

MONTHLY REPORT



IRAN CASE FILE

Your window on Iran from inside and abroad

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CONTENTS

The Executive Summary.....2

Internal Affairs5

Ideological File..... 6

First: The IRGC Leadership’s Admission that They Supported al-Qaeda... 6

Second: The Impact of Qassemi’s admission on Iranian national security 7

Third: Iran and al-Qaida Between Ideological Differences
and Pragmatic Cooperation..... 8

The Political File10

First: The Official Reactions10

Second: The Diplomatic Efforts to Contain the Crisis 11

Third: The IRGC Threats to Close the Strait of Hormuz12

The Economic File..... 14

First: The Realities of Inflation and Unemployment
in Iran and How Far They Impact the Lives of Iranians 14

Second: The Reason Behind the Recent Rise of Inflation Rates in Iran....16

Third: The Results.....18

The Military File..... 20

First: The Ayatollah’s new Front-man 20

Second: Coping With a Volatile Strategic Environment.....21

Third: IRGC Leadership Amidst Domestic Dynamics21

Fourth: General Salami’s Trump Card..... 22

Arab Affairs25

Iran and Iraq 26

First: The Implications of the Saudi-Iraqi Rapprochement
on the Iranian Role in Iraq 26

Second: The Iranian Position on Saudi-Iraqi Rapprochement 31

Iran and Yemen34

First: Opportunities and Challenges for the Peace Process in Yemen34

International Affairs39

Iran and US..... 40

First: Nature and Features of US Pressure on Iran 40

Second: Iran’s Responses and Approaches to Address US Pressure..... 41

Third: International Positions on the US Decision43

Fourth: Potential Impacts and Consequences of US Decisions 44



Iran and Europe 46
First: The European Position on the US Pressure Strategy Against Iran.....46
Second: The Repercussions of the European Position
on Its Relationship with Iran47
Iran and Russia 50
First: Economic Relations Between Russia and Iran 50
Second: Political and Security Relations Between Russia and Iran52
Iran and Pakistan56
First: Militant Attack on Pakistan’s Armed Forces..... 56
Second: Imran Khan’s Visit to Tehran - Security Dominates 56
Third: Rapid Reaction Force - Details and Success.....57

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THE EXECUTIVE SUMMARY

The US escalation against Iran, the revoking of exemptions from US sanctions for the eight countries importing Iranian oil and the listing of the Revolutionary Guard as a terrorist organization were the most prominent events in the Iranian arena in April 2019. The subsequent scenarios of escalation, or the ways to avert it, dominated the Iranian arena at all levels. Iran was gripped by an atmosphere reminiscent of the military threats under former US President George W Bush to launch a military attack on Iran. In one way or another, the Iranian movements were reactions to the US escalation.

Internal Affairs

At home, in the *Ideological File*, the IRGC unveiled a suspicious relationship between Iran and al-Qaeda. It began when the Iranian Red Crescent Society was conducting relief work in Bosnia and Herzegovina. The relationship was revealed by a former IRGC member and his intent was to promote the IRGC and its position in the eyes of the Iranian public and to prove that it has the ability to reach anywhere in the world. However, the statements by the former IRGC member turned out to be counterproductive as the Iranian Red Crescent Society is a relief organization and it has no right to intervene in any conflict around the world. These remarks exposed the closeness between Iran and al-Qaeda despite the avowed ideological differences between them. But this closeness may be an indication of the need to reconsider the assessment that there is an ideological divergence between Iran and al-Qaeda. In the Political File, the Iranian government was angered by the US decision to revoke the exemptions granted to eight countries importing Iranian oil. This step taken by the United States marked the continual tightening of the economic siege on Iran, which is more stringent than that imposed before the signing of the nuclear deal. The policy of the US President does not rule out the possibility of entering into a military confrontation with Iran. He does not only intend to force Iran to sign a new nuclear deal, but he is also working to dismantle Iranian expansionism and its increasing clout in the Middle East. This is in addition to curbing Iran's missile program and its increasing maritime activity.

The Iranian reactions to the US steps were emotional. They were confined to speeches and threats. As the economy has faced more crises than any other sector in the Iranian arena, *the Economic File* is devoted to discussing issues such as inflation and unemployment. It has been noted that inflation rates have increased significantly during this month, especially in the food sector due to the floods that hit the country. The floods significantly damaged Iranian agricultural production. The Iranian people have on the one hand faced the misery stemming from US sanctions and on the other hand experienced the flooding disaster, while a regime seeking political and sectarian goals has ignored the human suffering. The regime's behavior is reminiscent of an emperor who seeks his own self-glory and not a cleric who is supposed to be close to the poor and needy in the country.

The prices of food commodities increased in April 2019 compared to the same month last year by 460 percent for onions, 208 percent for potatoes, and 150 percent for tomatoes. Meat increased by 140 percent and sugar 88 percent, while the Rouhani government announced a wage increase of 20 percent. But the IRGC received greater financial allocations than the rest of the Iranian people. Inflation was not only a result of sanctions and floods but also the result of monetary mismanagement which contributed largely to a rising inflation rate because of the inability of the Iranian government to pump cash into production projects. *The Military File* explores two important events: the designation of the IRGC as a FTO and the US strategy of pressure. In the midst of the escalation after the United States declared the IRGC a terrorist organization, the Supreme Leader Ali Khamenei replaced Mohammed Ali Jafari as the commander of the Revolutionary Guards and appointed Major General Hussein Salami. Khamenei's step was interpreted in several ways, all of which confirmed Khamenei's dominance and control over the Revolutionary Guards. The explanations ranged from his desire to appoint a commander who is more prepared for armed engagement, or more capable of hurling inflammatory statements, for which Major Salami is known.

Arab Affairs

The two visits paid by senior Iraqi and Saudi delegations to Riyadh and Baghdad respectively were two important steps for Iraq to re-enter the Arab sphere which will contribute to curbing Iranian meddling in Iraq. The two visits stem from the concept of mutual cooperation, and the need to counter sectarianism without dealing with Iraq as a state within a state as Iran does. It also comes amid Iraqi misgivings related to the impact of US sanctions on Iranian energy imports as Baghdad suffers from a severe shortage in energy to tackle its power outages, which caused people to take to the streets twice in 2018. Therefore, Prime Minister Abdel-Mahdi seeks to mitigate the impact of US sanctions on the Iraqi scene.

It seems that Iraq is facing a real dilemma about how to strike a balance in the strategy or equation of administering foreign relations with neighboring Saudi Arabia and Iran, which are at odds with each other on several regional and international files. Iraq is well aware of the strategic importance of both countries given the internal Iraqi standoff between the two camps; one of them is supportive of Iran and seeks to keep Iraq within the Iranian sphere of influence. The other camp rejects Iranian domination and seeks to bring Iraq back to the Arabian sphere. As for the Iranian intervention in the Yemen crisis, Iran continues its intervention through supporting the Houthis with weapons and inciting them to threaten maritime navigation in the Red Sea while showing more intransigence towards the UN-sponsored peace talks, the foremost of which are the Stockholm talks. However, the greater the US and international pressure on Iran, in particular with regard to its nuclear program and its missile program through sanctions and the embargo imposed on its oil exports, the more we find the Houthis retreating from the intransigent positions they adopted in the peace talks. They are beginning to show some compliance with the decisions of the international community in its efforts to establish peace in Yemen.

International Affairs

The US intensified its pressure on Iran as it designated the IRGC as a terror organization. This is the first time that the United States has identified the regular armed forces of a foreign country as a terrorist entity. It also revoked the exemptions granted to countries importing Iranian oil in a bid to bring down these exports to zero, in what seems to be a rigorous US policy targeting the Iranian regime which is insistent on pursuing a confrontational approach and paying no heed to US calls to resume negotiations for a new nuclear deal. Undoubtedly, these US steps have had significant consequences in the economic arena for Iran which have narrowed the regime's options compared to the past.

The European reactions to the US decisions appeared to be modest, which increased Iran's lack of confidence in the possibility of relying on a European position which could help it in overcoming its current dilemmas, particularly as the European financial mechanism which the Europeans promised to implement is still facing stalled negotiations amid a palpable decline in the indications of economic cooperation between the two sides due to the unilateral US sanctions. New partners are taking Iran's place in the European market, especially Iraq and Saudi Arabia. Iran's role in the European market is likely to be squeezed more as US pressures against it increase.

As to Russian-Iranian relations, the Syrian crisis and its implications are still controlling the trajectory of Russian-Iranian relations along with the crisis resulting from the nuclear program and the US escalation against Iran. Russia is seeking to start the final settlement process in Syria as well as to draft a new constitution, but these Russian aspirations stumble into Iranian ambitions to control Syrian resources through reconstruction projects over which Russia and Iran are vying. Iran is attempting to position itself inside areas known as "useful Syria" in addition to the corridor linking Iran to the Mediterranean coast through Iraqi territories and the Syrian desert. Russia is drawing a new map for the long-term presence of its forces in Syria. The areas of influence between the two countries in Syria intersect with one another. A clash between the two sides took place, but it was contained as the two countries still need each other. Despite tensions between Iran and Russia over Syrian territory, Iran is counting on Russia to ease its economic pressures and it aims to increase bilateral trade to \$10 billion a year. Russia will not miss the opportunity to gain economic advantages from Iran in light of its worsening international position.

On the eastern border of Iran, Pakistani-Iranian tensions have escalated due to continual armed attacks by Iranian Balochi opposition groups, and despite the keenness of the two countries to establish strong ties tension remains because of the failure to counter armed groups active on the border between the two countries. Though the Pakistani forces were attacked and 14 security personnel were killed on the Iranian border, Pakistani Prime Minister Imran Khan completed his visit to Tehran. He spoke during the visit of the formation of a rapid deployment force to secure the Pakistan-Iran border, but it seems that funding problems will prevent the implementation of this proposal although the two countries need this force.

Internal Affairs

The consequences of the pressures being imposed on Iran at the international level dominated the Iranian domestic front. These pressures have turned Iran away from taking preemptive actions into taking defensive positions. The revoking of the exemptions granted to eight countries importing Iranian oil and the designation of the IRGC as a terrorist organization shaped to a big extent the interactions on the Iranian home front on the political, economic, ideological and military levels. On the ideological level, pressures contributed to exposing the relationship between Iran and al-Qaeda during Iranian relief activities in Bosnia and Herzegovina. On the political level, the Iranian government focused on addressing the consequences of the tightening of sanctions on its oil exports. On the economic level, unemployment and inflation have worsened. The government is unable to tackle the consequences of the economic embargo being placed on the country. On the military level, the Iranian leadership replaced the commander of the Revolutionary Guards to resist the pressures being placed on it.



IDEOLOGICAL FILE

The ideological file focuses on the ideological developments on the Iranian scene in April and the impact of these developments on the internal actors within the state and religious seminary. The issue that the file focuses on this month is the admission by one of the former IRGC commanders that Iran cooperated with al-Qaeda in Bosnia and Herzegovina.

First: The IRGC Leadership's Admission that They Supported al-Qaeda

Coinciding with the United States designating the IRGC as a terrorist organization earlier this month⁽¹⁾, one of the retired IRGC commanders named Saeed Qassemi said that the IRGC had supported the Islamist militants in Bosnia and they allied with and supported al-Qaeda. He said, "We worked in Bosnia under the guise of the Iranian Red Crescent Society, and we trained the jihadist forces. We supported al-Qaeda and we formed jihadist units with all the jihadists across the world."⁽²⁾

The remarks by Qassemi were backed by his former colleague Hussein Allah Karam, a former commander of the IRGC. These remarks raised the anger of the conservatives, who took some measures against the two former IRGC officials⁽³⁾ since the remarks confirmed that the US step to place the IRGC on its terror list was right. The ruling elite in Iran never denied such a relationship.

The spokesman of the Revolutionary Guards denied the remarks, and said: "The statements made by Saeed Qassemi, a retired officer in the Revolutionary Guards, on the use of the Red Crescent as a cover for operations lack credibility."⁽⁴⁾

The Iranian Red Crescent Society also denied these remarks and said in a statement that it would file a formal complaint against Qassemi. It confirmed that this action, which Qassemi talked about, was carried out without authorization or coordination with the Society. "The Red Crescent is a neutral body in armed conflict and its goal is to support humanity and to help civilians only⁽⁵⁾," the Society said in a statement.

The remarks by Qassemi raised questions about the mission of the Iranian Red Crescent Society and how far it is exploited by the IRGC to support Iranian militias beyond Iran's borders. This has put the Society in an extremely awkward situation as it could be accused of breaching international law thus putting its credibility at stake.

Some reports pointed to the IRGC's use of the Society in its wars beyond Iran's borders. For example, the Yemeni government in 2009 ordered the activities of two medical organizations which were affiliated with the Society and active in the country to be suspended. In 2016, Yemeni government officials accused Iran of sending weapons to the Houthis under the guise of the Iranian Red Crescent Society's relief activities. In response to these accusations, the Iranian government argued that it had sent planes carrying aid from the Iranian Red Crescent Society, including health and medical equipment. In December 2010, the WikiLeaks documents published a report confirming that Iran had sent weapons to Hezbollah during its war with Israel in 1998 through the Red Crescent's ambulances. Another document stated that Iran had also sent missiles through aircraft carrying medical equipment destined for Lebanon.⁽⁶⁾

Second: The Impact of Qassemi's admission on Iranian national security

Fundamentalists, as well as lawmakers and clerics supportive of the regime, launched a fierce attack on Qassemi due to his remarks. They deemed the remarks a danger to Iranian national security as they could be used as a piece of evidence by the Trump administration before the world to place the IRGC on its terror list. According to the head of the Combatant Clergy Organization Ahmad Salek, such remarks certainly defy common sense and Iran's national interests. "Making such remarks is wrong given the current delicate circumstances Iran is in and according to the Organization the IRGC should follow up such an issue and respond to it," he added.⁽⁷⁾

Hussein Naqavi Husseini⁽⁸⁾ said, "These remarks could harm Iranian national security as the Americans are tirelessly seeking to use such remarks against the Islamic Republic to tie it with terror groups, at a time when Iran is presenting itself as being a victim of terrorism. Making such remarks never serves our national interests."⁽⁹⁾

Some believed that "Qassemi should bear the consequences of posing a threat to Iranian national security following his remarks. At a time when Trump is looking for a pretext to wage a psychological or even a military war against Iran in order to unify the US political establishment and to take advantage of the law to fight terrorism overseas, Qassemi's remarks gives him the pretext he needs. Therefore, Qassemi should bear the consequences of his remarks before the regime and the people."⁽¹⁰⁾

The conservatives and reformists were on the same page regarding this situation. Rouhani's movement, which believes it is facing outside pressures due to US sanctions and the IRGC being designated as a terrorist organization as well as internal pressures from the conservatives, found itself embarrassed by the admission by the former commander of the IRGC with regard to Iran's cooperation with terror groups. This could put more of a burden on the government when it comes to improving its image abroad. This could also impact the country's economic and diplomatic relations with some countries. Conservatives have been accustomed to making such relations secretive, and revealing such secretive relations is seen as constituting disobedience at the religious and military levels as well as at the political level. This could also expose the diplomatic contradictions of the Iranian leadership between its actions on the ground and the remarks made by the Supreme Leader and the ruling elite on different occasions regarding their differences with al-Qaeda and other takfiri groups as well as its endeavors to counter terrorism in the region.



