

MONTHLY REPORT



# IRAN CASE FILE

OCT 2018

Your window on Iran  
from inside and abroad



**RASANAHA**  
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Oct 2018

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# EXECUTIVE SUMMARY



This report highlights the most prominent developments on the Iranian arena during the month of October 2018. It is intended to provide the readers interested in Iranian issues with an accurate account during the period subject to review and analysis. The report has three main sections. The first focuses on Iran's internal affairs, the second deals with Iran's interactions with the Arab world, and the third focuses on Iran's international movements within the framework of Iran's relations with the major powers.

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When it comes to Iran's internal affairs, the report discusses four axes. The first was the ideological file. It dealt with Khamenei's call to benefit from Iran's scientific elites. Although this public call is nothing new by Khamenei, the Iranian government's decades-long political behavior, since Khamenei took power, has favoured those who it trusts than those who have scientific expertise. Hence, this public call by Khamenei at this time may reflect the fact that the regime is sensing the acuteness of the situation amid growing popular protests against it and against the Vilayat-e Faqih theory. This part of the report analyzes the reality behind Khamenei's public call and its relationship to the ongoing deterioration of the regime.

The second axis deals with the political file. It is dedicated to the differences within the Iranian presidency between the first vice president Eshaq Jahangiri and the director of Rouhani's office Mahmoud Vaezi, in addition to two currents exist within Rouhani's cabinet. One of them is led by the Moderation and Development party, which Rouhani leads, and the other is the reformist Building party. The differences surfaced after Jahangiri discovered his powers had been curtailed. He threatened to submit his resignation.

In the first part of this file, we discuss the roots of the disagreement between



Jahangiri and the Moderation and Development party. In the second part, we highlight some of the positions of the Building party towards the comments of Jahangiri in which he pointed to the curtailing of his powers. As to the third part, it is dedicated to discuss Rouhani's intervention along with the head of his office Mahmoud Vaezi to contain the crisis.

The third axis is divided into two parts. The first one is dedicated to the military file. It discussed the abduction of 12 Iranian soldiers in Mirjaveh on the border with Pakistan. Jaish Al-Adl, a Balochi militant group, claimed responsibility for the attack. Iran has several options. It may pay the ransom or respond to the demands of Jaish Al-Adl related to releasing several Balochi detainees in Iranian prisons. It may also launch a rescue operation inside Pakistani territory in coordination with Islamabad. There is no doubt the abduction of the soldiers has impacted the reputation of Iran's military establishment which is still struggling to overcome the fallout from the attack that targeted its military parade in Ahvaz last month. Gunmen opened fire during the parade, killing and wounding several Iranian soldiers. The second part is dedicated to the security file that dealt with the reports of the arrest of a Norwegian national, of Iranian origin, by the Danish authorities. He planned to assassinate an Iranian oppositionist residing in Denmark's Zealand Island.

The Danish authorities accused Iranian intelligence of being behind this terrorist act and submitted a proposal to the European Commission to meet on November 19 to make a decision concerning imposing sanctions on Iran. The assassination of Iranian opposition members living in Europe has been repeated in recent months. The incidents include the killing of Ahmed Mola Nissi in the Netherlands, the arrest of an Iranian diplomat linked to Iranian intelligence, Asadullah Asadi in Germany as he was planning assassination operations, as well as the arrest of a number of Belgians of Iranian origins. They had explosives in possession as they were preparing to carry out an attack on an Iranian opposition gathering in Paris.

These incidents indicate that there is a shift in the tactics of the Iranian intelligence when it comes to assassinating opposition figures overseas. It now depends on individuals bearing European citizenships after the Europeans tightened the measures against foreigners on their soil. These operations reflect the Iranian indifference towards the European reaction although Tehran needs Europe to face

up to the new US sanctions targeting its energy sector.

The fourth axis is dedicated to the economic file. The report discusses the importance and effectiveness of the European ‘Special Purpose Vehicle’ (SPV) proposed by the EU to continue trading relations and financial transactions to and from Iran.

Although this mechanism is more important to Iran’s economy than to the EU, the parameters of its implementation are not clear. This is in addition to the US ability to hinder Iran’s use of the European SWIFT system to transfer funds, as well as, to threaten the banks cooperating with Iran.

If the European channel succeeds, it will be linked to European small and medium sized enterprises and not to larger companies, with relations with the US, that have abundant resources and sophisticated technology.

In the second part of the economic report, we discuss the most important sectoral developments during the month, including the uncertainty about the volume of Iranian oil exports due to smuggling, the non-tracking of Iranian oil tankers and the appointment of four new ministers to the Economic Group the country was bracing a second phase of US sanctions in November.

In Arab affairs, the report deals with three themes: the first is devoted to the Syrian file, particularly reviewing the geographical redeployment and positioning of Iranian militias, as well as, Iranian forces in Syria and Iran wanting the lion’s share of the contracts from the Syrian reconstruction process. The report also highlighted most important factors influencing the role of Iran in Syria, such as the deployment of the new US strategy towards Syria to remove Iranian militias, Syria’s deployment of the S-300 Russian defense system, and the quartet summit, which included the presidents of Russia, Turkey, France and Germany. It excluded Iran.

The second theme is dedicated to the Iraqi file. The report offered a reading into the Iranian position on electing the president and the prime minister of Iraq in light of the official Iranian position and what was declared by the media in this respect.

The map of political interactions in Iraq after the parliamentary elections grabbed the attention of Iranian public opinion due to the significance of Iraq in Iranian expansion and its infiltration projects in the wider region .

The report focuses on exploring Iran’s role in these political interactions whether among the Kurdish factions vying for the presidency or the Shiite forces vying to choose the new prime minister. Iran has two criteria when it comes to assessing the prime minister or the president of Iraq in the area of cooperating with Iran: first: the extent to which Iraq will respond to the US sanctions imposed on Iran especially when it comes to targeting its oil sector. Second: Saudi-Iraqi relations. This comes after indications arose that the Iraqi government seeks to bring the country back to the Arab sphere and to curb Iran’s clout in Iraq.

The third theme is dedicated to the Yemeni file, where the report discussed comments by senior US officials asserting it is time to solve the crisis in Yemen. The report also highlighted the continued Iranian support to the Houthis in Yemen and their threats to detain ships and to prevent them from unloading their cargo, which has exacerbated the humanitarian crisis for the Yemeni people. On the global arena, the report included three axes. The first theme dealt with the developments in American-Iranian relations during the month of October 2018. It

sheds light on the development of the relationship between the two sides through focusing in the first part on the mechanisms to intensify US pressure on Iran. This happens through focusing on US attempts to reduce Iran's oil exports, imposing further sanctions along with the reinstated ones, countering Iran's regional influence and forming an Arab NATO to counter Iran's threat.

The second part focused on Iran's tactics to avoid sanctions and pressures by focusing on the efforts of the Iranian regime to unify the internal front, and its plans, as well as, its moves to try to maintain its oil exports as they are the main contributor towards its budget. This is in addition to focusing on efforts to setup a global Swift system to enable Iran to circumvent the November sanctions which target any financial transactions with Iran, as well as, Iran's political and diplomatic efforts to maintain the support of international partners in the face of US pressure. Finally Iran's messages to the US are looked at, particularly threats made to US interests in the region.

The second theme deals with Iranian-Russian relations in light of the renewed US sanctions against Iran. The report examines Russia's desire to ease the restrictions on Iran's oil exports and its ability to do so through exporting Iranian oil to Russia in exchange for goods, and the project to transport Iranian oil to Russia via the Caspian Sea. The report examines the sanctions facing these two projects in terms of the possibility of implementation without Russia being subjected to additional sanctions from the United States, as well as the economic feasibility and logistical obstacles facing the transfer of oil through the Caspian Sea.

The third theme deals with Iranian-European relations in light of the re-imposition of US sanctions on Iran. The European Union opposes the US withdrawal from the nuclear agreement and the re-imposition of sanctions on Iran. The report analyzes the EU's extent to adopt policies that support Iran economically, as Iran has set four conditions for it to stay in the nuclear agreement. They are all related to European protocols to continue importing Iranian oil and banking channels to permit trade between Iran and Europe.



# DOMESTIC AFFAIRS

## Ideological File

Khamenei and his resorting to scientific scholars



The Supreme Leader Ali Khamenei has called on Iranians to benefit from its scientific scholars, considering the positive endeavors and activities of tens of thousands of scientific scholars across Iran. He stressed the need to make the best use of Iran's human capital and to strengthen the Iranian people's national identity. Also, he referred to the influence of the young in the future scientific progress of the country, and the necessity of forging a channel of mutual understanding between the country's scholars and the regime.

The Iranian leader pointed to the influence of the scientific scholars in the "scientific progress of the state," noting that a proper and appropriate use of science, as well as, the capabilities of the elite will lead to the advancement of the state, with it reaching a position of power and competence to address the country's threats. He said, "If we progress scientifically, our enemies will not be able to threaten us from the political, economic and civilizational aspects. It will not be a permanent threat and it will be reduced."<sup>(1)</sup>

Since the outbreak of the Iranian revolution in 1979, there has been a disagreement among the ruling elite on whether to permit the scientific and technocratic elites to engage in administering the state and on whether to remove the clerics from matters and issues that are beyond their expertise. This position to engage the scientific and technocratic elites in state affairs was adopted by the reformists such as Ayatollah Hussein Montazeri, and the late former President Akbar Hashemi Rafsanjani. But the conservative movement, which initially seemed to have used the clerics as a vehicle to power, has continued to rely upon them in state affairs at the expense of the real experts from the revolution until today.<sup>(2)</sup>

Although we notice Khamenei's emphasis on benefiting from scientific elites and their expertise, but the question that needs to be asked is whether these scientific elites have the right environment to flourish in? Scientific scholars require environments which are independent of politics as well as political exploitation. But in view of things from another angle, we find that there is a remarkable interest by the state in scientific elites. This is due to the technological problems caused by the embargo on Iran. It can be said that the Iranian scholars in the experimental fields receive much more support from the government than the scholars in the social science and humanities field. For example, physicists and those working in the nuclear arena receive much support from Khamenei and from the Iranian government.<sup>(3)</sup>



Khamenei called on the scientific elites to be careful not to ignore their responsibilities towards the people and the important issues of the state. He pointed out that they should not be engrossed in their arenas, to the extent that they ignore pressing social issues such as "independence, justice, progress and social damage." As for the role of universities, Khamenei pointed out that university graduates during the last four de-

cadres had the most prominent roles in the important industries in the country, however he asserted that there are many shortcomings in the work of universities that must be resolved. Also, he stressed the need to link universities with industries and to take this issue more seriously, reiterating the need to forge ties with countries that have made breakthroughs in the field of development, most of them are situated in Asia . Thus, Iran should turn towards the East not the West. He asserted that turning to the West and Europe will bring nothing but hindrances, hegemony and humiliation.<sup>(4)</sup>

When reflecting on Khamenei's statements in general, we shall notice he is very concerned about the economic and political failures that have worsened in the country. He seems to admit that the clerics are an integral part of the problem.

Here Khamenei faces a dilemma of whether to go with efficiency (i.e. scientific elites) or stick to what he knows best (i.e. clerics), who he can trust. Which one shall have precedence over the other? The realities in Iran indicate that those who are trusted by Khamenei are given precedence over those who are skilled and possess expertise in technical arenas. This is the natural tendency of ideological regimes in general. The one adopting a certain ideology usually does not trust anyone other than the one who shares with him his trend, method and line of thought. Also, he becomes lazy and not willing to acquire knowledge, in the philosophical and ideological aspects, to discover more about his leaders. He does not bother his mind with questions preoccupying the experts and the scholars. This is what despotic absolutism fears: an ideological and philosophical clash, particularly knowing that the outcome will not be in the regime's favour. The regime mainly focuses on security clashes, not on scientific and cognitive debates. Therefore, appointing scientific elites does not serve the Supreme Leader as he is the inspired leader who is infallible, or the deputy of the infallible imam. This quasi-sacred status cannot allow scientific elites to take any role, that could negatively impact the social and political clout of the Supreme Leader.

Khamenei and the religious establishment are trying to take advantage of the reputation of the scientific elite at a time of crisis, as if it is a message to the people that the religious elite is unable to shoulder the responsibility for the state's failures.

Also, Khamenei is afraid of the scientific elites becoming secularized. It is a constant fear in most of his speeches for months. It has been expressed by Khamenei as a "cultural erosion distracting the elite experts' attention from the country's major issues to marginal ones." This cultural erosion stems from the concern of the Supreme Leader and the ruling elites that the scientific elites are moving away from state ideology and their need for them to exist in the regime's ideological orbit. The scientific elites should use their cognitive and innovative capabilities to benefit society, not the regime, while the regime wants to politicise them to work in its favor, not for society and its progress.

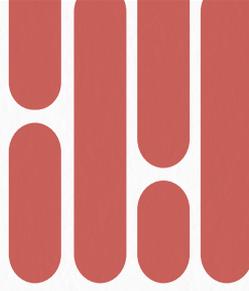
## Future indications

It can be said, based on the above, that the interaction between the scientific elite and the ruling regime will continue, and it will not end by the appointment of some from among the scientific elite in executive positions. There is some sort of

personalization in this matter. The people who are trusted are given precedence over the people possessing knowledge and capability. Even in case the regime chooses some efficient cadres on some occasions, it chooses those supportive of it. This imposes restrictions on the technocrats and independent appointees. Also, the appointment of scientific elites is not systematic or institutionalized. It happens when crises flare up and when the regime needs to survive.

The whole matter is attributed to the regime's fear from the independent scientific elite. They are vehicles for independent thinking beyond the boundaries of the regime. They always raise the most difficult questions. They engage in ideological clashes that puts the regime in awkward situations. They do not abide by its directives. Moreover, some of them do not believe in Khomeini's Wilayat al-Faqih theory.

All in all, the interaction between the two sides will continue, and the state will continue to give precedence to those who are trusted over those who are more capable, while resorting to some figures in the scientific elite when crises break out to save face and to ensure the continuity of the status quo.



