

MONTHLY REPORT



IRAN CASE FILE

Your window on Iran from inside and abroad

June 2019



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THE EXECUTIVE SUMMARY

During the month of June 2019, Iran achieved some successes in the midst of the US maximum pressure campaign against it. This was apparent in Iran's refusal to sit at the negotiating table unless US sanctions were lifted. There is also no international consensus on condemning Tehran for its targeting of oil tankers in UAE territorial waters and the Gulf of Oman. This led Iran to go ahead with its escalatory policy, downing a US drone over international waters according to the US administration as well as reducing its commitments under the nuclear deal.

The aforesaid situation has impacted the Iranian home front, where the radical conservatives are now much stronger than before when compared to other Iranian political currents. Marginal political and religious issues resurfaced again, such as committing to the Iranian revolutionary view of the Islamic hijab as one of the tools of political identification within Iranian society. The conservatives and the IRGC have exploited these partial and ephemeral successes which have been achieved within the framework of Iran standing up against US pressures. The reformists have felt more excluded and politically marginalized despite their artificial alliance with the moderate current led by Rouhani and winning the majority of seats in Parliament. Hence the First Vice President Eshaq Jahangiri, the representative of the Reformist Movement, is likely to resign as differences between him and President Rouhani mount due to the manner in which the economic team is managed, and Jahangiri being stripped of his powers leading to his inability to enforce any political act or even change his personal secretary as he puts it. All of this this, is indicative of the alliance between the moderates and reformists collapsing. This gives the supreme leader an opportunity to form a new political current which implements his political and economic vision as well as his directives, heralding a new era in the Khamenei-led dictatorship.

On the economic front, reports continued to emerge about China importing oil from Iran, further exemptions granted to Iraq from US sanctions, allowing it to import gas and electricity from Iran. The average Iranian oil exports range from 300,000 to 500,000 barrels per day, half of which were imported by China, which means Iranian exports have not been lowered to zero. This signifies a gradual relaxing of the embargo imposed on Iranian oil exports.

This move may have been taken deliberately by the US administration to encourage Iran to opt for the option of negotiations, especially when it is aware of the Chinese position on the sanctions imposed on Tehran. In the meantime, the United States has imposed a package of sanctions on Iran's supreme leader, his aides and IRGC commanders, preventing access to the global financial system in response to the downing of the US spy drone. Despite the symbolic dimension of these sanctions, they do curb the circumvention of sanctions by restricting the establishment of front companies through which IRGC commanders act to alleviate economic pressures on Iran. Although Iran is militarily weak compared to the United States and regional countries, it has preferred to take preemptive action and to demonstrate its unwavering stance without engaging in a direct military confrontation. This downing of the US spy drone aimed to gauge the preparedness and motives of the United States to wage any military operation. This policy led Iran to become certain that the United States has no desire to engage in a military confrontation with Iran at least for the time being and in the short run. This strongly motivated Iran to put diplomatic pressure on the Europeans and to stick to its policy of reducing its nuclear commitments, as well as to threaten to pull out of the nuclear deal.

On the Arab affairs level, Iran has used its clout in Iraq and Yemen to support its position in confronting the United States by showcasing its ability to exploit its proxy militias in both countries and targeting US forces in Iraq, which Iran could easily deny responsibility for, with the United States sensing Iran's ability to act on more than one front without incurring high losses in its conflict with Washington. Iran intensified its movements in Iraq, as it falls within the scope of its clout on the one hand, and to maintain its gains on the other hand. This is in addition to ensuring the implementation of its schemes in Iraq and working to reduce the United States' and Gulf nations' pressure cards in Iraq. Therefore, Iran accelerated measures to sign a bill aimed to encourage and support investment between Iraq and Iran amid intensifying shelling towards Arab and non-Arab targets inside Iraq and using it as a launching pad to shell targets beyond Iranian borders. This is to reiterate Iran's strong clout inside Iraq and that this country has become an Iranian area of influence. Tehran also aims to send political messages to the countries whose interests are targeted in Iraq that Iran has tools which it can use to wreak havoc and to target the interests of rivals in Iraq, seeking at the same time to ease tensions with the three Gulf capitals Riyadh, Abu Dhabi and Manama, with the aim of quelling tensions in the volatile Middle East in a way that helps improve the Iranian situation at a time when Iran is witnessing a tightening US siege. Iran did the same thing with regard to Yemen. To a great extent, Iran now has the final say over the political decisions of the Houthi militia when it comes to implementing, or stalling, the Stockholm agreement. The extent to which the Iran-US crisis is affecting the Yemeni crisis has become clear, either in the direction of complicating or easing it.

On the international arena, Iran opted to reduce its commitments under the nuclear deal and to violate the limits set out in the nuclear deal in particular concerning the amount of low-enriched uranium and heavy water permissible for Iran to keep on its soil.

The United States has backed down from carrying out a small-scale strike against Iran in response to the downing of its spy drone in order to avoid human casualties in Iran and for its response to be proportionate with Iran's action which led to no US casualties. The United States seemed unprepared to engage in an armed conflict in the Gulf although incidents such as the targeting of oil tankers in the region created an urgent need to form a force tasked with protecting maritime navigation against the dangers posed by recurrent Iranian acts of aggression. But the Iranian provocations which did not invoke a sufficient international response increased Iran's approval rating both in Tehran and in the provinces populated by non-Persian ethnic minorities. This was because Iran appeared stronger in front of its domestic audience after a series of attacks on Iran over the past two months which questioned the capabilities of the IRGC.



At the state level, if Iran decides to enter into negotiations regarding the nuclear deal, there is no doubt that its position in the negotiations will be relatively better off compared to the situation last May when the embargo was fully implemented on Iranian oil exports. There is also no doubt that when it comes to dealing with Iran's provocations, the US position requires some adjustment. The dimension of military pressure should be added to the maximum pressure strategy to achieve the main aim which is to change the behavior of the Iranian political system and to integrate it into the international community based on the criteria of peaceful coexistence and respect for the sovereignty of nation-states. These criteria are at odds with Iran's proxy war strategies and its activation of armed militias.

The heightened tensions witnessed in the Arabian Gulf region during the month of May 2019 posed some dangers to regional countries not directly engaged in the conflict such as Pakistan, which has an alliance with the United States, although relations at the time being are tense. Pakistan pursues a foreign policy towards the entire region enabling it to strike a balance in its relations with both Iran and Saudi Arabia. This balance ensures some stability at home especially in the areas of its common borders with Iran and curbs Iranian bias towards Pakistan's arch-foe India. The Pakistani position on regional tensions involves a lot of regional and international balances which may be substantially shaken by any military face-off between the United States and Iran.

