

MONTHLY REPORT



IRAN CASE FILE

Your window on Iran from inside and abroad

November 2018



RASANAHA
المعهد الدولي للدراسات الإيرانية
International Institute for Iranian Studies

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EXECUTIVE SUMMARY

This report highlights the most prominent developments on Iran's arena during the month of November 2018, to provide the reader interested in Iranian issues with an accurate description of Iran's situation during the period under review and analysis. The report includes three main sections, the first deals with Iran's domestic affairs, the second focuses on Iran's interactions with the Arab world, and the third deals with Iran's movement at the international level. In domestic affairs, the report deals with four files, the first focuses on the ideological aspect through several interactions at the level of the religious seminary, the most important of which was the statement made by Qadiani regarding Velayat-e Faqih which he said contributed towards spreading mischief in society. This file focuses on the clash among clerics supportive of the system and its opponents, because of the letter sent by the cleric Mohammad Yazdi to the Shebari Zanjani, that was considered as an insult to him.

In the political file, the report deals with the argument between the Foreign Minister Mohammad Javad Zarif and the fundamentalists, following Zarif's statement in which he confessed to money laundering in Iran and that the international accusations against Iran are true. Although Zarif said that he does not know who is responsible for money laundering, and if he knew he would reveal the names, the Iranian conservatives attacked him and demanded that he be questioned in parliament or removed from office immediately without questioning. The file discusses the implications of

Zarif's remarks at this time and the position of the hardliners in the Iranian system, in addition to the statements by officials in the government in support of Zarif's position. Zarif tried to contain the crisis but he failed, after the prosecutor rejected all his justifications in his letter to the judiciary.

The file explores the escalation of the fundamentalists against Zarif, after signing a bill paving the way for his questioning in parliament. It also discusses the consequences of this escalation and new crises that Rouhani's government may face. In the military and security file, the report deals with Iran's re-deployment of its warplanes on its eastern border by assessing the situation on the ground and the developments in the deploying of its fighter jets in its three bases in the eastern region bordering Afghanistan and Pakistan, the bases of Mashhad, Birjand and Zahedan. The reasons behind this redeployment and deployment are analyzed.

Following the deployment of the Iranian air force in Birjand civilian use of the airport declined, and revenues from domestic tourism declined after the number of flights decreased. Khorasan has become threatened to be isolated from the rest of Iran. A campaign was launched in the local press condemning this measure. The file examines the dimensions of the Iranian system's budget particularly the trade-off between security and development actors in decision-making.

On the economic side, the report deals with the issue of Iran's decision to sell its oil on its Energy Market Exchange to complete sales by the supply of specific shipments at prices lower than global prices and to guarantee payment facilitations. The sale of oil is important for Iran's treasury and selling small shipments to the private sector makes the process of tracking sellers and buyers harder. The file identifies the serious challenges in selling Iranian oil to the private sector. The challenges include how to transfer funds, their payment and what guarantees can the private sector give to ensure payment to avoid the mistakes Iran made with this sector in the past.

On the other hand, the second package of US sanctions directly affected the performance of the Iranian economy. The figures indicate a significant drop in oil exports in November compared to October, in addition to problems in the performance of ports, shipping, shipbuilding and foreign financial transactions with the Central Bank and its financial institutions. It also discusses the impact of sanctions in the form of high rates of inflation, unemployment, and lower economic growth.

The Arab Affairs section was divided into three main files: The first discusses the position of the new Iraqi government on Iranian gains in Iraq, such as its position regarding deploying the Popular Mobilization forces throughout Iraq, and political alliances loyal to Iran, as well as, its position towards relations with the Arab world and the Gulf. This comes in light of the



Iraqi Foreign Ministry rejecting the demand of the US Embassy in Iraq to disarm and demobilize Shiite militias. In the meantime, the new Prime Minister Adil Abdul Mahdi, rejected US sanctions on Iran, and the Iraqi President Barham Salih visited Iran and Saudi Arabia. During the visit to Iran, Iranian President Hassan Rouhani said the volume of bilateral trade with Iraq will rise from \$ 12 billion at present to \$ 20 billion.

The second deals with the latest developments in Iranian policies in Syria, reviewing the policy of demographic change as a strategic option for Iran in Syria. This is in light of what was published in the Israeli newspaper Jerusalem Post that the Syrian government has given the Lebanese Hezbollah and Iran's Revolutionary Guard fighters "citizenship". The report also refers to the indicators and indications of the failure of the 11th round of Astana talks on the settlement of the Syrian crisis that took place on 28 and 29/11/2018. The final statement from the talks was merely a renewal of previous promises such as, the respect for Syria's unity and territorial integrity, paying no heed to outstanding issues such as reconstruction of Syria, the Syrian constitutional committee, detainees and abductees.

The third focuses on the declining influence of the pro-Iranian Houthi group through qualitative progress of the Yemeni forces supported by the Arab coalition forces to support legitimacy in Yemen and the many divisions among the Houthis, especially the defection of its so-called Information Minister and the evidence proving the Iranian system's backing of the Houthis. It also includes an analysis of the position of the Houthis towards Sweden's talks on the settlement of the Yemeni crisis to be held in December 2018.

In the International Affairs, the report deals with four files. The first file examines the American and Iranian policies after the second package of US sanctions on Iran entered into force on November 4, 2018. US policy is moving towards continuous escalation to reach a stage of extreme pressure

on the Iranian system. This is to happen by a strategy aimed at bringing down Iran's oil exports to zero, depriving the system of its most important economic resources, as well as ongoing international efforts by the United States to build an international consensus on its position against Iran.

On the other hand, the file refers to Iranian policy in which the government adopts a strategy of resistance and faces US sanctions by trying to strengthen its internal front to achieve internal stability. The government is exerting efforts to reduce the impact of sanctions on living conditions and is pushing foreign efforts to thwart American attempts to achieve International consensus that would bring Iran back to the era of unprecedented isolation and pressure.

The second file analyzes the positions and options of China towards US sanctions on Iran, which came into force on November 4, 2018. It also touched on the motives of China's political and economic position, China's international position and its future relations with Iran. Beijing is an influential international actor in international affairs due to its relative economic, political and military clout concluding that the likely option is for China to stand by Iran. This is in light of strained Sino-US relations, despite the US Secretary of State Mike Pompeo's remarks calling for an easing of tensions between Washington and Beijing, China's relative weight in the international system, and China's increasing involvement in world affairs.

The third file discusses European-Iranian relations that are in a very sensitive stage and are affected by the European Union's dealings with the US sanctions imposed on Iran and the extent of its ability to implement Iran's demands to continue the purchase of Iranian oil. Also, the development of an alternative banking channel by which oil trade between the Europeans and Iran can continue are discussed, as well as, Iranian demands to close the doors on negotiations concerning Iran's nuclear program, and its missile program for it to stay in the nuclear agreement. The Europeans have not been successful yet in setting up an alternative financial mechanism to buy Iran's oil, but they seek to meet the other Iranian demands to ensure that Iran remains in the nuclear agreement. But the successive Iranian missile tests greatly annoy the Europeans and forces them to align with the American view that the Iranian system is a danger to the international community and it is unwillingness to coexist peacefully with neighboring countries or major international powers.

The fourth file covers the most important developments in Turkish-Iranian relations against the backdrop of US sanctions. It also focuses on the Turkish government's position on the sanctions. It discusses the US exemption for Turkey from the second package of its sanctions, while addressing Turkish efforts to help Iran circumvent the sanctions imposed by the United States.



DOMESTIC AFFAIRS

IDEOLOGICAL FILE

Velayat-e Faqih and
spreading mischief in society

Accusations have been mounting in recent time against the Velayat-e Faqih theory, and the Guardian Jurist, himself for spreading mischief in Society. The political opposition accused the system of being the main reason for financial and administrative corruption in the state due to the absence of governing rules and the required transparency. Abul-Fazl Qadiani, a prominent political prisoner and dissident, criticized the heightened crackdown and the security institution's reaction towards popular protests. "As long as the social, political and economic crises aggravates, leading to a surge in popular discontent against the despotic clerical rule, including the Supreme Leader Ali Khamenei, the security apparatuses, who have permanent fear of such movements, find no way but to increase their repression."⁽¹⁾

He believes that heightened violence against protesters whether they are secularists or Islamists, stems from a permanent concern by the Supreme Leader and his henchmen about the possibility of being ousted from power. This power is closely tied to the soul of a despot and being ousted from it is a nightmare that preoccupies his mind. Thus, he can commit any act that goes against religion and ethics for the sake of maintaining his power and monopolizing control as.⁽²⁾

Here, Qadiani is measuring the actions of the ruling elite against its Islamist persuasions. He deconstructs their project from the ethical aspects. They can do anything, even if it runs counter to law and ethics, in order to maintain power, including prejudicing the interests of the people.

He also believes that the root cause of the corruption gripping the political system in Iran is the lack of limits in the term of the Supreme Leader. According to the constitution, he has the authority to rule for life. It is known to everyone that the powers in Iran are amassed in the hands of the Supreme Leader. He is the one who spreads the system's corruption throughout society. He is not within the reach of oversight, holding a tight grip on power forever. The president of the republic, his powers are limited as he cannot dismiss or appoint his ministers freely. Most likely, the Supreme Leader is the one who controls the political structure in the country. This political deadlock in the face of peaceful reform made Qadiani believe that there will be no political solution coming from within the corridors of the system. He sees no way but protests and resistance if they are carried out nationwide to force reform on the system. He believes that if this happens, the despot's surrender will be within the realm of possibility.⁽³⁾

The irony here is the system itself admits the existence of rampant corruption across society. It seems that there is a considerable part of society seeking to separate the state and society from Islam. But the ruling

elite in Iran circumvents the demands of the opposition, ideologize the political differences, deeming it to be over the Islamic identity of the state and society.

The Friday prayer leader in Tehran Ahmad Khatami criticized the call by a newspaper to legalize wine as was the case under the Shah. He said, “Today they say let’s legalize wine, and tomorrow they will target the veil. Then they will say lets conduct a referendum on Islam itself. And we would tell them that they will continue to dream until they take their dreams to their graveyards. These people voted for Islam and will defend it until the last drop of their blood.”⁽⁴⁾

He said Iran has three fundamental establishments that will never be changed: Islam, the republic and Velayat-e Faqih. They cannot be replaced. Any encroachment upon any of these elements breaches the Islamic system. It calls on the people to beware of any deviation that will happen in these elements of the system.⁽⁵⁾

We notice that the ruling elite is rushing headlong, in a deliberate insistence on evading the real problems and its moral commitments towards its citizens, by conferring an ideological dimension on the conflict, and depicting it as an Islam-Secularism spat. The system considers itself as a guardian over Islam. The Supreme Leader considers all forms of governance as false except Islam. The people’s turnout for secularism in Iran does not spring from the people’s belief in secularism, but rather its anathema to Velayat-e Faqih which has failed the country.⁽⁶⁾

The secularism of religious seminaries and disagreements between clerics

Cleric Shebari Zanjani met with the former Iranian president Mohammad Khatami along with other reformist figures.⁽⁷⁾ Cleric Mohammad Yazdi wrote an open letter to Zanjani, who is 90 years of age, where he said, “In the aftermath of posting photos of your eminence posing in front of the camera with figures who do not respect the Islamic republic or the Supreme Leader, which raised the ire of the cleric and fellow clerics within the seminary, I say that your awe and position of your eminence is gained through respecting the ruling Islamic System, its leadership and the seminary. Therefore, it is necessary for you to respect those figures as well as the discipline of the seminary. And it is necessary for you not to repeat such incidents.”⁽⁸⁾

Zanjani’s office said neither the cleric nor his office has anything to comment on the open letter and the scholars are the ones who will respond to it.⁽⁹⁾

The message sparked a firestorm within the seminary against the system and its strategy when it comes to dealing with senior clerics, given Zanjani is respected by all clerics. He is affiliated with neither of

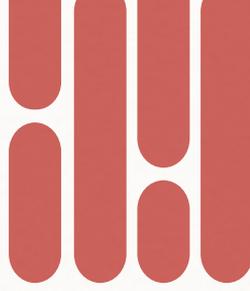


the two movements. He is also not taking sides with a certain party. He is focusing on the jurisprudential lectures within the seminary. Senior clerics graduated from the seminary under his supervision. The rhetoric of Mohammad Yazdi towards Zanjani was provocative for the seminary's clerics who are not familiar with this rhetoric, especially towards clerics who are impartial. One day after sending this message, cleric Mohammad Andalib Hamdanifi wrote an open letter to Yazdi that cooperation between the two clerics has become impossible, declaring his resignation from the Qom Jurisprudential Association.⁽¹⁰⁾

The reformist cleric Youssef Saneie said, commenting on Yazdi's message, in a message addressed to Zanjani, "that some people sought to belittle the clerics of the seminary, including yourself, but this matter ended up in favor of the seminary."⁽¹¹⁾

In the meantime, the reformists used Yazdi's message to attack the ruling elite, especially the pro-system clerics. Mehdi Karroubi said Yazdi's message aims to deprive the seminary of its independence and instills panic and fear in the hearts of clerics.⁽¹²⁾

Some analysts said that the rhetoric and actions of the extremists in Iran, will push the country to embrace political secularism. In other words, this message will have consequences for the religious seminary. One of those consequences is the increasing level of hatred towards pro-system clerics and mounting support for independent clerics believing in the separation between the religious establishment and the state. Those are clerics of who have a completely different point of view. They do not believe in an Islamic government or in the clerics' interfering in administering society.⁽¹³⁾



POLITICAL FILE

The Iranian Foreign Minister Javad Zarif's remarks on money laundering causes a political storm in Iran

The Iranian Foreign Minister Javad Zarif's latest remarks on money laundering caused a political storm and are considered by many observers as the first official recognition of its existence in the country. "Those who profit billions of dollars from money laundering are spending millions of it to prevent the passage of the bills requiring more financial transparency," Zarif said on November 11.⁽¹⁴⁾



Zarif avoided revealing any information about the identity of the individuals or institutions involved in money laundering operations as the cases are sensitive and involve key parties that enjoy influence in the Iranian system. "I have not accused any specific state agency of money laundering," Zarif clarified.⁽¹⁵⁾

Perhaps the direct reason for such remarks and him publicly raising the issue is the hard-liners' refusal [Guardian Council] to sign a bill that would counter money laundering and terror financing. Eventually, the refusal of signing the treaty will put more domestic and international pressures on Rouhani's administration.