Third: Iran and al-Qaida Between Ideological Differences and Pragmatic Cooperation

Despite the ideological divergence between the ruling elite in Iran and al-Qaida, there are common interests between the two sides which prompted them to cooperate. The Iranians sheltered the leaders of al-Qaida as a means to pressure the Americans. At the same time, they ensured the country would not be targeted, which could lead to tensions easing on the Iranian borders with some groups affiliated with al-Qaida ideologically, especially on the Iranian-Pakistani border. Perhaps Iran wanted to convey to the leaders of this group that it is not a sectarian state and it is not an enemy of the Sunnis. Therefore, Iran should not be labeled as a “near enemy” by al-Qaida, especially when its affiliates are widely spread across the Afghanistan and Pakistan borders.



On the other side, the organization accepted this equation with the Iranians due to the political conditions it went through following the US invasion of Afghanistan. The leaders of the group were prompted to flee to Iran according to one of the leaders of al-Qaida.⁽¹¹⁾ This is in addition to the Abbottabad documents which revealed that Iran was a crossing point for al-Qaida messages and money, as well as recruits, following the US invasion of Afghanistan.

In reality, the remarks by Qassemi prove that the relationship between the Iranians and al-Qaida did not start following the US invasion of Afghanistan. It started long before this time. The war in Bosnia took place in the 1990s. Qassemi spoke of cooperation then. He did not specify whether this was the first occasion or if there had been previous occasions of cooperation. Thus, cooperation between the two sides was not due to the strikes carried out against the regime in Afghanistan since there had been open channels of communication between the two sides, probably since the Bosnia war or before. However, the US invasion of Afghanistan undoubtedly deepened this cooperation and strengthened Iran's position in the equation, which consolidated the pragmatic policy of the two sides.

In the ideological aspects, there are characteristics that bring together the two sides when it comes to their vision for the state and religion. The Iranian elite believes in Velayet e-Faqih and the spillover of its authority beyond its borders. This idea is similar to the imagined Caliphate adopted by al-Qaida as well as other violent groups. The two sides also agree on the idea of attacking the far enemy, the Western nations, and causing attrition to the near enemy, the regional states. Both of them reject the nation state. They seek to transcend it, overthrow it and deprive it of political and religious legitimacy. But it is strange that a state that has institutions and has signed agreements

and treaties adopts such an ideology in framing its international relations. To sum up, the common interests are the main parameters for relations between Iran and al-Qaeda,⁽¹²⁾ not ideological or sectarian considerations.

Conclusion

Here lies an important question we cannot bypass. It is related to how much Iran benefited from al-Qaeda and the real aims behind backing al-Qaeda's leaders, in order to know to what extent the country is seeking to revive the group again.

Realities establish that Iran did not stop its cooperation with al-Qaeda. Iran sheltered al-Qaeda's top-ranking leaders following the invasion of Afghanistan and many of them are still living in Iran. Furthermore, some of them continued to pursue and supervise jihadist activities from inside Iran such as Jafar al-Uzbeki⁽¹³⁾, who contributed to supporting the Nusra Front in Syria which is affiliated with al-Qaeda, despite his presence in Iran along with other leaders of the group.⁽¹⁴⁾

But this may be interpreted through the pragmatic relationship between the two sides. Thus, the relationship between the two sides is based on mutual and common interests. It is not a strategic relationship as there are no factors that could elevate the relationship to this level.

Thus, we cannot say that Iran seeks to revive the group; rather it seeks to use the group and to take advantage of it because of its national security at home and abroad. The issue of reviving the group has nothing to do with its relationship with the Iranians. The relationship between the two sides has not reached the level where one of them can politically influence the other. The relationship between the two remains confined to political and pragmatic use of the other, sometimes through clashes and other times through calculated collusions. The relationship is not projected in any measure to become strategic because of ideological and foundational reasons, given the ongoing sectarian divergence, different ends, visions, and strategies. Therefore, it is likely that the relationship between the two sides will continue within the current level in the future. Other documentation and proof may emerge asserting other forms of cooperation in other vital parts of the world.

In general, the remarks by Qassemi will impact the reputation of the Iranian state in the medium and long run. They constitute proof of what has been published in international reports on the cooperation between Iran and global terror organizations as well as Iran being the main actor and having a rich history in this respect. Cleaning up this image of Iran and wiping away such negativity requires much effort, however Iranian behavior in the region does not help in this at least in the medium term.

THE POLITICAL FILE

After the United States pulled out from the nuclear deal in May 2018, the US administration imposed economic sanctions targeting important sectors in Iran such as oil, aviation, trade, and industry, as well as political sanctions such as classifying the IRGC as a terror group. But the recent Trump decision to revoke the exemptions granted to countries importing Iranian oil as of May 8 has been the toughest and harshest by the United States since the victory of the Iranian revolution. The sanctions target a vital sector which is the artery of the Iranian economy and the regime completely relies on it to export its revolution and to achieve its expansionist ambitions as well as to tighten its grip on the home front.

First: The Official Reactions

Although the Iranian side is aware of the massive impact of the oil sanctions on its economic situation, the Supreme Leader Ali Khamenei appeared to be confident of his country's ability to overcome the sanctions when he ruled out that the US strategy of maximum pressure could lead to its desired aim. He stressed that his country is able to export its oil in the way that befits its needs and desires.⁽¹⁵⁾ He did not elaborate further on the options at hand for Iran to do so.

Khamenei was addressing a group of students during the week celebrating labor and laborers. He said that the US administration is seeking to bring the Iranian people to their knees through using the tool of economic sanctions. He also threatened to respond to the US hostilities against his country. As part of his attempts to gain the support of the Iranian people in favor of his regime, he said the sanctions target the Iranian people in the first place, not the regime, and that the US is standing against the Iranian people and seeks to weaken them.⁽¹⁶⁾

Additionally, Khamenei's statements on Iran's need for oil and its ability to export oil have been mixed. He once said that the sanctions related to ceasing Iran's oil exports will make Iran lower its dependence on oil. Whereas on other occasions he stressed the importance of oil and said that his country is capable of exporting oil, i.e., the sanctions will not be effective.

The reaction of Rouhani was close to Khamenei's position on US sanctions. He asserted that Iran will sell its oil despite US sanctions. He added that his country had six methods that are not known to the United States for exporting oil, reiterating that Iran will not allow the United States to bring Iranian oil exports to zero.⁽¹⁷⁾

Rouhani is under pressure on all fronts due to the continued suffering of Iran's citizens and his failure to contain successive economic crises that have hit the country since the United States pulled out of the nuclear agreement. Iran appears to be on the verge of new political, economic and social crises, adding to the series of crises experienced over the past six years. This has occurred as the United States has rejected the efforts of Rouhani's government over the past months to prevent Washington from bringing Iranian oil exports to zero or to allow the exempted countries to continue importing Iranian oil.

The Iranian Petroleum Minister Bijan Namdar Zangeneh said that the US sanctions aiming to bring down Iranian oil exports to zero are a dream that will never come true.

He attributed his confidence to the fact that US sanctions will fail due to the fragility of the supply-demand process in the global oil market. He said that the United States committed a grave mistake, the consequences of which will impact multiple parties due to what he described as the fragile situation of the global oil market.⁽¹⁸⁾

Given the sensitive circumstances through which Iran is going, the defiance of Iranian officials towards US sanctions and their statements asserting Iran's ability to overcome them may fall within the following two scenarios:

The first scenario is that the government is well aware of the fact that the coming period will not be easy and it requires rearranging the home front if it wants to alleviate the concerns of the Iranian street about the sanctions and assuring it that it is capable of overcoming the challenges. This is important to contain popular discontent due to the economic pressures which are expected to rise in the coming period.

The second scenario is the Iranian government's desire to escalate the challenge through sending messages to the Trump administration that it will not submit to the sanctions and it is intent on using all the tools available to make them fail and to reduce their impact.

It seems a possible tool, if the United States and Iran reach an impasse with the US insisting on pursuing its policy of sanctions, and for Iran to circumvent them.⁽¹⁹⁾ This tool is no longer hidden by Tehran. Iran considers this tool as a legitimate way to alleviate the pressures it will be facing in the coming period. In this respect, the Spokesman for the Iranian Foreign Ministry Abbas Mousavi said that the United States is accustomed to imposing sanctions on Iran over the past 40 years. Iran has become accustomed to circumventing these sanctions. The Iranian Foreign Minister Mohammad Javad Zarif abandoned the traditions of diplomacy during his recent visit to New York and spoke frankly on the issue. He said there are always some ways to circumvent sanctions. He claimed Iran has a Ph.D. in circumventing sanctions, in reference to Iran being unrivaled in knowing how to circumvent sanctions.⁽²⁰⁾ But in light of the US insistence on changing the behavior of the Iranian regime in the region, forcing it to sit at the negotiating table to reach a new agreement on its nuclear project, ending Iran's support for terrorist organizations and integrating them into the global state apparatus, the main challenge facing the government in the coming days is the effectiveness of its long-standing solutions related to ensuring the export of Iranian oil during the sanctions period and its ability to convince the Iranian people of its policy to resist the recent oil sanctions, whose repercussions are strongly reflected in Iranian economic and living conditions. This is in addition to its ability to circumvent US sanctions to prevent economic and living conditions from reaching a catastrophic situation which is difficult for citizens to cope with. It is difficult for the people to bear the consequences of the regime's policies which play a main role in maintaining the status quo, including the sanctions, embargo and economic crisis.

Second: The Diplomatic Efforts to Contain the Crisis

During his participation at the Association of Southeast Asian Nations in New York, Iranian Foreign Minister Mohammad Javad Zarif said that he brought forth a proposal to exchange the US prisoners locked up in Iran with the Iranians jailed in the United States. He said that he had the power to cut a deal relating to a prisoner swap, but he did not speak on whether these powers could enable him to go beyond the prisoner swap deal. This proposal was a sign from Tehran to ease tensions although it confined any negotiations to the issue of a prisoner swap. However, it showed the Iranian desire to negotiate with the United States on the different points of tension.

Although Javad Zarif ruled out the possibility that President Donald Trump wants

to begin a confrontation with Iran, he alleged that what he described as the B team, including the US national security adviser, Israeli Prime Minister Benjamin Netanyahu and other officials in the region, are seeking to stir up a military confrontation between the United States and Tehran.⁽²¹⁾ Zarif hides behind this accusation the Iranian concerns about the rising tensions between the two countries, which could get out of control, exceed the scope of economic sanctions and lead to direct confrontation with Iran.

In order to set aside the specter of military confrontation and ease the pressures being put on the country, Iranian President Hassan Rouhani spoke of Iran's readiness to negotiate on the moot points, but he placed difficult conditions on the United States, at least at this moment where it is stepping up pressure on Iran. He said Iran could sit down at the negotiating table with the United States if the latter ceases pressure on Tehran and apologizes.⁽²²⁾

Perhaps Rouhani put forward conditions for negotiating with the United States as he feared the reaction of the conservatives within the Iranian regime who have continued to reject calls for negotiating with the Trump administration.

Despite the conditions put forward by Rouhani, several IRGC commanders have strongly rejected any negotiations at the present time, including the commander of the Qods Force Qassem Soleimani. He considers negotiations with the United States for the time being as submission and acquiescence to US pressures.⁽²³⁾

Third: The IRGC Threats to Close the Strait of Hormuz

The sanctions-hit IRGC, which has recently been placed on the list of terror groups, is well aware of the fact that ceasing Iranian oil imports will add more pressure on it. This could lead to its power and clout inside and outside Iran to decline. These concerns promoted the IRGC to launch a series of threats to close the Strait of Hormuz to block maritime navigation. The Commander of IRGC Navy Alireza Tangsiri threatened that his forces will shut this waterway in case Iran is prevented from exporting its oil.⁽²⁴⁾

Given the importance of this Strait for the countries of the world, it seems that Iran's use of this card to exert pressure on the United States and its allies in the Middle East may open the door to the worst-case scenario that Iran fears: entering into a military confrontation with the United States. This is because any Iranian misadventure or recklessness to close this vital and important Strait may ignite war and may be an appropriate pretext for Trump's administration to shift from sanctions to direct confrontation with Iran.

Iran's economy depends mainly on the flow of trade across the Strait, and under US oil sanctions Iran's need to transport its non-oil products will increase in the coming period.



Conclusion

The United States' refusal to extend the exemptions it had granted in November 2018 to eight countries to import oil from Iran showed the desire of the US administration to impose maximum pressures and sanctions on the Iranian regime in the coming period to force it to retreat from its regional policies. Washington also aims to force Tehran to sit at the negotiating table to reach understandings on various outstanding issues between the two countries, first and foremost to reach a new agreement on the Iranian nuclear project.

As for the Iranian regime, which is being besieged by crises from all directions, its officials over the past days did their best to conceal their concerns about the sanctions through insisting on Iran's ability to export oil and betting on its long experience in circumventing sanctions.

THE ECONOMIC FILE

The consequences resulting from the siege imposed on Iran a year ago have impacted the Iranian domestic front. This became very evident and created economic crises for most Iranian families, especially for young men. The crises appear in the sharp rise in price levels, a decline in job opportunities and a rise in unemployment. The signs of these crises emerged when the United States announced pulling out of the nuclear deal in May 2018 and subsequently slapped commercial and oil sanctions on Iran. It capped this siege by declaring in April 2019 that it will not extend the exemptions granted to countries importing Iranian oil, which covered eight countries who were among the biggest buyers of Iranian oil for six months and expired on May 2, 2019.

The Iranian reactions in playing down the effects of the US embargo on society at home have varied between focusing on opening up trade markets with neighboring countries such as Iraq and others, opening financial channels with the outside world through Europe that have not yet been operationalized and circumventing sanctions by smuggling or selling oil.

But until now the regime's attempts to mitigate the economic and social effects of the sanctions on the home front, especially on the level of inflation and unemployment, have not paid off.

The body responsible for issuing inflation and unemployment figures in Iran, the Central Bank of Iran, has not published these rates for five months, especially since November 2018, perhaps fearing local or international public opinion because its statistics are the basis on which international bodies such as the IMF and the World Bank depend in issuing periodic and future reports.