MILITARY INSTITUTION IN IRAN BETWEEN REVOLUTION AND STATHOOD

EDITORS

Mohammed Saqr Alsulami
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Internal Affairs

At home, Iran began to attempt to overcome the crisis of dealing with the US maximum pressure strategy. The interactions among political forces at home emerged again. The clerics reasserted revolutionary concepts such as committing to the issue of wearing the hijab on the streets of Iran. This has become more of a political subject based on the power of the religious currents rather than being a religious affair. Also, divergences intensified between the reformists represented in the Iranian government by the Iranian Vice President Eshaq Jahangiri and the moderates led by the Iranian President Hassan Rouhani, which renders it possible that the two camps will not make an alliance in the coming parliamentary or presidential elections. Imposing sanctions on the supreme leader and his entourage of advisers and leaders, known as the house of the supreme leader, was the most prominent development at the economic level. Its significance is more symbolic than economic. But at the military level, the success of the IRGC in downing the US drone continued to grip the collective mind of Iran's public. It added further momentum to events and boosted the camp that is opposed to negotiations inside Iran.



THE IDEOLOGICAL FILE

This file casts light on the ideological developments in the Iranian arena during the month of June and the impact of these developments on the internal actors within the state and seminary. This month, the ideological file also sheds light on the resurfacing controversy concerning the hijab, especially after the security services attempted to enact the 'one observer bill' and encouraged clerics to implement it.

I. Clerics, Resurfacing Controversy Concerning the Hijab

The issue of the hijab in Iran stirs up controversy from time to time due to the strictness of Iran's political authority and religious elite on this issue. Iran believes that any concessions on this issue will be considered as a capitulation to modernity. In addition, any flexibility on this issue will be indicative of the revolution failing to firmly establish its teachings.

The cleric Mohammad Alavi Gorgani addressed the security forces, saying, "Don't let the bounty of the hijab vanish. Cracking down on those women taking off the hijab is the main demand of fellow clerics. Several thousands of martyrs sacrificed their lives. All these sacrifices were made to preserve Islam, honor, and the hijab."⁽¹⁾ The cleric drew a link between the death of thousands of martyrs and the preservation of Islam, honor and the hijab, as he puts it.

On the observer project which the security services seek to implement with regard to the hijab, the cleric said, "the observer project is wonderful and positive. But the security services should declare its aims, the way of implementing it and its phases in order to strip everybody of all the excuses and for every violator not to say she did not know of this. Those tasked with implementing this plan should alert people kindly. They should not confine themselves to alerting people once or twice. The alerting should be kindly repeated. Our mission lies in maintaining the key foundations, and I call on all citizens to observe this principle. They should be keen not to take off the hijab. In fact, wearing the face veil in a rational way could be sufficient."⁽²⁾

The remarks of Gorgani are harmonious and consistent with the fatwas and remarks of those clerics who are supportive of the line of Velayat e-Faqih. They always call on the security authorities to intervene to impose the hijab. This, according to Gorgani, is the demand of his fellow clerics.

Others raised the alarm against what they deemed as a danger threatening the revolution and its religious manifestations. According to Ayatollah Jafar Sabhani,⁽³⁾ the wearing of the hijab is on the decline in the country and the rules of the hijab and religious criteria at universities should be taken seriously.⁽⁴⁾

If we look at these two statements, we find the first by Ayatollah Gorgani is addressed to the security authorities while the second, made by Sabhani is addressed to the cultural authorities. This is indicative of the government's strategies which proceed in two parallel axes on this issue: enforcement via laws with security authorities following up and investing in cultural incubators such as universities and educational institutions.

II. The State's Authority in Imposing the Hijab: Between Legalization and Legislation

According to the Velayat e-Faqih theory, in its Khomeini-authored, absolute version, the supreme leader has the right to commit people to what he deems right and to forbid them from what he deems inappropriate.

The clerics supportive of the line of Velayat e-Faqih always call on the authorities to intervene to force women to wear the hijab. According to Ayatollah Makarem Shirazi, the Islamic government and Muslims are not obliged to track down the hidden sins of individuals. But they undoubtedly should denounce the sins committed avowedly and openly across society. Hence, the Islamic government is committed to preventing sins committed publicly.⁽⁵⁾ Taking off the hijab is counted among these public sins which clerics call for preventing from happening.⁽⁶⁾

But this rhetoric is not a general characteristic nor is it an adopted fatwa within the Shiite sect. Other clerics who do not embrace Velayat e-Faqih, especially the jurisprudential school of Najaf, reject the intervention of the state in such affairs. For example, cleric Ishaq al-Fayyad said, "Using force and intimidation in promoting the hijab is not effective."⁽⁷⁾

According to the fatwa of Makarem Shirazi and clerics supportive of the line of Velayat e-Faqih, the state and its apparatuses such as the police and judiciary have the right to use violence against those taking off the hijab. This already happens and is the reason behind tensions that surface from time to time.

But according to Fayyad and the jurists supportive of waiting for Imam Al-Mahdi, the state has no right to do this. Therefore, the opinion of Fayyad is in harmony with the represented Iranian Shiite reformist ideology spearheaded by Mohsen Kadivar and other clerics. We should not forget in this respect the arrest of Ayatollah Youssef Ashkouri by the Iranian government due to a fatwa close to that of Fayyad⁽⁸⁾ when he attempted to strip the state of its right to commit people to wear the hijab. The state



believes that it is one of its principal rights, which it cannot concede. If it does, it then concedes the Islamic revolution.⁽⁹⁾

The security forces aligned themselves with the clerics supportive of the line of Velayat-e-Faqih. The commander of the security forces in Qom said,⁽¹⁰⁾ "Chastity and the hijab are among the issues that preoccupy the supreme leader, fellow clerics, imams, and religious people. There are 26 apparatuses playing a role in the issue of the hijab and chastity. The biggest part of this role is cultural. The smallest part of it is executive, which is taken up by Iranian security forces."⁽¹¹⁾

On the new plan embraced by security forces to stand up to the phenomenon of taking off the hijab, the commander of Iran's security forces said, "The security forces prepared the single observer plan to deal with those taking off the hijab inside cars. It will be implemented. Public and secret personnel have been recruited for the mission. A message will be sent to the owner of the car who does not wear the hijab to refer to the police station within three days. She will be alerted on the first occasion. She will vow not to do this again. On the second occasion, she will be alerted and the car will be stopped. On the third occasion, the perpetrator will be referred to the judiciary."⁽¹²⁾