## The Political File

### The conflict between the moderates and the reformists in the presidency

Due to the rising differences between the reformist Building and Construction party and the moderate Moderation and Development party within President Rouhani's cabinet, it has been reported on more than one occasion that the First Vice President Eshaq Jahangiri submitted his resignation to the president, but the latter rejected it. During this month, he revealed for the first time the scope of his powers within the presidency. This came when a minister called for boosting the powers of the vice president. At this point, he said, "I don't even have the power to change the head of my office."<sup>(5)</sup>

Since adding the post of the first vice president in the constitutional amendments made by the Iranian government in 1989, the Iranian first vice presidents have stayed out of the limelight and adopted the same political positions as the president.

The powers of the first vice president are nominal. They are granted to him by the president. Picking him does not require approval from parliament. According to Article 124 of the constitution, the foremost mission of the first vice president is running the affairs of government in the absence of the president in addition to coordinating with the president's advisors.<sup>(6)</sup>

As to Jahangiri, the situation is completely different as he is affiliated with the reformist movement. His election to the post was a direct result of the political compromises made ahead of the presidential election in 2013 and the great support offered by the reformists to Rouhani, which led him to win million of the reformists' votes.<sup>(7)</sup>



The current first vice president, Eshaq Jahangiri was a member of the Iranian parliament for two consecutive terms (1984-1992), then Minister of Industry and Mines in Mohammad Khatami's government. Before the 2013 presidential elec-

tion, the late former President Akbar Hashemi Rafsanjani chose him to head his campaign but after Rafsanjani was disqualified by the Guardian Council and the victory of President Rouhani in those elections, he was chosen by President Rouhani as his deputy.<sup>(8)</sup>

Since his appointment to the post, observers have had the impression that Jahangiri will be given greater powers than his predecessors. But a few months after President Rouhani's second term, there have been reports of deep conflicts and disagreements within the presidential establishment between Jahangiri, affiliated with the Building and Construction party (One of the reformist parties close to President Rouhani); and Mahmoud Vaezi, the representative of the Moderation and Development party, which President Rouhani is one of its leaders. The government seems to have been silent on some of these conflicts and disagreements, while others have been leaked to the media.

### **Roots of the disagreement between Jahangiri and the Moderation and Development Party**

After the end of the first presidential term, Jahangiri decided to run in the May 19, 2017 presidential elections as a reformist candidate, meaning that President Rouhani, who had been aspiring for a second term, would have faced a real dilemma with the reformists abandoning him. This decision caused considerable tension between Jahangiri and the leaders of the Moderation and Development Party in the government.

However, before the election campaign was launched, it was announced that Jahangiri would be a shadow candidate in the presidential elections and that he would withdraw in favor of President Rouhani after concluding televised debates. Despite the agreement on the withdrawal of Jahangiri, leaders of the Moderation and Development Party continued to look with suspicion and concern at the possibility of him staying in the presidential race, especially after he did well in the presidential debates. But he made good on his promises and withdrew in the final moments. This withdrawal led to the wide popular base of the reformists rallying behind President Rouhani. This led President Rouhani to win a landslide against the conservative candidate Ebrahim Raisi.

Before the formation of the new government, the reformists aspired to take the most cabinet posts as a



reward for their major role in President Rouhani winning a second presidential term. But the result was shocking and disappointing to the reformists who received only a small number of posts in the new government.<sup>(9)</sup>

President Rouhani's decision to coordinate with the fundamentalists on cabinet appointees and not to consult the reformists on this issue<sup>(10)</sup> in addition to appointing Mahmoud Vaezi as head of his office, represented a shock to the reformists. This increased their resentment towards the Moderation and Development party. Most of the reformists believe Vaezi is close to the conservatives. Other reformists went even further, saying Vaezi is the one who steers President Rouhani's policies and decisions.<sup>(11)</sup> Since then, the reformists started to complain that the role of the moderates within Rouhani's government is being curbed and Vaezi seeks to oust Jahangiri. This appeared when media outlets defending the platform and policies of the Moderation and Development party called for sacking Jahangiri and the labor minister Ali Rabei. These calls proved successful after the parliament withdrew confidence from Rabei last August.

After the economic situation worsened post US withdrawal from the nuclear deal, the reformists leveled harsh criticisms at the government due to its failure to improve the economic situation. Also, cadres of Jahangiri's party harshly criticized the Moderation and Development party due to its insistence to keep Mohammed Baqir Nobakht as chief of Iran's budget and planning organization.<sup>(12)</sup>

Before questioning President Rouhani in parliament in August in 2018, the Building and Construction party issued a statement accusing the government of lacking a strategy to resolve the economic crises hitting the country.

The direct cause of increasing tension between the Moderation and Development party and Jahangiri in recent months is the latter's demand to change the economic team of the government; President Rouhani's response to this request would mean two things: first, excluding the Moderation and Development party members, who occupy the biggest number of ministerial posts: Second, excluding the secretary general of the party from the chairmanship of the planning and budget organization.<sup>(13)</sup>

## **The Position of the Building and Construction party leaders on Jahangiri's comments**

The reaction of the members of the Building and Construction party varied over Jahangiri's resentment at his position within the presidential establishment and on the issue of his resignation. The secretary-general of the party, Gholamhossein Karabasji, appeared unhappy with Jahangiri's continuation in office, who represents the party within Rouhani's government. He openly declared that if he were in Jahangiri's place, he would step down from the post.<sup>(14)</sup>

Mohammad Atrianfar, a member of the Central Committee of the party had a different viewpoint. He expressed dismay at Jahangiri's resignation threats and rejected public calls on the reformists to stop supporting President Rouhani even if this would lead to their popular base diminishing.<sup>(15)</sup>

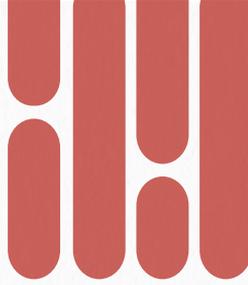
## **Rouhani and Vaezi's intervention to end the crisis**

President Rouhani is facing intense pressure from parliament and various political currents due to the suffocating economic crisis gripping the country. In August, the Iranian parliament withdrew confidence from the ministers of economy and labor. During the month, two other ministers submitted their resignations, name-

ly the Minister of Commerce and Industry and the Minister of Roads and Town Construction. President Rouhani found himself in a dilemma and a new crisis that could endanger his government. He introduced four new ministers to be granted confidence.

Despite speculation that a number of proposed ministers could face a parliamentary rebuff, notably Mohammad Shariatmadari, who was sharply criticized during his tenure in the Commerce and Industry Ministry, the members of parliament gave confidence to the four ministers.

To prevent the emergence of a new crisis, President Rouhani attempted to contain the disagreement within his cabinet. He met with his first vice president Jahangiri on October 29<sup>th</sup>, 2018. After lengthy talks, the two sides agreed to continue cooperation and partnership. As to Vaezi, who is accused of stripping Jahangiri of his powers and seeking to oust him, he did not raise the accusations leveled at him. He said Jahangiri is the second man in the government and all members of the government should work harmoniously with him. This came in a bid to contain the crisis, hide the differences in the corridors of the presidency, and not to add new crises to the ones the government is already facing.<sup>(16)</sup>



## Military File

### Iran warms relations with Pakistan to free 12 of its soldiers captured by Jaish al-Adl



The fate of 12 Iranian troops, kidnapped by the militant outfit Jaish al-Adl<sup>(17)</sup> on October 15 reportedly from the Mirjaveh border post in Sistan-Baluchistan province, remains shrouded in mystery. The Sunni Baloch militant group not only claimed responsibility but also released a photo of the abducted soldiers sitting in handcuffs alongside their surrendered haul of automatic weapons and sniper rifles, rocket launchers, machine-guns, grenades and ammunition.<sup>(18)</sup> A couple of times, Persian websites reported that they had been executed but the reports were later removed,<sup>(19)</sup> while some old footage of dead soldiers has been circulating on social media.

On October 31, Iran's Foreign Minister Javad Zarif paid a whirlwind visit to Islamabad – his second in two months. The key agenda point of his meetings was the early release of the captured Iranian soldiers from Jaish al-Adl.<sup>(20)</sup> As much as Pakistan can assure Iran of its cooperation, it has been seeking information about the whereabouts of the abducted men. Given the close proximity of Mirjaveh to the Pakistan and Afghanistan border, there can not be any easy guesses. Iran will have to seek the help of the International Committee of Red Cross for mediation, especially if the men have been taken to lawless outposts of Afghanistan. So far it has decided against it. Iran may be seeking Pakistan's cooperation for it to approach Washington and Kabul to intervene from the Afghan side. Ironically, Iran has long alleged America's CIA for harboring anti-regime militants through sanctuaries in Pakistan and Afghan-



istan.

Soon after the Iranian soldiers' kidnapping by Jaish al-Adl, the government-controlled media launched a harsh campaign against Pakistan for harboring GCC-sponsored terrorist outfits.

During the Islamic Revolutionary Guard Corps' (IRGC) Brigadier General Mohammad Pakpour's visit<sup>(21)</sup> on October 22, Pakistan conditioned its cooperation with Tehran to its media silencing its criticism towards Islamabad and a joint pursuit of a professional approach to the problem. Ever since this Pakistani demand, the Iranian media has stopped finger-pointing towards Pakistan. Islamabad and Tehran also agreed to carry out a joint operation so neither could accuse the other about any collateral damage i.e. death of the abducted soldiers. In February 2014, Iran and Pakistan had signed the agreement<sup>(22)</sup> to share responsibility for combating drug smugglers and militants operating across the 1,165 km shared border and making it easier to extradite prisoners.

Jaish al-Adl, a Sunni Baloch militant outfit active for over a decade and a half, seems ready for a bargain in return for the soldiers. The demands are no different from the previous instance when it successfully managed to be a victor in 2014.<sup>(23)</sup> This time around too, the group seeks Iran to free all Sunni Baloch captives arrested from the region; immediately halt the maltreatment of the non-Persian ethnic and religious communities; and an end to discrimination against non-Shiite minorities.<sup>(24)</sup>

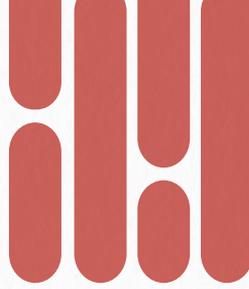
Jaish al-Adl has to its credit a series of operations against Iran's domestic security forces and Revolutionary Guards operating in the Sistan-Balochistan province, including the detonation of mines against IRGC vehicles and convoys, kidnapping of border guards and attacks against military bases located in the province. The government's media generally does not report casualties in such clandestine operations but whenever it does, Pakistan is singled out for providing safe havens to the Sunni Baloch militants while lawless Afghanistan which also shares the border with Iran gets ignored. Sistan-Balochistan, a far-flung Iranian province where 2 million Baloch people form 80 percent of the population, has been facing unparalleled neglect, thus being a perfect breeding ground for discontent and rage.<sup>(25)</sup> The Sunni ethnic population has become extremely marginalized since 1979, the majority of whom carry no identity papers thus unable to access state hospitals, schools and are excluded from seeking justice from the judicial system. The closure of religious education institutions for Sunnis in Iran, ironically enough, compels many Sunnis to seek places in Pakistani and Saudi Arabian seminaries, where they are exposed to political views far more radical than what they would encounter at home. Moreover, Iran neither recognizes the role of the Sunni clergy nor Baloch tribal leaders. Lack of opportunities for religious as well as contemporary education have been leading the Baloch youth to militancy and radicalization. Currently, Jundullah or the People's Jonbesh-e-Moqavemat-e-Mardom-e-Iran and Harkatul Ansar are two other prominent Baloch



militant outfits besides Jaish al-Adl.

Iran's current quagmire may result in one of the following two options: either it pays a ransom or accepts the death of its abducted soldiers. Prima facie, Tehran seems committed to free the soldiers through the use of force. It is an opportunity for Iran to launch a joint cross-border operation against the militants, considering the bleak prospects of the troops' being released. President Rouhani may like to keep the situation from flaring up further and may consider giving in to the group's key demand: the release of Sunni Baloch captives in exchange for the 12 soldiers. In February 2014 Jaish kidnapped five Iranian border guards in a similar fashion. On April 4, 2014, the captives were released except one who was killed.<sup>(26)</sup> Though Jaish al-Adl attributed its decision to the request of eminent Sunni clerics, independent media reported that Tehran won their freedom after releasing 60 Jaish al-Adl members.<sup>(27)</sup> If the Rouhani government is willing to negotiate, the chances of the abductors' release will be higher if Jaish manages or has already managed to cross into the Afghan border. While being within Pakistan and Iran, the Baloch militants may see negotiation as a ploy to arrest or kill them while trying to free the abductees. Iran and Jaish have both waited in the past for around two months in a similar situation. For now, both sides will opt to wait and see.

Iran has used the kidnapping of its soldiers as an opportunity to cement military ties with Pakistan. The foreign minister's unscheduled trip to Islamabad and his meeting not only with his counterpart but also with the army chief and the prime minister comes days after Imran Khan's back-to-back successful visits to Saudi Arabia. Tehran has been particularly nervous about Riyadh-Islamabad talks for investment in Balochistan's mineral development and setting up of a refinery in Gwadar on the Makran coast. From Pakistan's perspective, the volatile border with Iran poses a security threat of infiltration by India's spy network which controls Chabahar port as well as the smuggling of goods and human trafficking.



## Security File

### Iran's diplomats risk the wrath of the EU after clandestine plots are discovered

**The foreign ministers of the EU are to mull over a joint response in their November 19 meeting**



Iran's Foreign Ministry is facing fury—overpopulated with intelligence operatives, more so now than ever before—in the wake of President Trump's sanctions.

Iran's Foreign Ministry is facing the west's fury as too many the IRGC intelligence officials have been appointed on posts reserved for career diplomats in key capitals, more so now than ever before in the wake of President Trump's sanctions. The other alarming pattern has been the role of naturalized Iranians in western countries, particularly in the killing of dissidents and critics on behalf of the IRGC.