First: The Realities of Inflation and Unemployment in Iran and How Far They Impact the Lives of Iranians

The Statistical Centre of Iran, a state-run body, recently reported inflation rates in April 2019 on a year-on-year basis, compared to the same month in 2018. The overall inflation rate in April was 30.6 percent, a rate that has not been published by an official institution



in Iran for five years, specifically since April 2014. Food prices were the highest in a one-year period, as shown in figure 1.

Figure: Prices and Their variation for the Most Important Food Commodities in Iran (April 2018- April 2019)

Food Commodity	Units Per Item	Price (Iranian Toman)	Price (Iranian Toman)	Annual Percentage Change%
		April 2018	April 2019	
Domestic rice	1 kg	12,600	17,400	28
Mutton	1 kg	42,200	102,000	140
Beef	1 kg	39,500	94,000	138
Chicken	1 kg	8,200	14,000	75
Milk	1 L	2,800	4,700	67
Cheese	0.5 kg	6,000	8,900	50
Egg	1 kg	8,200	9,100	12
Butter	0.1 kg	3,400	4,600	25
Oil	0.9 kg	5,400	7,900	46
Sugar	1 kg	3,300	6,200	88
Tea	0.5 kg	22,000	32,900	50
Cowpeas	1 kg	12,000	14,800	25
Lentil	1 kg	8,000	9,200	15
Tomato	1 kg	2,200	5,400	150
Cucumber	1 kg	2,800	6,800	141
Potato	1 kg	1,900	7,200	208
Onion	1 kg	2,000	11,000	460
Apple	kg 1	2,900	10,000	144



* Conversion rate:
1 USD = 4200 Tomans



Source:
Statistical Centre of Iran

Rising prices for food are now a real challenge for the Iranian decision-makers. In just one year, prices have increased more than fourfold, and the prices of basic commodities such as oil, sugar and rice have risen, as well as the prices of commodities that make up the majority of the diet of the poor, such as potatoes, tomatoes, and legumes. (See Figure 1).

Housing prices were no better than food prices during the month under review as they saw an increase of 20 per cent. The largest share of which was in the capital Tehran, which rose by 104 percent per square meter.⁽²⁵⁾

The unemployment rate announced by the Statistical Centre of Iran at the end of 2018 was 12 percent or about 3.3 million unemployed. According to the IMF, it will reach 15.4 percent or about 4.2 million unemployed out of a workforce of 27.4 million.

Table 1: Detailed Inflation Rates in April 2019 Compared to April 2018:

General Inflation rate	30.6%
Prices of foodstuff and drink	85 %
Prices of fresh food	115%
Spending on food and water as a percentage of the total families' spending	25%
Rent prices	20%
Prices of the housing units in Tehran	104 %

Sources: The Statistical Centre of Iran, Iranian Ministry of Roads and Urban Development. By Rasanah IIIS.

The high rates of inflation and unemployment pose a serious threat because they increase the poverty rate within Iranian society. The absolute poverty line ceiling in Tehran is estimated at 2.7 million tomans per month for each family made up of four individuals. This sum is the minimum amount needed to fulfill the basic needs for a family of four persons according to the Statistical Centre of Iran. Independent labor organizations in Iran, such as the Supreme Labor Council, estimate that only 7 million tomans would cover workers' household spending in 2019.⁽²⁶⁾

Last year, Iranian parliamentarians estimated the number of people below the poverty line at about 40 million, about half the population of Iran.⁽²⁷⁾ But given the current changes in prices, especially food, the number of people living below the poverty line will increase.

Second: The Reason Behind the Recent Rise of Inflation Rates in Iran

Several factors have recently combined and led to the rise in inflation rates. Some of them are natural, which humans have nothing to do with, and others are attributed to technical and administrative causes. Some of these factors are due to external or even psychological causes.

As for the natural factors, which humans have nothing to do with, they include the floods that hit Iran last month. They devastated the agricultural areas producing food, which incurred most of the damage. This damage impacted the supply of food commodities, causing prices to rise according to the Statistical Center of Iran, which cited very high rates.

In normal times Iran produces about 85 percent of its agricultural products and covers the rest of its needs through imports. As a result, Iran's self-sufficiency declined due to the floods that caused losses to the agricultural sector estimated to be at least 13 trillion tomans (\$3 billion at the official exchange rate), according to statements by the Iranian Minister of Agriculture Mahmoud Hojjati to the media. The province of Khuzestan, southwestern Iran, was the most affected by the floods.

The external causes of inflation are the most influential and their source is known: the current US sanctions imposed on the Iranian economy since August 2018, which prevent dealing with Iranian banks in US dollars. This is in addition to sanctions on Iranian oil buyers, which have had a major impact on domestic production and caused disruption due to a lack of production inputs required for production which are imported



from abroad. There is also a lack of hard currency, the price of which gets steadily higher on the Iranian market amid the continued decline of the national currency.

This perspective is backed up by the revelations made by the member of the presidential body of the Iranian parliament Ali Asghar Youssefnejad who said on April 8 that 71,000 projects had gone bust. He added between 500 to 700 trillion tomans (\$119-\$166 billion) are needed to complete these projects. The sum allocated in the Iranian budget does not exceed 15 trillion tomans (\$3.5 billion).

The rise in prices also involves psychological reasons which have prompted the people in these economic conditions to be pessimistic about the future and to rush to purchase assets like gold, real estate, cars, foreign currencies and any other items that could be of value in the future. This leads to more price rises or what could be called "psychological inflation."

The administrative and technical reasons for the rise in inflation in Iran are due to poor monetary management. These include the growth of liquidity at a high rate of close to 24 percent per year, not offset by parallel production and the inability of the state to contain the increasing growth of liquidity through its monetary instruments such as interest rates or open market operations.

Furthermore, the government exacerbates the problem through printing banknotes without any technical restrictions that cope with GDP growth, which is currently negative, therefore making it economically wrong to print more banknotes. This is one of the government's ways to address the budget deficit and to make up for the decline in the rest of the budget's resources such as in oil and tax revenues. This is in addition to the government's dilemma as represented in the problem of reconciling between high bank interest rates to contain liquidity and lower inflation rates in the short run and maintaining low interest rates to encourage investments and to create jobs in the short run as well. Choosing between the two approaches is not easy as it depends on the assessment of decision makers regarding the costs and returns in the short run.

As for unemployment's rise, it is a natural outcome of the insolvency that gripped thousands of productive projects as well as the economic embargo imposed on the country. This is in addition to the government's inability to find proper solutions and to create the appropriate atmosphere for accommodating hundreds of thousands of youth who join the labor market annually.

Third: The Results

After tackling the impact of the floods and resuming work on the agricultural lands, the prices of agricultural commodities and products will go down. As for the level of general inflation, it is likely that it will see a rise above its current rates, which is detrimental to living standards due to the continuation of the US sanctions and their influence on the Iranian economy from several aspects.

This includes a decline in the fluctuation in the exchange rate's price, a rise in the price of foreign currencies, and an increase in the cost of imports, as well as a decline in domestic production and a plummeting of oil exports. This is in addition to a rise in cash liquidity in a way that does not match the availability of commodities and services in the country.

On the other hand, the Central Bank of Iran launched a system called "Nima" as a mechanism to obtain foreign currency from Iranian exporters and to transfer it to the treasury. This mechanism may ease inflation slightly and maintain exchange rate stability. But applying it efficiently faces several obstacles as the majority of exporters, especially in the private sector, maintain or exchange foreign currencies resulting from exports in the parallel market at prices higher than government prices.

The IMF predicted in its report on the Middle East in April that the rate of inflation in Iran in 2019 would hit 40 percent. It warned in a new report issued within a few days of this report that the tightening of oil sanctions on Iran could raise inflation to 50 percent making it the highest in four decades since 1980. In addition, the report expected the growth of liquidity to increase to more than 32.2 percent during the current year. Unemployment rates are expected to reach 15.4 percent, or about 4.2 million unemployed out of a workforce of 27.4 million.⁽²⁸⁾ In fact, the real unemployment rates in Iran are higher than those calculated by both the Central Bank of Iran and the IMF because the criteria for calculating the size of the Iranian labor force differs from international standards.

What is happening in Iran now and is expected to continue during the rest of the year is called inflationary stagnation, i.e., recession apparent in the GDP posting of negative growth rates, with inflation rising at the same time. This means a decline in production and employment, as well as soaring prices.

In order to overcome this, it is necessary for the government to manage its financial and monetary instruments through expansionary policies, i.e., increasing public government spending, and cutting taxes and interest rates. Once this is achieved, the situation can improve in the medium term and the economy will overcome the inflationary recession. But far from the economic theories on the ground, things are quite different. The new government budget, which came into force a month ago, is not expansionary. It is dependent on increasing taxes rather than reducing them. It is even more difficult than expected to face a deficit given the oil embargo and the United States revoking the exemptions granted to the eight countries importing Iranian oil.

Conclusion

The outside siege is not the only cause of the economic crisis at home, the impact of which is felt by most of the households in Iran, especially young men. It is represented in the sharp rise in prices, low job openings, high unemployment, and a decline in the GDP. The crisis was caused by, along with the US embargo, the monetary mismanagement of the country and the high growth rates of liquidity. The recent floods in the country also led to the increase in prices of agricultural commodities. The inflation rate rose to more than 30 percent according to Iranian statistics in April 2019 compared to the corresponding period last year. The price of housing rents rose. Food and beverage

prices saw the greatest rise by more than 85 percent. The Iranian people thus face rising prices and unemployment. This leads to more difficulties for the livelihoods of the low-income brackets. Greater numbers of people are joining those below the poverty line. After revoking the exemptions given to eight major Iranian oil buyers from US sanctions, inflation and unemployment are likely to increase. Some international organizations such as the IMF expect the inflation rate will reach 50 percent, the highest rate since the revolution. What is happening in Iran now and is expected to continue during the rest of the year is called inflationary stagnation, i.e., the economic recession apparent in the GDP posting of negative growth rates that increase unemployment rates, with prices posting an increase at the same time.

To overcome this dilemma, the government of Hassan Rouhani is required to manage the financial and monetary tools which it possesses at home. Externally, the government should engage in negotiations that alleviate or end the current embargo.

THE MILITARY FILE

A fortnight after the US President Donald J Trump declared Iran's Revolution Guard Corps (IRGC) a 'foreign terrorist organization,' Tehran responded with symbolic acts of defiance. The Supreme Leader Ayatollah Ali Khamenei promoted a hardline general to lead the IRGC, who had vowed to destroy the US and Israel often at military ceremonies as well as during his media interactions. According to Fars News Agency Ayatollah Khamenei's appointment letter to General Hossein Salami stated, "Considering Major General Mohammad Ali Jafari's statement on the necessity of change in IRGC's (top) command . . . and given your valuable experience and competence in fulfilling high-level management and various responsibilities in the revolutionary, Jihadi and the popular institution of the IRGC, I promote you to the rank of Major General and appoint you as the top commander of the Islamic Revolution Guards Corps."⁽²⁹⁾

Many observers of Iranian affairs generally found a direct correlation between the US designation of the IRGC and the change of its command, largely due to its timing.

Firs: The Ayatollah's new Front-man

Major General Mohammad Ali Jafari had been commanding the IRGC for over a decade. The Supreme Leader did not wait for his extended term to expire in 2020. Jafari's appointment as the head of Hazrat Baqiatollah al-Azam Cultural and Social Headquarters, an office for countering the so-called soft war against Iran, is seen by many as a demotion. However, given the emerging geopolitical environment resulting from the wide array of US sanctions, there will be a greater need for Iran to adopt more effective psychological warfare tactics and possibly in Ayatollah Khamenei's thinking Jafari with his experience in leading the IRGC may be the right man for this task.

From a structural perspective, there is nothing astonishing when a second-in-command is elevated. As the deputy to General Jafari for 10 years, Salami is extremely well-versed with the elite force's senior decision-making body as well as its dynamics and nuances.

General Salami, an Isfahan native, joined the Iranian military during the war with Iraq while he was a student studying mechanical engineering. Though he served in the 14th Imam Hossein Division and its 25th Karbala Division, he is not known for any extra-ordinary role. After heading the IRGC's staff college from 1992 to 1997, he served as the commander of the IRGC's air force. While at the staff college, he devised a 'high war course' and developed his interest in defense management and military strategy. Though Salami is conservative in his ideological leanings, he has been publically vocal - in sharp contrast with his predecessor. Thus, it will be fair to say that Salami will not be part of any rows between the country's conservative and moderate factions as he has never sided with either publically. Given the barrage of external threats, Iran can not afford internal feuds which go as far involving its military especially the IRGC. However, General Salami has been a blunt critic of Iran's foes, ranging from the United States to Israel. He once stated in a TV interview, "We warn Israel against committing a mistake. If it fails to heed the message, it will definitely be wiped off the page of life."⁽³⁰⁾



Second: Coping With a Volatile Strategic Environment

General Salami's habitual media appearances have built his public persona due to his conservative, ultra-nationalistic and hardline perspectives. In all likelihood, he won't quieten or tone down his rhetoric as, on one hand, it raises the morale of Iran's troops and its people, and on the other hand, creates domestic and regional headlines. The risks, however, are greater now than before as Salami may indulge in serious miscalculations or cause Iran's foes to misread Iran's intentions and capabilities.

If there is one thing General Jafari will be remembered for, it will be his consistent attempts to distance the IRGC from involvement in domestic affairs. General Salami has the opportunity to transform the IRGC into a formidable military force by delinking it from the economic enterprises that Trump has recently slapped sanctions against. Even during Jafari's reign, Salami was focused on the IRGC's external operations, particularly in Iraq, Syria, and Lebanon. Can Salami's appointment be construed as a countermeasure in the wake of the volatile security situation? The answer is anybody's guess. It remains to be seen as to what he can offer beyond hostile rhetoric and his hyped rhetoric on Israel has a greater probability of leading to tighter sanctions on Iran. As the IRGC's deputy commander, he used to openly favor Iran's right to nuclear enrichment and missile development. If push comes to shove, Salami has the will to stand true to his word. He may well test the strategic patience of the west as well as Iran's neighbors to an entirely new level. Notwithstanding the military stratagem, the IRGC may not be able to act as autonomously as it did under General Jafari. The crushing economic sanctions on Iran not only limit the IRGC's financial muscle but also its political scope. The IRGC will need the government's help to skirt the punitive measures.

Third: IRGC Leadership Amidst Domestic Dynamics

As much as the external factors like Trump's sanctions and the edgy regional situation can be a factor, General Jafari's feud with President Rouhani over the government's poor response to the recent floods should not be ignored. De-escalation of internal

tensions appears to be the Supreme Leader's key priority at a time of increasing public anger and rage due to ineptitude and economic woes. The new ground realities demand that the IRGC focuses on combat readiness and security. The dilemma, however, is deep integration between the IRGC's business ventures with its military activities. Estimates suggest that the IRGC owns approximately 20 to 40 percent of Iran's economy.⁽³¹⁾ The IRGC often operates in the guise of various private companies – many keep the relationship covert – which can still invoke US sanctions on the entity. For Tehran itself, weakening of the IRGC's economic arm can destabilize its operating (business) model. The companies affiliated to the Revolution Guards have engaged in businesses projects in various fields such as construction, infrastructure, and energy.