The hijab is a focal issue for the commanders of Iran's security forces. It lies within the core aspects of their work. It is, according to one of those security commanders, "a red line for the security forces."⁽¹³⁾

But other voices call for not separating the religious aspects from the legal ones in Iran as it is an Islamic republic. Hence, there should be no separation between the religious and legal aspects. These people believe that any calls for respecting the hijab should be issued as it is a law in the country, hence, it should be respected as a law, and not as Sharia-inspired legislation. This is rejected as the hijab has religious roots. It is not just a legal issue, let alone the fact that individuals in society can punish the violators of this law. Punishing the violators of this law will lie exclusively in the hands of the state. This is in addition to the changeability of man-made laws and the possibility of substituting and altering them at any time, unlike Sharia-related laws.⁽¹⁴⁾



But the Iranian state realizes that there will be angry reactions from women due to the law. Furthermore, many Iranians recognize the religious legality of the hijab but they revolt and protest against wearing it due to the mandatory hijab law. It is something personal and should not be enforced in accordance with the views of certain clerics. This understanding by the state may be the prime reason for keeping the hijab laws in place and being so strict when implementing them because any concessions will deprive the street of its religious appearance which serves the state in promoting itself as a guardian of religion and sect.

Conclusion

The issue of the hijab in Iran is central. It is not a secondary issue in the religious and political arenas of the state. The religious elite believes that protecting the state and revolution requires protecting all of its manifestations which it firmly established after

the downfall of the Shah, his cultural establishment and religious model. In addition, the hijab is considered, according to the guiding tenets of the religious elite, among the manifestations which affirms the identity of the Islamic state and its populism in sectarian arenas at home and abroad. This prevents competitors from taking the lead in the government in arenas related to politicized religion. This means that the religious model will be monopolized and conquered by the current leadership.

Therefore, it is expected that the political authority and religious elite will continue to embrace an extremist approach towards the hijab, with related laws continuing to be enacted. It should be noticed that the issue of the hijab is not only confined to either the conservatives or reformists as the matter is also raised during electoral contests. It is considered among the core issues promoted by the Islamic republic which no political faction can concede on or call for the laws related to it to be revoked.

THE POLITICAL FILE

Tension has become the hallmark of relations between Hassan Rouhani and his First Vice President Eshaq Jahangiri. Despite the government's attempts to keep this tension away from the media, several media outlets, both reformist and conservative, continued to speak about the differences between the two. Jahangiri himself revealed some of these differences. As a result, Jahangiri submitted his resignation on several occasions. But it was rejected by the Supreme Leader Ali Khamenei and President Rouhani.

There are several reasons which have prompted Jahangiri to be disgruntled by the policies of Rouhani, the most significant being the popular discontent with the performance of the government especially on the economic level, and the decline of his position as a vice president in the current government compared to the previous presidential term. Last October, Jahangiri revealed the limited extent of his power within the presidency when he said that he does not even have the power to replace his secretary. These comments came in response to a government minister who asked him to increase the power granted to ministers. It has been revealed that there had been a difference between him and Rouhani's Chief of Staff Mahmoud Waezi who is accused by the reformists of seeking to marginalize their role in the government and of planning to depose Jahangiri. Due to these differences, Jahangiri submitted his resignation but Rouhani contained the crisis.

Hesameddin Ashena
@hesamodin1 

جلسات عالی کشور نه جای بله قربان گویی است، نه جای خطاب و عتاب و نه جای قهر و ناسازگاری.
بزرگان کشور در این جلسات، دیدگاههای سازمانی مختلف و گاه متعارض را با صراحة تمام مطرح و تبادل نظر را تا رسیدن به بهترین تصمیم برای بهبود زندگی مردم دنبال می‌کنند.
#اختلافنظربردنشت

Jahangiri has been facing a new crisis for months following the first crisis, but this time with President Rouhani himself. He mentioned to the media that a tense argument had happened between them during a meeting for the Supreme Committee for Economic Coordination. This meeting was attended by the heads of the three branches of power. At the meeting, Rouhani accused Jahangiri and the reformists of seeking to topple his government. The government, in the beginning, attempted to deny reports of the tense argument, but the reports were confirmed through remarks made by officials.

In this regard, the government Spokesman Ali Rabeie said that important meetings see opinions expressed frankly and freely and that adjusting the budget is directly related to the livelihood of the people. For this reason, there are multiple points of view.⁽¹⁵⁾

In the same context, President Rouhani's adviser, Hesameddin Ashena, wrote a post

on Twitter in which he confirmed the reports of the differences and tense argument between Rouhani and Jahangiri. He said that differences in viewpoints are not a bad thing, and the supreme councils in the country are not places where only obedience should be shown, nor are they places for reproach, anger, and disagreement.

I. The Reasons Behind the Differences Between Rouhani and Jahangiri

The differences are mainly because of the government's delay in taking some important economic decisions. Jahangiri shifted the blame to President Rouhani. Also, the differences relate to the budget and its structure as well as to the amounts allocated to different state apparatuses. In response to Jahangiri's criticisms, Rouhani accused his deputy and the reformists of attempting to topple the government. This accusation angered Jahangiri, who decided to leave the meeting but several officials attending the meeting including parliamentary speaker Ali Larijani, intervened asking Jahangiri not to leave the meeting.⁽¹⁶⁾

In addition to the aforesaid reasons, Kargozaran newspaper, affiliated with the reformist Executives of Construction Party, added a new reason for the differences between Rouhani and Jahangiri, which is the divergence in viewpoints on the issue of raising the price of fuel. Several participants in the Supreme Economic Committee defended the liberalization of fuel price, whereas other members within the cabinet, including the head of the Budget and Planning Organization, Mohammed Bagher Nobakht, who is close to President Rouhani, defended the idea of allocating two prices. It seems that Rouhani is opposed to Jahangiri's proposal which calls for allocating a certain portion of fuel for each Iranian citizen, as he fears liberalization could cause prices to soar.⁽¹⁷⁾

II. Jahangiri's Chairmanship of the Resistance Economy Authority Bars Him From Quitting the Government

Rouhani's failure to enforce genuine reforms based on promises he made to voters and the Reformist Movement which supported him and the reformists' concern about losing their political presence and popular base in the coming presidential and parliamentary elections scheduled to be held in 2020 and 2021, as well as the continued differences between Rouhani and Jahangiri, the principal representative of the reformists in the government, led the differences between the reformists and Rouhani to widen. This prompted Jahangiri to tender his resignation on several occasions. The attempts to resign were halted by the rejection of Rouhani on some occasions or by the mediation of some ministers on others. But it seems that the supreme leader's intervention prevented Jahangiri from insisting upon his resignation. The justice minister under the former President Mohammed Khatami and one of the leaders of the Policies Council of the Reformist Movement, Ali Soufi, revealed that Jahangiri sent a letter to the supreme leader where he demanded relieving him from his duties, but Khamenei turned down his request.