Six days after the deadly attack on a military parade in the restive Ahvaz region of Iran, a colossal manhunt on September 28 in Denmark's largest island, Zealand brought life to a standstill. Copenhagen unearthed an assassination plot against an Iranian dissident calling for the independence of the oil-rich Khuzestan province.<sup>(28)</sup> The Scandinavian state recalled its ambassador over Iran's alleged plan to assassinate its citizen on its soil by using naturalized citizens of Persian origin. The Rouhani government rejected the charges, branding them as a 'Zionist conspiracy.'<sup>(29)</sup>

"There is sufficient basis to conclude that an Iranian intelligence service has been planning the assassination," the Danish Security and Intelligence Service said in an official statement.<sup>(30)</sup>

Since a Norwegian citizen of Iranian background was also arrested in Sweden, October 21 in connection with the plot, Oslo summoned Tehran's ambassador<sup>(31)</sup> to lodge its protest.

Now, the EU Foreign Affairs Council will take up the Danish proposal of sanc-

tions against Iran in Brussels on November 19.

Finn Borch Andersen, Head of Denmark's intelligence service Politiets Efterretningstjeneste (PET), said the agency believed Iran "was planning an attack in Denmark" against three dissidents who are affiliated with the Arab Struggle Movement for the Liberation of Al-Ahwaz (ASMLA).<sup>(32)</sup>

Set up in 1999 but it later split in two factions in 2015. Iran's minority Arab region's top activist leading one of the ASMAL factions Ahmad Mola Nissi was shot dead outside his home in the Netherlands in November 2017. Tehran remains the sole suspect for taking the Dutch citizen's life.<sup>(33)</sup>

Denmark's claim follows the arrest and extradition of an Iranian diplomat based in Austria, Asadullah Assadi, by police in Germany. His diplomatic immunity was not valid as he was vacationing outside his host nation.<sup>(34)</sup>

A coordinated intelligence swoop involving the French, German and Belgian services led to the unearthing of the planned attack in the days prior to the Iranian dissident opposition rally in Paris. This rally was to be attended by many western politicians and Arab dignitaries.<sup>(35)</sup> France has frozen the assets of Iran's Ministry of Security and Intelligence and of its Director-General Saeid Hashemi Moghadam. The other EU countries investigating perpetrators of the bomb plot include Austria and Luxembourg.

In sync with the consistent pattern, Brussels apprehended two Belgian nationals of Iranian origin on June 30 with 500 grams of explosives and a detonation device in their car. The deadly vehicle was allegedly destined to the Paris venue of the opposition rally. The same month, allegations surfaced that Iran was behind the assassination of a man named by police as Ali Motamed near Amsterdam in 2015. Another prominent dissident victim in recent years has been Saeed Karimian, the Iranian television executive, owner of the Dubai-based GEM TV who was shot dead last July in Istanbul.<sup>(36)</sup>

Iran is not new to eliminating dissidents and critics alike. Although the country has been relying upon assassins since the era of Reza Shah, the practice has become more widespread over the past two decades. In 2011, an Iranian American was caught planning the 2011 bombing assassination of Adel al-Jubeir, Saudi Arabia's ambassador to the United States at the time when he was to dine at Cafe Milano, an upscale Georgetown restaurant. Mansour Arbabsiar is serving a 25-year prison sentence to a charge of murder-for-hire and two counts of conspiracy for his role.<sup>(37)</sup> The prosecutor provided

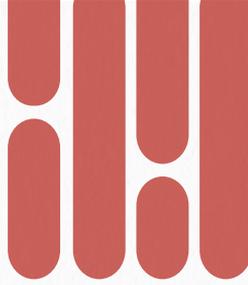


the court hours of audio tapes evidencing Arbabsiar's telephonic conversations with the Quds Force official Abdul Reza Shahla, along with the money trail of a \$100,000 down payment on the \$1.5 million fee demanded by a man presuming to be a Mexican drug cartel operative and hitman.

Shockingly, a surge in Iranian nationalism and a willingness to work with the regime for money can be seen among Iranian origin citizens in western countries. This is a trend that is understudied and highlighted given its gravity and the existing evidence.

Although Iranian expatriates with green cards or western nationalities cannot be stripped off their rights, the regime's diplomats may not enjoy the at-par treatment in their host countries. Taking cover behind the Vienna Convention, Iran's intelligence has been sending its spies as diplomats, a practice often carried out by almost every nation in the world. What has made it unique is the regime's shift from hiring people like Asadullah Assadi to individuals enjoying diplomatic immunity. The recent examples from Germany and now Denmark are likely to be replicated further with higher desperation. However, the forthcoming joint EU response could cast a dark shadow over Iran's foreign ministry as it not only direly seeks European capital to stand by Iran in the wake of President Trump's sanctions but also, it requires European support to prevent it from being shut out from the SWIFT system.

Nonetheless, dissident Iranians are set to face stronger arm tactics in times ahead. Clandestine murder plots using Iranian origin western citizens as well as the kidnapping of critics across the world are more plausible than before. The consequences of Iran's foreign ministry facing restrictions against its 'diplomats' for their rogue behavior can be exponential. Given the internal strife between Rouhani's government and the IRGC, it is also possible that an intelligence agency had a few career diplomats onboard to step beyond their mandate without the approval of the foreign ministry or President Rouhani.<sup>(38)</sup> The ties between the foreign ministry and the IRCC have been strained since the conclusion of the Joint Comprehensive Plan of Action (JCPOA). The recent sanctions may bridge the gap in tactics if the EU's November 19 meeting of foreign ministers results in punitive measures to avert future clandestine operations.



## Economic File

### First: The EU's SPV to continue trade with Iran

Following the US withdrawal from the nuclear agreement in May 2018, the first phase of sanctions in August were imposed on Iran targeting vital products and sectors such as automobiles, metal trading, carpets and money transfers in US dollars. The second phase of US sanctions on Iran entered into force on November 4, 2018, targeting crude oil and its products, ports, shipping and financial transactions with the Central Bank of Iran and its financial institutions.

The EU is trying to develop a mechanism that would ease the embargo on Iran by permitting the continuation of trade and the transfer of funds to and from Iran, as well as with the EU. . This mechanism is known as the SPV.

### What is the SPV?

In September 2018, the EU foreign policy chief Federica Mogherini announced the SPV, a financial channel to keep trade with Iran under European law beyond US sanctions, letting other partners in the world to join it. Therefore, permitting financial transactions between Iran and foreign parties without them being harmed by US sanctions. Currencies other than the US dollar would be used, or transactions would be carried out away from the regular banking system, if possible, the SWIFT system would be used.

The European financial channel to save the nuclear deal with Iran has yet to be clarified.

Despite the ambiguity surrounding the implementation of the SPV, which is supposed to circumvent the sanctions, the Spokesman of the Iranian parliament's presidential body Bahruz Nemati said with confidence, "The West promised to implement a financial mechanism for the transfer of funds with Iran coinciding with the beginning of US sanctions on the fourth of November and of course Russia, China and India will be committed by them." On the contrary, Iranian media quoted European diplomats as saying that the implementation of the SPV will take a long time to be activated after the sanctions. It may take months leading into the new year, 2019.

Anyway, speculation suggests the SPV will function as follows:

For example, if Iran sells oil to an Italian company, instead of getting its sales value, this value will be reserved in a digital account for Iran. So, when Iran buys products from another European company, the latter gets its money from Iran's account with the Italian company. Financial transfers will be conducted from one firm to another without sending anything to Iran.

### The European SWIFT system and the US

SWIFT is a Belgian-based global network which links banks and financial institutions worldwide. It is widely used for international money transfers by digital codes. The system has more than 11,000 financial institutions in more than 200 countries around the world.

So far, US sanctions have not included removing Iran from the Swift banking system.

There is, however, internal pressure on the US administration to ban Iran from using the SWIFT system and to have this included in the sanctions lists. SWIFT should comply as it did with EU decisions - as happened when Iran was banned in 2012 - however the US does not have a majority on SWIFT's directors board. However, the US may threaten to impose sanctions on banks listed on the Swift network if they deal with Iranian financial institutions placed on the US sanctions list, which actually happened on 2 November.

On previous occasions, the US intercepted the transfer of funds between two European countries in February 2012 for the amount of 26,000 dollars sent from Denmark to Germany as a payment for the purchase of a Cuban cigar. The US Department of the Treasury interrupted the transaction under the pretext of breaking the US embargo against Cuba, despite being a small amount.

In other words, the US can intercept financial transfers via SWIFT if it wants directly or indirectly, particularly by threatening to impose sanctions.

### EU motives to open an alternative financial channel with Iran

Many rely on the importance of the Iranian market for European manufacturers, especially since the majority of European exports to Iran are concentrated in manufactured products, machinery and transport. The exports include industries and technology that increase the profits of European companies and provide jobs for surplus European workers. But does this really matter to the European economy?

If we look at the volume of EU trade with Iran the previous year, despite the US withdrawal from the nuclear agreement in 2017, we will find a record of about 21 billion euros. More than half of this figure is European exports to Iran. But compared to the size of the EU's trade with the world, the volume of trade with Iran does not exceed 0.6%, less than 1%, and ranked 33, while the United States and China topped the list of Europe's largest trade partners by 17% and 15%, as shown in the following table 1.

table 1

Partner	Total trade	
	Value Mio €	% Extra-EU
World	3,737,688	100.0
1 USA	632,021	16.9
2 China	573,023	15.3
3 Switzerland	261,220	7.0
4 Russia	231,280	6.2
5 Turkey	154,251	4.1
6 Japan	129,373	3.5
7 Norway	128,135	3.4
8 South Korea	99,822	2.7
9 India	85,907	2.3
10 Canada	69,182	1.9
33 Iran	20,965	0.6

It seems that the first motive to save the nuclear deal is not the importance of Iran’s oil or the Iranian market for the European economy, as much as the EU’s desire to achieve other political and security goals, such as maintaining its national security and the security of some of its allies in the region and the desire to reduce the dominance of the US dollar.

In terms of trade, the biggest beneficiary of implementing financial and commercial channels with the EU is Iran. This was confirmed by Mogherini’s assertion that trade between Iran and the EU “is a fundamental aspect of Iran’s right to an economic advantage in return for its nuclear obligations so far.”

The following table highlights the importance of the EU in Iran’s total trade. The EU is ranked third behind China and the United Arab Emirates at 16.3% of Iran’s total trade.

**Table 2: Iran’s trade with its most significant trade partners in the world**

Imports			Exports			Total trade		
Partner	Value Mio €	% World	Partner	Value Mio €	% World	Partner	Value Mio €	% World
World	65,836	100.0	World	56,200	100.0	World	122,036	100.0
1 United Arab Emi...	19,609	29.8	1 China	15,470	27.5	1 China	23,801	19.5
2 EU 28	10,378	15.8	2 EU 28	9,563	17.0	2 United Arab Emi...	20,471	16.8
3 China	8,331	12.7	3 India	8,466	15.1	3 EU 28	19,941	16.3
4 Turkey	2,880	4.4	4 South Korea	6,384	11.4	4 India	9,854	8.1
5 South Korea	2,651	4.0	5 Turkey	6,257	11.1	5 Turkey	9,137	7.5
6 Switzerland	2,106	3.2	6 Japan	2,975	5.3	6 South Korea	9,035	7.4
7 Russia	1,666	2.5	7 Afghanistan	1,119	2.0	7 Japan	3,601	3.0
8 India	1,388	2.1	8 United Arab Emi...	863	1.5	8 Switzerland	2,145	1.8
9 Brazil	748	1.1	9 Singapore	629	1.1	9 Russia	1,994	1.6
10 Singapore	739	1.1	10 Taiwan	594	1.1	10 Singapore	1,368	1.1
2 EU 28	10,378	15.8	2 EU 28	9,563	17.0	3 EU 28	19,941	16.3

This, of course, does not deny the fact that the Iranian market provided very promising opportunities for European companies, but the US administration forced them to forgo these opportunities. After activating the nuclear deal, companies such as Total, Peugeot, Renault and Siemens negotiated multi-billion dollar investment deals in Iran in 2016. After the US withdrawal from the agreement, they left the Iranian market and they will never return as long as the sanctions are in place.

**Will the EU channel pay dividend?**

The SPV will work with small European and perhaps medium sized companies that have no relations with the US and not with large and international ones. “The European mechanism is an innovative way to solve one problem, how to conduct financial transactions with Iran, with international banks refusing to do so for fear of US sanctions,” says Columbia University professor Richard Navio. “But these sanctions do not just target transfers but goods and services and their movement. Europe will not be suitable for large-scale business to and from Iran, as well as investments inside Iran. The US has the ability to prevent companies or banks cooperating with Iran from operating in its domestic markets, including exclusion from its financial markets that are of importance to any global institution that requires ongoing financing. For a majority of European companies and banks, the risk of exclusion from the US market is far greater than the potential losses from suspending business with Iran. This is what the major European companies have realized, and have decided



to align themselves with the US position after its withdrawal from the nuclear agreement, such as the French companies Total, Peugeot; Germany's Siemens; Denmark's Maersk and Airbus.

To a certain extent, the proposed European mechanism will ease the negative effects of US sanctions on the Iranian economy, especially if the US fails to drive Iran out of the SWIFT system, but trade with Iran from large companies will likely shift to small and medium-sized companies limited in potential. This will negatively affect Iran's means of production, employment rates, domestic production and availability of goods. China is expected to support the EU in activating the SPV to maximize the interests of Chinese businesses in Iran in the coming period. Certainly, such countermeasures are to mitigate the negative consequences on the Iranian economy but will not prevent them entirely.

### **Second: Developments across this sector in this month**

Before the second package of US sanctions enters into force on November 4, the volume of Iranian oil exports for October is unclear unlike September. Media reports mentioned the volume of Iranian exports in September was 1.6 million barrels per day. In October, Reuters reported that the volume of Iranian oil exports for October amounted to 1.33, while the IRNA report, citing *Kallanish Energy News* suggested oil exports amounted to 2.20 million barrels per day in the first half of October, denying what Reuters had reported.

The Canadian Broadcasting Corporation (CBC) said that Iran uses stealth vessels transferring oil, that jam satellite frequencies, making them invisible, thus allowing them to circumvent US sanctions. This explains the contradictory figures surrounding Iranian oil exports during the month of October.

As part of the continued withdrawal by international oil companies from the Iranian market, Hyundai Engineering canceled an agreement with Iran to build a petrochemical complex worth \$ 521 million. The firm pointed out that Iran's ability to finance the project has been affected by the imposition of US sanctions.