For his part, Ayatollah Ali Khamenei's decision to promote Salami is in sync with his pattern to promote fresh loyalists to ward off fatigue and personal ambitions..⁽³²⁾ Earlier, extensions were not granted to the heads of the state broadcaster, judiciary and the army's chief of staff.

Fourth: General Salami's Trump Card

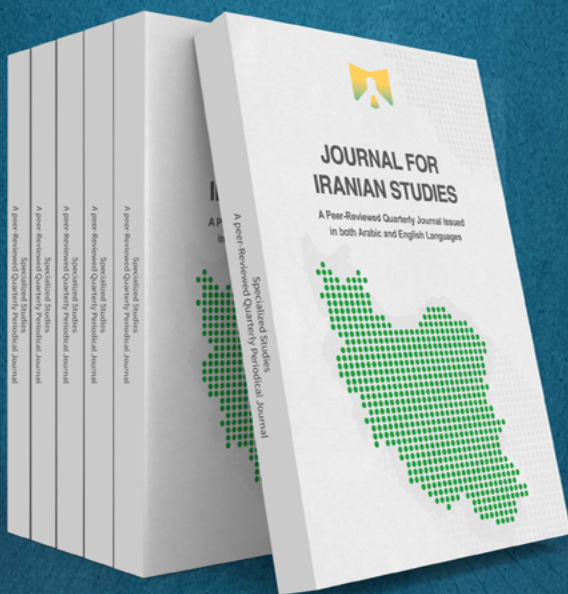
Since the US withdrawal from the nuclear deal, Tehran has continued to provide logistical and financial support to its militias. It has not relented in refining and expanding its nuclear arsenal.⁽³³⁾ And last but not least, it has insistently warned to block the Strait of Hormuz. After Iran's calculated back-peddling on the nuclear deal and US deployment of greater firepower in the Gulf region, the prospects of a showdown are becoming increasingly likely. General Salami will be under pressure to make good on his words, uttered previously.



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In particular closing the Strait of Hormuz or else the IRGC risks being humiliated domestically. Also, the US military threats and its naval build-up will help in indicating the seriousness of the IRGC to follow through on its previously declared positions while easing the stress on shipping companies operating in the Gulf waters. However, sending military reinforcements with the declared will to take out the enemy may not be enough if the Trump administration and its allies lack an effective, parallel strategy to end freehand exercised by the IRGC and its militias in Iraq, Syria, and Lebanon. External assets such as Hezbollah and Iran's militias across the Middle East remain General Salami's best bet to divert military pressure while inflicting harm on Iran's foes and boosting his image as well as the m

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Arab Affairs

While Iran seeks to individually dominate the internal equations in some Arab countries, first and foremost Iraq, April 2019 witnessed rapprochement between Iraq and Saudi Arabia, with the reciprocal visits of Iraqi and Saudi delegations to Riyadh and Baghdad respectively. Both visits encouraged Iraq to return to its Arab surroundings and to limit Iran's role in Iraq. This is while, the Iranian-backed Houthis face further regional isolation as a result of their ongoing violations of the Yemeni peace process, especially the Hodeidah Agreement.



IRAN AND IRAQ

The importance of Iraq has grown increasingly in the Iranian strategy since the United States imposed severe economic sanctions on the import of Iranian oil and gas in 2018. Iraq is a crucial area and an economic gateway for the export of Iranian oil to the world. Also, Iraq is an importer of Iranian gas. However, there are regional factors affecting Iran's role in Iraq alongside the US sanctions imposed on it, most importantly, the Saudi-Iraqi rapprochement, the visit of a large Saudi delegation to Baghdad in early April 2019 and the visit of an Iraqi delegation to Riyadh in mid-April 2019. As a result, this rapprochement has implications for Iran's role in Iraq at a time when Iran seeks to maximize its position in order to keep its western neighbor within the sphere of its strategic influence.

First: The Implications of the Saudi-Iraqi Rapprochement on the Iranian Role in Iraq

There are two important developments that will bring bilateral relations between the two Arab neighbors to a new stage in what is known as "Saudi-Iraqi strategic cooperation" and open the door for Iraq's return to its Arab surroundings. This will affect the gains and ambitions of Iran in Iraq as well as limit Iran's efforts in dominating more areas of influence in Iraq and contain the extent of its infiltration in Iraq's sovereign institutions, as follows:

The first development is the visit of a large Saudi delegation comprised of senior officials to Iraq which was the first visit by a Saudi delegation of this level in nearly thirty years. The visit lasted two days from April 4-5, 2019 and the delegation participated in the second session of the Iraqi-Saudi Coordination Council in Baghdad, while the first was held in Riyadh in October 2017 to discuss improving bilateral ties by strengthening relations in energy, trade, security, reconstruction and agricultural sectors as well as encouraging investments in tourism, culture, and sports.

The second development is the visit of the Iraqi Prime Minister Adel Abdul-Mahdi to the Kingdom of Saudi Arabia. The visit lasted for two days from April 17-18, 2019 during which he met King Salman bin Abdul Aziz and the Crown Prince Mohammed bin Salman in order to complete the talks initiated by the Saudi delegation during its participation in the second session of the Iraqi Coordination Council.

1. The importance of the two visits and their impact on Saudi-Iraqi relations

The two visits have been particularly important in many aspects. Firstly the timing of the two visits: both visits followed the visit of the Iranian President Hassan Rouhani to Iraq, during which economic and trade agreements were signed with the Iraqi government. In addition, on April 22, 2019, the US administration announced its intention to tighten the siege on Iran by not extending the exemptions to the countries importing Iranian oil. On April 8, 2019, the US administration designated the Iranian Revolutionary Guard Corps as a terrorist organization. This is the first time that the United States has designated another country's regular army as a terrorist organization.

The visit was carried out while Iraq faced disastrous economic conditions. Despite its

vast oil reserves, Iraq's abject economic conditions are a result of widespread corruption in its institutions, the deterioration of its security situation since the US invasion and the subsequent proliferation of terrorist groups in Iraqi provinces before their elimination at the end of 2018. Iraq seeks to attract financial resources to reconstruct the areas regained from ISIS and to address the problems of its southern provinces in particular the electricity crisis, water pollution and high unemployment rates which led to protests on two occasions in the southern majority Shiite provinces in July and September 2018.

In addition, Iraq is concerned about the negative repercussions of US sanctions imposed on Iran, particularly their impact on Iran's internal affairs and their aggravation of Iran's crises. If Washington was to succeed in pressuring the Iraqi government to comply with its sanctions against Iran, Iraq would risk the gas it imports from Iran to offset part of its electricity shortages, especially when temperatures reach 50 degrees in Iraq's central-southern region during summer. In March 2019, the Iraqi Speaker of the Council of Representatives, Mohammed Rikan Hadeed, asserted that Iraq cannot give up its gas imports from Iran before the end of 2021⁽¹⁾ as this would worsen its energy crisis.



Secondly, the importance of these visits is illustrated through the seniority and diversity of the Saudi and Iraqi delegates. On one side, the Saudi delegation was headed by the Minister of Trade and Investment, Dr. Majid Al-Qasabi, with more than 100 members, including seven ministers, representatives of ministries and public interest groups as well as major Saudi companies such as SABIC and Aramco wishing to invest in Iraq. On the other hand, the Iraqi delegation to Saudi Arabia was headed by the Iraqi Prime Minister and it included 11 ministers, 68 government officials and more than 70 businessmen, reflecting the far-reaching Saudi-Iraqi desire to open a new chapter in Saudi-Iraqi relations.

Thirdly, the agenda of each visit focused on boosting bilateral cooperation in all fields to serve the common interests of the two neighboring Arab countries, coordinating joint efforts towards regional and international issues to improve the power of the two countries and ways to strengthen economic, cultural and security relations to combat terrorism and drug trafficking.

Fourthly, the visit of the Saudi delegation to Baghdad led to its participation in 11 economic activities during which the two sides signed several memorandums of understanding, as well as an agreement to open a Saudi consulate which is one of four Saudi consulates scheduled to open in Iraqi provinces, and an Iraqi consulate in Dammam to aid visa procedures between Iraq and Saudi Arabia. Also,, the two sides

signed a memorandum of understanding to provide Iraq with electricity and the establishment of new power stations, as well as the formation of eight committees in various areas to raise the level of cooperation between the two countries.

The Kingdom of Saudi Arabia has allocated \$1 billion for development projects in Iraq, as well as for a football stadium in Bismayah, Baghdad. However, during the talks, Al-Qasabi spoke of the Saudi proposal to establish a joint industrial zone at the Arar border port, and of Riyadh's intention in spending half a billion dollars on supporting Saudi exports to Iraq as well as in providing Baghdad with soft loans. He added that Saudi companies, such as SABIC and Aramco explored possible investment opportunities in Iraq. In response, Baghdad offered 186 investment opportunities in various fields to Saudi companies.

The visit of the Iraqi delegation to Riyadh resulted in Saudi Arabia approving an increase in the number of Iraqi pilgrims to 50,000, the signing of 13 agreements and memorandums of understanding⁽²⁾ in the fields of agriculture, industry, land and sea transport. Also agreements were signed to reconstruct border crossing, and to boost the volume of trade exchange. Most importantly the Promotion and Protection of Investments agreement was signed which was approved by the Iraqi cabinet at a meeting on April 2, 2019.⁽³⁾ Observers believe that this will open the door to Saudi investments in Iraq.

2. The significance of the two visits and their impact on Iranian-Iraqi relations

Considering the timing of these two visits and the size of the Saudi and Iraqi delegations, as well as the agreements signed, and the joint statement issued during the Iraqi prime minister's visit to Iraq on April 18, 2019, "Based on the strong historical ties between the two brotherly countries, the consolidation of relations and the common desire to propel it towards a wider perspective [...] The Iraqi prime minister visited Saudi Arabia,"⁽⁴⁾ it is clear that there is a shift in Iraqi politics by it wanting to seek a new identity away from Iran as well as an Iraqi desire to avoid the stringent sanctions that the US administration has threatened to impose on any country that does not comply with its sanctions against Iran.

These visits reveal the desire of the Saudi and Iraqi leaderships to set aside their past differences and to stress the historical heritage of the two countries which Iran has sought to destroy since it entered Iraq in 2003 by politicizing the Shiite to dominate the Iraqi state and government, as well as by creating armed militias to control the Iraqi equation.

Saudi Arabia and Iraq seek to change the stereotypical perception about Saudi-Iraqi relations which prevailed before 2015. There is a clear Saudi-Iraqi desire to enter a new phase of relations to make up for the past years during which conditions were not conducive for Saudi-Iraqi relations at the level seen now, reflecting the political will of the two countries for achieving strategic cooperation.

On one hand, the Kingdom of Saudi Arabia aims to boost its relations with Iraq in order to bring Iraq back to the Arab and regional fold. In this context, the Saudi Crown Prince Muhammad bin Salman said, "We hope that Iraq will take its rightful place in its Arab and regional fold We offer the capabilities and experiences of the Kingdom to the service of the people of Iraq."⁽⁵⁾ On the other side, Iraq seeks to maintain its strategic balance in its foreign relations as evidenced by Abdul-Mahdi's statement in Riyadh, "Iraq seeks to work with its Arab and Islamic surroundings and to establish balanced relations that serve the interests of the peoples of the region."⁽⁶⁾ Particularly, the US exemptions from the sanctions imposed on Iran to Iraq will not last long, so Iraq must think of an alternative. This is what Iraq hoped to achieve with this visit which will establish an

important future relationship between Iraq and Saudi Arabia.

Although some observers state that it is not easy for someone like Abdul-Mahdi to adopt a policy of balance between Saudi Arabia and Iran, it seems that Saudi Arabia helped him by sending a large delegation to visit Iraq and its announcement of \$1 billion for development projects in Iraq. In this way, the Iraqi government and its people will recognize that there is a big difference between an Arab country wanting formal relations in accordance with common interests, mutual benefit and the rules of non-interference in the internal affairs of sovereign states so as to serve the process of Iraqi development and reconstruction without supporting sectarian strife, and a country like Iran which seeks to keep Iraq within its sphere of influence.

This rapprochement can be considered at several levels: first, geographical since both countries have joint geographic borders; second, gulf considering Iraq overlooks the Arabian Gulf; third, Arab given the common Arab denominators of language, religion, and history and the common future; fourth, oil production, since both countries are major oil producers: Saudi Arabia is OPEC's largest oil producer, followed by Iraq, and there is a need to coordinate their oil policy; fifth, the desire to complete the rapprochement process that started following the normalization of diplomatic ties during the tenure of the former Iraqi Prime Minister Haider al-Abadi in 2015 who adopted a policy of balance. In response, Saudi Arabia welcomed this policy when Riyadh announced the opening of the Saudi Embassy in Baghdad in 2015, the establishment of the Saudi-Iraqi Coordination Council in June 2017, and the exchange of Saudi-Iraqi visits (see Table 2).

Table 2: Saudi-Iraq Relations

1990	The severance of diplomatic ties between Baghdad and Riyadh.
2014	Former Prime Minister Haider al-Abadi enhanced relations when he sought to restore the external balance
2015	After 25 years of severed relations, diplomatic relations were re-established when Riyadh announced the opening of its embassy in Baghdad.
August 2016	Baghdad asks Riyadh to withdraw its ambassador Thamer al-Sabhan for alleged interference in its internal affairs.
October 2016	Riyadh sent Abdul Aziz al-Shammari as its new ambassador to Baghdad.
February 2017	Saudi Foreign Minister Adel Al-Jubeir visited Baghdad and met Abadi in the first visit of a Saudi foreign minister to Iraq in nearly 27 years

June 2017	Abadi visited Riyadh and met with King Salman bin Abdulaziz to discuss investment in Iraq and assistance in the reconstruction of cities restored from ISIS.
July 2017	Iraq agreed with Saudi Arabia to open land and airports between the two countries.
July 2017	The head of the Sadrist Movement, Muqtada al-Sadr, visited Saudi Arabia and met the Saudi Crown Prince Mohammed bin Salman in Jeddah
October 2017	Abadi visited Saudi Arabia for the second time leading a large government delegation which included several ministers and advisors who attended the first coordination conference of the Saudi-Iraqi Coordination Council.
April 2019 ,4	A Saudi delegation made up of 100 members, including seven ministers and dozens of representatives of ministries and departments, visited Iraq to participate in the meetings of the second session of the Saudi-Iraqi Coordination Council.
April 2019 ,17	Abdul-Mahdi visited Riyadh, leading a ministerial delegation of 11 ministers and a number of officials, investors, and businessmen, in a two-day visit during which he met the King of Saudi Arabia and the Crown Prince.

