement and the non-vote by the Iranian parliament may suggest that there are items which could harm Iranian interests for the sake of maintaining the Iranian-Russian military alliance, on the account of Iran's previous demands on its share in the Caspian riches.



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# IRAN CASE FILE

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