On the other hand, the response of the Iraqi government to the US sanctions imposed on the Iranian government represented in its decision to stop the transfer of crude oil to Iran is a step that reflects the independence of Iraq and that it is

prioritizing its interests. Iraq exports about 30 thousand barrels by truck to Iran. These shipments will be halted next month.

In an alternative measure, the Iraqi government intends to export Iraqi oil to Turkey through the Kurdistan region to Turkey's port of Ceyhan and this measure lowers the likelihood of Ankara obtaining exemptions from US sanctions, for importing Iranian oil. The move will impact the volume of Iranian oil exports to Turkey in the coming period.

In light of the most important developments in the non-oil sector, the Iranian government has taken a step which is one of the most prominent economic events in October. The parliament approved the appointment of the members of the Economic Group, including the Minister of Economy and Finance Farhad Dij Sanad. This comes as the second package of US sanctions on Iran is looming. This move is considered a preparation for a difficult period for the Iranian economy.

On Thursday, the US Department of the Treasury issued a warning in a 19-page recommendation on business dealings with Iran. It published the recommendations to help financial institutions identify and report possible illegal transactions related to Iran. It is worth mentioning that the US Department of the Treasury has taken measures to ban a wide range of Iranian financial institutions and companies that support the Basij, the most prominent of which are four Iranian banks (Bank Mellat, Parsian, Sina and Muharram). Although these banks do not have branches in the US, their financing of terrorist activities and drug trafficking increases the international risk of cooperation with them across the world.

**Figure 2: US Dollar exchange rate against the Toman from April to October 2018**



**Source:** bonbast.com

On the other hand, the First Vice President of Iran, Eshaq Jahangiri, said that the state has a cash reserve of up to more than \$ 100 billion and he added, "Now the cash reserve in the country is unprecedented in the history of the Republic."<sup>(39)</sup>

It is worth mentioning that this reserve did not prevent the fluctuation of the

local currency and its continuous decline during the past months. It is now close to 15,000 Tomans for each US dollar. In this regard, the member of parliament from the Isfahan district, Hassan Kamran, expressed his regret at the fluctuation of the currency price, saying that it directly affected livelihoods and the economy. He blamed the government for the instability in the currency market.<sup>(40)</sup>

#### **Overall indications for this month**

- » Budget deficit in Iran during March hits 102 percent
- » The Iranian Statistics Agency: The rate of inflation for durable goods reached 75% and 47.5% for food products during the past 12 months.
- » - Unemployment in the 15-25 age group increased by 25% in October compared to September.

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## ARAB AFFAIR

Iran seeks to maintain a long-term foothold in Syria, as well as, other influencing factors



Iran tends to maintain its presence in Syria permanently by expanding its influence and dominating the Syrian scene. Prominently, this intention is embodied by the re-positioning of militias and Iranian forces over areas regained from ISIS and the Syrian opposition factions; moreover, Iran has taken the lion's share of the reconstruction contracts in Syria by taking advantage of the new military formula on the ground in Syria especially after the deployment of the S-300 system. However, Iran is not the only player in the Syrian crisis, there are other international players such as Russia, the United States, France, Germany, and regional players such as Israel and Turkey. Each player has his own background, tools, priorities and objectives in Syria.

### First: Iran's ambition to stay for a long time in Syria

There are several indicators of Iran's dominance in Syria after restoring many regions from ISIS and the opposition factions. Syria plays an important role in Iran's corridor to link Iran to the Mediterranean Sea. The first of these indicators is Iran re-positioning its militias and forces deployed in Syria to maintain its current influence in Syria. Iran also has taken over new areas of strategic importance, that contain economic resources such as, oil and phosphate; this makes it an influential player.



This indicator can be sensed by the re-deployment of militias and Iranian forces in Al-Bukamal near the border with Iraq.<sup>(1)</sup> These militias and forces had a major role when the Aleppo conflict flared up between the regime's forces and the Euphrates Shield factions.<sup>(2)</sup> Tek Dibka, an Israel website, revealed that Iran used Israel's air moratorium against Iranian militia concentrations in Syria by intensifying weapon shipments to its militias in Syria, and modernizing Hezbollah's stockpiles of rockets successfully.<sup>(3)</sup>

The second indicator is the Iranian effort to put its hands on the largest share of the reconstruction contracts in Syria, to dominate the Syrian arena. This indicator is exemplified by Iran's agreement with the Syrian regime over the executive protocol of the power station in Latakia Governorate with a capacity of 350 MW in October 2018. The agreement included the implementation of a gas pipeline with a length of 70 kilometers to cover the projects need of gas. Both sides agreed to rehabilitate Iran's Aleppo thermal power station.<sup>(4)</sup>

Moreover, Iran participated extensively in the fourth Syrian exhibition entitled "Omraha-4" for the reconstruction of Syria, which was held between 2-6 October, 2018. In the same context, the Director General of the Arab-African Bureau of the Organization for Trade Development of Iran, Farzad Belten, pointed out that the organization seeks to benefit Iranian companies extensively in the rehabilitation process of Syrian infrastructure.<sup>(5)</sup> Likewise, Massoud Khansari, the head of the Chamber of Commerce in Tehran, affirmed that his country will play a major role

in meeting Syrian requirements regarding commodities and technical products in the reconstruction process.<sup>(6)</sup> The director of the export department of the Iranian company “Wagon Pars” Mohammad Mezerzai stressed that his company has held talks with the Syrian regime around exporting metro carriages and trains.<sup>(7)</sup>

## **Second: factors affecting Iranian ambitions in Syria**

### **A- US strategy towards Iran in Syria**

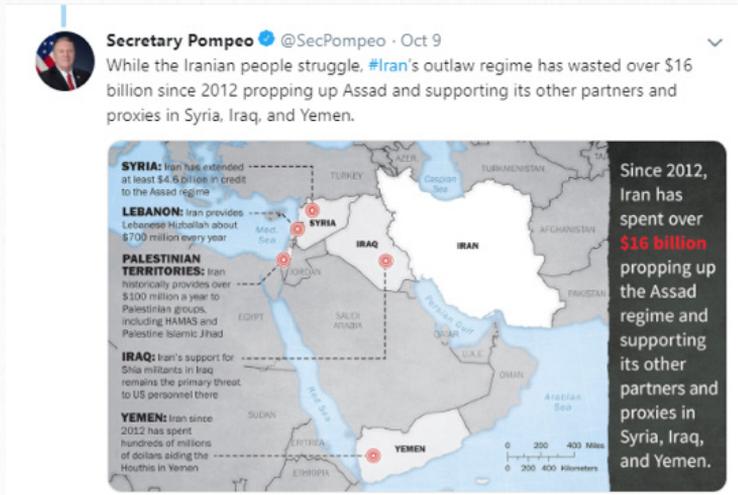
Five unnamed US officials have revealed that President Trump’s administration has developed a new strategy towards Syria aimed at removing Iranian forces and militias from Syria, as well as, any residual pockets of ISIS fighters and finding a political settlement in Syria without Bashar al-Assad being excluded from power. However, this strategy is based on eliminating Iran from Syria diplomatically and politically by practicing financial and economic pressure, suspending reconstruction assistance to areas connected with Iranian proliferation and imposing sanctions on Russian and Iranian companies that intend to participate in the reconstruction of Syria.<sup>(8)</sup>

The five officials strongly underscored that the presence of US forces (2,000 US soldiers) in Syria will remain until militias and Iranian forces withdraw from all Syrian territory. Speaking about this, both the US National Security Advisor John Bolton, and the representative of the US Department of State in Syria James Jeffrey expressed their concern about Iranian presence in Syria as it intends to consolidate its military presence permanently there by building a long-range missile, and anti-aircraft system, and other weapons that will reinforce its influence in Syria.<sup>(9)</sup>

If what the US officials said is true, we will witness a new US policy towards Syria entitled “the political and economical escalation against Iran to expel its forces and militias from Syria”. In fact, this US strategy is compatible with American policy to limit Iran’s influence because of its negative impact on peace and security in the region, which is swamped with trouble.

The questions that may be raised here are: Does this mean that the US administration has any intention to resort to the use of armed force against Iranian militias and forces in Syria? How is it possible to remove them by diplomacy given Russian support, represented by President Vladimir Putin’s statement on 18 October “Russia is not worried about convincing Iran to withdraw its troops from Syria”? Apparently, Russia does not want to give up its ally, Iran. What have Iran’s militias and forces obtained from regaining territories from ISIS and the opposition factions? Are these efforts sufficient to twist Iran’s hand to withdraw its militias and forces?

The US strategy towards Iran could face many challenges ahead related to Tehran’s plan to gain a foothold in the middle east by sacrificing more than 1000 fighters, as well as, senior leaders of the Revolutionary Guards who have fought and died alongside the forces of Assad since 2012.<sup>(10)</sup> For the time being it is believed that Iran has at least 10,000 fighters in Syria;<sup>(11)</sup> moreover, Iran has spent 16 billion, according to the report released by the US Department of State on 19 October 2018, on its forces and agents in Syria, Iraq and Yemen.<sup>(12)</sup>



Iran seeks to reap the benefit of the material and human cost in Syria to achieve its ambitions by re-positioning its militias and participating in the reconstruction process - as already mentioned. As a matter of fact, Iran faces economic deterioration since the US withdrawal from the nuclear agreement and the re-imposition of sanctions.

In addition, Iran has privileged relations with the Syrian regime because of its absolute support in restoring territory. The Syrian regime considers the presence of Iranian forces as a crucial need to consolidate itself again in the new Syrian equation, after losing thousands of its soldiers during the civil war that broke out in 2011. However, Syria weighs a great importance in Iran's grand strategy and there is not any clash of interest between Russian and Iranian interests in Syria. Therefore, the removal of militias and Iranian forces from Syria will likely take years at a minimum.

### B- Syria deployed its Russian purchased S-300 missile system

The Russian Defense Minister Sergei Shweigo stated on 2 October, 2018 that the Syrian army received the S-300 air defense system, 49 pieces of equipment and 4 rocket launchers.<sup>(13)</sup> The arrival of the S-300 has been implemented in accordance to what was announced on 24 September 2018, following the downing of the Russian plane II-20 off the Syrian coast on 17 September, 2018. Likewise, the Ministry of Defense at the request of President Putin will undertake 3 crucial measures to improve the combat capabilities of Syrian air defenses:<sup>(14)</sup>

- 1- To deliver the S-300 system to Syria within two weeks.
- 2- Provide the Syrian Defense Forces command centers with an automatic control system, which is provided exclusively by the Russians. It is an advanced system that allows targeting any hostile object automatically once it is activated without human decision-making to deter several simultaneous attacks in any part of the

country.

- 3- To establish an electromagnetic interference system to prevent satellite and aircraft communications in the Mediterranean areas near the coast of Syria if any attack is to be attempted on the S300- missile system.

<b>Definition</b>	An air defense missile system capable of detecting and targeting ballistic missiles and enemy aircraft, and is intended to protect strategic sites by deterring simultaneous air attacks.
<b>Countries possessing this anti-aircraft missile system</b>	China - Iran - Belarus - Kazakhstan - Azerbaijan - Armenia - Ukraine - Vietnam - Venezuela.
<b>Specification</b>	<ul style="list-style-type: none"> <li>» A battalion includes a long-range radar to detect enemy targets, a command vehicle analyzes incoming data, six vehicles operate as missile launchers, a short-range radar tracks targets and directs missiles towards them.</li> <li>» The ability to intercept missiles and enemy air targets over 250 km.</li> <li>» The possibility of monitoring 100 goals and hitting 10 goals simultaneously.</li> <li>» Equipped with 48 rockets capable of launching two missiles against one target.</li> <li>» The Maximum speed of the missile: 2800 m / s.</li> <li>» The Length of the rocket: 7.5 m.</li> <li>» The weight of the rocket: 1900 kg.</li> <li>» Firing speed: one rocket every 3 seconds.</li> <li>» Response time: vehicle stopping to missile firing is five minutes</li> </ul>

**Source:** Unit of International and Regional Studies, Rasanah IIIS.

**Data source:** [shorturl.at/oyGX7](http://shorturl.at/oyGX7)

**But the question is whether the S-300 missile system will change the rules of the game in Syria for all parties by changing the rules of engagement? Is Iran the main beneficiary of this system, according to the Western and Israeli narrative?**

The Israeli Prime Minister Benjamin Netanyahu vowed to continue targeting Israel's enemy in Syria despite the deployment of the S-300 under the pretext of self-defense to halt Iran's attempts to consolidate its military presence and transfer advanced weapons to Hezbollah.<sup>(15)</sup>

Moreover, Israel threatened Iranian forces and militias in Syria according to Netanyahu's tweets on 9 October 2018.<sup>(16)</sup> In a similar manner, the Minister for Regional Cooperation Tsahi Hanegbi said the S-300 can not target the US F-35 fighter aircraft owned by the Israeli Air Force.<sup>(17)</sup>

At the same time, the speaker of the Iranian Shura Council Ali Larijani discarded that Tel Aviv would not carry out new military operations in Syria after the deployment of the S-300 system.<sup>(18)</sup>

According to strategic experts, the S-300 will certainly improve the Syrian air defense capabilities due to its ability to strike hostile targets at 250 kilometers away and jam the radar and communications of enemy air systems. According to the analysis of the Director of the World Arms Trade Analysis Center, Igor Korotchenko, the S-300 surpasses the US Patriot missile system, and the US is expected to lose billions of dollars due to its loss in the air defense weapons market. As well as, the S-300 has a geopolitical impact at the middle east level because of its long distance control on the ground.<sup>(19)</sup>

The S-300 is a nightmare for Israeli decision-makers because the system will be able to detect and strike an Israeli Air Force jet if an air strike is to be attempted. It will also thwart Israel from targeting sites in Syria just in case if a full scale-war breaks out. In contrast, Iran will have the opportunity to redeploy its militias and forces geographically in Syria without being worried any more of Israeli strikes. Moreover, it will ease the task of transferring Iranian weapons into Syria to militias, Iranian forces, and the Lebanese Hezbollah through Syria.

Accordingly, some would argue that Iran is the prime beneficiary of this system because it will strengthen its position and military presence, not only in Syria but in all the target countries of Iran, such as Iraq and Yemen. However, others would believe Iran may benefit relatively from this system in the long and short term since the S-300 will empower the Syrian regime's status and independence. This, therefore, would contradict with Iran's expansionist strategy in Syria, which is related to the Syrian regime's weakness and its dependence on Iranian forces.