Iranians wondered on Rouhani's silence and whether he agreed or disagreed with Zarif's remarks, but it seems that Rouhani under severe pressure is the one who gave the green light for Zarif to comment on this sensitive case for several reasons:

First: To avoid any confrontation with the fundamentalists particularly the

Islamic Revolutionary Guard Corps (IRGC), that is considered as a major party in money laundering operations.

Second: To put pressure on state parties that still refuse to endorse international standards for countering money laundering and terrorism financing that FATF's regulations demand, given the treaty's importance in the future of Iran's international relations, especially after the new US sanctions imposed on Iran. The importance of FATF regulation endorsement arose after the Head of Russia's Central Bank said that his country would not be able to incorporate with Iran unless Iran's government signed the FATF treaty. Moreover, European countries plus China still call for Tehran to endorse bills that pave the way for Iran's accession to FATE, further obligating it to practice transparency in its financial activities abroad.⁽¹⁶⁾

It is known that Rouhani relies on Zarif in the next phase to act as a bridge with other countries to find an exit plan from the nuclear deal crisis and US sanctions, that have aggravated Iran's deteriorating economic situation. So, Rouhani was obliged to defend his Foreign Minister and to halt the calls by hard-liners' for Zarif's resignation. Rouhani called on Iranian officials to contain the controversy surrounding Zarif's remarks and endorsed them saying, "Unfortunately, there are narcotics in the country and we must fight it. When there is narcotics, there is dirty money. Where does this dirty money go? It is being laundered in some corner."⁽¹⁷⁾ "We shouldn't be in conflict and be rude to each other. We shouldn't bring every legal, religious, mystical, social, and economic issue to the people in the streets and create conflict instead of letting experts discuss them," he continued.⁽¹⁸⁾



Zarif's remarks- between hard-liner criticism and government support

After Zarif's remarks, he received much criticisms, most severely from the head of the Judiciary Sadiq Larijani who said, "A stab right into the heart" of the Islamic Republic's ruling system.⁽¹⁹⁾ Furthermore, the Judiciary gave Zarif 10 days to clarify his accusations and present documents evidencing his remarks.⁽²⁰⁾

The odd thing is that the Judiciary that objected on to Zarif's remarks on money laundering recently organized a conference on countering money laundering with the attendance of high-ranking officials!⁽²¹⁾

Critics of FATEF, who refused to sign the bill by claiming that it contradicted Iran's constitution, considered Zarif as repeating the accusations presented by Iran's "enemies".⁽²²⁾

Some hardliners employed Zarif's remarks politically, as they found an opportunity to undermine Rouhani's government by calling on Zarif to resign or to hold him accountable in parliament. Some fundamentalists such as the political activist Vahid Yaminpour accused Zarif of "corruption on earth,"⁽²³⁾ an accusation that Article 286 of Iran's Criminal Code penalizes with death.⁽²⁴⁾

The IRGC affiliated Mashregh newspaper demanded the resignation of Zarif quietly, arguing that Iran's Foreign Service needs new faces.⁽²⁵⁾

The Media Advisor to Ali Khamenei, Hossein Shariatmadari said that Zarif's latest remarks were consistent with his ill-advised ones in the past. Shariatmadari was referring to his previous statement when he said that the United States could destroy all Iranian military installations by one bomb.⁽²⁶⁾

In return, Zarif's remarks gave the government members and its supporters the nerve to reveal the volume of money laundering in Iran and prove what the Foreign Minister had stated.

The Vice President for Legal Affairs, Laya Joneydi admitted cases of money laundering in the Iranian banking system because there "is no data about the source and destination of laundered money in the country."⁽²⁷⁾

The Iranian Ambassador to the United Kingdom, Hamid Baeidinejad also revealed information about the volume of money laundering saying, "Iranian officials have precise information about the volume of money laundered and illegal profits that infiltrated the economy."⁽²⁸⁾ "annual drug trafficking in Iran is worth \$3 billion, smuggling of goods and foreign currency is worth \$12.6 billion," he noted.⁽²⁹⁾

The Iranian Foreign Minister's first deputy, Murtaza Sarmadi exceeded that and called for a national campaign to counter money-laundering stating, "Based on reliable statistics, nearly 10-15 billion dollars are annually laundered in Iran" because of smuggling narcotics, fuel and goods.⁽³⁰⁾ President Rouhani's Chief of Staff, Mahmoud Vaezi proved that Zarif's controversial remarks were not a personal position by saying, "Zarif's stance is correct, and it is, in fact, the administration's stance."⁽³¹⁾

Zarif's failure in containing the crisis

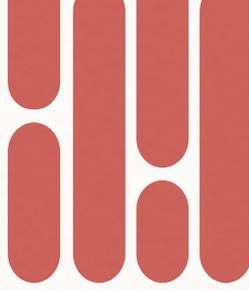
After being exposed to severe pressures, Zarif found himself in an impasse as his remarks could cost his resignation while the Iranian system continued to deny the charge of money laundering. Zarif thought to settle this crisis by sending a letter to Iran's Prosecutor, Mohammad Jafar Montazeri, he

wrote 12 pages to clarify his controversial remarks. However, Montazeri rejected all Zarif's clarifications and he considered g them as a repetition of his previous remarks. Also, he believed that they had no connection to what the Judiciary wanted. Montazeri renewed his demand for Zarif to provide evidence and for the accused individuals to be trialed.⁽³²⁾

The fundamentalists, their escalation and the ongoing accountability stalemate

The Committee of National Security and Foreign Policy in Iran's parliament called for a truce on the matter and it confirmed that Zarif would not be held accountable for his remarks.⁽³³⁾ Despite this, it seems that the hardliners are intending to escalate the matter after 24 members called for Zarif's accountability session by signing a list of questions and accusations. The list of accusations included: slow recruitment of new ambassadors for posts in countries that have good relations with Iran such as, India and China, neglecting economic dimensions in diplomacy, appointing incompetent ambassadors and using untrusted personalities in sensitive negotiations. Furthermore, neglecting relations with Asian, African and Latin America countries, the detention of Iranian diplomats in Europe under flimsy pretexts and the failure of the foreign ministry to defend them as well as not securing Iran's interests in other countries.⁽³⁴⁾

This escalation may lead the government to a new circle of its ministers facing accountability once again. Rouhani's government may enter a new crisis if the members of parliament insist on holding Zarif accountable, but the proposed motion of no confidence may face obstacles after some members confirmed that Zarif's resignation is not in the interest of the country.



MILITARY AND SECURITY FILE

Prioritizing Security over Development

Iran is redeploying its fighters along its eastern border with Afghanistan

Iran has intensified its fear of growing threats along its eastern border after the kidnapping of its soldiers, when 14 were kidnapped in Mirjaveh the eastern border area. This kidnapping was claimed by the Baloch Jaish ul Adl (Justice Army). Also, Iran's fears have grown due to the unstable political and security situation inside Afghanistan, along with the United States' intention to end the war with the Taliban before the Afghan presidential elections in April.⁽³⁵⁾ Aggressively, Iran is seeking to deploy its air and land forces on the eastern border, to reinforce its military capability to suppress armed opposition groups, and to influence the Afghan scene more. On 10 November 2018, the Commander of the Air Force of the Iranian Army, Colonel Tayyar Aziz Nasirzadeh, announced stationing Iran's air force at



Birgand Civil Airport,⁽³⁶⁾ 120 km away from the Iranian-Afghan border that stretches around 945 km along the land boundary between the two countries.⁽³⁷⁾ Nevertheless, this decision was rejected publicly in Birgand, the capital of South Khorasan, because it would diminish the activity of the only civilian airport that links it to other Iranian cities. Also, it contributes to the development of domestic tourism, the most important economic revenue generator in the region.

Security threats and their dimensions on the eastern border of Iran

Iran's eastern border, that stretches 1845 kilometers along with Afghanistan and Pakistan, encounters several security threats originating from Iran or its neighboring countries. In fact, poor socio-economic development in the eastern

border provinces that has subsequently resulted in rising crime rates and motivated Baloch armed groups, such as Jaish ul Adl to seek secession from Iran or political autonomy in the southern region of the eastern border of Iran inside the Sistan and Baluchistan provinces. This group is considered as a paramilitary movement launching attacks against Iranian forces along the Iranian border with Pakistan, calling for the rights of Iran's Sunni Baloch minority, and opposing Iranian intervention in Syria. Accordingly, this armed group has succeeded in killing and kidnapping Iranian soldiers since the beginning of 2012.⁽³⁸⁾

Additionally, illegal immigration and asylum are obviously threatening to Iran. However, Iran has received 1 Afghan emigrants due to the poor conditions they have experienced in their country, ranging from 2-3 million emigrants; most of them migrated illegally. It is still receiving Afghan emigrants, but less than Pakistan does through Pakistan's Balochistan province. In a similar manner, drug trafficking across Iran's eastern border is as dangerous as the threats by armed groups and illegal immigration.⁽³⁹⁾ In addition, the Syrian opposition groups repositioning on the eastern border regions can be one of the emerging threats towards Iran, after they lost areas that were once under their control in Syria.

The strategic and logistical importance of the Birgand base

There are fewer air bases in eastern Iran compared to the western and the southern regions near Iraq and the Arabian Gulf respectively. For instance, the air force of the Iranian army east of Iran is divided into three main bases: Mashhad, Zahedan and Hosseini Khor near the Birgand base. However, the IRGC decided to establish its own Air Force in 2015. It did not have any air base until the inauguration of the Shiraz base for combat helicopters in 2017 with a capacity to accommodate up to 500 helicopters. Although the IRGC has taken the responsibility of securing the south-east, north-eastern and north-western regions, it does not have the required combat aircraft, relying upon helicopters and drones.⁽⁴⁰⁾

The Hosseini Khor "Omidiyeh" air base is in the center of the eastern border of Iran facing Afghan territory, while the Mashhad base is located in the north facing the Iranian-Turkmenistan border and the Zahedan base is in the south of Iran facing Pakistani territory. Colonel Hamid Mustafa, the commander of the Hosseini Khor base, stated that the base has the military capability to cope with the scope of any expected threats, especially as the presence of foreign forces increases in Afghan territory.

Also, he declared that the air force would not completely evacuate the base of the martyr Hosseini Khor in Birgand, but it will continue to be based there. In addition, it intends to remove the F5 aircraft, and some military equipment to the old civilian airport of Birgand, especially electronic

warfare equipment, to strengthen contact with the other airports in Iran's provinces.⁽⁴¹⁾ However, Colonel Mustafa did not present a convenient reason for repositioning some of the Air Force stationed at Hosseini Khor to the old Birgand civilian airport, especially as there is relative proximity between the two sites with Hosseini Khor located northeast of the old Birgand civilian airport.

The Birgand base and its military capabilities

The Iranian authority is known not to provide r enough information around the Birgand airbase, nor the aircraft stationed there. Interchangeably, due to the Hosseini Khor "Omidiyeh" base short runway, it will be rotated between the civilian flights and the air force sorties, which is concentrated inside the idle airport. Accordingly, it can be inferred that Iran has the ability to bring modern aircraft into service other than the rusty F5 American aircraft, and the Chinese F7 aircraft concentrated at this base, that are nothing but training planes not suitable for any combat missions.