Many observers have suggested that Abdul-Mahdi's visit to Riyadh two weeks after his visit to Tehran was to bring together the various points of view of Saudi Arabia and Iran since Iraq will face a real challenge in establishing balanced relations with the two conflicting neighboring countries in the restive Middle East region. Therefore, Iraq is in a critical position because it seeks to return to its Arab fold on the one hand but on the other hand does not want to clash with Iranian-pro Shiite militias.

Notably, the head of the Iranian National Security Committee in the Shura Council, Hishmatullah Beshah, said that Abdul-Mahdi can act as a mediator to remove tensions between Saudi and Iran,⁽⁷⁾ especially after Rouhani, called on Iraq to play a role in de-escalating the situation in the region during his visit to Iraq,⁽⁸⁾ and after the Speaker of the Lebanese Parliament Nabih Berri called on Abdul-Mahdi, during his visit to Iraq in April 2019, to mediate between Saudi Arabia and Iran.⁽⁹⁾ However, the question

here is: does Iraq, which itself faces crises and challenges, have the ability to mediate between Saudi and Iran while Tehran still engages in its ongoing expansionist activities at the expense of Arab region and its security?

Iran will not withdraw its expansionist plans evidenced by it continuously reminding everyone of the material and human price it has paid for its expansion and deployment in Syria and Iraq, and it is eagerly waiting to reap the benefits of this. Similarly Saudi Arabia will not change its position on Iran if the latter does not change its regional behavior and its interference in Gulf and Arab affairs. Iraq does not have the negotiating capacity to bring the parties to the negotiating table.

Second: The Iranian Position on Saudi-Iraqi Rapprochement

Iran is disturbed by any convergence of Saudi-Iraqi relations given the complexity of Saudi-Iranian disputes over many regional issues. Iran considers that any Saudi-Iraqi convergences will inevitably affect its influence and penetration in Iraq, at a time when Iran perceives Iraq as a vital area, an economic gateway, a rare ally, and a strategic option to transport oil to the world given the geographical proximity between the port of Basra and Iranian productive oil fields, which will facilitate oil transportation and lower financial and security cost. This in turn will ease the pressure of US sanctions on Iran. In addition, Iraq is a major market for Iranian goods particularly given the reconstruction phase that the country is currently undergoing. This explains Iran's attachment to Iraq.

Iran's discomfort with Iraqi-Saudi rapprochement was reflected in the statement of the Supreme Leader Ali Khamenei during his meeting with Abdul-Mahdi in Tehran on April 6, 2019 to resume talks on the memorandum of understanding signed by the two governments during Iranian President Hassan Rouhani's visit to Iraq in March 2019. However, the Iranian Foreign Minister Mohammad Javad Zarif's,⁽¹⁰⁾ who did not regard diplomatic considerations said, "Saudi-Iraqi rapprochement does not reflect the reality of Riyadh's position."⁽¹¹⁾ The depth of Iranian discomfort concerning rapprochement



between Riyadh and Saudi Arabia was highlighted in the response of Abdul-Mahdi to Ali Khamenei when he said that Iraq stands against the policy of regional axes, which indicated that the Iraqi government will not stand next to Iran absolutely but will balance its foreign relations. In addition, it will not count on a single source of external support but it will diversify its sources.

Iran's opposing stance towards Saudi-Iraqi rapprochement was evident in Khamenei's calls for the Iraqi prime minister to take urgent steps to expel US forces from Iraq by saying, "US forces staying long-term will make it harder later to expel them and the Iraqi government must take steps to expel US forces from Iraq urgently".⁽¹²⁾ In response, Abdul-Mahdi said that Iran is also an important country and has a special place in Iraq. He knows that Iran is not only a neighboring country but it has great influence in the Iraqi equation and has an influence on decision makers in Iraq as well as having large-scale militia deployment represented by the Popular Mobilization Forces and Pro-Iranian militia. Additionally, pro-Iranian political alliances play an influential role in decision making in Iraqi affairs as well as in the allocation of parliamentary seats and portfolios in the current government.

In addition, Iran still influences Iraq through its gas and electricity exports, after Iraq and Iran signed an agreement in January 2019 to extend Iraq's electricity supply contract by exporting 1,200 megawatts. Iran also supplies Iraq with about 40 percent of its electricity needs; Iraq imports 1,200 megawatts of electricity and 28 million cubic meters of gas a day from Iran to produce electricity. Particularly, Iraq is suffering from a shortage of electricity at the very time that it needs to address its electricity crisis.

Therefore, Abdul Mahdi wanted to send the United States a message through his visit that Iraq will not be part of the US sanctions against Tehran. The visit is a practical confirmation of the Iraqi rejection of US sanctions on Iran, and evidence of the failure of US pressure on the Iraqi government to comply with its sanctions. This position was reflected through Abdul Mahdi's statement, "Iraq will not be a base for hitting or attacking a neighboring country." He added, "we agreed with Iran to follow up on all the common issues between the two countries and to overcome the obstacles."⁽¹³⁾

Conclusion

The mutual visits of the Saudi-Iraqi delegations are important steps to restore Iraq to the Gulf and Arab regions, limiting the Iranian appetite to maximize its influence in Iraq and to maintain Iraq within its sphere of influence. Significantly, these steps were based in accordance with cooperation and construction rather than destruction and sabotage or setting up a state within an existing state as Iran does. Therefore, it is not inconceivable that Iran will do its best to disrupt the Saudi-Iraqi rapprochement by launching its militias in the Iraqi areas of investment agreed upon between Saudi Arabia and Iraq.

The Iraqi government is seemingly concerned about the impact of US sanctions on Iranian energy imports to Iraq especially since it is suffering from a severe energy shortage and needs to address its power crisis that led to public protests on two occasions in 2018 in the southern provinces. Thus, Abdul-Mahdi sought to mitigate the effects of US sanctions on the Iraqi scene, which explains his visit to Iran, Saudi Arabia and the United States respectively to convince the Trump administration of the significance of Iranian imported electricity and gas to Iraq, especially before the summer when the demand for electricity in Iraq increases.

The visit of Abdul-Mahdi to Iran and Saudi Arabia reveals Iraq's real dilemma on how to balance its equation or strategy of managing foreign relations with its Saudi and Iranian neighbors, since they oppose one another on several regional and international

files. He recognizes the strategic importance of both neighboring countries, given the internal Iraqi polarization between two alliances; the pro-Iranian alliance that aims to keep Iraq within the sphere of Iranian influence, and the other that rejects Iranian hegemony and aims to restore Iraq to the Arab fold.

However, we are witnessing a historic moment in relations between Riyadh and Baghdad. It will require real will as well as practical and realistic implementation strategies to convert the agreements and memorandums of understanding signed during the visits of the Saudi and Iraqi delegations into action programs establishing strong Saudi-Iraqi relations so as to enable Iraq to maneuver with the Iranian side, stemming Iran's influence and infiltration in Iraq, and allowing Saudi Arabia to play a historic role in Iraq's return to the Arab fold.

IRAN AND YEMEN

In monitoring the course of political developments in Yemen, the Iranian-backed Houthis have faced further political isolation regionally and internationally because of their continuous violations of the peace process especially the Hodeidah Agreement. However, commitment to the outcomes of the Agreement for the legitimate government and the international community is a turning point in the confidence-building measures between the parties and the inauguration of a comprehensive political solution in Yemen. The decline in the political position of the Houthis is due to dynamics at the regional and international levels, in spite of Iran's financial support to the Houthis. This militia is considered an extension of Iranian behavior in the region, causing financial crises for the Iranian regime and economic sanctions, especially after the United States designated the IRGC as a terrorist organization.

First: Opportunities and Challenges for the Peace Process in Yemen

The peace process and finding a comprehensive political solution in Yemen is a principle agreed upon by all regional and international parties, since this will end the war and provide humanitarian relief to the Yemeni people. The Houthi militia does not commit to the implementation of the Stockholm agreement and continues its armed attacks, and military escalation as well as its shelling of residential areas. The following are the main developments of the legitimate government's efforts and the international political forces condemnations of the Iranian Houthi militia to obstruct the peace process in Yemen from one side and the Houthi and Iranian position to prolong the war to gain more time in order to rearrange their military papers and accomplish Iranian goals in Yemen, on the other side.

1. The position of the legitimate government towards the peace process

The legitimate government in Yemen called on the international community to pressure the Houthis to commit to the outcomes of the agreement signed in Sweden and to the implementation of what was agreed upon. This indicated a strong political will and a general trend towards supporting the political solution in Yemen. This trend is supported by the major political forces in the world that accuse the Houthi militia of obstructing the political solution in Yemen by their non-compliance with the provisions of the Stockholm agreement. In this context, Yemeni Foreign Minister Khalid al-Yamani expressed the position of the legitimate government which is committed to implementing the provisions of the Stockholm agreement. He referred to the concessions made by the legitimate government for progress in the peace process. In the Security Council, he expressed the position of the legitimate government in blaming the Houthis for the delay in the provisions of the Stockholm agreement being implemented. In this context, the legitimate government of Yemen called for exerting greater political pressure on Iran and the Houthi militia to remove the obstruction the political solution in Yemen which is based on the commitment to the Stockholm agreement. This came during a meeting between the Yemeni Prime Minister, Moin Abdul Malik, and the German Ambassador to Yemen, Carola Muller-Holtkemper, at the beginning of April. He also

pointed to the Houthi militia's insistence on thwarting all international and UN efforts to reach a political solution and its lack of commitment to all agreements, including the Stockholm agreement. For her part, the German ambassador stressed Germany's position in support of the peace process and the legitimate government's position as well as Germany's keenness to reach a political solution that fulfills the aspirations of the Yemenis.⁽¹⁴⁾ In this context, the head of the Media Center of the government's delegation to the peace negotiations, Fayyad Al-Nu'man, stressed the need for the United Nations to recognize that the militia's continuous non-compliance to and hindering of the implementation of the Stockholm Agreement was because of the way of the UN envoy Martin Griffiths to Yemen dealt with the Houthis, highlighting that the withdrawal of the Houthis from Hodeidah as provided in the Stockholm Agreement is not yet translated on the ground even after four months of signing the agreement. Al-Nu'man said that the Yemeni government's position is clear in achieving a comprehensive peace process based on the three parties. He also stressed that the legitimate government will not be involved in any coming consultations under UN auspices until after the full implementation of the provisions of the Stockholm agreement.⁽¹⁵⁾ Within the framework of the political process and the formation of a unified national political front reflecting the completeness of the performance of the constitutional political institutions of the legitimate government, the Yemeni parliament held its first session after more than four years. It was held in Say'un, the second largest city in Hadhramaut, eastern Yemen, in the presence of the Yemeni President Abdrabbuh Mansur Hadi who stated that Yemen was at a crossroads between war and peace and he extended the hand of peace to the Houthis to stop the violence and to end the conflict. Several Yemeni experts expressed the importance of convening this session, which resulted in the announcement of the political alliance between all parties and political components of Yemen, including the General People's Congress Party, the largest political party in Yemen, that controls the majority of seats in the parliament. Accordingly, the legitimate government pulled the rug from under the Houthis who had been addressing the international community through the parliament.

2. The regional and international positions on the peace process

The frequent visits of international delegations to Yemen's temporary capital Aden since the beginning of April, commencing with the British Foreign Minister, the Ambassadors of the United States, Russia and the German Ambassador to Yemen, Carola Muller-Holtkemper, in addition to the visit of a number of delegations from international organizations is a clear indication of a positive change in the international position for supporting the legitimate government and its position on the peace process. These visits indicate that the international community recognizes only the legitimate government, representative of the Yemeni people, and that the comprehensive political solution is the main demand of the international community. Also, that they support the government of Maeen Abdulmalik, which was able to create a stable political and security environment, demonstrated by the management of the political scene in the Yemeni state. "The seriousness of the international community, which was still unified in an unprecedented historical consensus to support legitimacy in Yemen requires more pressure on Iran, which is prolonging the war, forcing it to stop providing arms and money to the revolutionaries and experts,"⁽¹⁶⁾ the Yemeni Prime Minister said during a meeting with the German Ambassador to Yemen on April 8, 2019. In the context of supporting the peace process in Yemen, the Quartet countries, represented by the Foreign Minister of the United Kingdom and the United Arab Emirates, the Minister of State for Foreign Affairs of Saudi Arabia and the Assistant Secretary of State of the United

States, confirmed their full commitment to the comprehensive political solution to stop the conflict in Yemen and to support the legitimate government's demands to pressure the Houthi militia to comply with the Stockholm agreement during the meeting held in London on April 26, 2019. The Quartet also called on the Houthis to comply with all the provisions of the agreement. Accordingly, the members of the Quartet will report to the Security Council on the progress of the Stockholm agreement during its meeting on May 15. The Security Council will later hold a meeting to review the progress made in implementing the agreement. The Quartet also reiterated its support for the efforts of the Special Envoy to Yemen who aims to implement the Hodeida Agreement in order to start a comprehensive political peace process in Yemen.⁽¹⁷⁾ During a meeting with the Yemeni Foreign Minister Khaled Al-Yamani to discuss the obstacles to the implementation of the Stockholm Agreement on April 3, 2019, the UN Envoy to Yemen, Martin Griffiths, stressed that the international community represented by the United Nations is committed to the success of the Stockholm agreement, and that he will make greater efforts to achieve peace in Yemen, while commending the efforts of the legitimate government to bring the peace process in Yemen to a successful conclusion through its commitment to the two procedures of the first phase of the withdrawal from the ports of Hodeidah, As-Salif and Ras Isa, .⁽¹⁸⁾ Reflecting the efforts of the Arab coalition countries to confront the failure of the Houthi militia to comply with the convention signed in Sweden, the President of the United States vetoed the Congress decision to end Washington's support for the Arab Alliance to liberate Yemen. Defeating the Houthi Iranian project in Yemen is considered as one of the objectives of the United States. This decision also indicated a clear condemnation of the Houthi militia as well as Iran's support for terrorism. The US Secretary of State also commented, "Iran is leading the war, and we have to be clear that the Houthis continue to refuse to comply with the agreements that they signed up for in Stockholm, Sweden, they refuse to withdraw from the port of Hodeidah and to do whatever United States asked them to do."