Israel's decision-makers have two options: firstly, at the political level, to deal with reactions to a crisis in advance, which have long raised Israel's strategic anxiety curve, and to coordinate with the Russians to add more pressure on Iran to stop its expansionist project and re-positioning, or at the minimum expectation, protect Israeli security and prevent Iran from transferring weapons to its militias in Syria and Lebanon. Secondly, the decision-makers in Tel Aviv and Washington move to a full scale-war choice, which is unlikely to happen, since it is a terrifying scenario and its consequences are disastrous for the whole region under the new military reality in Syria.

### **C-The quadripartite summit**

Istanbul hosted a two-day summit on 26 and 27 October 2018, which included Russian President Vladimir Putin, French President Emmanuel Macron, Turkish President Recep Tayyip Erdogan and German Chancellor Angela Merkel to discuss the future of Syria, the drafting of a constitution, a ceasefire, the situation in Idlib and the return of displaced persons.



The four leaders agreed by signing the “Istanbul Declaration on Syria” to the sovereignty, independence and territorial integrity of Syria, supporting a political solution, working towards a comprehensive cease-fire in Syria, a new committee to draft a new constitution, preparing the ground for fair elections under UN supervision, accepting the Russian-Turkish agreement to stabilize the situation in Idlib signed on 17 September 2018, and facilitating a safe return of displaced persons to their homes.<sup>(20)</sup>

The summit, the parties involved in and the content of the Istanbul Declaration brought forth several questions, such as: Why was Iran excluded from participating in the summit, while countries such as Germany and France attended the summit, since they are not as active players as the other two in the Syrian file? Does the countdown start for militias and the Iranian forces to leave or did the summit consider Iran as an undesirable party at the table to settle the crisis? Or are the involved parties scared of the American reaction especially after Washington re-imposed economic sanctions on Iran on 4 November 2018?

Furthermore, the summit did not discuss the critical and controversial issue among all the international and regional parties involved in the Syrian crisis “the future of the Iranian militias in Syria.” On one hand, Washington and Tel Aviv are still insisting on Iran leaving Syria, while Russia has been steadfast in supporting Iran and the Syrian regime as its strategic ally. In other words, Iran has saved Moscow financial costs and political efforts by sending ground troops to fight next to Syria’s forces. Russia still needs Iran in Syria to consolidate and protect its areas of influence in the restored areas from ISIS and opposition factions.

Germany probably participated in the summit to discuss the future of the refugee issue, which is high on its agenda since Germany hosts a large number of Syrian refugees. On the other hand, President Macron’s participation is for the French forces participating in the international coalition to fight ISIS in Syria around 1,110 French soldiers and<sup>(21)</sup> also France has a military base in Ain Al Arab

under construction. In the same context, the Australian expert John Blaxland has referred to the French desire to have a share in Syrian economic projects within the framework of the reconstruction process.<sup>(22)</sup>

### The Results:

The Iranian insistence on expanding the scope of its influence in Syria is countered by a shift in the US position towards its ambitions in Syria, given the fact that the Trump administration has conditioned the withdrawal of US forces from Syria to the departure of militias and Iranian forces, not ignoring the new military reality that emerged after Syria deployed the S-300 missile system. Iran may take advantage of this by transferring weapon to its militias and forces in Syria and to Hezbollah in Lebanon. At the same, Tel Aviv is unable to carry out military strikes because it is risky, and it is unlikely to engage in a full-scale war with Iran under the current regional and international circumstances.

## Iran-Iraq relations in light of Iraq's new political leadership

### First: Electing the president and prime minister of Iraq

Within the constitutional timeline set for electing candidates for the three presidencies (presidency of the republic, premiership and presidency of parliament), Barham Salih, on October 10, was named as Iraq's president, while Adel Abdel-Mahdi was elected as its new prime minister. He was a consensual candidate among Iraq's political actors. He defeated his rival with a large margin of votes. He won 219 votes while his rival won only 22 votes in the second round of voting in the parliamentary session attended by 302 parliament members<sup>(23)</sup>, out of a total of 329-parliament members. This came following a cutthroat presidential seat contest between the two main Kurdish factions: the Kurdistan Democratic Party (KDP), headed by Masoud Barzani and the Patriotic Union of Kurdistan (PUK) headed by Jalal Talabani family. The KDP's presidential candidate was Fuad Hussein, whereas the PUK was represented by Barham Salih.<sup>(24)</sup> Abdel-Mahdi's election was consensual among Iraq's Shiite political forces. Both the Sairun alliance, headed by Muqtada Al-Sadr, and the Fatah Alliance, headed by Hadi Al-Ameri backed him. No other parliamentary bloc opposed his candidacy.<sup>(25)</sup>

### Second: Features of the new Iraqi cabinet

The Iraqi parliament granted confidence to 14 ministers in the new Iraqi government on 25/10/2018 (see Table 1). The vote on the ministries of interior, defense, culture, education, justice, planning and migration was postponed.<sup>(26)</sup>

**Table 1**

Minister	Ministry	Minister	Ministry
Thaer Al-Ghadban	Oil	Fuad Hussein	Finance

Naeem Thjeel Al-Rubaie	Communications	Bangen Rekani	Construction
Mohammed Al-Hakim	Foreign affairs	Saleh Hussein	Agriculture
Ahmed Riyad	Youths	Alaa Abdel-Saheb	Health
Saleh Al-Jabouri	Industry	Loai Al-Khatib	Electricity
Abdullah Al-Luaibi	Transport	Mohammed Hashem	Trade
Bassem Abdel-Zaman al-Rubayei	Labor and social solidarity	Jamal Al-Adeli	Resources

Prepared by the Regional and International Studies Unit, International Institute for Iranian Studies, based on the official website of the Iraqi News Agency, <http://ina.iq/archives/73716>

The Iraqi newspaper *Sumeria News* revealed what it called an agreement between the Prime Minister-designate and political blocs to share the ministerial posts. According to the deal, 15 parliament members shall be represented by a minister, i.e., for the 329 members, there would be 22 ministerial posts. They are divided among the political forces as follows:<sup>(27)</sup>

**1- The Shiite factions: 12 ministerial posts:**

- » Sairun Alliance: the ministries of foreign affairs, oil and electricity.
- » Fatah Alliance: the ministries of interior, transport, communication, higher education and youth and sports
- State of Law coalition: the ministries of health and education.
- » National Wisdom Movement: ministry of water resources.
- » Those who withdrew from the Victory alliance: the ministry of construction, housing and municipalities

**2- The Sunni faction: the ministries of labor, defense, social affairs, agriculture, industry, trade and planning.**

**3- The Kurdish faction: the ministries of finance and justice to the KDP and the ministry of migration and displacement to the PUK.**

**Third: The Iranian position on electing the Iraqi president and forming the Iraqi cabinet**

Officially, Iran welcomed electing Barham Salih as the new president of Iraq. The Foreign Ministry Spokesman Bahram Qassem welcomed the election of Salih as the president of Iraq.<sup>(28)</sup> During his visit to Najaf to attend the Arbæen rituals, the

first vice president of Rouhani, Eshaq Jahangiri, called Salih, and invited him to visit Iran.<sup>(29)</sup>

During the consultations to name the new Iraqi president, the KDP, attempted to break the tacit agreement that the post of the Iraqi presidency will be assumed by the PUK in exchange for the KDP assuming the presidency of the Kurdistan region.<sup>(30)</sup>

The KDP fielded Fuad Hussein as its candidate for the presidency of Iraq as he defeated his rival of the Patriotic Union of Kurdistan in the parliamentary elections. But Barzani, suffered defeat following regional and international pressures exerted following his Kurdish independence referendum held on September 25<sup>th</sup>, 2017.<sup>(31)</sup> Fuad Hussein, a Shiite-Kurdish politician engineer the Kurdistan independence project, who is a close aide to Barzani and the head of his diwan. On the other side, Barham Salih has good ties with Iraqi Arabs. He sees the Kurds as having legitimate demands but they should be met within a unified and strong Iraq.<sup>(32)</sup>

According to Iranian sources, electing Salih was a victory for Iran over the United States in Iraq. Marco Rubio, the republican congressman representing Florida subscribed to this opinion. In a Twitter post, he said, "Claiming neither the US nor Iran won in the Iraqi elections of the president and premier is false. The victorious are Iran and Qassem Suleimani, the commander of the Qods Force of the IRGC, who himself was the mediator in these interactions."<sup>(33)</sup>

Salih founded the American University in the Iraqi city of Sulaymaniyah, and still heads its board of trustees. He held several posts in the Iraqi government after the US invasion in 2003, such as head of the Kurdistan Regional Government twice between 2000 and 2001. He was Deputy Prime Minister in the interim Iraqi government in the second half of 2004, Minister of Planning for the transitional government in 2005, Deputy Prime Minister of Nouri al-Maliki's government. He also took over the economic file when he headed the economic committee.<sup>(34)</sup>

On the other hand, Iran's welcoming of Adel Abdel Mahdi as prime minister of Iraq was not as enthusiastic compared to how it greeted the election of Salih, despite the importance of the prime minister.

The Iranian acknowledgement of Abdel-Mahdi's election was limited to a brief statement by Falahat Bisha, head of the National Security and Foreign Policy Committee of the Iranian Parliament. He said, "We hope that this election will lead to the stabilization of the regime and security in Iraq and the continuation of friendly relations between the two countries."<sup>(35)</sup>

Perhaps, this rather lukewarm reaction by the Iranians, was because they expected a candidate closer to Tehran to be elected. Iran relying heavily on Iraq during this stage to break the embargo on its oil exports. Despite, the complicated Iraqi political scene, Iran desires to reap as much benefits as possible. The former Iraqi premier Haider Al-Abadi faced harsh criticism from pro-Iranian groups after his remarks related to abiding by US sanctions to maintain Iraqi interests. Some said these remarks cost him his second term in office as prime minister.

During the last days of his term, Al-Abadi issued a law regulating the Popular

Mobilization Forces (PMF), cross-border factions, groups not affiliated with the PMF, and Kurdish militant groups in northern Iraq who include non-Iraqi fighters. The Iraqi government headed by Al-Abadi contributed in one way or another to curbing the PMF, which Iran funds and supplies with weapons. The last of the Iraqi governments' contributions was when it sacked Faleh Al-Fayad, the PMF's head who broke with his alliance with Al-Abadi during deliberations to form the biggest bloc in the parliament.<sup>(36)</sup>

#### **Fourth: What Iran awaits from the Iraqi leadership**

In the near term, Iran seeks to achieve several objectives in relation to the new Iraqi political leaders. These objectives revolve around Iraq's position on US sanctions imposed on Iran and the attitude of the Iraqi leaders on cooperation with the Arab world, namely with Saudi Arabia and the United Arab Emirates, as well as, their position on the PMF, especially in light of the recent decisions taken by Al-Abadi. Iraqi President Barham Salih has adopted a conservative stance towards US sanctions against Iran on the grounds that Iraq, by virtue of its neighboring Iran, will also be harmed by sanctions.<sup>(37)</sup> Salih said that Iraq is not part of the US sanctions or aggression against Iran. He emphasized Iraq's interests and that Baghdad's position is similar to the position of Europe, Russia, China and Japan (the preservation of national interests without being harmed or causing harm to any party). And Iraq does not want to be part of any conflict, particularly with its neighboring states.<sup>(38)</sup>

This Iraqi position largely reflects efforts to realize Iraqi interests without colliding with the United States nor with Iran. This comes as Iraq is almost completely dependent on Iran in the energy field, whether by importing electricity from Iran due to the large and obvious deficit in the Iraqi electricity sector, or by depending on Iranian natural gas in operating Iraqi power plants. The US administration responded to this reality by granting Iraq a temporary exemption from US sanctions on Iran.

Undoubtedly, the Iraqi leadership's interactions in the coming days will determine the alignments of the Iraqi government in the coming period. If Iraq complies with US sanctions to protect its interests, as well as, the new Iraqi position on cooperating with its Arab neighbors and the nature of its relationship with the PMF will be decisive indications in determining Baghdad's alignments in the days to come.

### **Iran and the Houthis: continuous support and thwarting UN initiatives**

The US Defense Secretary James Mattis called for a ceasefire within 30 days followed by peace talks to bring all parties back to the negotiating table. The Houthis have thwarted UN proposals and efforts to end Yemen's crisis. The Iranian officials' remarks seemingly support a political settlement, however at the same time, Iran provides political and military support to the Houthi rebels—their words do not match the deeds of their government. There are endless lines of evidence pointing out to Iran's involvement in supporting the Houthi rebels whether direct-

ly or indirectly. A report by the Combat Terrorism Centre (CTC) confirmed Iran's support for Houthi rebels. Iran has used its militia proxy, the Houthis, to implement its expansionist policy in the region, jeopardizing the international waterways in the Red Sea, and preventing humanitarian aid to the Yemeni people. The Houthi rebels have captured merchant and humanitarian vessels carrying food to the Yemenis leaving them starving. According to many reports, the continuous violations by the Houthi rebels will result in a severe famine breaking out in Yemen.