Although Soufi attributed Jahangiri's resignation to differences between him and Mahmoud Waezi, who is one of the leaders of the Moderation and Development Party, Rouhani's party, but Jahangiri told the supreme leader that he will not be useful for Iran at the time being and that the Resistance Economy project, which was assigned to him to run, did not make progress.⁽¹⁸⁾ Although the entity responsible for accepting or rejecting Jahangiri's resignation is President Rouhani, it seems that his leadership of the Resistance Economy Authority prompted him to ask the supreme leader to relieve him of his duties.

III. What is the Truth About the Reformists' Plan to Topple the Rouhani Government?

President Rouhani involving the Reformist Movement in his differences with his deputy Jahangiri raises several questions: what is the truth about Rouhani's assumption that Jahangiri and the reformists seek to topple his government? Is this accusation based on proofs, or is Jahangiri the one who is targeted in his capacity as the sole reformist representative in the government? To answer these questions, we could say that despite the direct criticism that has been leveled by the reformists at Rouhani since the beginning of his second presidential term in August 2017, the reformists never declared their intention to topple the government. But the source of Rouhani's anger at the reformists lies in the reports circulated on some Iranian media outlets that the reformists convened several meetings chaired by the former President Mohammed Khatami. The reports said that the meetings focused on the fate of the Rouhani government (whether the government will continue performing its duties until the end of Rouhani's presidential term or if the government will be asked to resign). Furthermore, some newspapers and news sites said that the former President Mohammed Khatami announced during these meetings that he will cease his support for Rouhani and his government and that he is not ready to renew his support for Rouhani again.⁽¹⁹⁾

The reformists did not confirm the reports. But a member of the Policies Council affiliated with the reformists Ali Soufi said that he heard that Mohammed Khatami called on Rouhani to prevent other forces from meddling in his business, and if he cannot do so, he should resign.⁽²⁰⁾ It seems that the tweet of Hesameddin Ashena, President Rouhani's adviser, in response to Khatami's remarks in which he described Khatami as a retired politician, also contributed to differences between Rouhani and the reformists. Although Ashena did not openly mention the name of Khatami in his tweet, however, he replaced his name by citing his famous phrase "here I say and repeat" which Khatami has used repeatedly in recent years before the elections while mobilizing supporters for the reformists and urging them to partake in the election and to vote in favor of the movement's candidate or candidates.

Conclusion

Rouhani's ignoring of the reformists when forming the current government in 2017 and his closeness to the conservatives led the reformists to believe that Rouhani was an opportunist when he allied himself with them during the presidential elections in 2013 and 2017. He now turned his back on the reformists who supported him strongly and enabled him to enter the presidential palace for two consecutive terms. As for Jahangiri, there is a belief among the reformists that his mission ended after the conclusion of the presidential election in 2017 after he did well defending Rouhani during televised debates that preceded the polls. They cite the decline in the importance of the position of



Hesameddin Ashena

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تعداد زیادی از جوانان عزیز نو اصلاح طلب سودای نمایندگی مجلس دارند؛ این حقشان است.

مشکل از اعتبار ریخته سیاستمداران بازنیسته‌ای است که مردم باید به "ندای تکرار می‌کنم" آنان پاسخ مثبت و به جوانان پرشور رأی بدهند.

the first vice president to a great extent in administering the affairs of the government. Based on this outlook, some reformists believe that the way in which Rouhani deals with his deputy Eshaq Jahangiri is an example of the way in which he deals with the reformists.⁽²¹⁾ What they really want to say is that what happened with Jahangiri was not just because of differences in viewpoints on a certain issue, but was deliberate and constitutes the continuation of the policy aimed to marginalize and exclude the reformists.

STUDIES

BY DRISS LAGRINI

PARSIAN EXCHANGE CO.

THE ECONOMIC FILE

This file breaks down the economic issues raised in the Iranian arena during the month of June. The most controversial issue over the past month was the US decision to impose economic sanctions on the Iranian Supreme Leader Ali Khamenei for the first time in the history of the Islamic republic. These sanctions also hit his close aides. The file breaks down the impact of these sanctions not only on the supreme leader and his office but also on the Iranian economy and society in light of current realities, one year after the US withdrawal from the nuclear deal.

The Impact of US Sanctions on the Supreme Leader and His Office in Light of the Current Economic Situation

In response to the downing of the US spy drone on July 2019, the US issued a decision to place the Supreme Leader Ali Khamenei, his top aides and several senior military commanders on the list of US sanctions. Such a move is the first in the history of Iran. Washington has sanctioned in the past economic entities affiliated with the supreme leader, such as the Execution of Imam Khomeini's Order (EIKO) known in Farsi as *Setade Ejraiye Farman-e Emam* during the era of Barack Obama, given the fact that it is a massive institution under the direct control of the supreme leader. It includes and runs projects in different economic fields whose assets are estimated to be \$100 billion. The supreme leader and his office have never experienced sanctions before. At the time, the US administration had a desire to leave room and not to close all the doors for negotiations with Iran on disputed political and security issues.

In the following discussion, first, we will render clear the nature of the sanctions imposed on Khamenei and his advisers. Second, we will then briefly analyze the economic situation one year after the imposition of comprehensive US sanctions. Third, we will look at the possible economic impact of placing the supreme leader and his office on the list of US sanctions. Fourth, we will explore the expected scenarios for the United States and Iran which are likely to play out given the current dispute between them.

I. What are the US sanctions Imposed on Ali Khamenei, His Office and Advisers?

In addition to being one of the leading Shiite figures across the world, the supreme leader has the final say over everything in Iran. He also has a final say when it comes to his advisers and the members of his office who are appointed by him to lead massive economic entities with a combined capital of \$200 billion according to estimates by the Foundation for the Defense of Democracies,⁽²²⁾ a research center based in Washington. Although this figure is large, it does not seem exaggerated given the colossal assets that have been seized since the downfall of the Shah. We will refer to this part when speaking about the impact of the sanctions. As the United States is well aware of the importance of these economic entities controlled by the supreme leader, sanctions were imposed on them, including:

1. Placing the supreme leader, his office members and advisers on the list of US sanctions and imposing a financial embargo on them by preventing them from using the US financial system.