3. The Iranian position and the Houthi militia

Despite the Iranian diplomatic welcoming of the peace process in Yemen, significant evidence proves that the Iranian regime continues to support the Houthi militia with money and weapons to prolong the war and for it to renounce its commitment to all peace agreements, including the one signed in Sweden. This can be perceived by the movements of the Houthis on the ground, specifically in Hodeidah which is one of the most important pillars of the comprehensive peace process in Yemen for the legitimate government and the UN. However, Iranian statements reveal the true Iranian position towards the peace process in Yemen because they focus on supporting the Yemeni-Yemeni dialogue. Thus, it gives an indication of Iran's view of the crisis as if it is between two equal parties, which can be perceived by the recognition of the Houthi militia on the international level and as a party in the political arena in opposition to the legitimate government, contradicting international resolutions that consider the Houthi militia as rebellious and against the legitimate government. In addition, Iranian officials stress the need to reconstruct the port of Hodeidah, which is one of the most important areas of the Iranian movement in Yemen. These statements represented Iran's supportive position towards the Houthis since the beginning of the crisis. A few months after the coup, the President of the Higher Political Council, Saleh al-Asmad, announced an agreement with Iran to expand the western port of Hodeidah and cooperation in the maritime field. Iran's position is characterized by its growing need to keep tensions ongoing in Yemen and to further complicate the position of the international forces in dealing with the Yemeni crisis in order to hinder a comprehensive political solution in



Yemen. This will help Iran to implement its project in the region, within the framework of a comprehensive Iranian project from Central Asia, North Africa and the Maghreb countries. Despite the economic and political pressures on Iran due to its destabilizing behavior in the region, UN evidence proves Iran's direct involvement in prolonging the Yemeni crisis and its support for the Houthi militias with money and weapons. A report by the Yemeni Army website states that the Houthis recently received mines and explosives manufacturing equipment from Iran, including explosive devices and all kind of mines. Similarly, the report of the British Research Center (Conflict Armament Research) earlier documented the mass use of mines by the Houthis along the western coast of Yemen and the port of Hodeidah. It is noteworthy that Human Rights Watch issued a report last week proving the mass use of mines by the Houthis which prevented access to vulnerable communities by relief organizations. Human Rights Watch called on the UN and the UN Security Council to investigate this issue and to identify all individuals and entities involved so that they can be tried since the use of mines constitutes a war crime. In this context, the King Salman Humanitarian Aid & Relief Centre announced the clearance of 52,000 mines since last June.⁽¹⁹⁾ The legitimate government in Yemen, the regional powers and many representatives of the major international powers continue to condemn Iran's direct involvement in obstructing the political solution by supporting the Houthis and not encouraging them to comply with the comprehensive peace process in Yemen. During an interview with the American newspaper "Hill," the US Secretary of State Pompeo said, "The Houthis continue to refuse to comply with the agreements that they signed up for in Stockholm, Sweden, and Iran directs them to do that." He also added, "the weapons used by the Houthi militia are smuggled from Iran."⁽²⁰⁾

Conclusion

All the regional and international forces support the political solution in Yemen. The legitimate government also continues to call on the international community to put an end to the Iranian intervention in Yemen and to ensure the commitment of the Houthis to the outcome of the agreement they signed in Sweden, which was described by the legitimate government as a turning point in the process of building a comprehensive political project in Yemen. This is demonstrated by the statements of officials in the legitimate government that the government will not be involved in any other agreement unless the Houthis comply with the Stockholm agreement. However, the Houthi militia is not complying with the terms of the agreement as supported and directed by Iran. This Iranian approach has encountered wide political responses regionally and internationally.

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International Affairs

International Affairs discusses the most prominent developments Iran has undergone in the international arena amidst growing tensions between Iran and active international players and the US maximum pressure strategy towards Iran. The United States designated the IRGC as a Foreign Terrorist Group (FTO) and canceled the sanctions waivers for Iranian oil imports, triggering a chain of international reactions. It also explores the recent developments in Europe-Iran relations, especially the thorny issues which have resulted in the Iranians doubting the Europeans. The Europeans align themselves with the US position on Iran, though not publicly.

The US escalation definitely affects Russia-Iran relations. Iran has become reliant on its economic relations with Russia, aiming to increase the trade volume with Moscow to make up for the economic loss following the withdrawal of European companies from the Iranian market. Despite their economic partnership, Russian and Iranian forces have clashed in Syria due to disputes over spheres of influence and contracts in Syria's reconstruction phase. Iran-Pakistan tensions have dramatically increased following the consecutive armed attacks that Balochistan's militants carried out on the eastern borders of Iran, consequently a joint rapid reaction force was proposed to counter militancy around the volatile border area between the two countries.



IRAN AND US

US-Iran relations witnessed significant developments in April 2019. We explored these developments in our report as follows:

First: Nature and Features of US Pressure on Iran

The United States tightened its pressure on Iran by adopting the following measures:

1. The designation of the IRGC as a Foreign Terrorist Group (FTO)

On April 8, the United States announced the designation of the IRGC as a FTO and added the group to its terrorist blacklist; the move took effect on April 15. The United States said that this decision was taken due to the terrorist activities of the IRGC and its military and intelligence units which have destabilized regional security, as well as due to the assassinations it has carried out inside and outside of Iran, its intertwined relationship with other terrorist groups like IS and Al-Qaida, and its operation of economic foundations that fund global terrorism. The US special envoy for Iran clarified that the aim behind the designation of the IRGC as a FTO or any measure taken against Iran is to change Iran's behavior.

2. Ending sanctions waivers on Iranian oil imports

On April 22, the White House announced that US President Donald Trump decided not to reissue the waivers for the countries importing Iranian oil. These waivers expired on May 3, 2019. According to the National Defense Authorization Act (NDAA), there must be a sufficient supply of petroleum and petroleum products from different sources to compensate for the reduction of sanctions waivers. The US Department of Energy



confirmed the fulfillment of this condition as US oil production has increased.⁽¹⁾ The White House announced that Saudi Arabia and the UAE had agreed to compensate for any shortfall in the oil market following US sanctions on Iranian oil exports.

This move plays an integral role in the US strategy of maximum pressure to force Iran to change its behavior. The United States aims to cripple Iran's economy through imposing a complete oil embargo on Iran, as well as economic sanctions on its financial transactions with other countries. If these measures do not drive Iranian oil exports to zero, they will reduce oil revenues to the minimum level due to the financial sanctions imposed.

Table 1 illustrates the sanctions that the US Department of Treasury imposed on Hezbollah and its linked entities. This move is part of a US initiative to drain Hezbollah of its financing sources, offering \$10 million for information on three financiers of the group.

Table 1: Sanctions on Iran 2019 - Department of the Treasury

Date	Sanctions	Reason
April 11	Sanctions on a Lebanese national and two entities	Money laundering and providing financial funding to Hezbollah
April 24	Sanctions on two individuals (Lebanese and Belgium) and three entities (two in Belgium and one in the UK)	A part of a program targeting the Iranian-backed Hezbollah

Source: Rasanah IIIS

Moreover, the official Youtube channels of Iran's Press TV and HispanTV (in English) were blocked over violating Google's terms.⁽²⁾

Second: Iran's Responses and Approaches to Address US Pressure

Apparently, Iran's policy is confined to mere responses without laying down a plan to address US sanctions. Iran's responses to US sanctions can be presented as follows:

1. Responses to the designation of the IRGC as a FTO

At the political level: The Iranian Supreme Leader, the government and the military institutions rejected the US decision. The remarks made by Iranian officials indicated that Iran will adopt confrontation to address US sanctions.⁽³⁾ The Iranian Parliament submitted a bill signed by 215 lawmakers, placing the US Central Command (CENTCOM) on the country's terror list.⁽⁴⁾ The Iranian Parliament's National Security and Foreign Policy Committee passed a double-urgency motion to take a reciprocal measure against the US designation of the IRGC as a FTO. The Iranian Parliament approved 14 plans in its open session to address the US pressure campaign.⁽⁵⁾

At the economic level: The Iranian Parliament urgently began drafting a bill to boycott all Apple products and the Ministry of Communication will stop registering its products in Iran.⁽⁶⁾

At the public level: All political parties, with their variant orientations, supported

the IRGC. The Iranian government seized the opportunity to make all parties stand in solidarity with the IRGC and its leaders.⁽⁷⁾

At the diplomatic level: The Iranian Foreign Minister Javad Zarif sent a letter to the UN Secretary-General Antonio Guterres, strongly condemning Washington's decision and calling it, "baseless and provocative." Zarif added, "It is a hostile measure against Iran representing a grave threat to regional and international peace and security."⁽⁸⁾

Without a shadow of a doubt the decision has serious implications for the IRGC despite their continuous threats. A former IRGC commander said that the IRGC was originally created after the 1979 revolution to guard the values of the revolution and its achievements. Maintaining national security has become more difficult than before, he added.⁽⁹⁾

2. Responses to ending the sanctions waivers on Iran's oil exports

Iran's Supreme leader outlined the framework for the country's policies. He said, "We can export our oil as much as we need to and in any quantity, we need to...They [the US] will receive an appropriate response to this hostility."⁽¹⁰⁾

It is likely that the Iranian decision-makers did not think that the United States would adopt a tougher stance by canceling sanctions waivers on all Iranian oil exports. "If the United States decides to increase the pressure on Iran, the oil market will become more fragile," the Iranian Oil Minister Bijan Namdar Zangeneh said.⁽¹¹⁾ The US decision poses a serious challenge to the Iranian government, as approximately 50 percent of its budget depends on oil revenues.

To address the US decision, Iran has taken proactive steps by relinking and improving complex networks and methods to circumvent sanctions on its oil exports and to receive oil revenues. Iranian officials admitted to doing so. Iran's strategy of confrontation will be through exerting more efforts in circumventing sanctions. A member of the Iranian Parliament's Energy Committee Ali Bachtyar said in April that the Committee had laid a plan in cooperation with the Ministry of Oil to continue exporting oil under parliamentary supervision.⁽¹²⁾ The government had announced the 2019 budget, which increased its non-oil revenues to mitigate the harsh impact of the expected decision by the United States.

Though some voices have called for Iran to move towards a non-oil economy, believing this is the best time for Iran to benefit from the current sanctions to achieve this objective, however, it became apparent that such voices were purely for propaganda purposes and totally idealistic.





Third: International Positions on the US Decision

The US decision does not only target Iran but also the countries granted sanctions waivers on its oil exports: China, India, South Korea, Greece, Italy, Taiwan, Japan and Turkey. Some of these countries tried to extend their sanctions waivers but failed.

It was reported that Taiwan, Italy and Greece almost did not benefit from sanctions waivers but at very minimum levels. South Korea and Japan have decreased their oil imports from Iran in recent months. India is ready to deal with another oil exporter if available.

China relies on the diversification of its oil sources. It had not previously complied with US sanctions on Iran. It also believes that it does not have to comply with US sanctions as they are against international law.

Whereas neighboring countries like Iraq and Turkey have bilateral economic relations and large trade exchanges with Iran, they also depend on Tehran in terms of energy. Their geographical location does not only pave the way for Tehran to smuggle its oil exports but also to sponsor international networks to bypass US financial sanctions. This way Iran can thwart the US policy aiming to drive its oil exports to zero in the upcoming phase. Needless to say, Iraq according to Iran has a greater strategic position than Turkey due to widespread Iranian influence there.

India's position is still pending. It can give up on its Iranian oil imports if it finds an alternative. New Delhi already suspended its Iranian imports due to the US decision.

Delegations of these countries had visited the United States to extend the sanctions waivers on importing Iranian oil, however, Washington seemed very determined in applying its maximum pressure strategy on Tehran.

Fourth: Potential Impacts and Consequences of US Decisions

The US decisions against Iran increased tensions and diminished, to a great extent, possible dialogue between the two countries. The potential consequences of US decisions are explored as follows:

1. Consequences of the designation of the IRGC as a FTO

Following the US designation of IRGC as a FTO, the United States can legitimately target the IRGC. It can impose direct and indirect restrictions on its activities and affiliated entities. It is likely that Washington will impose more sanctions on the IRGC, its units and leaders. Moreover, the decision may smooth the path for more serious measures such as the assassination of IRGC leaders, and the US might pursue sanctions on the Iranian President Hassan Rouhani due to the funding of the IRGC's terrorist activities.

The decision will escalate the economic pressure on the Iranian government. The reconstruction process that the IRGC is supposed to carry out in Syria and Iraq may be stopped as the entities affiliated with the IRGC may withdraw to avoid sanctions. Moreover, other entities which have economic relations with the IRGC may reduce their trade volume. It is reported that the IRGC plays an integral role in Iran's economy and is instrumental in addressing US sanctions on Iranian oil and financial sectors. Therefore, it may impact the EU's special trade channel, known as INSTEX, though it is not operational, taking into account that the European Troika, which publicly expressed its support over the designation of the IRGC as a FTO, voiced concerns over the relationship of its companies with IRGC affiliated companies. Now it is looking for a way out to avoid US sanctions.

The decision will support President Trump to place pressure on the governments of Iraq and Syria which cooperate with the IRGC. This will impact its movements and activities as well as its collaboration with other militias. The US may impose on these militias sanctions and add them to its terrorist list.

It is also highly significant in assuring US allies in the region that they are not alone in addressing Iran's threat, hindering Iran from reaping gains from its military presence and widespread influence in the region. It also contributes to enhancing the US military presence in the Middle East.

On the other hand, US concerns about a potential backlash against US troops by Iran are rising. It may strengthen the power of Iran's top military brass, taking into account that thousands of Iranians will be charged with terrorist acts. The decision will stop US-Iran cooperation in the war against IS, escalating tensions and destabilizing the region in addition to jeopardizing maritime functions at international strategic straits. It is likely that Iran will place further pressure on the Iraqi Parliament to issue a law to expel US troops from Iraqi territories. The withdrawal of US troops may also happen in Lebanon, Yemen and Syria.⁽¹³⁾

2. Consequences of canceling sanctions waivers on Iran's oil exports

Given the role that the IRGC plays in mitigating US sanctions in cooperation with China, Russia, Turkey and Iraq, the designation of the Revolutionary Guard as a FTO might have been a prelude to canceling the sanctions waivers. The US decision is probably a message to these countries and their companies that they have to stop cooperating with Iran.

Iran's oil exports dropped to about 1 million barrels per day (bpd) from more than 2.5 million bpd prior to the reimposition of sanctions.⁽¹⁴⁾ The decline in Iranian oil

exports increased inflation to 51.4 percent, contradicting the expected estimation that it will not exceed 30 percent. Moreover, the price of basic food, water and cigarettes has increased by 85.3 percent since 2018. Last year, while one dollar bought 40,000 rials, it reached 140,000 rials in April 2019. As oil exports are declining, the economic crisis will worsen, the government budget will lose almost half of its main income – oil revenues.⁽¹⁵⁾ Needless to say, none of Iran's oil importers, or even Russia and the European Union, can or are willing to challenge the US measures.

As it is not likely to drive down Iran's oil exports to zero, it is not also possible that Iran will close the Strait of Hormuz. Iran will not resort to this end unless the United States imposes a complete oil embargo on Tehran and prevents Iranian oil tankers from navigating through the Strait of Hormuz. If Iran closed the Strait of Hormuz marine insurers may decide to refrain from insuring oil tankers in the Strait. In the 1980s, Iran was able to prevent Iraq from exporting its oil through the Strait.