An Iranian site that is concerned with Iranian military information from Israeli sources, has urged it members to gather information and observations about Iran's forces, as Iran is slowly relocating its aircraft from the Hosseini Khor "Omidiyeh" base to the Birgand base and aircraft from its western to eastern areas, such as the Mirage, F14, Saeqeh, and Shafagh. Yet Iran would never think of relocating the F14 under any circumstances except if there is an urgent case, because it is the best aircraft and stands as its only dominant fighter at the Western Front. In addition, some Israeli sites uncovered more information about the presence of five Sukhoi 27, and two Sukhoi 30 fighters, that were bestowed to Iran from Venezuela at the new Birgand base; furthermore, one of the writers for these sites, based on information from a pilot at Mashhad base, stated that some of the pilots at the Mashhad air base are being transferred to the new Birgand base and are training some other pilots.⁽⁴²⁾

Hindering development in the territory

The local press of the southern province of Khorasan revolted against the deployment of military aircraft at Birgand airport because it consequently would affect the local economy after 48 tourist trips in the past six months were cancelled in preparing the airport land for the sake of hosting military aircraft. As result, hotel occupancy dropped down to 7%, and the villagers





lost the opportunity to sell their handicrafts and souvenirs. The city, which is about 1,400 kilometers away from the capital, would be isolated from the other areas if all internal flights are stopped, while external flights have been completely stopped. The local press estimated that the income received from a foreign tourist was equal to 30 barrels of oil.⁽⁴³⁾

Also, the local press, moreover, confirmed that the concentration of warplanes at the old airport in Birgand would eliminate development projects that had been planned such as, a school for teaching civil aviation, and the project of the Air Taxi. The province has spent a lot of money on the infrastructure for these projects; therefore

changing the old airport to a military air base would be a waste of public money and result in public facilities being withdrawn.⁽⁴⁴⁾

The military presence will not only affect the economic standing of Birgand and the southern province of Khorasan in general, but there is also a security concern as the province's fuel reserves are located in the northeast area of the old airport. Military areas are supposed to be far away from strategic fuel storage areas.⁽⁴⁵⁾ Legally, the military forces presence at civil airports violates the resolution of the Supreme Council for Reconstruction issued on 14 March 1985, that called for removing military bases from the vicinity of cities especially airports and training fields.⁽⁴⁶⁾

The uncooperative attitude of Iran's military commanders

Despite the military importance in that area, there should have been other alternatives such as building a new airport or modernizing the Hosseini Khor "Omidiyeh" airport. Taking advantage of the airport was the only possible option for urgent deployment of the air force because it will cover Iran's pressing security needs since it claims that "jihadist" members are transferring from Syria to the Iranian border. Also, there is an Iranian intention to increase its military presence on the Afghan border to anticipate the situation before the Afghan presidential elections in April 2019. As a matter of fact, America is interested in ending the war with the Taliban and it is preparing the ground for a political solution, especially with it entering talks with the Taliban, and Iran is wanting to play a role in these talks. On the other hand, the Iranian government forceful means of managing the civilians demands in Khorasan unfolds the careless nature of the Iranian government and particularly the army toward the citizens' problems and even loading more burden on citizen shoulder because of

the miserable economic conditions, without forgetting the successive public protest in that area. However, Iran's Air Force Commander in his statements has not provided sufficient explanation behind the public outrage recently in Birgand. He also has insisted that any military decision is made only with the approval of the Supreme Leader; the presence of air forces at civilian airports is quite typical in major Iranian cities, and the air force faces t a soft war just as much as it faces a fierce war.⁽⁴⁷⁾ The Air Force Commander is alluding to the local press in Khorasan that has continuously criticized the hosting of warplanes at the civilian airport. He has, accused the press of supporting Iran's enemies within the framework of a soft war.

ECONOMIC FILE



Oil Prices in Iran: Mechanism, Gains, and Challenges

Iran began to raise its crude oil price at the Tehran Energy Exchange one week before the second phase of US sanctions came into effect on November 4, 2018. After the Supreme Leader and the Iranian government gave their approval to sell crude oil to the private sector, in light of US sanctions, Iran seeks to diversify the sale of its most important commodity, to find new prospects to confront what the Iranians call “American arrogance”. However, this is not the first time that oil has been sold to private companies; for example, Ahmadinejad’s government adopted the same approach in 2012. In 2013 after international sanctions were imposed on Iran, Tehran established its Energy Exchange, where oil, gas, electricity and coal companies, run by domestic and foreign investors, traded.⁽⁴⁸⁾ In fact, Ahmadinejad’s government used some businessmen and brokers to market Iran’s oil because of the embargo on its oil exports since 2012.

Similarly, Iran is attempting to re-apply the former approach, albeit with some variations. It can accomplish this by offering oil shipments in specific quantities to private companies only if they have refineries, otherwise, they cannot purchase the shipments to prevent speculation on the price. Particularly, a shipment should not contain less than 35 thousand barrels of oil -after the threshold level of purchase was 500,000 bpd during Ahmadinejad’s era. Yet the price of a barrel is below the world price, which may reach and even exceed \$ 5 per barrel, a very attractive price for private companies. To entice oil buyers, the Iranian government provided payment facilitation up to 60 days, by paying 20% of the deal in

the local currency and 80% in foreign currencies.⁽⁴⁹⁾

The first batch offered by the Ministry of Oil on 28 October was 1 million barrels of oil. Since that day until the middle of November, the total sale was 700,000 barrels,⁽⁵⁰⁾ or 70% of the batch offered by the Ministry of Oil at \$65 per barrel- while the average price of Brent crude oil for the same period was \$ 73 per barrel -11% less than the world's price. This batch is equivalent to what China imported in just one day between January and May. Definitely, the total exports of Iranian oil declined after the new round of US sanctions. They dropped down from 2.5 million barrels to about 1 million and one hundred thousand barrels per day in November 2018.

The sale of Iranian crude oil as a commodity to the private sector has benefited Iran, but it may also confront challenges. Even if the price of sale is less than the world's price, it is going to be beneficial to Iran's treasury in the form of incoming revenue in contrast to unsold oil stocks. Analysts consider private sector dealings with small shipments to be more difficult for the US to track, shrouding the true identity of the buyers compared to larger shipments of oil that can be easily tracked, subsequently allowing the US to impose sanctions on buyers.

On the other hand, global refineries are not ready to deal with the private sector and would prefer to deal directly with Iran's state oil company according to some officials at the National Iranian Company.⁽⁵¹⁾ In addition, Iran's urgent need for a buyer to accept the risk of buying its oil may weaken its bargaining power or push it to deal with opportunistic buyers. Four to three years ago, India owed Iran million dollars for importing oil, but India could not pay Iran because of international sanctions. However, the payment was eventually made in India's national currency and its dues accrued to \$ 6 billion,⁽⁵²⁾ forcing Iran to buy Indian products as compensation for its unpaid payments. The rivalry between the private sector and the governmental in foreign markets may lead to leveraged bargaining power for buyers to find the best prices by dealing with different sellers of the same commodity. Indeed, this can be a possibility, if the private sector is able to deal with the problem of transport and shipping to consumer markets.

At the same time, buying on credit raises many questions, particularly, how can payment be ensured to avoid previous mistakes, especially, as 80% of the value of oil will be in foreign currencies, and how will the private sector receive foreign currencies under the ongoing US financial embargo and its inadequate experience compared to government companies? There is also apprehension of another "Babak Zanjani", the Iranian businessman who took advantage of the Ministry of oil deal to market crude oil abroad



during the oil embargo in 2012; by receiving more than 1 million barrels of oil, and paying the government only \$ 180 million dollars, while its true value was more than \$ 3 billion.⁽⁵³⁾

Sector Developments during November 2019

Oil sector

The second round of US sanctions targeted several sectors of the Iranian economy, including the oil sector. In particular, the sanctions targeted oil transactions with Iran's oil companies, Iran's oil trading company and Iran's national tanker company, as well as, the purchase of oil and petrochemical products from Iran. However, the United States provided exemptions to

eight countries from these sanctions., and these countries import 75% of Iran's total oil exports.⁽⁵⁴⁾ Despite this, oil exports declined to hundred thousands of barrels per day as the second round of US sanctions came into effect on 4 November. Notably, Some international media outlets reported that Iranian exports fell by one million barrels per day.

The Iranian Vice President stated that Iran has decided its 2019/2020 budget, with oil revenues to make a contribution of 25% considering the United States sanctions biting Iran's energy sector. The US Special Representative for Iran, Brian Hook said that US sanctions on

Iran's oil buyers have reduced Iran's exports to approximately 1 million bpd compared with the level of production in the past six months. Actually, global energy data site "plattes" analysis, is expecting the actual rate of Iranian oil exports in November to be higher than 800 thousand bpd as ships are shutting down transmitter and tracking devices to avoid international control systems. Exports are expected to reach 1.1 million bpd this month because contracts with Japan and South Korea were delayed.⁽⁵⁵⁾ Similarly, the Bernstein Research Institute for Energy believes that the volume of Iranian oil exports during the 180 days exemption period will be around 1.4 to 1.5 million bpd.⁽⁵⁶⁾ As the French company Total withdrew from the development of the eleventh phase of the South Pars field, the Iranian Oil Minister Bijan Namdar Zanganeh pointed out that the Chinese company "CNPC" officially has replaced Total, but it has not started operations yet. According to the IRNA news agency, it was estimated that the cost of the





project will be \$4.8 billion, and the share of China's National Oil Company will be 80.1%.⁽⁵⁷⁾

On the other hand, gas exports were held up from Iran to Iraq, because the earthquake that occurred damaged the pipeline between the two countries. It is worth mentioning that the value of Iranian gas exports is \$3.7 billion, and Iraq will trade with Iran in Iraqi dinars because of the additional period of exemption after the 45 days of preliminary exemption for importing gas from Iran, according to experts.⁽⁵⁸⁾

Non-oil sectors

The second round of the US sanctions affected the performance of many non-oil sectors of the Iranian economy because they directly impacted port operators, shipping sectors, shipbuilding, transactions of foreign financial institutions with Iran's Central Bank, Iran's financial institutions and insurance services. Consequently, they reflected negatively on living standards in Iran and led to protests and strikes across Iran's provinces. This economic crisis has motivated the Iranian government to think of economic reforms and to find a way of continuing trade with the EU such as the ratification of the FATF treaty, that has resulted in the deep division within Iran's political system. However, the conservative movement has hindered intentionally the ratification of the treaty for several reasons to ensure that Iran continues to support its militias financially in the region, so that it can use its militias as pressure points on the EU to force it to continue with the nuclear agreement or to find an alternative financial channel for trade with Iran at minimal economic cost. This is mainly the reason behind the fierce campaign led by the hardliners against the Iranian Foreign Minister Javad Zarif after he confessed that money laundering was a reality in Iran and emphasized the need to ratify the treaty.⁽⁵⁹⁾ Rouhani

said on Wednesday, November 21, 2018, “Why are we fighting each other over obvious matter? We must all strive to curb corruption and block any way possible to money-laundering.”⁽⁶⁰⁾

The Iranian economic activist Hussein Zaafar considers that the banking system in Iran is bankrupt. He said, “The state banks take advantage of 30-33% of the producers as compensation of their bankruptcy, authorized by the officials and MPs.” In addition, he considers Iran’s banking procedures as legitimizing common fraud and they have the central bank and officials’ approval. He also said, “Iran productive sectors are expectedly going to collapse, and unemployment will also increase.”⁽⁶¹⁾ According to the Tasnim News Agency, the head of the China-Iran Chamber of Commerce Asgaroladi said that the problem of Iran’s traders in banking transactions with China will be resolved, and he also said a Chinese bank will commence



its transaction with Iran in the middle of December 2018.⁽⁶²⁾ Regarding the air transport industry, the Assistant Minister of Roads and Construction Ali Ayed Zadeh said that the US sanctions targeted Iran’s air transport industry, and he also pointed out that Iran would evade such sanctions to enable its air industry in a way to provide better services.⁽⁶³⁾

Macro-indicators

- Inflation in Iran will increase by 40% this year (International Monetary Fund 13-11-2018).
- The unemployment rate among educated young male is 50% to 63% (Radio Zaman website, 30-11-2018).
- The unemployment rate among educated young women in various governorates reached up to 78% (Radio Zaman website 30-11-2018)
- The unemployment rate will rise from 13% this year to 14.3% next year (International Monetary Fund 13-11-2018).
- Iran’s gross domestic product growth for 2018 will be negative by 1.5% and will deteriorate in 2019 by 3.6% (International Monetary Fund 13-11-

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ARAB AFFAIRS

AS Iran is facing economic sanctions, Iran's leadership has intensified its movements and regional activities in Iraq and Syria to maintain its gains and to ensure the implementation of its long-term plans, as well as, to maintain in its orbit the two central countries in its expansionist project. In Iraq, it seeks to install an Iraqi government that is aligned to Iran to maintain its gains there such as the presence of the Popular Mobilization Units on Iraq's political scene, Iraq's opposition towards US sanctions on Iran, and to improve its commercial relations with Iraq. In Syria, Iran is strongly intensifying the policy of demographic change in favor of Shiite factions at the expense of the Sunni majority. It yet refuses to pull out its militias to ensure control on the ground and over key Syrian state apparatuses in the new phase.

In Yemen, after a big deal of procrastination and dodging, the Houthis agreed to sit at the negotiating table in Sweden in December 2018. This was not done without a green light from Iran, as it is aware of the Houthis diminishing influence in the face of the legitimate Yemeni government and its growing legitimacy.

The position of the new Iraqi government towards the gains of Iran in Iraq

A change in government is often a milestone in the history of relations between two or more countries. A new government may change or sustain previous domestic and foreign policies. A new government has an inherent right to develop its own foreign policy approach to realize the interests of the state. A new government may maintain a good relationship, for example, with a country in the regional or international arena. In this case, it would give priority to maintaining mutual gains and interests.

It may also resort to changing its foreign policy towards a particular country. In this case, it may adopt a policy of distance or balance towards it in favor of another country, which may raise the concern of that country over its gains and interests. This explains the vigorous moves of some countries - especially those with expansionist powers - during the formation of new governments in neighboring, friendly, allied or hostile countries, to form a government that maintains its relations, its gains, and sublime interests.

Iran has played a prominent role before and during the formation of the new Iraqi government to form a government that has an Iranian orientation to preserve its gains and to ensure the implementation of the rest of its plans, such as the overland passage linking Tehran to the Mediterranean through Iraq and Syria. So we will clarify the position of the new Iraqi government on Iranian gains and the role of Saudi efforts to bring Iraq back to the Arab sphere.