### US officials calling for war in Yemen to end

In his remarks at the Manama Security conference, held on October 27, Mattis said it is time to end the war in Yemen, suggesting an agreement for peace in Yemen including disarming the Houthis, stopping the war and cooperation with the UN envoy, Martin Griffith to tackle the basic issues in the forthcoming talks. "I reiterate US support for our partners' right to defend themselves against Iranian-supplied Houthi attacks on their sovereign territory," he added, "In Yemen, Iran continues to export missiles rockets and unmanned aerial systems to Houthi militants in violation of United Nations resolutions." He expressed the US support to the legitimate government of Abdrabbuh Mansour Hadi.<sup>(39)</sup>

Moreover, the US Secretary of State Mike Pompeo and Mattis, at an event at the US Institute of Peace in Washington on 31 October, called on all parties in the Yemen civil war to agree to a ceasefire in the next 30 days. "The (UN) special envoy, Martin Griffiths — he's very good, he knows what he's doing — to get them together in Sweden and end this war," Mattis said. "The time is now for the cessation of hostilities, including missile and UAV strikes from Houthi-controlled areas into the Kingdom of Saudi Arabia and the United Arab Emirates," Pompeo said in his statement.<sup>(40)</sup> In her statement to the House of Commons, British Prime Minister Theresa May said on October 31 that the United Kingdom supports the US efforts to end the civil war in Yemen.<sup>(41)</sup>

The Yemeni government welcomed the efforts taken to kick start the peace process in Yemen, "The statements made by a number of countries during the past few days, which urge the importance of pushing efforts to reach a political solution, according to the three agreed terms, are consistent with the desire of the political leadership headed by President Abedrabbo Mansour Hadi and his government for peace and an end to the suffering of the Yemeni people as a result of the coup by the Iranian Houthi militias."<sup>(42)</sup> On the other hand, Mohammed Ali al-Houthi, the President of the Houthi Supreme Revolutionary Committee (SRC), made remarks in a tweet, "the Americans are the leaders of the coalition, so their demands to end conflict must be translated by their allies whom are led, guided by the [US] goals. We see their calls for a cease-fire unserious, escaping liability and an attempt to give up their previous statements after the world saw their heinous crimes and aggression."<sup>(43)</sup>

The remarks by the US officials reflect a qualitative progress in Yemen's crisis as they stressed the need to bring all parties to the negotiating table, implicitly referring to the "Houthis," who have rejected many UN peace talks and initiatives. They abandoned the recent UN peace talks held in Geneva, hindering any political

settlement to the Yemeni civil war and worsening the unprecedented humanitarian crisis that is evolving in Yemen.

### Iran's continuous support to the Houthis

Despite its snowballing economic crisis following the November 4 sanctions imposed by the US, Iran has not stopped providing military and political assistance to the Houthis and to its other militia proxies in Yemen. Yemen's President Abd-Rabbu Mansour Hadi said, in a speech marking the 55<sup>th</sup> anniversary of 14 October Revolution, "I will never allow the southerners to fight among themselves, and what is going on in Sana'a will not be repeated in the South and what they are thinking about is to move away because I will not allow it and they have to close their account which is supplied by Iran, their account is still today in Beirut and their budget is approved by Iran[...] Yes, there are two accounts with Hassan Nasrallah, an account for Sa'ada and an account for the southern regions, and there is the *Al-Masirah* channel and the *Iranian World* channel and the *Aden* channel that broadcasts from Beirut is the biggest evidence that, and must stop such actions." He added, "We have taken the responsibility not to allow the Yemeni people to be led by Iran's plan, which seeks to build the Persian Empire [...] they are people [who are accused today] in Yemen from the Iranian Revolutionary Guard and from the Lebanese Hezbollah. We interrogated them; they never denied that they are a part of the Persian Empire stretching to the Red Sea. Yes this is the strategy of the Persian Empire."<sup>(44)</sup>

According to the aforementioned report by the CTC, September 2018, Iran's support to the Houthis, who benefited from the Arab Spring uprisings and snatched power from the legitimate Yemeni government, has doubled. Following the fall of Sanaa, Iran commenced an air bridge between Tehran and Sana'a operating twice a day. Around 300 Yemenis were sent for training to Iran. The Houthis developed an independent capacity of missile batteries which were moved from Sana'a to Sa'da. "Lebanese Hezbollah operatives were more numerous and were not only kept in Sana'a and Sa'da but also allowed forward as far as command posts and the Red Sea coastal defense sites."<sup>(45)</sup>

The Spokesman for the Houthis, Mohammed Abdulsalam met with the Assistant to the Iranian Foreign Minister for Arab and African Affairs Hussein Jaber Ansari in Tehran.<sup>(46)</sup> They discussed the latest developments in the peace talks to end Yemen's crisis and how they can push it forward— although, the Houthis have repeatedly rejected previous peace initiatives. Many incidents confirm that the Houthis are not serious in taking a part in any of the peace talks leading to a settlement to end the Yemeni crisis. They purposefully undermined the Gulf Peace initiative in 2011, the Kuwait peace talks hosted for three months in 2016, and recently the Geneva talks led by the United Nations held in September 2018.<sup>(47)</sup>

### The Houthis threats to the Bab el-Mandeb Strait

The Houthi rebels have targeted international waterways, jeopardizing international peace and security. They have repeatedly attacked international vessels in the Bab el-Mandeb Strait. The Houthis detained 10 oil and commercial vessels stationed at Hodeidah port. Some of these vessels carrying tons of petrol, sugar

and flour were held in Hodeidah for up to six months, said Abdul Raqib Fatah, the Yemeni Minister of Local Administration and the Chairman of the Higher Committee for Relief. This worsened the humanitarian crisis; petrol prices skyrocketed with 60% tax and the black market boomed as it benefited from merchants loyal to the Houthis.<sup>(48)</sup> The vessels were carrying humanitarian supplies provided from Saudi Arabia and international organizations. Apparently, the Houthis intended to block the humanitarian aid to the Yemeni people to hold the Saudi-led coalition accountable for the worsening humanitarian crisis and the starvation inflicting the Yemeni people.



### The outcomes of the Houthis' threats on Yemen

The previously mentioned practices that the Houthi rebels carried out pushed Yemen to the edge. The UN Under-Secretary-General for Humanitarian Affairs and its Emergency Relief Coordinator Mark Lowcock when addressing the UN Security Council on October 23 said, “the total number of people facing pre-famine conditions, meaning they are entirely reliant on external aid for survival, could soon reach not 11 million but 14 million. That is half the total population of the country.”<sup>(49)</sup>

The Arab countries participating in the Saudi-led coalition have provided continuous humanitarian supplies to help the Yemeni people, Saudi Arabia gave \$2 billion in monetary aid to Yemen’s Central Bank to prop up its currency,<sup>(50)</sup> the King Salman Humanitarian Aid and Relief Centre (KSA) launched an air bridge of humanitarian supplies to address the needs of the affected people in Yemen.<sup>(51)</sup> Moreover, the General Supervisor of KSA Relief Abdullah Al-Rabeeah said Saudi Arabia and the United Arab Emirates allocated \$70 million to fund outstanding salaries, which is to be granted to the Yemenis in coordination with UN bodies including UNICEF.<sup>(52)</sup> The Saudi-led coalition has shouldered the responsibility for maintaining peace and ensuring the continuous supply of humanitarian aid to the Yemeni people, yet the Houthi rebels have turned a blind eye to the humanitarian catastrophe in Yemen, that they have no doubt contributed to.

### Interactions:

- » Hadi accepts the resignation of Prime Minister Ahmed bin Dagher and appoints Moen Abdulmalik as the country’s new Prime Minister.
- » Saudi oil tanker sent to Aden carrying the first batch of Saudi oil derivatives worth \$60 million to aid eight million beneficiaries.
- » KSA Relief project “Masam” to clear 12 mines.

- » Yemen's Minister of Youth says the Houthis transformed the country's sport facilities into arms depots.
- » The Mothers of the Abductees Association condemned the kidnapping of Yemeni women by the Houthis.

## Endnotes

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# INTERNATIONAL AFFAIR



## **First: The United States and Iran, Developments pre-November 4<sup>th</sup> Sanctions**

US-Iran relations witnessed rapid developments and divergent positions in the month of October 2018. The United States seeks to intensify pressure on the Iranian regime by its second phase of sanctions on November 4, 2018, as well as, to undermine the nuclear deal that it withdrew from. In contrast, Iran aims to frustrate President Trump's efforts to isolate it and tries to navigate around the sanctions that could disturb its internal conditions or force it to the negotiating table under the United State's conditions.

### **A- The US mechanisms in intensifying pressure on Iran**

The United States is intensifying pressure on Iran within the parameters of its declared strategy to force the Iranian regime to modify its behavior. To achieve its goals, the United States undertook the following procedures in October 2018:

1. Reducing Iran's oil exports: The US strategy is dependent on reducing Iran's oil exports to a minimum to force it to sign a new and comprehensive agreement. To achieve this goal, the United States has pressured some Iranian oil buyers to decrease their oil imports from Iran. American diplomats, headed by the US Secretary of State Mike Pompeo, convinced these buyers to stop or reduce oil imports from this country. In response, some countries, such as South Korea, have stopped purchasing Iranian oil while India announced it would decrease oil imports from Iran<sup>(1)</sup>. In the same context, John Bolton, the US National Security Adviser, toured the Southern Caucasus States- Georgia, Azerbaijan, and Armenia. Russian diplomats commenting on this visit said that the United States offered these countries incentives, including significant investments in the technology and development sector to shun Tehran.<sup>(2)</sup>

On the other hand, the Trump administration sought to ensure stability of world oil prices in coordination with the Gulf States. These states would make up the shortfall in oil supply resulting from the imposition of US sanctions on Iran's oil sector. The Kingdom of Saudi Arabia responded positively when the Saudi Crown Prince, Mohammed Bin Salman said, in an interview with Bloomberg News Agency on October 5, 2018 that "Riyadh will make up for the shortfall of Iranian crude oil supplies in the world markets."<sup>(3)</sup>

2. Imposition of new sanctions: The Trump administration sought to impose additional sanctions other than those reinstated in August 2018. On October 11, 2018, the Financial Crimes Enforcement Network (a bureau of the Department of the Treasury) issued a statement warning of Iran's fraudulent practices, front companies, fake documents, illegal money-changing companies, and government officials who legalize illegal funds for subversive activities. These warnings resulted from the anticipated response of Iran after November 4, 2018 to try to circumvent sanctions and the United States desire to ensure all Iranian financial bodies comply with the sanctions to protect them from illegal financial operations, such as money laundering. In addition, the statement handled the Financial Action Task Force's (FATF) demands on Iran, which implicitly accused it of money laundering and financing terrorism.<sup>(4)</sup>

On October 16, 2018, Office of Foreign Assets Control (OFAC) re-imposed sanctions on a wide network of financial companies and institutions for providing financial support to the Basij forces. In Farsi, this network is known as the ‘Binyad Ta’awon Basij’ (Basij Cooperation Institution); located in Iran, it uses front companies to cover the Basij ownership of this institution and it controls billions of dollars in the car, mining, and banking sectors in Iran. Indeed, the US sanctions included twenty companies and banks for supporting the Basij Cooperative Institution by providing interest-free profits and credit facilities.<sup>(5)</sup>

On October 17, 2018, Iran’s Foreign Minister Mohammad Javad Zarif criticized the US sanctions and tweeted on his account saying, “US addiction to sanctions is outofcontrol.”<sup>(6)</sup>

On October 23, 2018, the US Treasury listed two Iranians and six Afghans on its blacklist for affiliation to the IRGC’s Al-Quds Forces. After that, in a joint statement, the Kingdom of Saudi Arabia and Bahrain listed the IRGC, and General Qasem Soleimani as terrorists.<sup>(7)</sup>



3. Confronting Iran’s regional influence and establishing an Arab NATO to face Iran’s threat: To face Iran’s regional influence in coordination with its Arab allies, the United States has adopted the idea of establishing a regional alliance known as “The Middle East Strategic Alliance” or “Arab NATO” in partnership with the five Gulf States, Egypt, and Jordan. Currently, they are discussing the appropriate role of the alliance despite the many challenges facing it. However, this alliance reflects part of the US strategy to undermine Iranian influence.<sup>(8)</sup>

On the other hand, John Bolton, the US National Security advisor, announced that US troops would stay in Syria as long as Iranian forces were deployed beyond Iran’s borders, reflecting a change in the United States position after President Trump had announced that he would withdraw US forces from Syria.<sup>(9)</sup>

### **B-Iran’s tactics to avoid US sanctions**

The Iranian regime seeks to face US pressures and sanctions by trying to do the following:

**1. Unifying the home front:** facing US pressures is a top priority for the Iranian regime, and this is reflected in the behavior and statements of Iranian officials. In

fact, there is a big effort to unify the home front to face the upcoming challenges. To achieve this goal, Ayatollah Khamenei met with members of the Supreme Council for Economic Coordination for the first time. This Council includes high ranking officials of the executive, legislative, and judicial authorities. Ayatollah Khamenei recommended joining official and nonofficial efforts to address the internal crisis<sup>(10)</sup>. In what appeared to be a public discourse adopted by the regime, the Chief of the Judiciary, Ali Larijani emphasized the need for joining public and private sector efforts during the current stage.<sup>(11)</sup> In light of what Iran believes to be an economic war, some economic policies are being prepared to face the expected crisis. This is evident by the proposal of the member of parliament Mohsen Alijani who suggested that a 20% budget cut for all institutions would provide eighty trillion tomans that would make up the loss of not selling one million barrels of Iran's oil, which generate 100 trillion tomans.<sup>(12)</sup>

**2. Conserving oil revenues:** The Tanker Trackers Group reported that Iran was trying to smuggle oil away from international control, by using many approaches such as turning off tanker tracking devices, and ship-to-ship cargo transfers. The excess in world oil supplies and decreased oil prices over the past few weeks does not reflect a decline in Iran's oil sales, but reflects the serious challenges facing the United States in lowering Iranian oil exports. What confirms that the Iranian government is smuggling oil is the statement of the Advisor to Iran's Minister of Oil, Mu'ayad Hosseini Sadr when he said, "If the United States tries to impose sanctions, we will try to get round them"<sup>(13)</sup>. The First Vice President of the Republic also said, "We have solutions for oil exportation". In the same context, Iran's Oil Minister said, "the Iranian government is trying to circumvent the unjust US sanctions by various ways," adding, "The methods of facing these sanctions cannot be revealed."<sup>(14)</sup>

Iran is likely to benefit from the expected consequences resulting from banning its oil exports, especially in case Saudi Arabia and the Gulf States do not make up for the shortfall in world supply. In his response to President Trump's complain concerning high oil prices and his demand to OPEC to increase oil supply, the Russian President, Vladimir Putin supported Iran and said that US sanctions on Iran's oil sector is one of the reasons for the boost in world oil prices.<sup>(15)</sup>