2. Imposing US financial or partial sanctions on any global institution in case it conducts dealings with Iranian individuals or entities placed on the embargo list.
3. Freezing any financial assets held by the supreme leader, and his office members as well as firms owned by him in the US, if any.
4. The possibility of gradually adding individuals appointed by the supreme leader or any of the institutions under his authority to the list of the financial embargo.
5. Pledging to place the top diplomat in Iran, who is Iran's Foreign Minister Mohammed Javad Zarif, to the embargo list in the future.

Infographic 1

Sanctions on Iran's Supreme Leader and His Office

- 1 | Imposing financial sanctions on any individual or entity conducting financial dealings with them.
- 2 | Monitoring individuals appointed by him with the possibility of adding them to the list of the financial embargo.
- 3 | He and his advisors are banned from using the US financial system.
- 4 | Freezing all his financial assets in the United States.

Expected Economic Ramifications

 His capital estimated at \$200 billion will be affected.	 Hindering one of the circumventing methods used against US sanctions.	 Possibility of tracking front companies operating outside Iran.
 Weakening the financial center of the entities affiliated to the supreme leader.	 Tightening the pressure on the supreme leader's representative offices outside Iran.	

II. The Nature of the Current Economic Situation Before Imposing New Sanctions

The sanctions imposed on the supreme leader and his office may have an impact on the economic situation in Iran in the future. But before discussing this, we should briefly refer to the nature of the economic situation at the time being, one year after the US withdrawal from the nuclear deal and the imposition of economic sanctions on Iran, which can be summed up in the following four points:

1- Historic Stagnation in Economic Growth

After a year of comprehensive economic sanctions targeting Iran's oil exports, industry, and foreign trade and later its petrochemical and metal industries, stagnation of the Iranian economy reached unprecedented levels with about a 6 percent decline in GDP growth this year. Of course, the most stagnant sectors are the oil, mining and industrial sectors. The industrial sector alone fell by almost 10 percent. The decline in economic growth in general and the decline in the growth of the oil and industrial sectors, in particular, led to a decline in foreign currencies, incomes and employment, as well as revenues both at the individual and state level.

2- The Collapse of the Government's Essential Income, With Alternatives Insufficient

It is likely that half of the Iranian budget's annual revenue sources have been depleted at the moment, after the collapse of crude oil exports, the primary resource of the budget, from more than 2.5 million barrels per day with a return of about \$50 billion a year before the US embargo to a rate between 300,000 to 500,000 barrels per day with a return of about \$7 billion dollars a year. This is in addition to the ban on the export of metals and petrochemicals. Taxation in all its forms, one of the pillars of the Iranian budget along with oil, is not enough alone to meet the current budgetary requirements of about \$114 billion.

This is in addition to the problems faced by the government in this regard including widespread tax evasion (about \$12 billion annually) and the smuggling of foreign goods into Iran without paying customs duties to the state. As a direct result of all of the above, the current government expenditure is limited to operating expenditures and current spending, not directed to investment or development. Expenditures are undertaken with the utmost austerity to prevent the failure of the state in meeting basic obligations such as salaries and operating expenses in the hope of a change in the external situation.

3- Record-hitting Rise in Prices Amid a Shrinking Middle Class and Rising Poverty

Petroleum exports, including oil, petrochemicals, and their derivatives account for about 60 percent of foreign exchange currencies in Iran. As a result of a shortage of currencies, prices have risen sharply by more than 50 percent for some basic foodstuffs and more than double for meat and vegetables as mentioned in last month's report. Also, basic requirements for living such as housing, clothing, transportation, and others have experienced price hikes.

As a result of these high prices, the purchasing power of Iranian families dropped sharply and thousands of families in the capital Tehran fell below the absolute poverty line of 2.7 million tomans per month (\$465) for a family of four.⁽²³⁾ Meanwhile, a family of four actually needs 7 million tomans (\$1,207) to cover monthly expenses according to independent labor organizations in Iran.

4- Financial and banking isolation resulting from the conflict between political aims and economic interests

The political economy's interactions and the conflict among political elites are playing an important role in isolating Iran financially and commercially at the hands of Iranians

themselves. The refusal of some religious and political elites to sign international financial agreements such as the FATF agreement on financial transparency impedes freedom of trade and prevents international banks from dealing with Iranian banks in fear of US sanctions. It also disrupts European financial aid channels such as INSTEX which did not offer what Iran needs in terms of a safe financial channel for the sale of oil and the purchase of essential goods and materials from abroad, tightening the noose of the economic and commercial siege imposed on it.

Infographic 2



III. The Possible Impact of Placing the Supreme Leader and His Office on the Financial Embargo List

In addition to the political and diplomatic consequences which may result from the imposition of US sanctions on the supreme leader and his senior advisers as well as the Iranian administration's insistence on refusing to negotiate and to reach a solution with the United States, imposing sanctions on the supreme leader and his office may have a series of serious consequences, especially as Iran already faces economic sanctions, which it is trying to circumvent using multiple ways to reduce their grave impact. But achieving this aim may become more difficult after the imposition of the recent US sanctions on the supreme leader's office, due to a host of consequences:

1- Blocking one of the means of circumventing US sanctions through front firms affiliated with the supreme leader's office:

There are dozens of ways for Iranians to mitigate - rather than prevent - the impact of serious sanctions on their economy such as smuggling oil or forging documents to alter the country of origin's name and other means, such as establishing shell companies overseas for legitimate purposes to facilitate other illegal activities. These firms may include companies affiliated with the supreme leader's office under the guise of carrying out humanitarian or charitable objectives overseas, through which the Iranian administration will import and export what it needs. According to the US sanctions regime, food and drug companies are not placed on embargo and sanctions lists.



2- Weakening the financial status of the massive bodies affiliated with the supreme leader and imposing restrictions on his representative offices abroad:

The supreme leader's office controls several massive financial and endowment entities. They work within the scope of achieving commercial, social and ideological aims. These institutions include the Bonyad-e-Mostazafan Foundation. The term 'bonyad' means institution. This is in addition to Bonyad 15 Khordad, the Foundation of Martyrs and Veterans Affairs, as well as the Razavi shrine. The latter represents one of the biggest endowments in the Islamic world. It runs companies in the field of food items, agriculture, and tourism. There are other institutions in addition to religious universities at home and abroad, the Ahl Al-Bayt World Assembly, and media and press bodies. ⁽²⁴⁾

These institutions have been hoarding money over the past four decades following the revolution and after nationalizing and seizing the money of Iran's deposed shah, his family, foreigners, and capitalists who fled the country. They have become massive financial entities working in the fields of industry, oil, foreign and domestic trade as well as tourism. They generate profits which are used for spending on religious, social, sectarian and propaganda objectives at home and abroad or in any manner as directed by the supreme leader. Perhaps the government, or some of its apparatuses, receive aid without declaring it.