1- The Iranian gains in Iraq

Iranian meddling in Iraq dates back to the US invasion of Iraq in 2003. Since then, Iran has used multiple tools, including soft and hard ones to enforce its schemes and achieve its ambitions in Iraq post-Saddam Hussein. The tools it used enabled it to achieve many gains in Iraq. The first among these gains is its control over the Popular Mobilization Forces that keeps an ubiquitous presence throughout the Iraqi state, particularly in strategic areas, controlling vast border areas between the two countries, which extends to 1,599 km,⁽¹⁾ allowing Iran to control vital geographical arenas and to stir up trouble in case a conflict arises between the two countries.

The second Iranian gain is its close relations with Iraq resulting from the control of Shiite factions over Iraq's presidency. This has been the case since the US invasion of Iraq, and it resulted in steering Iraq's foreign policy towards Iran while Baghdad distanced itself from the Arab sphere.

The third gain is the political victories of pro-Iran alliances, especially the Fatah Alliance led by the leader of the Badr Organization Hadi Amiri. The alliance captured the second-biggest number of seats in the 2018 Iraqi parliamentary elections, obtaining 47 seats. It also gained ministerial positions in the new government.⁽²⁾ This means the political arm of the Popular Mobilization Forces, the closest ally to Iran, ascended to legislative and executive power. This increases its chances to influence the political equation. The political arm is in parliament, so it will have a say in choosing ministers for the new government. It can also thwart bills that contradict Iran's interests or assist in passing laws serving them, let alone the ability to hinder or support government decisions in favor of Iran's agenda.

Thus, we can notice, when forming every Iraqi government, the Iranian role is very important to preserve its gains. This was evident when the supreme leader, during receiving the Iraqi President Barham Salih, emphasized that Iraq should maintain the Popular Mobilization Forces.⁽³⁾

2- The position of the new Iraqi government on Iranian gains

The new Iraqi government headed by Adel Abdul-Mahdi announced its position on the continuation of the Popular Mobilization Units and US sanctions on Iran. As to the Popular Mobilization Units, the Iraqi Foreign Ministry, in a statement on its Twitter account on November 3, 2018,

U.S. Embassy Baghdad 

٢١ أكتوبر، الساعة ١:٢٢ م

مع تبقي ستة أيام على الموعد النهائي لفرض العقوبات، هذا هو المطلب السادس كي يتصرف نظام إيران كدولة عادية: يجب على النظام الإيراني احترام سيادة الحكومة العراقية، والسماح بنزع سلاح الميليشيات الطائفية وتسريحها وإعادة دمجها.

With 6 days to go before the sanctions deadline, this is the 6th requirement for #Iran's regime to behave like a normal state: The Iranian regime must respect the sovereignty of the Iraqi government and permit the disarming, demobilization, and reintegration of Shia militias.

rejected the demands of the US Embassy in Baghdad issued to disarm Shiite militias, considering it a violation of diplomatic norms and mutual respect for sovereign states, a well known principle in international law.⁽⁴⁾

As for the government's position on the US sanctions, Abdul-Mahdi announced on 21 November 2018 that "Iraq is not part of the system of US sanctions against Iran," justifying his rejection of US sanctions as they are unilateral and non-UN sanctions.

Before this, the US Embassy in Baghdad announced on its official Facebook page on 10 November 2018 that the United States granted Iraq a temporary exemption from sanctions for 45 days allowing Iraq to continue to purchase natural gas.⁽⁵⁾

In relation with the above, the Iranian Student News Agency (ISNA) revealed that the US demanded the Iraqi government, in exchange for its exemption that it should use Iraqi dinars and not US dollars in purchasing imports from Iran.⁽⁶⁾ The Iraqi rejection of US sanctions is due to Iraq's dependence mainly on importing a share of electricity and gas from Iran for its power plants. Iraq needs 22,000 megawatts per day to cover its actual needs of electricity, while it produces 11, 000 megawatts per day. It imports about 1000 megawatts a day from Iran to cover the shortage in its domestic production.⁽⁷⁾ It should be noted that 20% of Iraqi plants are operated by the gas imported from Iran.

The question is: Why did Washington give Iraq a period to import gas and electricity from Iran? Does this decision reflect the American perception that imposing sanctions on Iraq will exacerbate the electricity crisis that caused, along with other crises, the flaring up of protests in the southern Shiite majority provinces? This led to a crisis that Iran exploited.

Tehran also

contributed to triggering the crisis by suspending Iraq's share of electricity because of Baghdad's delay in paying its financial dues to Tehran that exceeded \$ 1 billion.⁽⁸⁾ Iran promoted rumors that the US is the root cause of the crisis as it imposed sanctions. This could enable Iran to further expand its influence in Iraq.

Or does Washington wanted to deprive Iran of forging



stronger ties with Abdul-Mahdi by sending a message to him that the United States does not want crises in the southern Iraqi provinces to be aggravated?

There is no strategic advantage for the United States of imposing sanctions on Iran's electricity that is exported to Iraq since there is no quick alternative to Iran that can provide electricity to Iraq. Baghdad's 45-day exemption is likely to be extended.

As for trade relations, the Iranians and the Iraqis agreed during the visit of the new Iraqi President Barham Salih to Iran to establish free trade zones between the two countries. Iranian President Hassan Rouhani also said that the volume of bilateral trade between the two countries will rise to \$ 20 billion annually, from \$ 12 billion at the moment.⁽⁹⁾

In addition, the Iranian Ambassador to Iraq Iraj Masjedi revealed that 79 Iranian companies operating in Iraq in the fields of energy, construction, tourism, and infrastructure seek to pump \$ 10 billion into investments.⁽¹⁰⁾ He added that the Baghdad government is seeking to attract foreign investment to carry out 1,200 projects worth \$ 100 billion.

Masjedi also revealed his country's efforts to abolish visas between the two countries, an Iranian-Iraqi agreement to establish a permanent exhibition of Iranian goods in Baghdad,⁽¹¹⁾ and new Iranian aid to the government of Abdul-Mahdi in the field of technology, logistics and consulting.⁽¹²⁾

In the same context, the technical affairs and infrastructure assistant of the railway company in Iran Mzayar Yazdani revealed there will be a 131-kilometer railway linking Shalamja with Basra, and its cost will be paid by Baghdad later.⁽¹³⁾ Observers point out that these Iranian movements come in the context of its schemes to inaugurate the passage extending from Tehran through Baghdad and Damascus to the Mediterranean.

3- Saudi efforts to ease Iranian pressure on Iraq

Iran has multiple pressure cards in the Iraqi file: its ability to order and instruct Shiite militias inside the country, as well as, the water and electricity card. These cards may be used against the Iraqi government in case of a conflict of interest or to steer Iraqi affairs to serve Iranian interests.

In an apparent Saudi recognition of the need to reduce Iranian pressure



on Iraq by exporting part of the electricity to Iraq, its Minister of Energy, Industry and Mineral Resources Khaled Al-Faleh visited Iraq on 10 November 2018. The spokesman of the Iraqi Ministry of Oil Assem Jihad said that Al-Faleh had discussed with the Iraqi Oil Minister Thamir Ghadhban linking the electricity grid between the two countries to meet Iraq's electricity needs.⁽¹⁴⁾

During the visit of President Barham Salih to Saudi Arabia on November 17, 2018, Tehran expressed concern about Iraq resorting to importing electricity from Saudi Arabia instead of Iran. The deputy head of the Iranian Electricity Union Biam Bagheri questioned the Saudi ability to provide Iraq with electricity, as Iraq needs about 10,000 megawatts per day, and it can not secure another source of electricity within the 45 days exemption period.⁽¹⁵⁾

Many observers point out that the Saudi steps – despite being delayed - are moving in the right direction because they will help bring Iraq back to the Arab sphere and impact on Iran's leverage and its sectarian policies. It will also limit Iran's pressure on the new Iraqi government, as well as, the pressure of its affiliates and militias.

Iranian political developments and the political process in Syria

1- Demographic change as a strategic option for Iran in Syria

On November 25, 2018, the Jerusalem Post published a report stating that an Israeli website (which it did not name) revealed that the Syrian government had given "citizenship" to the Lebanese Hezbollah and Iranian Revolutionary Guard fighters. Also, it alluded to several indications of Iran's demographic change policy in Syria:⁽¹⁶⁾

The first of these indications is that displaced Syrians have complained about demographic changes in Syria since the outbreak of the crisis seven years ago and that the system demolished in 2015 neighborhoods near Damascus under the pretext of rebuilding them.

The second is the confirmation of a Syrian refugee and writer named Mohammad Rozjar that "some 200,000 Sunni left their homes, while Assad had given houses to Shiite militia members fighting alongside him." He added, "Some areas in Damascus turned into Shiite cantons."⁽¹⁷⁾

The third is what was reported in January 2018, by Martin Schulof, a reporter for the British newspaper The Guardian, concerning foreign fighters and Shiites from Iraq and Lebanon who lived in Sunni areas after the expulsion of Sunnis. "Iran and the government do not want Sunni communities between Damascus and Homs," he said.

The fourth, according to the newspaper, is the issuance of a law by Assad's government to allow the confiscation of houses and property of those

who do not attend and confirm their ownership. It added that 'European officials and Lebanese warned of the repercussions of this law and its impact on the return of refugees to their areas'.⁽¹⁸⁾

"Sunni areas have suffered total destruction because their people have formed the backbone of the resistance against Assad. The Sunnis see it as a conspiracy by Assad government and Iran to prevent their return," the paper said, pointing out that rumors spread that Iraqis are living in these areas.

But what are the objectives and indications of granting citizenship to Hezbollah and Revolutionary Guard fighters in Syria?, especially in light of American and Israeli demands that all armed Shiite militias leave Syria. Is there a relationship between "right of citizenship" and Iran's desire to control the process of reconstruction in Syria?

It seems that if the reports arguing that the Syrian government has granted the right of citizenship to Lebanese Hezbollah and Revolutionary Guard fighters are confirmed, then Syria will be facing a policy of "demographic change" that Iran has been pursuing since 2011. This will guarantee the fighters, brought by Iran from Afghanistan, Pakistan, Iraq, and other countries to fight alongside the forces of Bashar Assad, will not leave Syria. This may have been done following pressure from Iran to achieve several goals:

First: is that Iran should appear before the international community as a party that responds to regional and international demands for its militias to leave Syria. This happens by hiding their presence as military personnel by integrating them into Syrian communities and is in line with Russian-Israeli understandings on the need to remove these fighters from Israel's northern border.

Second: benefiting from the policy of demographic change by redistributing fighters across the areas once held by the opposition factions and ISIS. This happens in a way that serves the Iranian schemes to enforce demographic changes in favor of Shiite factions by allowing fighters to settle in the areas where Sunni factions have been displaced or expelled.

This raises a question concerning the future of Sunni factions and Syrian refugees under the policy of Iranian demographic change in Syria, taking into account Assad's statement issued three years ago that "the homeland is not related to those who live here or those who hold passports or citizenship, but to those who protect and guide it."⁽¹⁹⁾

Third: strengthening Iran's influence in Syria, making Iran a part in the new Syrian equation, strengthening its grip and enabling it to continue to smuggle advanced weapons from Iran to Hezbollah through Syria and to strengthen its presence in the eastern Mediterranean.

2- The failure of the 11th round of Astana talks- indications and significance

The 11th round of the Astana talks on the settlement of the Syrian crisis took place on 28-29 / 11/2018 in the presence of the representatives of the three sponsoring countries: Russia (Special Representative of the Russian President in Syria Alexander Lafrintev), Turkey (Deputy Foreign Minister Sadat Onal; Deputy Foreign Minister Hossein Ansari), representative of President Bashar Assad government (Syrian Permanent Representative to the United Nations Bashar Jaafari) and the opposition representative (former head of the Syrian Interim Government of the Syrian National Coalition Ahmed Tohma), as well as, the UN envoy to Syria Staffan de Mistura.⁽²⁰⁾



The 11th round of Astana talks had on its agenda several files, most notably: the formation of a 50-member Constitutional Committee and the obstacles facing it; the issue of detainees, missing persons and abductees; the Russian-Turkish arrangement aimed at ending the Syrian government's offensive in Idlib and the agreement thereof; and the ceasefire agreed in Syria. Also, the refugee and reconstruction files were on the agenda.

A number of indicators pointed to the failure of the 11th round of Astana talks, as De Mistura announced.⁽²¹⁾ The concluding statement was a clear indicator, as it was basically identical to those issued at previous rounds and it called on the need to respect the unity of Syria and the integrity of its territories, to resist separatist agendas, to maintain stability in Idlib, to reject violations of the ceasefire agreement, to continue the fight against ISIS and the Nusra Front, to focus on a political settlement and to reject

military escalation, to release detainees and abductees, to hand over bodies of the deceased, to identify those missing and to create the appropriate conditions for refugees to return safely.⁽²²⁾

The main issues did not witness significant progress at the talks, especially when it came to the Constitutional Committee and its composition. Disagreements arose over who should be the civil society representatives on the Constitutional Committee, with Syria and Russia attempting to impose their suggestions. Particularly, as they fear the American role in influencing the choices made by the UN and having a greater say in any future Syrian constitution.⁽²³⁾ The countries sponsoring the Astana talks did not make any progress on the case of refugees, and detainees, as well as, the reconstruction process in next phase, as there is competition between states to attain the greater share in Syria's reconstruction and the United States has conditioned its contribution to the withdrawal of Iranian militias from Syria.

As for the cease-fire, the Russians, the Iranians, and the Turks also did not resolve the repeated violations of the Idlib agreement reached in September 2018 on the establishment of a demilitarized zone around Idlib. Russian airfields targeted areas in Idlib and its surroundings in response to the chemical weapons attacks on Aleppo province.

The Houthis' acceptance to partake in peace talks in Sweden - an initiative or a maneuver?