Though the US decision has serious ramifications on the stability and economy of all countries in the region, Iran will be the most affected country here. The decision will provide more than enough justification to carry out the toughest scenarios including military intervention. If that happened, Iran would have nothing but to wait or negotiate with the United States.

IRAN AND EUROPE

The mutual distrust between the Iranians and the Europeans has been increasing recently as the latter did not meet their pledges to safeguard the nuclear deal. The Iranians did meet European demands. In this part, we explore the interactions between Iran and Europe during April through the following points:

First: The European Position on the US Pressure Strategy Against Iran

1. The European position on the designation of the IRGC as a FTO

The European Union neither supported nor opposed the US designation of the IGRC as a FTO, unlike its position on the US withdrawal from the nuclear deal. The Spokesperson for EU Foreign Affairs and Security Policy, Maja Kocijančič, made remarks on the US decision saying that the EU does not have a specific statement and it is not on the table yet.⁽¹⁶⁾ However, the Europeans have aligned with the US position on the IRGC. The Europeans hold the IRGC accountable for human rights violations and acts of repression against the Iranian people, as well as its pursuit of a ballistic missile program, its continuous threats to destroy Israel, its running of proxy militias in Iraq, Syria, Yemen and Lebanon, and carrying out terrorist attacks in France, Denmark, the Netherlands and Albania.

2. The European position on canceling the sanctions waivers on Iranian oil exports

Unlike their lukewarm response to the designation of the IRGC as a FTO, Germany, France, the UK and the High Representative of the Union for Foreign Affairs and Security Policy expressed concern over the US ending sanctions waivers on Iranian oil exports. They issued a statement clarifying their position. According to Iran, Europe is highly significant. The European position may trigger a serious crisis; Iran may reduce the commitments it made under the nuclear deal, leading to the collapse of the whole deal which the Europeans do not want.

3. The reimposition of human rights sanctions

The Europeans pay great attention to human rights in Iran. The city council of Paris granted honorary citizenship of the city to Nasrin Sotoudeh on April 1, 2019 in honor of her fight for fundamental human freedom and women's rights. The members of the council called for the immediate release of Sotoudeh.⁽¹⁷⁾ The Dutch Parliament's plenary meeting with the Committee for the Liberation of Political Prisoners was attended by Iranian human rights activists and Dutch parliamentarians. They discussed the dangerous conditions of political prisoners and the serious human rights violations in Iran, calling for further pressure on the Iranian government to tackle human rights violations.⁽¹⁸⁾

On April 13, the European Union announced its decision to extend human rights sanctions on Iran for one more year. The freezing of assets and visa bans apply to 82 Iranian citizens – including several judges and prosecutors, members of the Islamic Revolutionary Guard Corps, senior police officers, and prison wardens – as well as a ban

on the export of equipment to Iran that could be used for internal repression and to monitor telecommunications. These sanctions were imposed in 2011 and reimposed annually.⁽¹⁹⁾

The human rights sanctions are not applied under the nuclear deal. The European Union imposed sanctions after several Iranians were killed and thousands were detained following the 2009 elections.

4. A call for a UN investigation into Iran's ballistic missile program

France, UK and Germany accused Iran of developing ballistic missiles in violation of the UN resolution. On April 2 they called on the UN Secretary-General António Guterres to submit a complete report on Iran's ballistic missile program. They stated that Iran launched a spacecraft and unveiled two ballistic missiles in February, violating UN Resolution 2231.⁽²⁰⁾ The ballistic missile program is one of the thorny issues between Iran and Europe. The European countries, including France, have threatened to impose sanctions over its ballistic missile program.

5. European governments continue to monitor Shiite centers

The German Ministry of Interior suspended the funding of the Islamic Society of the Shiite Communities in Germany. German intelligence also considers Hamburg's Islamic Center Iran's arm in Germany. However, the German Federal Government also claimed that the Center was influenced by extremist Shiites.⁽²¹⁾ These findings coincided with growing European concerns over the increased activities of Shiite centers and Iranian agents hiding undercover at these centers.

Second: The Repercussions of the European Position on Its Relationship with Iran

1. The declining trade volume

The value of trade transactions between Iran and the EU during the first two months of 2019 reached 756 million euros, which represents a fifth of the transactions between the two parties compared with a similar period last year in January and February 2018 with more than 3.72 billion euros. According to the statistics of the European Economic Information Department (Eurostat), EU imports from Iran in the first two months of the year 2019 dropped to 136 million euros, which is only 16 percent of the EU imports from Iran compared with a similar period last year with 2.157 billion euros. The EU's exports to Iran in January and February 2019 plunged to 620 million euros, less than half compared with a similar period last year with more than 1.563 billion euros. The sharp drop in Europe's imports from Iran is due to the halt of Iranian oil purchases by the European countries due to US sanctions against Iran. In fact, Germany is one of the European countries that has significant commercial transactions with Iran since it was the largest European importer of Iranian goods during the first two months in 2019, and the largest European exporter to Iran during this period with exports totaling 222 million euros.⁽²²⁾

The increased share of Saudi Arabia, Turkey and Iraq in the EU market will affect Iran's ability to compete with regional powers to access the European market. Apparently, Iran's three neighboring countries have taken Iran's share of the European market. However, Iraq is the biggest competitor for Iran with regard to the EU countries.

Undoubtedly, Europe's failure to meet its obligations to implement an effective mechanism for financial exchange will sharply impact economic relations between the two sides. At the same time, the Europeans are not willing to sacrifice their relations and interests with the United States. The Iranians also are concerned about their declining presence in the European market and the increasing presence of its rival regional states.



2. The European failure to meet their obligation to save the nuclear agreement

In spite of the European position on its ongoing efforts to save the nuclear deal with Iran and support it as long as it complies with the terms of the Joint Comprehensive Plan of Action (JCPOA), none of the European promises have been implemented yet. The French ambassador to Washington Gérard Araud's tweet reflected the divergence between the two sides and perhaps the European inclination toward the US position on the nuclear issue. "It's false to say that at the expiration of the JCPOA, Iran will be allowed to enrich uranium. Under the NPT and its additional protocol, it will have to prove, under strict monitoring, that its nuclear activities are civilian," he tweeted.⁽²³⁾ But the French ambassador deleted his tweet after the Iranian Foreign Ministry summoned the new French ambassador to Tehran, Philippe Tébou, and asked for clarification from the French government on this matter. Iran's Foreign Minister, Mohammad Javad Zarif, tweeted in reply to the ambassador's tweet, "Reminder to our E3 partners in #JCPOA: There is NO prohibition on the enrichment of uranium by Iran under #NPT, JCPOA or UNSCR 2231. Neither now, nor in 2025 or beyond. Might be useful for European partners to actually read the document they signed on to, and pledged to defend."⁽²⁴⁾

This debate reflects the fragility of the European position; Iran lost trust in the Europeans that they can play an effective role in saving the nuclear agreement. It seems that the Iranians, including those who hoped for maintaining the agreement, are completely desperate. This was confirmed by Zarif who expressed his lack of confidence in the foreign countries.⁽²⁵⁾

INSTEX, the financial exchange mechanism, is still out of service despite the remarks of the French Foreign Ministry that the INSTEX financial mechanism between Iran and the European countries had made good progress.⁽²⁶⁾ Mr. Fischer, the President of INSTEX, said during his meeting with manufacturers and the heads of British commercial companies in London, that INSTEX is actively seeking to make its first trade exchange with the Iranian side as quickly as possible despite the inauguration of the Iranian institution equivalent to the European INSTEX, which was registered on April 22 in Tehran and announced its executive director as Ali Asghar Nuri.⁽²⁷⁾

In reality, there are challenges hindering the implementation of the financial exchange mechanism, especially since Iran has no intention of accepting the European conditions in order to activate the INSTEX mechanism, most importantly joining the

Financial Action Task Force. Zarif says, “When we do not achieve any interest of the agreements we were in why should we join in new agreements?”⁽²⁸⁾ This mechanism restricts financial transactions to only three countries: Germany, Britain and France. Moreover, its conditions create a framework for the trade of oil for food and medicine only, so what will it provide to Iran under the US strategy of maximum pressure?

Conclusion

European parties continue to pressure Tehran while there are no real steps taken by the EU Troika or the European Union to reassure Iran of the possibility of providing an effective mechanism to bypass US sanctions. The European position has definitely been a source of concern for Iran, exacerbating the lack of trust between the two parties. The Iranians accuse the European parties of supporting the United States in intensifying pressure on Iran indirectly without declaring it.

In fact, the scope of efforts and maneuverability with the European parties is limited given the maximum pressure campaign adopted by the Trump administration and the level of cooperation proposed by the European side which is limited to the mechanism of financial exchange, INSTEX, with the participation of the European Troika. If it is implemented, its results will be limited as financial transactions are confined to humanitarian goods only while Iran is seeking to establish a mechanism through which it can obtain its revenues mainly from the sale of oil along with other export revenues.

The desperation that prevailed among the Iranians as a result of the European position is what most likely led Zarif to stress the need to not rely on foreign countries, but to hope for the ability of the internal front to stand by the regime.

IRAN AND RUSSIA

Russia and Iran concluded a series of agreements at the 12th round of the Astana Talks on Syria held in Kazakhstan in April 2019. The agreements will facilitate the set up of the Syrian Constitutional Committee, the ceasefire between the Syrian government and opposition forces, the exchange of prisoners, the flow of humanitarian aid, and the return of Syrian refugees.

Russia and Iran did not validate reported clashes between their respective forces in Syria in April while attempting to uphold the ceasefire in Aleppo.

The two countries sought to advance financial and commercial transactions between them, but subject to mutual political agreements, and to expand regional cooperation mindful of restrictions posed by the US-led sanctions regime against Iran.

Russia and Iran continued to explore complementary political regional roles, but there are no signs that a strong strategic partnership between them will emerge amidst disagreements over their respective spheres of influence in Syria and how to circumvent the sanctions regime. Iran expects Russia to willingly accommodate Iranian interests during sanctions, but Russia needs to ensure that sanctions do not target its major political and economic dealings with the West. Russia is mindful that Iran could ignore it and try to reach out to the West at any point if given the chance, as it did after the signing of the nuclear agreement, or the Joint Comprehensive Plan of Action (JCPOA), in July 2015.

First: Economic Relations Between Russia and Iran

At the 140th Assembly of the Inter-Parliamentary Union (IPU) held in Doha, Qatar, from April 6-10, Iran's parliament speaker Ali Larijani and the Chairman of the Russian State Duma Vyacheslav Volodin met and discussed implementing existing bilateral agreements between their respective countries while tight US-led international sanctions are reimposed against Iran.⁽²⁹⁾

In Doha, Larijani proposed that Iran's legislative and executive branches host future meetings with their Russian counterparts in Tehran to facilitate the implementation of economic and political agreements. Volodin welcomed the invitation to meet in Tehran but suggested that mutual agreements could be implemented if Iran adopts common positions with Russia in forthcoming bilateral and regional meetings. Larijani called on Russia to strengthen contacts with Iran's neighbors including Iraq and Turkey for forthcoming inter-parliamentary meetings, including an anti-terrorism summit scheduled to take place in Turkey and at the future Eurasia summits to be held in Kazakhstan.⁽³⁰⁾ Iran and Russia further agreed to hold a summit with Azerbaijan in mid summer to boost economic relations.⁽³¹⁾

Washington's efforts to disrupt financial mechanisms that enable trade with Tehran will challenge Iran's bilateral and regional economic initiatives with Russia. The Russian EU Representative Vladimir Chizov has warned that the Instrument In Support of Trade Exchanges (INSTEX), which would allow trade with Iran, could actually fall apart because of US pressures. Chizov said that Europe should work to preserve INSTEX. Iran charges that Europe has not done enough to support this new financial mechanism to

facilitate trade with Iran. However, it has also agreed to set up a new financial mechanism similar to INSTEX with Turkey, and says that the INSTEX mechanism with Europe will begin operating in Iran under the rubric of the “Trade and Financial Provision Mechanism of Iran and Europe.”⁽³²⁾

Iran-based analysts argue that the country will not need to compete with Russia to attract customers to sell Iranian oil after the US ended exemptions in early April to allow at least six countries to import Iranian oil and pay for it. Russia's oil customers are mostly different from Iran's. Iran is also willing to sell oil through the black market and at lower-than-market prices so it can attract international customers and circumvent the sanctions regime that targets its oil industry.⁽³³⁾

Though Russia tried to dominate Iran's oil and gas sector after the signing of the nuclear deal in July 2015, Iran tried to break the Russian monopoly over its energy markets by entering into oil consortiums with Asian and European companies. Russian companies have by and large pulled out of Iran's oil and gas sector since the United States ended its commitment to the JCPOA and reimposed sanctions on Iran's oil industry last year.

Iran's efforts since to expand bilateral relations with Russia have not paid off, as the Russians harbor misgivings about Iran's regional ambitions, and want to make sure that Tehran does not undermine Russia's wider global interests.

Iran recognizes that while large Russian banks will restrict trade with Iran, and Moscow will likely limit the barter of Iranian oil for Russian goods in order to avoid US sanctions, smaller Russian banks and commercial entities might work with Iran if they do not have financial connections to the United States. Under the previous round of US sanctions against Iran imposed during the Obama administration, some oil exchange and barter of goods did take place between Russia and Iran.⁽³⁴⁾

Within OPEC, Iran says that Russia's real interest is to keep oil prices stable and relatively high at \$70-\$80 per barrel. Saudi Arabia could step in to produce more oil for international markets to make up for the cut in Iranian oil. This means that Russian-Iranian interests over oil will not directly clash because Russia will likely join larger market trends that Iran has less control over in any case.⁽³⁵⁾ Russia has so far given only a measured response to the US policy to force zero exports of Iranian oil by ending treasury extensions to countries that want to purchase its oil. President Putin says it is too early to assess the impact on the price of oil, though it has fallen since the ending of exemptions, and insists on Russia's observer status collaboration with OPEC as US lawmakers attempt to question the organization's collaborative mission to set international oil prices.⁽³⁶⁾ Putin's statement points to Russian commitment to keep oil prices higher than what the United States wants.

Saudi Arabia will aim to remain a swing producer



in OPEC. It wants higher oil prices but accommodates US energy interests to prevent sudden oil price hikes. As a result, Riyadh will try to work with Moscow to maintain rational oil prices that help their economic growth.

Iran is unhappy with Saudi Arabia's oil policies should they lead to the flooding of oil markets, but Tehran remains skeptical about this prospect given the challenges in raising and sustaining higher production levels in Saudi Arabia. However, Iran lacks high production capacity. As a result, any Saudi-Russian energy partnership promises to kill Tehran's chance of influencing Moscow to collaborate fairly with Iran in oil pricing and production projects.