But placing these institutions under US financial oversight and imposing sanctions on those dealing with them internationally will weaken their financial status and increase the cost of banking transactions, especially for those organizations involved

in foreign trade or exporting remittances abroad. This is in addition to imposing restrictions on the offices representing the supreme leader overseas whether in terms of travel, issuing visas, and conducting banking transactions, which will limit their ability to perform their roles abroad. These representative offices exist in many countries especially in Europe and oversee some important centers such as the London Islamic Center in the United Kingdom.

3- Symbolic sanctions:

Unlike the aforesaid interpretations, some experts, such as the former US State Department official and Senior Fellow at the Carnegie Endowment for International Peace, Jarrett Blanc, believe that the actual impact of sanctions on the supreme leader and his office will be nominal since many of his office members and senior officials are already isolated from the global financial order.⁽²⁵⁾ The supreme leader himself does not travel abroad and there are no firms registered under his name, as they are registered under the names of people he appoints. But if this assumption is true, this reason, in particular, will be the reason for which the United States expanded the scope of sanctions to include adding the supreme leader and those directly appointed by him currently or in the future.

IV. The Expected Scenarios for Managing the Conflict Between the US and Iran

The scenarios about how the two parties will handle the nuclear deal revolve around direct military confrontation or continuing the policy of consecutive economic blows until the foe's ability to resist gives way. This is in addition to the punitive economic sanctions which Iran has endured and its tampering with the region's security.

The direct military confrontation scenario is not likely for the time being, especially after the message Iran sent to the United States after downing its spy drone. This incident indicated that Iran is militarily prepared and able to respond and cause damage, even if Iranian military capabilities are far weaker than those of the United States and some regional countries. This is in addition to the human, material and financial cost of any new war in the region, which will undoubtedly lead to oil prices hiking, causing damage to the economies of advanced and industrial countries.

It seems that the likelier scenario for the United States is for it to continue to pursue the policy of sending messages through consecutive economic blows until the Iranian side collapses and the United States manages to force Iran to seek negotiations. Although they have not succeeded in achieving this end so far, they have managed to inflict significant harm on the Iranian economy. The US administration may intensify these economic blows in the coming period as it does not have much time left as the US presidential elections will be held later next year.

On the other side, the likelier scenario for Iran is to implement a policy of strategic patience as Rouhani calls it in his remarks to the media. Tehran may also continue to endure economic blows and attempt to circumvent sanctions using new means if the old ones fail while pledging to breach its nuclear commitments gradually. This is in addition to stirring up regional tensions indirectly through its armed militias overseas in the hope of negotiating with the United States without preconditions, lifting the economic sanctions or at least mitigating the effect of sanctions at least on its crude oil exports and banking transactions, which are the lifeline of the Iranian economy and are being choked at the present time.

We should refer to the fact that Iran has exercised self-restraint but this will not last forever. In other words, this policy cannot continue for a long time and its utmost aim may not be to wait to know the results of the US elections later in 2020. It may not survive until that time. This is because Iran's economic reality is in tatters as mentioned above. This situation shackles the movements of the Iranian government, devours half of its revenues at least and demoralizes the people with soaring prices affecting all the basics of life. Therefore, another challenge facing Iranian decision-makers as a result of the US siege is the risk posed to domestic and social stability. Throughout history, Iran has resisted sanctions, but it had always ended resistance with negotiations. It does not necessarily mean that it will succeed every time in reading social realities or predicting the critical moment of danger at home.

Conclusion

For the first time since the establishment of the Islamic republic, the United States has imposed economic sanctions on the Supreme Leader Ali Khamenei personally, preventing him from using the US financial system and punishing global entities which conduct dealings with him. This step is considered nominal by some experts. But studying its impact shows otherwise given the fact that the sanctions include some massive financial entities working in the economic field.

The United States has pledged to track down and sanction the people appointed directly by the supreme leader. These sanctions may affect the financial positions of these entities affiliated with the supreme leader's office and impose restrictions on its banking transactions, especially those working in the area of foreign trade. The sanctions also deal a blow to one of the means used to circumvent US sanctions through establishing shell companies overseas. They may belong to the supreme leader for conducting overt charitable activities and for carrying out its cultural mission on the quiet.

This is added to the financial and diplomatic restrictions on the religious centers and

the representative offices of the supreme leader spread overseas, especially in Europe.

The timing of these sanctions is an important factor. It comes amid the deteriorating economic situation one year after the imposition of comprehensive US sanctions on oil exports, petrochemicals, industry, mining, and foreign trade. This has led to at least half of the government's annual revenues disappearing. The people have been hit with soaring prices impacting all the basics of life. This impacts Iran's policy of strategic patience, which is being pursued by the Iranian administration as it receives consecutive economic blows from the US administration, and as it threatens to breach nuclear pledges and to undermine security in the region in the hope of changing the status quo and reaching a new agreement.

THE MILITARY FILE

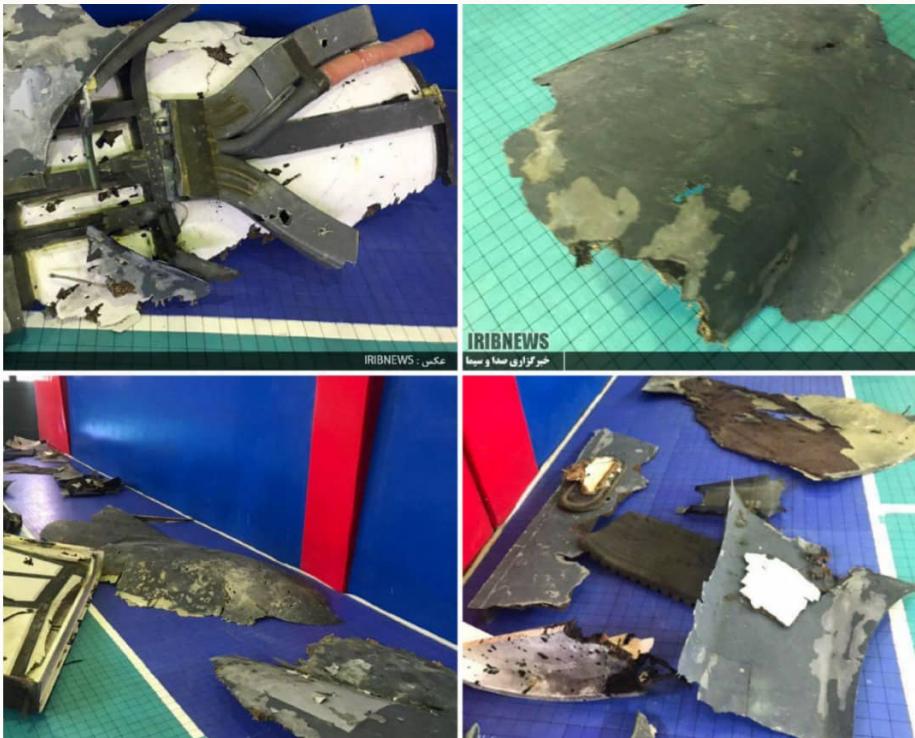
What Prevented Even a Limited US Response?