In order to end the suffering of the Yemeni people, the international community is pressing the Iranian-backed Houthis to force them to participate in Sweden's December 2018 consultations. The international community is not willing to accept the Houthis maneuvers to evade sitting at the negotiating table, especially in light of the second package of US sanctions on the Iranian system that came into effect in November and the ensuing regional and international developments that have tightened pressure on Tehran. This happened after the Yemeni army, backed by the Arab coalition forces to support legitimacy in Yemen, made progress on the ground in the provinces of Hodeidah and Saada. In the meantime, the Houthis are witnessing a series of divisions in their ranks, most notably their Minister of Information deciding to break away. Finally, these factors were the principal motives for the Houthis' to agree to participate in Sweden's consultation process, and this will allow us to see how serious they are in ending the conflict in Yemen. This Swedish consultation process will be followed by UN consultations next month.

1- The dwindling clout of the Houthis due to mounting pressure on Iran
The Houthis have been affected by regional and international developments

as a result of the second round of US sanctions on the Iranian system. The sanctions came into force on November 5, 2018. In an interview with CBS's "Face the Nation" show, the US Secretary of State Mike Pompeo said that the new sanctions will prevent Iran from having the money and resources it needs to spread terrorism around the world. He said the second sanctions package was the toughest when compared to previous sanctions, and that these sanctions would prevent funding for Hezbollah in Lebanon and the Houthis in Yemen.⁽²⁴⁾

The impact of this on the Houthis could be seen by the decline of their role in Yemen through a series of military setbacks where they lost the positions, they once took control of, especially in Hodeidah and Saada. This came after the Yemeni army announced the launch of a military operation in the province of Hodeidah on November 2nd, 2018, to restore the remaining areas controlled by the Houthis. The Amalejah Brigades of the Yemeni army declared in a statement that its forces had areas in Kilo 16 to the so-called Arc of Victory, at the eastern entrance to the city of Hodeidah.⁽²⁵⁾ The chief of the Houthis Abdel-Malek Houthi admitted the losses, saying his forces incurred a loss in the battle to restore the port city of Hodeidah.⁽²⁶⁾

In Saada, the National Army, supported by the Arab coalition, continued their field advance in the Maran Triangle (a Houthi stronghold) on 3 November 2018. The center of the Kataf district of Sa'ada governorate and the villages were controlled by the Houthis. The governor of Saada province, Major General Hadi Tarshan al-Waili said the Yemeni army purged about 50% of the geographical area of the Saada province of Houthi militias.⁽²⁷⁾

On November 24, 2018, the Yemeni army supported by the pro-legitimacy Arab Coalition announced the liberation of the Directorate of Al-Zaher, south-west of Saada Governorate, and continued to advance towards the Haidan district, amid heavy casualties and losses among the Houthis.⁽²⁸⁾

In addition to the military setbacks of the Houthis, another indicator of their retreat is the successive divisions that have gripped the ranks of the group, most notably the information minister of the internationally unrecognized coup government, Abdulsalam Ali Jaber. He announced he was breaking away from the Houthis and joining the Yemeni government after his arrival in Saudi Arabia.⁽²⁹⁾ The Iran-backed Houthi militia tightened its security measures and stepped up controls on some key figures, following the success of the information minister to break away.⁽³⁰⁾

2- New evidence of Iranian involvement in backing the Houthis

The commander of the axis of Saada, Brigadier Obeid Al-Athla, said that his forces had been able to uncover much evidence to prove the involvement of Iran and Hezbollah in supporting the Houthis. The most

prominent evidence is the existence of a sophisticated communications system destroyed on Al-Malahiz front, the killing of a number of experts affiliated to the Lebanon-based Hezbollah and the massive Iranian landmines seized from them.⁽³¹⁾



The Yemeni army announced the death of an Iraqi military expert in the ranks of the Houthis in Saada province. The 26th of September the newspaper of the Yemeni Ministry of Defense confirmed that the Iraqi explosives expert was killed along with a Houthi leader during clashes with Yemeni forces on the front of Baqam, north of Saada province. It should be noted that this Iraqi expert was in Saada in 2016 and was tasked with the manufacture of explosives, and always moved between Saada, Sanaa, and Hodeidah.⁽³²⁾ The Iraqi Popular Mobilization Forces, that are pro-Iran, admitted the death of one of its recruits in Yemen. He is named Hajj Ibrahim Thawra. Iraqi activists posted pictures of him, expressing pleasure at his martyrdom while fighting alongside the Houthis in Yemen. This embarrassed the Houthis who denied he had been killed.⁽³³⁾ On November 24, 2018, Iran received a delegation of Houthis when it hosted the 23rd session of the International Conference on Islamic Unity. Hassan Khomeini, the grandson of the founder of the Republic of Iran, met with two representatives of the Houthis on November 26, 2018, on the sidelines of the conference.⁽³⁴⁾

Iranian websites posted many pictures of the guests at the Islamic Unity Conference. One of the pictures showed a representative of the Houthis, an official of the Al-Masira office in Beirut, affiliated with the Houthis, Ibrahim al-Dailami, warmly saluting the Iranian leader Ali Khamenei on the sidelines of the Islamic Unity Conference in Tehran.⁽³⁵⁾

3- The continued Houthi threat to international navigation

The US Department of State's communication team, on its Twitter account, posted a report on the involvement of the Houthis in laying mines near the entrances of the port from which relief aid comes to the Yemeni people.⁽³⁶⁾

Because of their constant threat to the international waterways and straits, the Spokesman for the Arab coalition forces Col. Turki al-Maliki, said that the coalition forces are part of the efforts to maintain the safety of international maritime and commercial lines in the south of the Red Sea. The forces have been able to blow up 36 sea mines recently planted by the Iranian-backed Houthi group, including floating mines planted by



أفاد ثلاثة موظفين في ميناء **#الحديدة**، غربي **#اليمن**، الأربعاء، بأن مسلحي مليشيا **#الحوثي** بدأوا في وضع ألغام قرب مداخل الميناء الحيوي، الذي تمر عبره غالبية المساعدات والمواد الغذائية التي يعتمد عليها ملايين السكان في بلد يواجه نحو نصفه سكانه خطر المجاعة.



the Houthis before.⁽³⁷⁾ All these violations by the Houthis, which threaten international peace and security, have accelerated the efforts of Western countries as well as the United Nations to find a solution to the Yemeni crisis.

4- Possible outcomes of the UN-backed talks in Sweden

The Yemeni government and the Arab coalition countries led by Saudi Arabia are seeking to resolve the crisis politically and to pressure the Houthi group, supported by Iran, to attend and not to disrupt the UN initiative, especially as the Houthis have precedents in foiling previous initiatives. The latest among these initiatives was the Geneva Conference in September 2018. They did not attend the conference that aimed to resolve the crisis through negotiations and peace. The position of the Yemeni government on the Swedish consultation was constructive after it agreed to participate in any future consultations to achieve a lasting peace in Yemen according to the agreed terms of reference. The government of Yemen informed the UN envoy to Yemen, Martin Griffith, that “the directives of President Abdurbo Mansour Hadi supported and backed Griffith’s efforts for the forthcoming consultations. He sent the government delegation to the consultations with the aim of reaching a political solution to the crisis based on the three agreed terms of reference: the Gulf Initiative and its



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Executive Mechanism, comprehensive national dialogue, and the Security Council resolution 2216.”⁽³⁸⁾

The Saudi position also supports the legitimate Yemeni government to resolve the crisis politically, in a speech by Saudi King Salman bin Abdulaziz, saying that, “the country should stand by Yemen, declaring its support for a political solution according to the three terms of reference.”⁽³⁹⁾ The Saudi Foreign Minister Adel al-Jubeir said, “We support the peace efforts led by the United Nations to end the war in Yemen”. “We support the peaceful solution in Yemen, as well as the efforts of the UN envoy for the Yemen issue... We are committed to providing all humanitarian support to our brothers in Yemen.”⁽⁴⁰⁾

In the absence of a full commitment by the Houthis to resolve the crisis politically, they broke the Armistice Agreement hours after its pledge to stop the attacks, using missiles and drones against the Yemeni army and coalition. At the request of the UN envoy, Britain submitted a draft resolution on Yemen to the Security Council. It called for an immediate truce in the city of Hodeidah for two weeks, aimed at removing all barriers and the delivery of humanitarian aid.⁽⁴¹⁾

On the basis of Sweden’s consultations, the Houthis finally agreed to participate in the talks, having been in a state of confusion and procrastination over the past period about whether to respond to the UN envoy regarding their participation or not, while continuing to set out the same conditions that led to the failure of the Geneva Conference of September 2018, such as transporting injured IRGC and Hezbollah fighters out of Yemen. If the UN envoy helps to bring these fighters out to

guarantee Houthi participation, the UN envoy will be condemned as one of the parties that breached UN resolutions, specifically resolution 2216.⁽⁴²⁾ The Houthis in principle agreed to go to Sweden's consultation because of recent US and Western calls to stop the war in Yemen and to enter into peace negotiations to reach a settlement to the crisis.

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INTERNATIONAL AFFAIRS

On November 4, 2018, the United States punitive measures against Iran came into effect, leading to differing international reactions. This report tries to shed light on US-Iran relations under the current sanctions and how they have impacted, positively or negatively Iran's relations with other international and regional powers such as China, the European Union, and Turkey.

US-IRAN RELATIONS



The United States and Iran's political alignments following the second round of US sanctions

In the month of November, US-Iran relations entered a new phase after the second round of US sanctions were imposed on Iran. The US President Donald Trump has adopted a hard-line policy on Tehran to bring it to the negotiating table to discuss its nuclear program, ballistic missiles, and its regional behavior. On the other hand, Iran has adopted a policy of resistance and is trying to find alternative ways to undermine the sanctions and to avert US efforts to stifle it by working with some international partners and adopting different approaches to circumvent the sanctions to alleviate its growing internal crisis.

November sanctions and the United States pressuring campaign against Iran

The US sanctions imposed by the US Department of Treasury on November 4, 2018, targeted Iran's energy sector, and its insurance services, as well as, its port operators, its shipping and shipbuilding industries including its shipping

lines and its southern shipping lines, along with their subsidiaries. In addition, the sanctions targeted oil-related deals with the National Iranian Oil Company (NIOC), and the National Iranian Tanker Company (NITC), as well as, international financial transactions and the exchange of financial messages between Iran's Central Bank and other specific financial institutions under the National Defense Authorization Act for the fiscal year 2012 and the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010.⁽¹⁾

Also, sanctions were imposed on Iran's Atomic Energy Organization and twenty-three of its subsidiaries, as well as, individuals related to this Organization by the US Foreign Assets Control Office. This Organisation has operational and regulatory control over Iran's nuclear program and is responsible for research and development activities. The sanctions encompassed the National Iranian Aviation Company for being owned or controlled by the Iranian government and sixty-seven aircrafts operated by Iran's national airline. Hundreds of entities have been added to the sanctions list including ninety-two facilities owned or controlled by the Ghadir Investment Company identified by the US Foreign Assets Control Office as an investment company affiliated to the Execution of Imam Khomeini Order (EIKO) Commission, and other significant Iranian organizations.⁽²⁾

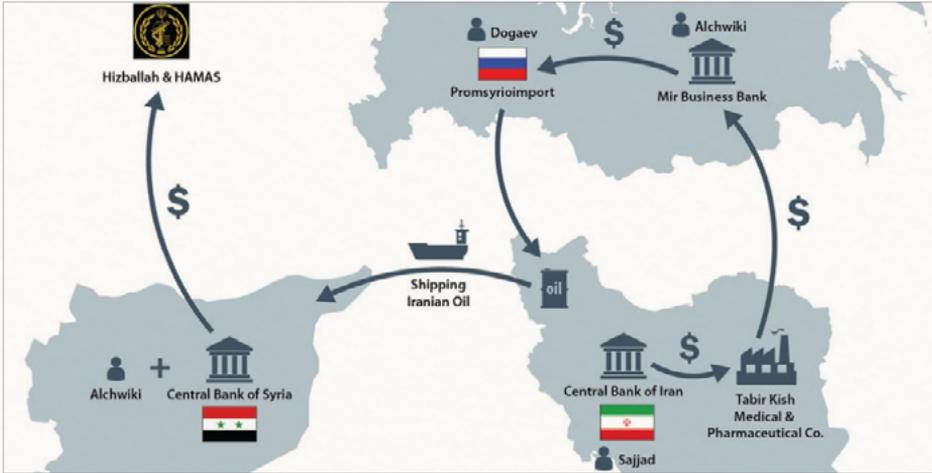
On November 13, 2018, the US Department of Treasury Foreign Assets Control Office targeted five individuals affiliated to Hezbollah. It is known that four of them carried out intelligence and financial activities in Iraq in favor of the Iranian government.⁽³⁾

On November 20, 2018, the US Department of Treasury included nine entities related to an international network by which the Iranian government, in cooperation with some Russian companies, had provided approximately a million barrels of oil to the Syrian government. In return, the Syrian government has facilitated the transfer of millions of US dollars to the IRGC Al-Quds Forces, Hamas, and Hezbollah. According to a statement of the US Department of Treasury, sanctions imposed by Foreign Assets Control Office targeted the main players in the Alchwiki network, including the Syrian citizen Mohammad Amer Alchwiki and his Russian company Global Vision Group. In fact, Alchwiki and his company have played a major role in transporting oil from Iran to Syria and transferring funds to the IRGC Al-Quds Forces. Sanctions highlighted the important role played by Iran's Central Bank and its officials in facilitating this process.