Iran is likely to benefit from some countries' being unable to make up for the shortfall in oil supplies resulting from its oil exports being banned. For example, the United States has succeeded in convincing only South Korea to stop buying Iran's oil. However, according to the South Korean ambassador, this case is still uncertain as Koreans are still seeking a waiver from the United States to resume oil imports from Iran while other Asian customers are still buying oil from this country. India announced that it would continue buying Iran's oil in November 2018 and earlier, China and Turkey announced they would continue buying oil from Iran. Negotiations are also underway with Europe to find a way to sell oil for financial revenues in currencies other than the US dollar. Earlier, Iran's Foreign Minister, Mohammad Javad Zarif said that Iran was about to reach an agreement with the European countries to buy Iranian oil despite US sanctions. In an interview with the American NBC, President Rouhani said, "The United States is unable to reduce our oil exports to zero. This is impossible. The claim that the United States is going to do this is empty and ridiculous. What was scheduled to happen in November has already taken place in September."<sup>(16)</sup>



In addition, Iran is likely to benefit from pressure on the United States concerning oil sanctions and from the demands of some countries and companies for waivers to continue buying Iran's oil similar to that obtained by British Petroleum and Serica Energy to operate a gas field in the North Sea where Iran is having a share. Serica Energy said that the new license is valid until October 31, 2019 with the possibility of renewal upon request.<sup>(17)</sup>

**3. The establishment of an alternative international SWIFT system:** Iran is waiting for some international powers to establish an independent financial system away from the US dollar to bypass the United States control of the global financial system. The European Union promised Tehran to meet its demands for a network that allows financial transactions with Iran without using the US dollar and banks as a way to save the nuclear deal. This mechanism is called "Swift Europe" proposed by Iran to countries rejecting US sanctions along with other ways such as the establishment of portfolios of foreign exchange reserves and exchange of goods and services in the currencies of these countries. Iran appears to be benefiting from the possibility of seeking alternatives to stop the US dollars dominance, knowing that officials of the US Department of Treasury have recommended that SWIFT should not be closed to Iran to prevent other international parties from establishing an alternative financial exchange network that can be widely used in the world. However, if the European Union or other countries such as Russia and China take real steps in this concern, it would be a real challenge to the Trump administration as it would constitute a global rebellion against the dominance of the US dollar and the global financial system. Indeed, Iran would be a theatre for this rivalry and would benefit from the new system in case it comes true.<sup>(18)</sup>

**4. Conserving international partners' support:** Iranians are confident in the Russian and Chinese positions in rejecting US sanctions, given the constant growth of cooperation between Iran and these two countries. In this regard, Ali Larijani, Speaker of the Iranian Parliament said, on the sidelines of the Eurasian parliamentary meetings in Antalya, on October 9, "Bilateral cooperation between Iran and Russia is as desired. Cooperation in the banking and oil sectors is constantly growing." Despite saying that talks with the Europeans are still ongoing to pre-

serve the nuclear deal, Larijani said that some obstacles are still unsettled yet in this concern.<sup>(19)</sup>

The economic rivalry between the United States and China gave Iran an opportunity to improve relations with Beijing, given the Chinese need for oil to manage its economy in light of the decline of Chinese oil imports from the United States. In addition, the two superpowers' position on Iran has political dimensions as Iran is in the middle of ongoing polarization between them. In light of Trump's hostile policies towards Tehran- competitiveness between the United States and China has increased, as they look to expand and increase their influence in the international arena.<sup>(20)</sup>

On the other hand, Iran still has doubts on the other nuclear deal signatories to fulfill their commitments with it and to face the United States pressures, as well as, to continue making business with Tehran. The Iranian government is optimistic concerning European cooperation and the establishment of a new financial transfer system away from American SWIFT. However, some Iranian politicians believe that this confidence is complacent as Europeans lack the capability to confront the United States concerning the ban on Iran's oil exports and financial transactions with Tehran, which means that they (Europeans) can do nothing to save the nuclear deal that would be useless under US sanctions.<sup>(21)</sup>

**5. Threatening US interests in the region:** To face the United States pressure, Iran is promoting resistance, internally, and sending regional threatening signals to the United States. The Spokesman of Iran's Foreign Ministry, Bahram Qasemi confirmed what some observers believed that the missile attack launched by Iran on October 1, 2018 on the terrorist headquarters to the east of the Syrian Euphrates had a direct message for the United States, Israel, and Saudi Arabia<sup>(22)</sup>. In this regard, the Commander of the IRGC Aerospace Force, Amir Ali Hajizadeh said, "The IRGC operations in the American-supported region has an important message to the United States."<sup>(23)</sup>

## Closure

Despite the US stern position on Iran, using sanctions on its oil exports, the United States is aware that this card will not pay off instantly. The US Secretary of the Treasury announced that reducing Iran's oil exports to zero was difficult to achieve, and it can only decrease these exports by applying pressure on the countries importing oil from Iran and he acknowledged that the United States would face the consequences of Iranian oil exports being barred from the global market unless its allies compensate for a decline in Iranian oil. This might explain granting waivers to some countries by the United States to continue buying oil from Iran.

Nevertheless, the expansion of sanctions is a real challenge for Iran over time; as what President Trump wants in the medium and long run, aligns with the gradual oil sanctions that would ultimately reach the point intended by the United States. In fact, this will negatively impact Iran and the other countries' confidence in making business with it as they are not willing to work in such a tense environment. Iranians have a preliminary estimate concerning the consequences of the November 4<sup>th</sup> sanctions. They said the second wave of US sanctions will lower Iran's economic growth and increase socio-economic problems. However, they believe,

the previous set of sanctions in August 2018, were accompanied by some internal problems and unrest and that the November sanctions will go along the same lines. Nevertheless, the situation might exacerbate if the United States insists on intensifying pressures on Iran's oil sector.

## Conclusion

Despite the US tough stance on Iran, using sanctions on its oil exports, the United States is aware that this card will not pay off instantly due to internal and external pressures on Washington, positions of countries importing oil from Iran, and the impact of cutting off the Iranian oil supplies on the world prices that would impact the United States itself. This might explain granting waivers to some countries by the United States to continue buying oil from Iran and that November 4<sup>th</sup> is not the end, but the actual beginning of the crisis and a test of the US seriousness, its status, and influence on both regional and international arenas.

Iranians have preliminary estimate of the consequences of the November 4<sup>th</sup> sanctions. They said the second wave of sanctions might reduce the Iranian economic growth and increase poverty and unemployment. This made Iran's Central Bank Governor rule out a crisis when sanctions come into effect based on the consequences of the first wave of sanctions.<sup>(24)</sup> However, another view believes the Iranian economy will face a real crisis and that growth will achieve lower rates than in the first half of 2018. Therefore, poverty rates boost and per- capita income declines, which might destabilize internal situation, given devaluation of national currency and the negative impact on the middle class interests.

Finally, the expansion of sanctions is a real challenge for Iran over time; the situation Trump wants on the medium and long run and aligns with the gradual oil sanctions that would ultimately reach the point intended by the United States. In fact, this situation will negatively impact Iran and the other countries' confidence in making business with this country as they are not willing to work in such tense environment. Here, it can be said that Iran might succeed in getting around sanctions as mentioned hereinbefore, but Trump might make it and strangle Iran's economy through sanctions and isolation, forcing Tehran to come to the negotiating table under the US terms and conditions or face a stifling internal crisis that could threaten survival of Iran's political system itself. Thus, the United States ability to impose the toughest sanctions on Iran will be a key determinant of Tehran's options.

## Second: Iran – Russia

### Iran, Russia set to play oil-for-goods gamble post-Nov 4

This part of the report covers Iran-Russia relations, with a special focus on the cooperation between the two countries to respond to the new sanctions imposed by the US. The second phase of US sanctions aiming to hit Iran's oil sector comes into effect on November 4. This part analyses the possible ways Iran may adopt to circumvent these particular sanctions.

Upon the imposition of the second batch of US sanctions on November 4, the United States the United States aims to bring Iran's oil exports to zero. Therefore,

Iran has become more dependent on its traditional allies, especially Russia, to break the oil embargo, given the fact that Iran and Russia are oil-exporter countries. The question raised here: Would the Russians help the Iranians to circumvent the oil embargo? Or would they seize the opportunity and increase their oil export to the world market to reap more money, turning a blind eye to the Iranians who fight with them shoulder-to-shoulder in Syria?

### **Russia Circumventing oil embargo: old unachieved project**

Moscow rejected the US unilateral decision to withdraw from the Joint Comprehensive Plan of Action (JCPOA) and its subsequent sanctions on Iran. Moscow has vowed to do everything possible to help to save the JCPOA. Meanwhile, a United States official warned Russia against helping Iran evade oil sanctions. "Iran might be pushing the idea of Russia selling their oil on the world market to evade sanctions."<sup>(25)</sup> Both are littoral states of the Caspian Sea, and this provides Tehran with the opportunity to use the enclosed sea to export its oil to Moscow. The former Director of International Affairs at the National Iranian Oil Company (NIOC) said



that selling oil to Russia had been discussed before, but never executed and that selling Iran oil to a third party -after selling it to Russia- is not mentioned in oil contracts whether the Iranian oil is sold after being refined the Russian refineries or sold directly to a third party -as crude oil- through the Russian territory. During the oil embargo and pre-JCPOA, the Russians did not do it though the Iranians had carried out the study needed and set direct negotiations with the Russians about the project details. However, the project was not executed because the oil embargo was lifted when concluding the JCPOA in 2015. Thus, the Iranians do not need to re-carry out the negotiation and feasibility studies if they want to launch this project.<sup>(26)</sup>

### **Iran's efforts to export oil through the Caspian Sea**

On August 17, the littoral states of the Caspian Sea signed a long-pending agreement to divide the largest enclosed sea in the world, laying the legal foundations for sharing its resources. The agreement spells out the states' shipping rights by raising their respective flags and prohibiting the presence of armed forces of any non-signatory state. The agreement, which Iran resisted signing for over two decades, gives her the right to use the Caspian Sea to export crude oil and to sell it directly to Russia.<sup>(27)</sup>

Additionally, Iran has commercial ports and a large number of small oil tankers capable of loading anywhere between 3,000 to 7,000 tons of hydrocarbon in the Caspian Sea. Khazar Exploration and Production Company (KEPCO) in 2011 published that Iran's Petroleum Company invested 540 million dollars not only to upgrade its northwestern ports but also to build new 13,000-ton-capacity oil tankers and a pipeline from the south. Evidently, Iran will have the capability to export oil from its ports in the Caspian Sea to Russia, using its own or tankers of any other littoral state such as Russia and Armenia.<sup>(28)</sup>

### **Russian Supporting the Iranian plan**

The Times of Israel reported that the Iranian President Hassan Rouhani and the Russian President Vladimir Putin reached an agreement on September 7 in Tehran, bypassing US sanctions. However, the bilateral mechanism between the two countries allows Iran to export crude oil to Russia through the Caspian Sea, and it will be refined there. Russia will then sell the Iranian oil as its own. The agreement is a solid attempt to halt the Iranian economy from collapsing besides preventing Tehran from withdrawing from the JCPOA.<sup>(29)</sup>

The Iranian Petroleum Minister Bijan Zanganeh met his Russian counterpart Alexander Novak in an unscheduled October 16 visit to discuss ways to cooperate after November 4 and to preserve the status quo in the global oil market. Earlier in the same month, Novak stated that Russia will continue cooperation with Iran even after the second phase of US sanctions are imposed. The Kremlin will grant special trade benefits to Tehran in return for its crude oil: call it oil-for-goods. Iran will be able to barter machinery and equipment for its military, petroleum, mining, construction and transportation sectors.<sup>(30)</sup>

Nevertheless, the Trump government will be able to spot the oil tankers transferring oil from Iran to Russia in the Caspian Sea by satellite imagery. Moreover, not only are Russian oil companies unwilling to face US sanctions, but also only a few countries will be ready to buy repackaged Iranian oil from Russia. Even if Moscow is willing to buy Iranian crude oil and sell all its own, smuggling large amounts of crude oil to a distant country without getting caught is very rare. However, this transaction between the two countries will be happening under global watch this time around. Overall, the Russia-Iran agreement to transfer crude oil is viable, but will not come without repercussions for the Kremlin. It is highly likely that President Trump may order fresh sanctions against Russia for illicitly helping Iran.<sup>(31)</sup>

Regardless of the much anxiety, Tehran has not given up its long standing position on the Caspian Seas without a bargain. The Iranian government has itself stated to have gained special advantages from the Caspian agreement, which could

very well be the oil-for-goods deal. However, President Hassan Rouhani's refusal to negotiate a new deal with the United States has led the country to surrender to Russia what its regime has called "its vital interest." For instance, the Vice-Chairman of the Parliamentary Committee on National Security and Foreign Policy Kamal Abadi had earlier criticized the deal with Russia, saying "Iran is not Iraq to accept oil-for-goods."<sup>(32)</sup> With time,



however, it appeared that Iran is really in need to give up its long standing demand, which the regime will never admit for fear of public rage. In the long run, the oil-for-goods policy will lead Iranians to suffer more, as Russia – itself is an importer of agricultural and dairy produce – and it will not be able to satisfy Iran's everyday needs.

Iran has given up its principled demand over the Caspian Sea in the bargain for a favorable and timely oil-for-goods agreement. Russia has gained leverage over Iran because of it confronting US sanctions on Tehran and signed the oil-for-goods agreement. Moscow will continue to manipulate its interest with Iran and beyond, for instance, in Syria without real resistance from the regime.

### **Third: Iran-Europe Relations**

Iran-Europe relations witnessed substantial developments in the month of October 2018 in regard to the nuclear deal. Iranian Deputy Foreign Minister Majid Takht-Ravanchi, said that the US withdrawal from the nuclear deal was illegal and could not be justified by all means. He added that this had resulted in Iranian suspicion on the European position and that Europe might not fulfill their nuclear deal obligations. Ravanchi emphasized Iran's interest in the nuclear deal during the "Iran-Europe Cooperation and Future of the Nuclear Deal" meeting held in Brussels on October 9, 2018. He said that Iran was doing its best to bring peace and stability to the region and improve relations with other countries. Also, Ravanchi said that it was important for the Europeans to meet their commitments that are, currently, mere words on paper, stressing Iran's adherence to international commitments concerning its nuclear program over the past fifteen years and its continuous desire for dialogue and cooperation.<sup>(33)</sup>

Despite the US withdrawal from the nuclear deal, the Europeans are still determined to preserve the international pact. However, Iran still has doubts about the Europeans seriousness in this regard, which was evident by the statement of Iran's Foreign Minister, Mohammad Javad Zarif who said, "In order to preserve the nuclear deal, Europe is all talk and no action."<sup>(34)</sup>

The first set of US sanctions have significantly impacted Iran's economy and internal conditions. However, the second wave will be the toughest ever and will impact Iran's economic standing at the regional and international levels. In response to the US sanctions, the Europeans emphasized the need for saving the nuclear

deal and preventing US threats from changing the European position.