Iran continues to depend on Russia's potential and actual capacity to help it avoid sanctions. It expects to set annual trade with Russia at \$10 billion, as highlighted in Iran's sixth national development plan. However, bilateral trade between the two countries is hardly a fifth of that level. Russia will make sure its large banks and institutions abide by US sanctions, but Iran believes that smaller Russian firms will be open to working with it, especially as they also help Moscow overcome the pressures of a series of US sanctions on Russia.⁽³⁷⁾

Even so, Russia will seek maximum advantage for its companies when it comes to trading with Iran. Russia places heavy tariffs on Iranian goods and refuses to build up its infrastructure to allow more Iranian products into Russian markets. Despite Iran's efforts to expand air and railway transportation with Russia, Moscow continues to dampen Iranian ambitions by slowing down a South-North trade corridor to offer transit routes from Iran to Russia, the Caucasus and Central Asia. Russia

and Iran have signed on to agreements to reduce tariffs for three years through joint free economic zones, including on a list of 500 products that comprise half of the trade between Iran and the Eurasia economic union countries.⁽³⁸⁾

Second: Political and Security Relations Between Russia and Iran

Iran and Russia retain security contacts through military exhibits, the exchange of military personnel, counter-terrorism efforts, and efforts at building a regional security pact. The military contacts between the two are critical to Iran, though under sanctions Iran can no longer be a main recipient of Russian arms sales.

Even so, Russia plays an important role balancing military relations across the region, including through the sale of Russian arms to Turkey and Saudi Arabia.⁽³⁹⁾ Even as the United States seeks to sanction countries like Turkey to prevent them from buying sophisticated Russian weapons such as the S-400 missile defense system, the regional



shift to buying Russian arms is underway and it serves to increase Russia's regional influence as a balancer while Iran tries to restore better ties with both Turkey and Saudi Arabia. This serves Russia's larger goal of retaining regional peace. However, it can also impede Iran's regional military advancements, particularly as Russia increases sales of arms and missile defense systems to Syria, including advanced S-300 missile defense systems that Iran also has, in order to better dictate the outcome of the conflict there. Saudi purchases of Russian arms with an eye on receiving the S-400 missile system could further allow Riyadh to influence Moscow to coordinate its policies in Syria in a manner that contains Iranian advancements.

Russia and Iran have agreed to collaborate to contain the spread of terrorism along their borders. Both have condemned the movement of Islamic State (IS) forces into Central Asia. Both have charged the group for stirring unrest in neighboring Afghanistan. According to a statement by the Deputy Coordinator of the Khatam al-Anbiya Base, Brigadier General Ali Shadmani, Moscow and Tehran have good reasons to work together in the forthcoming counter-terrorism meeting in Turkey, in light of an increasing presence of IS forces in the region.⁽⁴⁰⁾

On April 9, the head of the Iranian Parliament's National Security and Foreign Policy Commission, Heshmatollah Falahatpisheh, traveled to Moscow on an invitation from the Russian Duma's International Affairs Committee chief Leonid Slutsky.⁽⁴¹⁾ Together with representatives from Turkey, Iran and Russia discussed ways to establish peace in Syria, viable regional peace and inter-parliamentary collaboration. Iran, Russia and Turkey also agreed to hold an international conference to facilitate the return of Syrian refugees.⁽⁴²⁾

Russian-Iranian relations remained strained over Syria. Iran has tried to avoid Israeli air attacks on its military installations in Syria, while Russia has refused to pressure Israel enough to halt the attacks. Meanwhile, President Trump has vowed to provide Israel military coverage to better enable the targeting of Iranian installations in Syria. Israeli aircraft reportedly even flew over Lebanese airspace to hit a number of targets in

Syria on April 13.⁽⁴³⁾ The attacks came on the heels of Prime Minister Netanyahu's visit to Moscow and private discussions with President Putin on April 4.

Russian and Iranian forces reportedly clashed in Syria in mid-April. Some 11 people were killed as a result in Aleppo. Syria tried to downplay the clashes and denied they took place.⁽⁴⁴⁾

Iran remains wary of Russian and Turkish collaboration over Syria including their efforts to negotiate with armed forces opposed to Damascus. Russia has stalled a full-blown assault on the armed opposition around Idlib where Iran and Syria are anxious to force the opposition groups out.⁽⁴⁵⁾

Iran is further concerned that its forces might be pressured by Russia to leave Syria. To address these concerns, Russia's Special Representative to Syria, Alexander Lavrentev, has said that Iran's presence in Syria is legal and that holding a working group to examine the withdrawal of foreign forces from Syria has nothing to do with Iran's legal presence in the country on the invitation of Damascus. He also stressed that Iran abides by its promise not to establish a military presence along the Golan Heights in an area of around 75 km to 80 km near Israel's borders.⁽⁴⁶⁾

Iran depends on its close relations with Syria to repopulate Syrian cities with Alawites and Shias who have lost homes in the Syrian conflict. Iran also competes with Russia for commercial contracts in Syria. Russia has its own set of investment deals with Damascus as Syria tries to handle a fuel crisis and may be forced to replace Iranian oil shipments with Russian deliveries.⁽⁴⁷⁾ Russia further attempted to secure its influence in Syria by signing an agreement last year giving Moscow rights to produce oil and gas in the country. Although the damage to Syria's petroleum infrastructure is significant, Russia has committed to rebuild Syrian power plants, pump Syrian gas and construct mills over the next 25 years, just as Iran's oil supplies to Syria halt under sanctions. However, Iran relentlessly competes with Russia over Syria. Tehran has plans for a railway line from Tehran to Damascus through Iraq, and the Syrian government announced in April that it intends to lease the port of Latakia to Iran from October 2019, in response to an official Iranian request. In January, Iran and Syria agreed to set up a bank transfer deal to finance their joint investment projects.⁽⁴⁸⁾

On April 25-26, Russia, Turkey and Iran met in Astana to discuss and finalize the Syrian peace process. At the meeting, they condemned the US recognition of the Golan Heights for Israel, agreed that Iraq and Lebanon should become observers in the Astana talks on Syria, condemned the armed opposition al-Nusra Front, and vowed to prevent the breakup of the ceasefire around Idlib. They also committed to finalizing the Syrian constitutional process.⁽⁴⁹⁾ The three countries must still agree on 150 opposition names to participate in a constitutional commission and are close to clearing roughly 147 names.⁽⁵⁰⁾ The three parties also vowed to jumpstart humanitarian aid to Syria and facilitate the return of Syrian refugees. However, the Syrian government has yet to fully accept the proposed constitutional process.⁽⁵¹⁾ Russia, Iran and Turkey will also facilitate the exchange of prisoners in Syria.⁽⁵²⁾ They have vowed to strengthen their inter-parliamentary meetings and contacts as well.⁽⁵³⁾

Following Astana, the Chairman of the Russian State Duma Foreign Affairs Committee, Konstantin Kosachev, announced that Moscow would not allow Western pressures to derail Russian-Iranian cooperation.⁽⁵⁴⁾

Javad Zarif's planned visit to Moscow on May 8 comes on the heels of a trip he makes to North Korea. Iran is keen to consolidate its partnership with Russia and North Korea to circumvent US sanctions right when the United States has ended Treasury Department extensions that would have allowed Russia to continue research and military nuclear collaboration with Iran under the terms of the JCPOA. Iran has vowed to resume some

of its nuclear activities as a result of US pressures, and Russia may continue working on other aspects of the Iranian nuclear program that are permissible under the JCPOA. Iran has also announced that it will lower its compliance to the JCPOA in two phases in the next two months unless parties to the nuclear agreement commit to upholding its provisions.⁽⁵⁵⁾

Conclusion

The Russian-Iranian partnership on the economic and political fronts continued to progress in April, but it fell short of a strategic partnership. Russia and Iran lack sufficient convergence over their mutual security interests. Furthermore, Russia refuses to sacrifice its economic interests for Iran. But Moscow and Tehran continue to explore collaborative measures. Russia has not immediately sought to over-produce oil to make up for the cut in Iranian oil. Further tensions with the United States over the sanctions will intensify Russian-Iranian interactions. This will not mean that Russian and Iranian policies will always converge, because Tehran is unable to gain Moscow's trust in matters of foreign policy in general and on ways to circumvent the sanctions regime. Iran's quick embrace of Europe at the expense of ignoring Russian interests after the nuclear deal was made back in 2015 tells Russia that it must keep Iranian ambitions under control.

IRAN AND PAKISTAN

Relations between Iran and Pakistan have been strained over the last few years because of cross border militant attacks and due to Iran edging closer to Pakistan's main rival, India, by giving New Delhi access to Chabahar Port and to Afghanistan's market by bypassing Pakistan. To counter India's regional ambitions, particularly its extension into Iran, Islamabad has been working hard to bridge relations with Tehran. In particular, the thorn in their relations has been militant attacks across their mutual border. Last month's Iran case file discussed the proposed 950km fence to be built by Pakistan to securitize the porous border between the two countries to hinder militant attacks. Following on from this, Pakistani Prime Minister Imran Khan's visit to Tehran in the aftermath of a major Iran- based militant attack on Pakistan's armed forces set the ground for the formation of a joint rapid reaction force to counter militancy around the volatile border between the two countries. This month's Iran case file will analyze this latest initiative and in particular the details of the rapid reaction force (i.e., its size, how will the costs be shared, under whose command it will operate, etc.) and whether such an initiative is likely to be successful. However, before delving into this analysis, it is important to provide the backdrop to the latest visit by Prime Minister Imran Khan to Tehran.

First: Militant Attack on Pakistan's Armed Forces

On April 18, 2019, the Pakistani Foreign Ministry said that militants had crossed from Iran and attacked Pakistan's armed forces in the Baluchistan province, killing 14. This incident took place when Pakistan's armed forces were traveling on three or four buses on the Makran coastal highway between the port city of Karachi and Gwadar port in the southwest.⁽⁵⁶⁾ What was worrying for Pakistan was that the attack was carried out by a new Iranian-based Baluchi separatist group, Raji Aajoi Sangar, adding to Pakistan's security concerns.⁽⁵⁷⁾ The Pakistani Foreign Minister, Shah Mehmood Qureishi, urged Tehran to take action against the militants who had returned to their camps in Iranian territory. Qureshi spoke with his Iranian counterpart, Mohammed Javad Zarif, to share Pakistan's initial findings into the attack, demand that Iran do the same and for its security agencies to take firm action against the perpetrators.⁽⁵⁸⁾ As the attack happened a few days before Prime Minister Imran Khan's planned visit to Tehran, Iran anxiously waited to see whether the incident would result in the Pakistani Prime Minister canceling his visit. The need for the visit to go ahead as scheduled was of paramount importance to Tehran as the US maximum pressure strategy escalates against it with the recent US decision not to renew waivers to eight countries to continue importing Iranian oil. However, given the importance of improving relations with its neighbor for security, economic and geopolitical motives, Pakistan did not cancel the visit. Prime Minister Imran Khan took the opportunity to visit and to lodge Pakistan's complaint with President Hassan Rouhani directly.

Second: Imran Khan's Visit to Tehran - Security Dominates

On April 21, 2019, Pakistan's Prime Minister Imran Khan visited Tehran, beginning his

visit in the northeastern Shiite holy city of Mashhad. This was significant, as it allowed Imran Khan to consolidate his party's Shiite support base at home and to show affiliation with Pakistan's Shiite community at a time when it has been protesting against alleged injustices carried out by Pakistan's security agencies.⁽⁵⁹⁾ After this, Prime Minister Imran Khan flew to Tehran and met his counterpart, President Hassan Rouhani, and high on his agenda were security concerns. Prime Minister Imran Khan shared his concern over the Makran coastal attack during a joint press conference on April 22 with President Rouhani saying, "The most important reason why I'm here, Mr. President, is because I felt that the issue of terrorism was going to.....increase differences between our countries."⁽⁶⁰⁾ Both leaders agreed to take tighter security measures to deal with the wave of militant attacks which have hit both countries in recent months.



Unexpectedly, Prime Minister Imran Khan admitted Pakistan's soil had been used to carry out attacks against Iran, an admission which led to scathing criticism at home. Perhaps this admission was motivated by an attempt to break the ice and form a better understanding with Tehran as relations in the past have been tainted with suspicion and a lack of honesty from both sides. In the midst of a visit dominated by security concerns,⁽⁶¹⁾ Imran Khan aimed to "find ways to increase trade and cooperation...in energy and other areas," noting that two-way trade was "very limited." However, he refused to make any pledges, indicating the pressure Pakistan would face from the United States if it were to sign economic agreements with Tehran offsetting the US maximum pressure strategy against Tehran.

Third: Rapid Reaction Force - Details and Success

President Hassan Rouhani announced following closed-door talks with Prime Minister Imran Khan that "Iran and Pakistan will form a rapid reaction force to fight terrorism on their shared border."⁽⁶²⁾ Given the volatile security situation on the shared border, according to the Iranian reformist paper Ebtekar, "The joint rapid force was the biggest outcome" emerging from Imran Khan's visit.⁽⁶³⁾

Like the proposed fence to be built by Pakistan, the initiative to form a joint rapid reaction force lacks details. What was mentioned was that Pakistan's security chief will sit down with his Iranian counterpart soon to discuss the finer details.⁽⁶⁴⁾ This meeting will determine the future of this force as logistics, finances, equipment, technology, command, structure and cooperation need to be discussed. Without full details, it is difficult to judge whether this initiative will be successful or not. However, there are some indicators that can be used to reach a conclusion on the feasibility of this initiative. From a human resource perspective, Pakistan's forces are already overstretched along the border with India, in Kashmir, in its tribal areas and also in its interior to fight insurgency, so it is difficult to see how Pakistan will contribute to the rapid reaction force. This is in addition to Pakistan agreeing to form a security force to police CPEC projects and routes. From an economic perspective, Pakistan is in a deep economic crisis and is in negotiations with the International Monetary Fund (IMF) for a bailout package, and any loans agreed to will subject Pakistan to debt-servicing obligations. This will mean that Pakistan will not have the revenues available to spend on its own citizens, never mind on a new rapid reaction force. Likewise, Iran's economy is to face more stress with its oil exports likely to grind to a halt with the United States increasing its pressure on Tehran. From a logistical perspective, the border area stretches 950km along difficult terrain making it difficult for any rapid reaction force to get to where it is required quickly and poses significant risks to it. Therefore, considering the realities of both countries, it is difficult to see how this rapid reaction force will come into being, as both countries at this moment in time do not have the capability to move on this initiative. It seems that Pakistan's offer is more of a means to warm relations with Iran at a time when its military establishment is facing threats of Indian strangulation in the region, and to break any possible Indian siege the establishment is looking to improve relations with Tehran by presenting initiatives that might be pleasing to Iranian ears but in reality are somewhat meaningless. In addition, it just requires one more major attack on either side of the border or Iran strengthening its strategic relations with India to set back relations between the two countries again, and to derail any initiatives or agreements that were planned during Prime Minister Imran Khan's visit.

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