The Russian-based Global Vision Group uses several methods to conceal its activities in coordination with the National Iranian Oil Company (NIOC) to transfer funds for shipping oil to Syria. Global Vision does this job by working with the Russian state-owned Promsyrimport Company, a subsidiary of the Russian Ministry of Energy to facilitate the transport of Iran's oil from the National Iranian Oil Company to Syria using a number of ships, many of which

have been provided by European companies. To conceal the real destinations and recipients of Iran's oil, tankers have been turning off their AIS systems prior to delivering their cargo to Syria Since 2014.⁽⁴⁾

This figure explains the Alchwiki network



Source: <http://cutt.us/pWILb>

The second wave of US sanctions has been broader, including entities and networks involved in smuggling Iran's oil, as well, as those facilitating international financial transactions to and from Iran. On the other hand, the United States is coordinating with all related parties to prevent volatility in the energy markets, which may explain why it granted a six-month waiver to eight countries until alternatives to Iran's oil supplies are found.⁽⁵⁾

In fact, oil prices have declined due to the US-Saudi agreement to increase oil supply while the waiver has given the eight countries an opportunity to manage their oil needs away from Iran, therefore giving the United States a reason not to extend the waiver, resulting in increased pressure on Tehran.⁽⁶⁾

By adopting the policy of aiming to decrease Iran's oil exports to zero, shipping and insurance companies have been targeted in the sanctions list. The US special representative for Iran, Brian Hook asked countries of the world to prevent Iranian ships from docking at their ports when he said, "Iranian tankers should not be allowed to dock anywhere."⁽⁷⁾ In addition, all companies cooperating with Iran in this regard have been included in the sanctions list in addition to all Iranian ports except the port of Chabahar.⁽⁸⁾

In parallel, the United States is intensifying its diplomatic efforts at all levels to ensure international consensus and compliance with its



sanctions.⁽⁹⁾ In addition, Washington aims to curb Iran's hostile behavior by stifling the flow of funds, missiles, and arms that project its regional influence. Indeed, this is explained by the measures taken by the US Department of Treasury against regional networks serving Iran's goals to circumvent US sanctions.

According to the US Secretary of States, Mike Pompeo, the recent sanctions and pressure will force Iran to reconsider negotiating a new treaty.⁽¹⁰⁾ Officials of the Trump administration said that unlike the agreement signed by the Obama administration, they would seek ratification by Congress to turn what they considered a flawed deal limited in duration into a strong permanent treaty.⁽¹¹⁾

The actions were taken by the Trump administration since November 4, 2018, seem to be a continuous circle of pressure on the Iranian government as expressed by John Bolton, the US National Security Adviser, "Despite reinstatement of the second set of sanctions on Iran, it is possible to impose more restrictions on this country."⁽¹²⁾

Iran's response to US sanctions

There is no doubt, that the US sanctions have impacted Iran's interior, especially its economy. In this regard, the Iranian President Hassan Rouhani has drawn attention to this issue by saying that he was fully aware that, "People's living conditions have become harsher than in past months as prices are going up."⁽¹³⁾

The Iranian government considers the US sanctions as a form of economic war aimed at subjugating Iran, as well as, them being part of it's a psychological war to incite public opinion against the Iranian political system. Accordingly, Iran has adopted a strategy of resistance and confrontation in the face of the United State's sanctions.



Rouhani has set out the points of action that his government would undertake to resist US sanctions. He referred to the efforts required to thwart American measures to dwindle Iran's oil exports and impact its interior by improving its cooperation with its neighboring countries. Iran is moving on several regional levels to face the sanctions, especially with Iraq, Turkey, Afghanistan, the Caspian littoral states, and some Arab Gulf countries. Rouhani has said that his government would provide commodities by producing them locally or importing them from abroad as planned in the 2019 budget.⁽¹⁴⁾

The Iranian government has emphasized national unity, fearing widespread protests due to worsening living conditions stemming from US sanctions. It has imposed restrictions on social media to prevent the spread of information that could agitate society against Iran's internal and external policies. In addition, the government has asked Iranians to stand by their country and it has emphasized unity in the face of increasing US pressure.⁽¹⁵⁾ In the same context, the member of parliament Mahmoud Sadeghi posted a tweet on his account saying, "Experience has shown that whenever Iran is exposed to a foreign conspiracy, the nation becomes more united."⁽¹⁶⁾

The government has opened the door for private and oil exchange sectors and undertook several covert measures to circumvent US sanctions to continue exporting its oil and to develop appropriate financial transaction channels to evade US sanctions.⁽¹⁷⁾

Qasem Soleimani threatened military action, he posted a tweet on his account saying, "Trump, the Gambler! I'm your opponent. Are you drawing us our way? It does not require that Iran or the Iranian armed forces be your foe, but Al-Quds forces and I are your opponents. Know that no night passes without thinking about you. I tell you Mr. Trump, the gambler! You

have to know that we are as close to you as you cannot imagine. Where you do not expect we are close to you, we are there..."⁽¹⁸⁾

Regionally, Iran is betting on its regional capabilities based on its strategic depth in Syria, Lebanon, and Yemen, narrowing US options in the face of Tehran.⁽¹⁹⁾

The Iranian government pays great attention to cooperating with countries that have rejected US sanctions on it, especially China, Russia, and the European Union.⁽²⁰⁾ The Europeans announced their commitment to the nuclear deal and the development of a special financial mechanism to make business with Iran and that some non-EU countries would join this mechanism. Some buyers of Iran's oil said they were waiting for utilizing the new financial transaction channel to pay for their oil purchases.⁽²¹⁾ However, this mechanism has not been launched yet, and no country has announced its willingness to host it, perhaps for fears of US sanctions.

China and Russia have maintained good relations with Iran during the pre-nuclear deal sanctions. They assisted Tehran intensely and enhanced economic cooperation after signing the international pact. China opened the way for private banks to Iran during the pre-2015 sanctions and has vowed to do the same today. On its side, Iran has suggested bilateral financial channels with Russia, China, and India to overcome US financial sanctions.⁽²²⁾

soleimany_ir • Follow

ترامپ قهاران را من حریف تو هستم
#Sanctions | #iran | 🇮🇷

شما برای ما خط و نشان می‌کشید؟ ایران را نمی‌خواهید. نیروهای مسلح ایران را نمی‌خواهید. من حریف شما هستم، نیروی قدس، حریف شماست. بدانید هیچ شیب نیست که ما بخوابیم و به شما فکر نکنیم. به شما می‌گوییم آفات ترامپ قهاران را بدان در آنجا که فکر نمی‌کنید. ما در نزدیک شما هستیم. در هر کجا که تصور نمی‌کنید ما در کنار شما هستیم. ما ملت شهادت هستیم. ما ملت امام حسین (علیه السلام) هستیم. بپرس ما حوادث سختی را پشت سر گذاشتیم. بیا! ما منتظریم. ما مرد این میدان برای شما هستیم. شما می‌دانید این جنگ بعد نابودی همه امکانات شما. این جنگ را شما شروع می‌کنید اما پانش را ما ترسیم می‌کنیم. بنابراین نباید به ملت ایران آفات بکشید. نباید به رئیس جمهور ما آفات بکشید. باید بدانید که چه می‌گویید. از پیشینان خودتان بپرسید. از تجربه‌های آنها بهره ببرید. بقیه در داخل آمریکا کسانی هستند و موسسات مطالبه‌های فراوانی هستند که آنها را مطالعه می‌کنند. به او گوشزد می‌کنند و به او یادآوری می‌کنند. ۹۷/۵/۴

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During the meeting of the International Maritime Organization, the head of the Iranian delegation- Executive Director of Ports Institute and the Iranian Maritime Organization- Mohammad Rastad presented a document condemning US sanctions on Iran's shipping activities. Earlier, the Iranian ambassador in London sent a letter to the Secretary General of the International Maritime Organization, condemning US actions against Iran's shipping and insurance sectors and considered these actions as a violation of international maritime conventions, especially maritime security.⁽²³⁾

Despite the Democratic party's different position on the nuclear deal, the Iranian government did not count on it winning a majority in the House of Representatives. According to the member of the Supreme Leadership parliamentary bloc, Mohammed Javad Abtahi,⁽²⁴⁾ there is no difference between the Democrats and the Republicans in the US Congress as both parties adopt the same position on Iran. Earlier, John Kerry, the former US Secretary of State advised Kamal Kharrazi, the head of the Iranian Strategic Committee for Foreign Policy to stick to the nuclear deal, at least for post-congressional elections.⁽²⁵⁾ The Democrats simple majority in the House of Representatives might oblige the Iranians to wait until the upcoming US presidential elections and bet on President Trump losing.⁽²⁶⁾

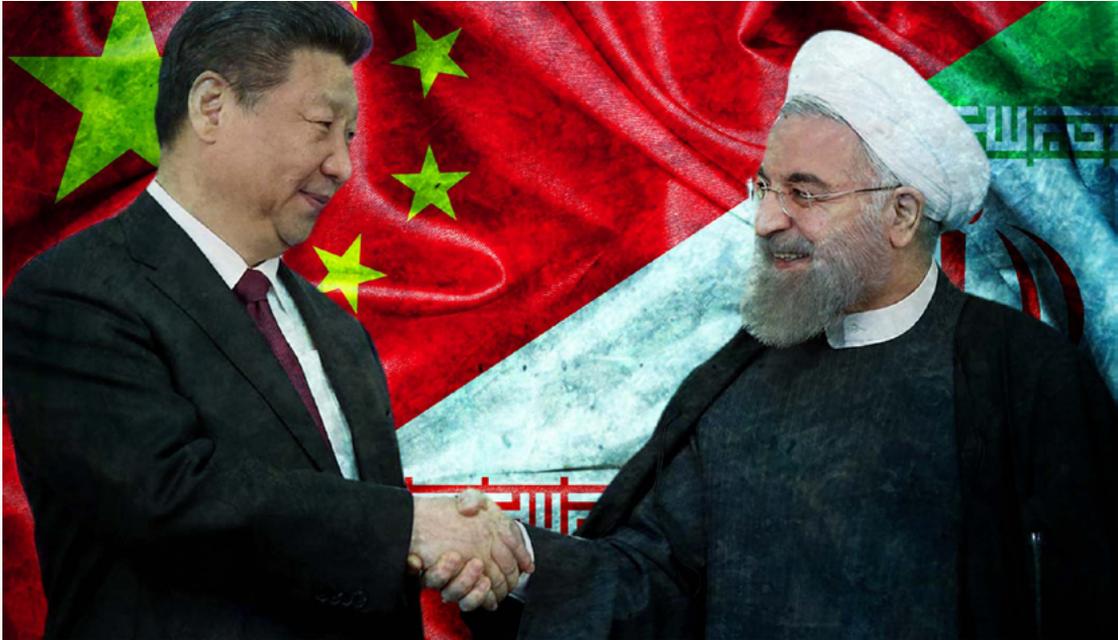
Iran is sticking to the nuclear deal as it reflects its vital interests, and other signatories' are clinging to the agreement. At the same time, it rejects holding bilateral negotiations with the United States due to Washington's rigorous conditions for negotiations.⁽²⁷⁾ In response to the US calls for negotiating a new treaty, Iran's Foreign Minister, Mohammed Javad Zarif said the nuclear deal is a good agreement and that Iran would not renegotiate its nuclear program with the United States. The pre-nuclear deal talks between Iran and representatives of the three European countries- later the number increased to six countries known as P5+1 group- lasted for twelve years and resulted in signing the nuclear deal between these parties.⁽²⁸⁾ However, Iran threatened to resume uranium enrichment in case the international pact was revoked when Zarif said that resuming uranium enrichment to the pre-nuclear deal level was Iran's right due to US violation of its commitments.⁽²⁹⁾ Iranians believe the nuclear deal today is a one-way agreement; the other parties take privileges while restrictions are applied on Iran. According to paragraph 36 of the nuclear deal, the other side's non-compliance to its obligations gives Iran the right to wholly or partially cease its obligations.⁽³⁰⁾

In fact, sanctions impact the lives of Iranians, but it is hard to say whether President Trump will decide system change in Iran or be able to change Iran's regional behavior in the near future.⁽³¹⁾ Companies having no relations with the United States will continue to make business with Tehran. About

3,000 small, medium, and large sized companies are working with Iran and what they require is a financial channel for transactions to occur beyond the US dollar. Once such a channel arises Iran will have the opportunity to circumvent US sanctions. China, Russia, and the European Union are still sticking to the nuclear deal and vow to assist Iran in the face US sanctions. In addition, the United States has some reservations in lowering Iran's oil exports to zero as this could possibly result in internal or international disruptions, taking into consideration reprisal threats by Iran- directly or indirectly by its proxy militias deployed in the region- resulting from the Iranian government's fear of political and socio-economic disintegration.

CHINA-IRAN RELATIONS

China's Options and its Position towards US sanctions on Iran



Source:<http://bit.do/23241>

China's position in dismissing US sanctions on Iran is of great importance, as it is an influential player in the international arena. Economically, China is ranked second in the world after the United States. Politically, China is an international power and a potential candidate to lead a multi-polar world if any changes arise in the current world order. Military, it is a military power, as it is the third biggest force in the world in terms of military spending and size.

China's position on US sanctions towards Iran

China, Iran's top trade partner, rejected the two phases of US sanctions on Iran (the first on August 4, 2018, while the second came into effect on November 4, 2018). It vowed to continue with its oil purchases from Iran.