### Iran-Germany Relations

To discuss Iran-Germany relations, one has to be aware that Iran-Europe relations are based on interests rather than principles. To be fair, this tendency prevails not only in the European countries, but also all over the world where economic and security interests are major determinants of foreign policies.

For example, when the Director of Political Affairs in the German Foreign Ministry, Antje Leendertse met with Iran's Assistant Foreign Minister for Political Affairs, Abbas Araqchi in Tehran on October 17, 2018, they discussed the most important bilateral issues, the latest developments on the nuclear deal, and the ongoing European efforts to get around US sanctions including an alternative financial transfer system. The Europeans believe the sanctions are illegal and the United States should not have withdrawn from the nuclear deal in the way it did. The German official and her Iranian counterpart concluded the necessity of finding an financial alternative to the American financial transfer system.

The German official also emphasized the importance of restoring trade deals in the same way before the US withdrawal from the agreement. The new mechanism may not be as easy as many European countries expect, but if the European Union can create a new mechanism to replace the current one, it would be a hard blow to the US banks. In case the new mechanism succeeds, many other countries could seek other means of payment, causing a great loss to the United States and its international economic standing. The United States recognizes the importance of its economy as a weapon against its enemies, particularly those working contrary to its strategic interests. Therefore, it will not allow any other entity to pull the rug from under its feet and create an alternative financial transfer system challenging its economic hegemony.<sup>(35)</sup>

### Iran-Netherland Relations

Despite the political and economic conflict between Iran and the Netherlands, Amsterdam is one of Tehran's main partners in Europe. This strong relationship was evident during the imposition of US economic sanctions on Iran when some large Dutch firms continued to do business with Tehran. For example, the British-Dutch oil and gas company buys multi-billion dollars worth of Iran's crude oil annually. The Iranian President, Hassan Rouhani said that bilateral relations between Iran and the Netherlands were very strong. He described them as historical and positive when he said, "We are keen to forge wide constructive changes in favor of both of us and to enhance bilateral relations in all aspects, especially in the economic and banking sectors."<sup>(36)</sup> Rouhani praised the strong relations between the two countries, saying that the Dutch political positions in the European Union on the nuclear deal were noteworthy. Indeed, by the Iran-Netherland rapprochement, Rouhani seeks to influence the other European countries that have little confidence in Iran and to convince them of the importance of preserving the nuclear deal.

On his part, the new Dutch ambassador in Tehran stressed his country's determination to improve relations with Iran. He said that Amsterdam fully supported

preserving the nuclear deal and worked to strengthen the European financial institutions and banking relations with Iran, asserting that his country would not allow US sanctions to cut off economic relations between the two countries<sup>(37)</sup>.

**Iran's concerns about the European position** Iranians have concerns about the European position on the nuclear deal. However, European endeavors in the face of US attempts to isolate Iran are undeniable. With the approach of November 4<sup>th</sup>, 2018 when the second set of US sanctions, targeting Iran's oil exports, come into effect, Iranian concerns have increased. Accordingly, Iran's exports are expected to decline sharply to more than 50% and would be the strongest blow to Iran's economy and unemployment rates. Indeed, sanctions have stirred internal anti-regime protests in December 2017 when protesters clashed with security forces and chanted anti-regime slogans because of Iran's foreign policy and its support of militias in Iraq, Yemen, and Syria, at the expense of its own people.

The Iranian President, Hassan Rouhani warned the Iranian people and called them to prepare for difficult times with the beginning of the new US sanctions, saying the Iranian government would do its best to lessen the impact of the new sanctions. However, Rouhani and the other officials failed to alleviate internal concerns about the consequences of sanctions and the European position. Iranians feel they are being exploited by their government as they have gained nothing after Iran signed the nuclear deal with the P5 + 1 group, resulting in sanctions being lifted. In this regard, John Hannah, a researcher at the Foundation for Defense of Democracies, said, "It is almost certain that popular discontent will increase in Iran represented by wide protests and labor strikes in 2018". Under international pressures on Iran, Hanna predicts the theocratic regime in Tehran will be subject to unprecedented political and economic pressures in the months to come; a situation Iran has never gone through since the 1979 revolution.<sup>(38)</sup>

In the same context, US officials are watching the levels of popular discontent in Iran, how the Iranian government will respond to such pressures, and how to deter any potential escalation by Tehran. Hanna added that Iran had used the statement of President Donald Trump that he made on May 8, 2017 when he said that the United States would withdraw from the nuclear deal and re-impose sanctions on Tehran. Indeed, Iran has exploited this statement for rapprochement with the European Union by appearing in a vulnerable position before the European countries due to US violation of international law and norms. However, despite European endeavors in the face of US sanctions, it has become clear over the past five months that the European position is all talk and no action.

## Closure

With US sanctions and pressure on the European companies in Iran, Europeans have come to an unfortunate position. They recognize the United States' international standing are not willing to forgo its relations with Washington for Iran in case they are given a choice between the two countries. At the same time, they are not willing to lose the advantages of the Iranian market. Currently, the European position on Iran seems kind of stable, but due to the current political developments and economic sanctions on Iran, this situation cannot continue for a long time for several reasons:

**First:** Europeans abide by the nuclear deal and try to preserve its gains due to the weakness of the European economy. However, they may need to study the issue and reconsider trade deals with Iran after the United States has intensified economic sanctions on Iran and all companies and countries doing business with this country.

**Second:** Iran poses a threat to European security, which is evident by the recent spies' issue in Germany. Even if this does not happen, it does not deny the threat Iran poses to its neighbors. As usual, Iran aims to destabilize the region by launching proxy wars and promoting terrorism that would increase the flow of immigrants to Europe and pose a security and economic threat.

**Third:** The lack of a European common vision on several issues, especially the Iran nuclear deal. This has caused disparity in their positions and made each country handle this issue individually based on its own interests rather than the interests of the union.

### **Interactions:**

- » Behshti Bour: the establishment of the EU office does not contradict Iran's interests
- » Be'eedi Nejad: Economic relations between Iran and Britain are of strategic importance
- » Participants in the Asia-Europe Dialogue call for the abolition of sanctions on Iran

## Endnotes

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# CONCLUSIONS

## Domestic Affairs

- » The supreme leader's call to benefit from scientific expertise in Iran is in contrast to what he has said and done previously, relying on those trustworthy rather than those possessing expertise. This comes at a time when the Iranian political system is sensing looming crises coupled with its supporters' inability to offer radical solutions to the problems that the Iranian political system is suffering from, which are posing a threat to it.
- » The First Vice President Eshaq Jahangiri is unable to change the director of his office. His remarks support reports that suggest President Hassan Rouhani granted the head of his office Mahmoud Vaezi massive powers, which surpassed those granted by former President Mahmoud Ahmadinejad to the director of his office Esfandiar Rahim Mashaei.
- » Jahangiri has urged President Rouhani to change his economic team and there are heightened tensions between himself and the Moderation and Development party (of Rouhani) which controls several economic posts in the government.
- » Jahangiri on more than one occasion has threatened to quit his post and present himself as a reformist candidate in the coming presidential elections. Jahangiri has been aggrieved by President Rouhani's failure to make good on his promises to the people, and his failure to improve Iran's economic situation leading to massive protests that took place at the end of 2017. Not consulting with the reformists when forming the current cabinet and picking Mahmoud Vaezi, who is close to the fundamentalists, gave an impression that there is a scheme to exclude all the moderate reformists from key positions.
- » Iran was dealt a severe blow after the kidnapping of 12 of its military personnel near the Pakistani border by Jaish Al-Adl, a dissenter armed group active on the border with Pakistan.
- » Iran is exerting efforts to rescue the abducted soldiers at the Mirjaveh border area through cooperation with Pakistan, which could lead Tehran to boost its ties with Islamabad.
- » At home, the kidnapping of the soldiers impacted the awe of the Iranian state, which has not recovered from the Ahvaz military parade attack last month, nor has it recovered from the Kurdistan Democratic Party's attacks on the northern and western parts of the country.
- » Despite Iranian operations to assassinate dissidents overseas especially in Europe, the European Union (EU) has not taken a firm stance against Iran. The latest of these operations was what was announced by Denmark (an Iranian

plot to assassinate a dissident on its soil).

- » Iran is now depending on European nationals of Iranian origins in its assassination program. A Norwegian citizen of Iranian origin planned to assassinate an Ahwazi oppositionist figure on Danish soil. Denmark submitted a proposal to the EU to impose sanctions on Iran for this reason.
- » Iranian intelligence operations against dissidents on European soil have been intensive and successive. After arresting an Iranian diplomat on European soil, affiliated with Iranian intelligence, Assadullah Assadi, in Germany several Belgian nationals of Iranian origins have been arrested with explosives in possession. They planned to target a gathering for the Iranian opposition in Paris. Yet Iranian intelligence personnel assassinated the Ahwazi oppositionist figure Ahmed Mola Nissi in the Netherlands.
- » The financial mechanism known as the 'Special Purpose Vehicle' (SPV) is what the Europeans intend to implement, so that they can continue with their transactions with Iran, however the SPV has no clear boundaries, and according to the Europeans it does need months to come into force.
- » The SWIFT system abides by EU laws, but the US administration can influence it and pressure it to exclude Iran.
- » This SPV will lead to trade with Iran moving away from big firms, towards small and medium sized enterprises.
- » Iran uses illegal means to export oil such as smuggling and hiding its oil tankers from tracking radars.
- » The Iranian budget deficit increased 102 percent, compared to the planned ceiling, reflecting a decline in revenues because of sanctions.

## Arab Affairs

- » Russia's success in deploying the S-300 missile system managed to shift the balance of power on Syrian territory to a large extent in favor of the Iranian-Russian alliance. It has strengthened the possibility of long-term Iranian-Russian presence on Syrian territory.
- » Israel is no longer free to target Iranian forces as it has been doing over the past months after deployment of the S-300 missile system. However, Russian protection of Iranian forces is conditional and non-permanent.
- » Iran's insistence to expand the scope of its influence in Syria has been countered by the United States (US) linking the retreat of its forces from Syria to the withdrawal of Iranian militias and forces, while not ignoring the new military reality after the deployment of the S-300 missile system. Iran is expected to exploit it to transfer arms to its militias and forces in Syria and to Hezbollah in Lebanon. Tel Aviv is facing difficulties in launching military strikes, because it is a risky strategy. Engaging in a full-scale war with Iran is unlikely in the current regional and international circumstances.
- » Iran announced choosing Barham Salih to be the president of Iraq; a direct result of negotiations with Kurdish parties and defeating the US candidate for the presidency in Iraq.

- » Iran also declared picking Adel Abdel-Mahdi to be Iraq's prime minister and this is considered a victory for it despite him being a consensual candidate among Shiite forces in Iraq's parliament. But Iran will continue to follow up the Iraqi prime ministers position on the sanctions against it, as well as, rapprochement with Saudi Arabia.
- » The US aims to tighten the noose around the Iranian political system through the second package of US sanctions, indicating a desire to confront Iran and its proxies in the region, particularly in Yemen. The US aims to force the Houthis to negotiate with the Yemeni legitimate government and this was reflected in the remarks by US officials this month. The US and its regional allies aim to end the suffering of the Yemeni people, especially after reports confirming half of the Yemeni people are on the verge of famine, due to the measures by the Houthis, such as preventing international aid to the Yemeni people.
- » While many Iranian officials are talking about resolving the Yemeni crisis by a political settlement and negotiations, Yemen's President Abdrabbo Mansour Hadi's remarks and reports confirm there is ongoing Iranian support for the Houthis. This reflects a clear contradiction between the Iranian statements and the behavior of the Iranian regime on the ground.

## International Affairs

» Despite a stricter US position on oil as a tool for pressure, it is clear that the US is aware that the oil sanctions will not bear fruit immediately. This is due to pressure exerted on it at home and abroad, particularly from the countries that import oil from Iran, as well as the foreseen consequences on global oil prices, that will harm the US economy. In light of this, it is possible to understand why the US granted some countries exemptions on imports of crude oil from Iran, which means that the November 4 sanctions are not the end. But it is the real beginning of the crisis in relations between the US and the other countries, and it is a test of the seriousness of the US, its position and ability to influence regional and international arenas.

» The head of Iran's Central Bank expects no catastrophe with the activation of sanctions, citing the aftermath of the first package of sanctions. But there is another point of view that the Iranian economy will face a real crisis, and that growth will achieve a low rate compared to the first half of the year. This may affect internal stability, especially as the crisis may affect the value of the national currency and the interests of the middle class.

» The expansion of sanctions is a real challenge for the Iranian government as time passes. This is what President Donald Trump wants in the medium and long term. This is in line with his gradual oil sanctions, which will last for a period of time until reaching the level expected by the US. This reality will have an impact on Iran and the confidence of other countries in dealing with it, because countries may not like to work in a tense atmosphere. They may prefer to move away from the problems and not to deal with a country when it is facing sanctions. Here we can say that Iran may succeed in escaping the sanctions and circumvent them. Or could it be that President Trump is successful in stifling the Iranian economy through sanctions and isolation, getting Iran to accept negotiations according to US conditions. The Iranian government may face a severe internal crisis that could

threaten it. Thus, the ability of the US to apply the maximum degree of sanctions will be a key determinant of Iran's options and behavior.

Russia is exerting efforts to mitigate the impact of US sanctions on Iran through signing oil deals with it, foremost of which is trading oil for goods.

Russia and Iran are working to export Iranian oil to Russia via the Caspian Sea, in return for Russian oil sales to Iran, and Iranian oil being refined in Russian refineries.

Russia is seeking economic gains from the sale of Iranian oil as long as Iran's supply will be in quantities that do not affect the current price level, especially after Russia raised its production to unprecedented levels.

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# IRAN CASE FILE

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