Iran shot down a US Navy surveillance drone over the Arabian Gulf on June 20. While Iran claimed the UAV was in its airspace, the Pentagon insisted that it was over international waters.⁽²⁶⁾ Within days, Tehran put on display some scavenged parts of debris. The world waited with bated breath as to what the US response would be. Strategic analysts wondered if US President Donald J. Trump would order the taking out of Iran's air defenses or more punishing strikes.⁽²⁷⁾ Basically, the US strategy of maximum pressure came into question. Will it remain confined to economic sanctions or can it also deliver military action when provoked? Despite the 'hawks' sitting on premium seats in Trump's cabinet, no military action has so far been witnessed. The US president tweeted inconsistent messages and slapped largely ceremonial sanctions on Iran's supreme leader.⁽²⁸⁾ Unnamed officials told the media of a cyber-attack on Iran's missile command centers.⁽²⁹⁾ Was it a sufficient response after losing a \$200 million BAMS-D high-altitude drone? Was it not an opportunity to deliver a forceful message in military terms? Can Iran get away with such actions in the future by projecting its force and exposing the limits of US willpower? These are the pressing questions on the minds of the strategic community as well as the friendly, allied governments in the region.

I. Towards More Volatile Gulf Security

To deconstruct the intricate situation, it is better to start from the basics. The version of the Global Hawk/Triton unmanned aircraft shot down by a surface-to-air missile (SAM) was a high-altitude, long-endurance, unarmed aircraft deployed to conduct intelligence, surveillance, and reconnaissance (ISR) missions.⁽³⁰⁾ The remotely-piloted plane was equipped with sensors able to detect submarines and listen to chatter on speedboats, a few of which had allegedly carried out subversive acts against merchant ships in May. The non-stealthy UAV flew at a much lower speed than a fighter jet and was not meant to conduct missions over hostile targets. Thus, even if it did not fly closer than 30 odd kilometers from the Iranian coast, the platform was easy yet valuable prey for the Persians. The calculated attack made more sense from the Iranian perspective for it involved no loss of American lives. Iran and its militias have previously shot down various American UAVs in the Middle East; one was taken down by the Houthis just days before the Global Hawk was hunted down.⁽³¹⁾ Though desperately looking to access US technology, there seems to be no chance of finding some priceless parts from the burnt and sunk debris after downing the aircraft with a SAM. First, the Iranian recovery of the wreckage was meant to confirm that it fell in Iranian waters and, secondly, to use it for a propaganda drive at home and abroad.

Specifically, preying on the drone was a well-considered act which was meant to escalate tensions but within limits. It also warned Iran's rivals against entering its airspace by displaying the capability of its air defense systems, radars and SAMs. Equally significant is the expression of the will to eliminate any hostile object invading the



country's borders (even though this drone's location is disputed).

If Iran responds to the maximum pressure campaign of the Trump administration with maximum resistance, then what comes next? The non-lethal response from Washington is an attempt to correct the general impression that a few trigger-happy men control power. The decision seems well-calibrated, thereby avoiding falling into Tehran's trap of sudden escalation. The United States will respond but not in a knee-jerk manner. It has reserved the right to retaliate at the time and place of its choosing. Yet, the lack of response from the United States can embolden Iran to undertake further disruptive actions ahead.

Strategic thinkers, former diplomats and intelligence gurus have largely welcomed the restraint. Many seem to infer that Iran has effectively manifested its power as a state as well as through its proxies spread across the Middle East. From making its assets vulnerable in Iraq to endangering its troops in Syria, and from the possible disruption of trade and oil supplies in the Gulf to risking its military bases in the MENA region, it is believed that such considerations might have also compelled the Trump administration to back off.

The downing of the drone was a direct attack on a US military asset by the state of Iran, an act that made it impossible for Iran to rely on the usual response of denial. Missile attacks on Saudi cities, subversive targeting of oil tankers in UAE waters, damaging of a vital oil pipeline in the Kingdom and firing rockets in the vicinity of the US Embassy in Baghdad leads any strategist to piece together Iran's grand strategy if faced with a limited or full-scale war.⁽³²⁾ All along, Iran's proxies have been hurling threats at the United States and its other rivals, the most recent being Hezbollah chief Hassan Nasrallah.⁽³³⁾

In classic Clausewitzian⁽³⁴⁾ fashion, Iran merges strategic, political and economic

goals in a near perfect manner. While the Japanese prime minister was calling on the supreme leader, the Iranian Navy was busy disrupting merchant shipping lanes in the Gulf including one from his own country.⁽³⁵⁾ When the French president's special envoy and Iran's secretary to the Supreme National Security Council met, the IRGC general was echoing a hawkish mantra.⁽³⁶⁾

II. Predicament of the Counter-attack

For its part, the United States has its Fifth Fleet ready for action in the Gulf as well as a reinforcement of troops, deployment of heavy bombers and stealth fighter jets in bases located in Qatar, the UAE and Saudi Arabia. Yet a swift, precise and lethal response was not delivered, though appeasement would have only been worth it had Iran come to the negotiating table. The Gulf provides a target-rich battlefield for either side. There exists an assortment of Iranian installations along the coastline ranging from bases of the IRGC Navy to radar and SAM batteries. The others include more high-value targets such as nuclear installations not listed under the JCPOA. From symbolic to genuine targets, Washington could have tested Iran's resolve to escalate or absorb the punitive action.