On November 5, 2018, Hua Chun Yong, the Spokeswoman for China's Foreign Ministry, justified Beijing's position by saying that the United States sanctions were unilateral, whereas the nuclear deal was multilaterally signed by the P5+1 group and Iran in 2015. Chun Yong added that China-Iran cooperation was legal and was within the international legal framework.⁽³²⁾

The Trump administration has adopted a gradual policy in the imposition of sanctions on Iran and it has given six-month waivers to eight countries- China, India, Greece, Italy, Japan, South Korea, Turkey, and Taiwan- from its sanctions that target Iran's oil exports. On November 9, 2018, the US Secretary of State, Mike Pompeo said, "The United States is not pursuing a Cold War or containment policy with China."⁽³³⁾



Pompeo's statement can be attributed to Washington's willingness to ease tensions with Beijing to an extent given the ongoing "US-China Trade War." Washington had imposed tariffs on Chinese imports, provoking China to respond with similar measures. In addition, the United States accused China of interfering in the US midterm elections to negatively impact the Republicans' prospects in the House of Representatives. To many such tensions have led to a reminiscence of the cold war atmosphere that prevailed between the United States and the Soviet Union.

Despite Washington's attempts to cool tensions with China, the Trump administration believes that Beijing should join its campaign to impose sanctions on Tehran to force it to change its behavior and to accept a new renegotiated treaty. During US-China talks on November 9, 2018, Pompeo asserted his country's willingness to lobby Beijing to stop buying Iran's oil, adding that lowering Iran's oil exports to zero was Washington's main goal.⁽³⁴⁾



The United States seems to have realized the necessity to prevent Iran from aligning further with China by strengthening ties with Beijing. Iran's 'East policy' would allow it to build greater ties with Central Asian and South-East Asian countries. China was Iran's Foreign Minister, Mohammad Javad Zarif's first destination after the US withdrawal from the nuclear deal. In addition, Kamal Kharrazi, Head of the Strategic Committee for Foreign Relations- established by the Iranian Supreme Leader, Ali Khamenei as a parallel institution to the Foreign Ministry- made several suggestions to attract China to continue business with Tehran. The suggestions are as follows:⁽³⁵⁾

1- A Sino-Iranian belt to improve economic cooperation via the One Belt One Road project linking the port of Chabahar with Central Asian countries. Iran seeks to link itself to Central Asian railways by building a railway network extending between the south and the north of Iran and

east and west of the country. Accordingly, China would get the fastest route to Europe and be present in the Indian Ocean, especially with the construction of a highway linking the Silk Road to Shatt Al-Arab, where there the Iraqi ports of Basra and Mohammerah are situated.

2- Participation of China in the reconstruction of Iraq and Syria to increase opportunities for Chinese investments in these two countries, and to pave the way for China to stimulate its iron, cement, and construction industries, as well as, its electricity production and other services.

3- Iran is seeking strategic cooperation with China and Pakistan in its defense industries via the ports of Chabahar and Gwadar. Chinese military presence is required to maintain security in the Indian Ocean and to participate in building advanced military bases in the region.

4- China should consider participating in the project of building a pipeline to transport natural gas from the Asaluyeh Port in south Iran to Iraq, Syria, the Mediterranean, and southern Europe. In addition to the possibility of holding periodic Sino-Iranian meetings so that relations between the two countries reach a strategic level.

Motives and calculations of China's position towards US sanctions on Iran

The important questions to be discussed that will contribute to a future vision of China-Iran relations in light of China's rejection of US sanctions on Iran and with a possible easing in relations between China and the United States are: Will China stick to its position in supporting Iran or will it sacrifice it at some point? Is China's rejection of US sanctions on Iran triggered by economic or political factors? Or both? How important are political and economic motives in the foreign policy of each country? Moreover, what is the importance and significance of China and Iran for each other?

In other words, what is the priority for China; relations with Washington or Tehran? In the case of favoring relations with Iran, will this be on an economic basis? US-China economic relations surpass China-Iran relations and Iran is not on the list of China's top ten trade partners in 2017. For example, China's tenth partner in terms of imports was Russia with 1.9% of China's total exports. This means that Chinese exports to Iran are less than 2% of its total exports.⁽³⁶⁾

On the other hand, will China favor political relations with Tehran? Given growing tension with the United States, knowing that the Chinese are aware of the European position that aligns with their position in rejecting Washington's withdrawal from the nuclear deal and its imposition of sanctions on Iran?

1. Political motives

China and Iran have the same views on the unipolar world order and are willing to move into a multipolar world that will deprive the United States of its hegemony over the world and pave the way for other powers to play a major role in world affairs.

There are shared concerns between the two countries, particularly both being victims of US policy. Hence, China-Iran perceptions align with each other on the necessity to coordinate efforts and join forces towards East Asian and Middle Eastern issues to create a geo-strategic balance in these two strategic areas- with their tremendous resources and geo-strategic positions- to face shared threats; East Asia within the strategic alliance with South Korea, Japan and the Middle East within the strategic alliance with Israel and the other traditional allies.⁽³⁷⁾ The Chinese and Iranian decision-makers are aware of the similarity between the political systems in their respective countries represented by Oligarchy or Autocracy (Totalitarianism).⁽³⁸⁾ In both, a ruling minority controls political power and production elements in the country.

Indeed, both countries are in strategic need for each other. China is an important buyer of Iran's oil and a second strategic balancing power after Russia in the face of US threats. In addition, the Iranian strategic mind is aware of the possibility of discontinuity of Russian support due to distrust between both sides that has existed throughout history. To China, Iran is a major supplier of oil and a means to expand its geopolitical influence into the Middle East and with the potential to help in curbing US influence in the Arab Gulf region. Hence, China-Iran partnership serves China to face US influence in the Middle East and in the South China Sea.

2. Economic motives:

China and Iran have mutual economic and trade interests. Iran lies within China's cross-border economic project (One Belt One Road)⁽³⁹⁾ proposed by the Chinese President Xi Jinping in 2013. This project links China to Africa and Europe across Central Asia, India, East Asia and the Gulf region towards Africa with constructing a transit route via Iran, Iraq, Syria, Lebanon, and possibly Israel and another across Iraq, Turkey, and Cyprus up to Europe. In early 2017, China announced the first New Silk Road train journey from Shanghai to London.

This project will have a positive impact on the Iranian economy by boosting Iran's oil exports to countries lying within the orbit of this project. It also represents a strategic opportunity to achieve an old ambition that was started during the late former President Hashemi Rafsanjani's era during the late 1980s to make Iran the heart of the Silk Road⁽⁴⁰⁾ that would make it a geo-strategic site with global trading weight.

Could China continue assisting Iran to evade US sanctions and to lessen ensuing economic pressures?

Internationally, China has the right of veto as it has a seat at the UN Security Council, and this is a significant international pressuring card. It also has vast economic and military capabilities. It is the second largest economy in the world after the United States and it has the third largest military power in terms of military spending, army size, and aircraft number, as well as, air, land, and sea missiles.⁽⁴⁴⁾

China is one of the most important founders of the Shanghai Cooperation Organization (SCO). Some observers believe that the SCO is not merely a forum to coordinate between its members, but a military alliance targeting common enemies of the eight-member states- Russia, China, India, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan.⁽⁴⁵⁾ Other observers believe this alliance is an heir of the Warsaw Pact by including two nuclear superpowers; Russia and China. In addition, its capabilities are comparable to that of NATO and it threatens US interests in Central Asia.⁽⁴⁶⁾

China is one of the most important members of BRIC - Brazil, Russia, India, and China- nearly a quarter of the world's economy. In addition, in cooperation with other international powers, it established the Asian Infrastructure Investment Bank (AIIB) as a strong international financial rival to Western and American institutions such as the International Monetary Fund and the World Bank.

The Chinese decision-makers are aware that the European signatories of the nuclear deal (Britain and Germany) rejected the US withdrawal from the nuclear deal and its economic measures against Beijing when the Trump administration announced customs duties and tariffs on Chinese imports.

Based on these assumptions, along with political and economic motives, China is likely to stand by Iran in light of the strained relations between Beijing and Washington. Its standing in the world order and its increasing participation in global issues gives it much leveraging in challenging the US, as well as, it knowing the European position in rejecting the US withdrawal from the nuclear deal aligns with its position.

However, China might adopt a balancing policy in its relations with the United States and Iran with compliance with some, but not all, of the sanctions in case of a détente between Beijing and Washington or a strategic shift in the US position towards China.

TURKEY-IRAN RELATIONS UNDER THE SECOND SET OF US SANCTIONS ON TEHRAN



This part of the report handles the most important developments in Turkey-Iran relations in the month of November 2018 under the US sanctions on Tehran. It discusses Turkey's position on US sanctions, the US waiver granted to Turkey from the new phase of US sanctions that came into effect on November 4, 2018, and Turkish efforts in assisting Iran to circumvent these new sanctions.

Turkey's position on US sanctions on Iran

Turkey and Iran enjoy extensive economic and trade relations resulting in an anti-US sanctions position adopted by the Turkish government. Since the US withdrawal from the nuclear deal in May 2018, Ankara has rejected the US re-imposition of sanctions on Tehran. It also announced its intention to apply for a waiver from the sanctions- implemented on November 4, 2018- targeting Iran's energy sector.

The United States has granted six-month waivers from the second set of sanctions to eight countries, including Turkey. By granting such waivers, Washington aims to give countries importing Iran's oil the opportunity to search for alternatives to satisfy their needs, as well as, to ensure there is little volatility in global oil prices. For Iran, Turkey is one of the most

important countries to have a US waiver as it is a border state and one of the major buyers of Iran's oil and gas in the region.⁽⁴⁷⁾

As stated by Turkish officials, the US sanctions on Iran alerted the attention of Turkey's decision-makers. The Turkish President Rajab Tayyip Erdogan dismissed the US sanctions on Iran, saying that they were wrong, however, he asserted that Ankara was committed to the sanctions after the expiry of its six-month waiver. Erdogan said, "The American sanctions on Iran aim to upset the balance in the world. We do not want to live in an imperial world."⁽⁴⁸⁾ On the other hand, the Turkish Foreign Minister, Mevlüt Çavuşoğlu said that Turkey was against sanctions on Tehran as this was not a wise option and that the United States would not attain its goals. Oğlu added that the attempt to isolate Iran would negatively impact its populace. Other Turkish officials stated that Turkey would stand by Iran in the face of US sanctions and provide the necessary support to Iran to avoid any possible economic crises resulting from these sanctions.⁽⁴⁹⁾

Turkish efforts to assist Iran in the face of US sanctions

Iran heavily relies on Turkey in the face US sanctions and aims to benefit from Turkey's great economic and trade capabilities. Accordingly, both countries held several meetings to discuss strengthening bilateral cooperation in their trade and financial sectors.

1. Financial transactions

Turkey tends to stand by Iran in the face of US sanctions and to improve trade transactions between them away from the US dollar. Several international meetings have been held, involving Turkey, to discuss ways of creating an alternative financial transaction mechanism to continue trade exchanges with Tehran. On November 22, 2018, the Turkey-Europe political dialogue was held in the Turkish capital of Ankara with the participation of the European Foreign Affairs Representative Federica Mogherini, the European Commissioner Johannes Han, and the Turkish Foreign Minister. They all agreed to preserve Iran's nuclear deal gains of 2015.⁽⁵⁰⁾

On November 3, the Turkish city of Antalya hosted the 18th meeting of Foreign Ministers of the eight developing countries (D8) - Egypt, Pakistan, Malaysia, Nigeria, Bangladesh, Indonesia, Turkey, and Iran. In this meeting, Turkey called for using local currencies in their trade deals when the Turkish Foreign Minister, Çavuşoğlu suggested establishing a chamber of commerce using local currencies between the eight Muslim countries. Oğlu added that they should keep away from using exchange rates for political reasons, asserting that this mechanism would allow the eight countries to respond directly and quickly to developments. "Today, we live in a stage that is witnessing trade wars where some countries use exchange

rates for political reasons. We can best respond to these developments by using our local and national currencies in trade between us”⁽⁵¹⁾ Oğlu said. In his talk, it was clear that the Turkish minister referred to the US moves against Turkey a few months ago and against Iran recently. Indeed, these suggestions confirm the Turkish efforts in assisting Iran to face sanctions or to evade them.

2. Enhancement of trade exchange

Turkey has the capabilities to stand by Iran in its economic crisis resulting from the US sanctions reinstated on Tehran on November 4, 2018. Therefore, Tehran seeks to enhance economic relations with Ankara by inviting Turkish companies to increase their presence in the Iranian market. In this regard, the trade adviser at the Iranian embassy in Turkey, Sayed Mousavi said, “If Turkey takes this opportunity, it will be the decider over the Iranian market that is dominated by Europe and China.”⁽⁵²⁾ Also, Mousavi praised Turkey-Iran talks concerning the use of local currencies in trade exchanges between them, describing these talks as positive. Indeed, this invitation to Turkish companies comes at the time when there is a void in the Iranian market left by the withdrawal of European and global companies.

In addition, both sides seek to increase trade exchanges between them in one of the most important commercial areas known as the Aras Free Trade Zone in the province of East Azerbaijan in northwestern Iran where Iranian and Turkish businessmen interact. “This is a duty-free zone where foreign companies constitute 60% while Turkish companies represent 30% of investments in the area,” the Director of the Aras free trade zone, Muhsin Nariman told the Turkish Anatolia news agency.⁽⁵³⁾

In fact, Turkey might gain economic privileges and benefits by standing by Iran during the sanctions. For example, it might pay lower prices for Iran’s oil and be in a position to replace Iranian products in the US market that would positively reflect on Turkey’s economy, especially, as a replacement for Iranian carpets and some other Iranian products included in the sanctions.

In fact, Turkey has suspicious activities about assisting Iran to overcome the US sanctions through several mechanisms, including money-laundering activities. In this regard, the United States arrested Mohammad Atallah, an executive official in a Turkish state bank who was sentenced to thirty-two months imprisonment for his role in assisting Iran to circumvent US sanctions.⁽⁵⁴⁾ Indicators of previous cooperation between Turkey and Iran in this concern reflect the possibility of them repeating the same measures to circumvent US sanctions, knowing that these sanctions are unilateral, giving Turkey a reason to assist Tehran.

Also, other international parties have similar tendencies to Turkey such as the EU, Russia, and China.

Based on these assumptions, cooperation between Turkey and Iran is expected to continue in the face of US sanctions in the next phase, particularly, in light of the intense US-Turkey relations and the Turkey-Qatar-Iran axis.

EU-IRAN RELATIONS

In the month of November 2018, EU-Iran relations witnessed tensions and differences despite their talks on establishing a special mechanism to evade US sanctions. In fact, Iran is concerned about the seriousness of the EU in assisting Tehran by taking decisive action to ensure the survival of the nuclear deal.



The European mechanism

In light of economic and political volatility in Iran resulting from the US sanctions, Iran has increased its pressure on Brussels to accelerate the process of launching an alternative financial mechanism to evade US sanctions. Despite the US withdrawal from the nuclear deal, Iran is still keen to resolve the issue of sanctions with the Europeans through negotiations. Therefore, the Iranian delegate, headed by the Assistant Foreign Minister for Political Affairs Abbas Araghchi, called for accepting Brussels invitation for discussion with the participation of Secretary General of the European External Action Service, Helga Schmid. During the visit, the third forum for nuclear cooperation was held between Iran and Europe on November 26, 2018. This forum was the first of its kind since the US withdrawal from the nuclear deal under the title, “International Nuclear Cooperation: Achievements and Future Prospects” with the participation

of Ali Akbar Salehi, the head of Iran's Atomic Energy Organization, several parliamentarians and diplomats to discuss areas of cooperation in energy, trade, agriculture, research, and education.⁽⁵⁵⁾

In their meeting with Federica Mogherini, the Iranian delegation expressed their interest in the European response to the US sanctions on Tehran, in light of the latest European visit to Iran and their delay in adopting a financial transaction mechanism to evade US sanctions. Iran believes this mechanism is an essential component in EU-Iran relations and in guaranteeing the future of the nuclear deal. In this regard, Salehi asserted, "This mechanism can be useful in preserving the nuclear deal, but if there is nothing to obtain, what is the point of sticking to the agreement? Voices in Iran are getting louder and louder against the international pact."⁽⁵⁶⁾ Despite Austria and Luxembourg refusing to host any alternative financial mechanism, the Wall Street Journal quoted diplomatic sources as saying that Paris and Berlin would host and manage agreed upon mechanism with the possibility of London participating. However, this matter is still under consideration and has not been determined yet. Araghchi called on the European countries to take the issue seriously and warned, "The slow pace of implementation of commitments might make Tehran act based on its independence and interests. Iran is going through a hard time and cannot stay waiting." Salehi said, "If we cannot sell our oil or benefit from financial transactions, I think the nuclear deal would be useless". Salehi threatened that the response of the Iranian people was not in the interest of any country and that Iran was able to restore its previous status by resuming uranium enrichment by 20%. Supported by the statement of the European External Action Service, Federica Mogherini said that the European Union was keen to save the nuclear deal and that both sides were determined to preserve the agreement as it was an essential component of European and regional security.⁽⁵⁷⁾

BRITAIN-IRAN RELATIONS

Iran seeks to strengthen its relations with Britain as London is the closest ally to the United States in Europe. A member of the National Security Committee in the Iranian parliament, Mohammad Javad Jamali Nobendekani, stressed on the importance of exploiting the visit of the British Foreign Minister, Jeremy Hunt to Tehran on November 24, 2018 to support the nuclear deal on the one hand and to address the methods to circumvent US sanctions on the other hand.⁽⁵⁸⁾

Nevertheless, prominent Iranian political figures, such as Mohammad Javad Abtahi, a member of the Supreme Leadership Central Assembly, expressed dissatisfaction with the implicit threats of the British Foreign



Minister when he said, “Repetition of WWI catastrophe against the Iranian people is possible.” Abtahi sharply criticized the British saying, “Britain has always shown arrogance, authoritarianism, and utilitarianism. Therefore, such statements by the British Foreign Minister could not be excluded.”

Abtahi called on the Iranian diplomatic community to firmly and decisively confront the West. He also referred to the importance of pointing out Britain’s crimes during the world war and claim compensations for the all damages caused by this country as a means to stop Britain from repeating such threats. Abtahi said, “Ineffectiveness of the Iranian diplomatic community permitted such humiliation and made the British and the West so cruel.” “No MP dared to object when the British Foreign Minister who walked around freely in the Iranian market and met the family of the prisoner, Nazanin Zaghari,” he added. This triggered controversy among several political figures in Iran, as the British Foreign Minister freely roamed around Tehran without diplomatic permission.⁽⁵⁹⁾

Before traveling to Tehran, Hunt warned of exploiting innocent British citizens to exert pressure on Britain, stressing the importance of the British prisoners of Iranian origins being released and returned to Britain. Hunt sent a message to Iran’s leaders during his visit to Iran saying, “Imprisonment of innocent women can never be exploited as a tool for political pressure.”⁽⁶⁰⁾

ITALY-IRAN RELATIONS



Italy-Iran relations witnessed intense movement by Iran's diplomats to improve cooperation between the two countries, especially after the US withdrawal from the nuclear deal and Italy's fear of its inability to continue buying oil from Iran. Iran is aware of the importance of Italy and has sought to develop political, economic, international, and cultural relations with Italy. Iran's Foreign Minister, Javad Zarif visited Italy and met his Italian counterpart, Enzo Moavero Milanesi on November 22, 2018. Zarif expressed his dissatisfaction with the US withdrawal from the nuclear deal and said that the United States had violated the term of the nuclear deal and the UN Security Council resolution 2231 to hinder Iran's economic growth. Also, the United States encouraged other signatories to withdraw and threatened those who support the nuclear deal, as well, as those making business with Tehran.⁽⁶¹⁾ On his part, the Italian Foreign Minister emphasized the importance of Iran's commitment to the nuclear deal and the need to improve economic and cultural partnerships between the two countries, including investment in tourism and scientific cooperation.

Iran seeks to make up for the economic losses resulting from the US sanctions by improving relations with Italy and the other European countries on all levels, including military cooperation as Italy has stronger military cooperation with Tehran than any other European country. Iran announced that some of its warships will soon dock at Italian ports to participate in military exercises with Italy's navy. According to Fars news agency, the Commander of Iran's Marine Corps, Admiral Hussein Khanzadi emphasized the importance of bilateral maritime and academic cooperation between the two countries to improve performance of all naval units in his meeting with the Assistant Commander of Italy's Navy on the sidelines of the meeting of senior commanders of Naval forces of the littoral States of the Indian Ocean.⁽⁶²⁾

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SUMMARY AND CONCLUSIONS

DOMESTIC AFFAIRS

- Velayat-e Faqih [Supreme Leadership] is passing through a double-edged crisis domestically and externally: the domestic level is represented by the Hawza clergy's opposition towards the authoritarian Fiqh [Jurisprudence] that the elite desires to disseminate to ideologically indoctrinate the public. In addition to Marja' Yazdi's letter to Marja' Zanjani, a clash erupted within Hawza, and some people believe that the secularism of society and Hawza was resulted from the extreme right clergy's acts through their preference of traditional clergy. The external level represented by criticism from reformists and opponents towards the Iranian system and its ideology. Qadiani's statements on Velayat-e Faqih instigated much discussion. In his opinion the religious elite and Velayat-e-Faqih entrenched corruption in Iran and contributed indirectly to the secularization of society and its movement away from religion.
- The fundamentalists clashed with Foreign Minister Javad Zarif after his remarks concerning money laundering in Iran and they made it clear their desire to remove Zarif from his post. This fury by the fundamentalists is clear proof that they will reject restrictive laws on suspicious transactions in Iranian banks via the Guardian Council even if the Iranian Parliament endorses them.
- Zarif's remarks on money laundering could lead to Rouhani's government clashing with the hard-liners.
- Zarif's remarks concerning money laundering in Iran may encourage some government officials to reveal names of personalities, parties, and networks involved in money laundering.
- Iran redeployed its military aircraft on the eastern borders, because of domestic threats from armed opposition groups and external threats from displaced Syrian opposition fighters to that area to retaliate against Iran for its role in Syria.
- People of Khorasan criticized the existence of Iranian military aircraft in their civilian airport, considering this move as being against their interests, and would increase their economic worries.
- The crisis of moving military aircraft to Birjand airport in southern Khorasan, highlighted the lack of coordination between the Iranian government and Army from one hand and local authorities in the province from the other

one. Furthermore, the public was not made aware of this deployment and alternative options have not been discussed to integrate civilian interests.

- Iran tends to sell its oil through its Energy Exchange Market in an attempt to find buyers to compensate for the shortage of oil exports after the United States sanctions targeting its energy sector. Iranian oil sales decreased from 2.5 million bpd to 1.1 million bpd despite exemptions granted to eight oil-buying countries.
- Iran supplied 1 million barrels, but it sold only 700 thousand barrels within 15 days and that quantity does not equal even what China imports in one day, despite Iran selling its oil at 11% less than the global price. This reflects the failure of Iran of directly selling via its Energy Exchange Market to private buyers to compensate for the shortage in its oil exports.
- Iran is about to fall in severe banking crisis due to the aggravation of its state budget deficit and relying on local banks, all that point to local debt upsurge and the increase of inflation rate.

ARAB AFFAIRS

- Despite the Iraqi government's rejection of the US sanctions on Iran and its opposition to the US Embassy demand for it to disarm and demilitarize the Iraqi Shiite militias, Iranian suspicions towards the Iraqi government position on Iranian gains persist. These gains were indicative of the Iranian Supreme Leader insisting to the new Iraqi President Adil Abdul-Mahdi that he maintains the Popular Militarization Forces (PMF) that would allow Iran to possess many pressure cards on the new Iraqi Government.
- Iran is continuing its plans for a long-term presence in Syria, not just through keeping its armed militias or making deals with Bashar Assad to get the biggest share in the reconstruction phase but also by demographic changes to serve its economic corridor in the region on the one hand, and on the other hand to evade US-Israeli demands to remove its militias from Syria by integrating them into local communities under the umbrella of 'citizenship.'
- The expected failure of the 11th round of Astana negotiations was due to unresolved issues between regional and international parties, particularly ongoing disagreements regarding a constitutional committee reconstruction, and refugees. It seems that not all parties involved agreed on their share in the new Syrian equation, and it is likely that the Moscow-Tehran-Assad military wide-range operations on Idlib will restart.
- Sanctions on Iran have curbed its proxies in the region including the Houthis in Yemen, and if there is any diplomatic consensus on the outcomes of the upcoming Swedish negotiations, then Iran's regional influence will suffer.

- The Houthis weakness on the ground due to military defeats, defections and the international community's pressure to politically end the Yemeni crisis are all elements that pressured the Houthis to join the Swedish negotiations.
- The continued pressure on the Houthis is the best means to push them to a political solution in Yemen.

INTERNATIONAL AFFAIRS

- The US Department of Treasury continued to punish those violating US sanctions on Iran including four Hezbollah-affiliated members and nine other targets in an international network colluding with Russian companies through which the Iranian system is providing oil to the Syrian government. Mohammad Amer Alchwiki is at the heart of this network
- The United States demanded countries to prevent Iranian tankers docking at their ports after they disabled their navigation systems.
- Iran and the United States clashed in the International Maritime Organization (IMO), where Iran condemned the US efforts to disable its maritime, while the United States sought to gain global support to curb the movement of Iranian tankers.
- The US sanctions have affected the Iranian economy and this is being felt by Iranian citizens but Chinese and Russian support encourages Iran not to renegotiate its nuclear program or changing its regional behavior.
- There is a mutual Chinese-Iranian understanding to face US sanctions and pressure. China is motivated to stick with Iran at the regional and international levels, especially given ongoing tensions with the US and its imposition of high-tariffs on Chinese import to its market under the US Customs Protection Policy to promote US domestic industry, as well as US escalation against its allies such as Russia and North Korea.
- China has taken serious steps to create a financial channel to ease the effects of US sanctions on Iran's economy. China is considered as the first trading partner and the biggest buyer of Iranian oil.
- France and Germany have agreed to host the European financial channel to continue trade with Iran.
- European-Iranian relations have been strained due to dual nationals being arrested and Iran's insistence on continuing its ballistic missile tests.
- Iran is seeking to strengthen relations with Italy at all levels, especially the military level, by sending Iranian naval vessels to Italy, in an attempt to push Italy to continue importing Iranian oil.
- Both Iran and Turkey took advantage of US waivers to import to Iranian oil.

Turkey stepped up its imports of Iranian oil and promised to boost trade with Iran.

- Turkey invited the Group of Eight Developing Islamic countries, known as the (D8), to use local currencies in mutual trade, at the 18th meeting of the Council of Foreign Ministers of the D8 held on November 3, hosted by the Turkish city of Antalya.

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IRAN CASE FILE

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