Hawkish statements from the IRGC have led many to believe that Iran's response to retaliation will be disproportionate and widespread. As stated earlier, Tehran's choice to down an unarmed, unmanned aircraft was an effort to send a symbolic message rather than to inflict real harm and start a military campaign. The action did not destabilize security as such but certainly added to the other disruptive activities its military, as well as its proxies, have been carrying out. Firing a salvo of cruise missiles from its base in Qatar – a friendly country to Iran – could have been a smart bet on the United States' part in which loss of human lives would be minimal if not zero. Iran would not have chosen to violate Qatar's airspace while there are no proxies on the peninsula to avenge the attack.

The fears of Iran's disproportionate response, leading to a full-scale war, are exaggerated. During Operation Praying Mantis, US forces were avenging an Iranian attack on their warship. At the time, Iran and Iraq were tied in a bitter, protracted conflict. It was feared that the incident in the Gulf might suck the United States into the conflict. The US Navy sank an Iranian warship, a frigate, a gunboat and three speedboats. In the swift counter-attack, 56 Iranian sailors died. As the attack concluded, the US ship immediately withdrew, indicating that it did not intend a conflict but sought to punish for its loss. Iran relented.⁽³⁷⁾ Tehran surely has learned much since but its capacity to engage in a conventional battle is extremely limited if not poor.

Over the decades, Iran has attempted to bridge the capacity and numbers gap. Now while planning for the sharp counter-attack, the United States might have seen Iran's submarine-launched Nasr-1 anti-ship missile as a threat to the fleet. With its 30 kilometer range, the missile is claimed to be capable of sinking a vessel weighing about 1,500 tons.⁽³⁸⁾ So far, Iran has only harassed US military vessels in the Gulf. Thus, firing an anti-ship missile does not seem commensurate with the country's calculated tactical moves. Attacking a US Navy ship or blockading the Strait of Hormuz would be a strategic move, triggering an outright full-scale multilateral response. If history can be any guide, Iran seems to understand that it cannot compete with the US or its Arab rivals in the Gulf on the conventional plain. For the foreseeable future, it would continue to meet its conventional deficiency through chaos and hybrid warfare. In retaliation to a swift US attack, pro-Iran militias in Iraq, Syria, Lebanon and Yemen could have at best carried out (missile, armed drone or bomb) attacks against American assets in either of these countries.

Dealing with the problem directly, the United States can categorically declare that any attack on its embassies or citizens in the Middle East will be viewed as one by the Iranian government itself. Moreover, Washington reserves the right to avenge any such act by Tehran. The dilemma, so far, has been in the less pronounced linking of the Shiite militia's terror acts with Iran. Disarming Iran of plausible deniability for attacks in the Gulf states has started to happen since the subversive attack on oil tankers near the Fujairah coast.

With war-like tensions in the Gulf, the question of messaging becomes more central. The risk of misinterpretation of intelligence reports in a politically-charged atmosphere can lead to accidental war. For instance, mobilizations of troops, fighter jets and warships can be read as deployment in the run-up to an attack. Even dispersal of military assets in a highly tense atmosphere can be understood as planning for an attack. As for the Gulf scenario, there exist no hotlines between Iran and its rivals. Indirect channels such as Oman, Qatar and France do exist. To avert an accidental war from happening, there is not much time to spare.

The presumptive US limited strike could have initiated protests in Iran, Lebanon and some Western capitals. Politicians like Bernie Sanders and Jeremy Corbyn would have warned Washington against opening a new war front. The narrative would have favored Iran, thanks to past US blunders in Afghanistan and Iraq and partly due to well-synchronized anti-American rhetoric.

Iran could have responded to limited, brisk retaliatory strikes with cyberattacks, a capability it has achieved with some degree of success. Back in 2011, Tehran was alleged to have launched cyberattacks against 40 American financial institutions including Bank of America and JP Morgan Chase.⁽³⁹⁾ Saudi Aramco was hit with malware in 2012. Iran's cyber disruption capability has improved ever since.⁽⁴⁰⁾ Nonetheless, Iran is very vulnerable to cyberattacks, though its economic institutions are more antiquated and primitive. The country's military and nuclear reactors have been subjected to cyberattacks. Thus, there would have been more to lose for Iran than to gain by launching a cyberattack in revenge.

What might have led the United States to back off from an impending attack? Possibly, the prospects of Russia sending Iran military advisors and aircraft as it did in the case of Venezuela.⁽⁴¹⁾ As far back as 2016, Russian Tu-22M3 bombers used an Iranian airbase in Hamadan during their campaign in Syria.⁽⁴²⁾ Tehran neither had an issue then nor would it have one in the future as long as it is for the protection of the revolution. Though the Kremlin may prefer to stay out of a potentially multi-pronged conflict, Putin will preserve its strategic ally's integrity by providing air defense systems and sharing vital intelligence. The scenario of Putin's military footprint means a strengthening of Iran's strategic resolve as well as its rogue activities in the Gulf and beyond. Evidently, sending troops to the aid of Venezuelan leader Nicolas Maduro has worked to preserve the status quo. Any likely scenario of hosting Russian troops may trigger protests in Iran even despite the supreme leader's affirmative nod. Unlike Russia, China prioritizes economic stability by staying neutral in the Middle East, particularly the Gulf.

III. The Cost-benefit Equation of US Restraint

The lack of a retaliatory response after a number of direct and indirect belligerent acts by Iran has corrected the globally-held misperception that the Trump administration is foolhardy enough to be sucked into a conflict or actually initiate one. Its decision to show some sort of restraint provided reassurance that Washington is a rational actor regardless of the ongoing political rhetoric.

The Iranian military leadership appears nervous, with its commander continuously



Source: economist.com

warning against an attack on the motherland. The anxiety has the potential to lead to an accidental attack, which may expand into a larger conflict or hostile military engagement. Obviously, the attacks on ships as well as the shooting down of the drone leave the Gulf region more vulnerable to instability than otherwise.

For the revolution's political elite, Washington's silence on the military front is a victory. Such assumptions can lead to a further hardening of their stance and can embolden the commanders to try to humiliate the enemy further.

Within the United States, the hardliners will root for a stern response in the wake of any provocation. They would like to see Trump's hawkish tweets translated into actions. The US president's future decisions on Iran will largely be dictated by the polls in the run-up to his next presidential run.

While France continues its mediation bid to save the nuclear deal, the United States is keeping its top-of-the-line military arsenal available on its base in the Gulf. The Arab allies require the return of calm in the Gulf waters for safe maritime commerce. The carrot and stick are both available, should the need arise.

Though the United States imposed sanctions against Iran's supreme leader and could not exploit the likely opportunity for talks with Iran, it is evident that neither Washington nor its Arab allies seek war in the Gulf. Tehran seems to provoke a conflict at least as long as the Trump sanctions are not withdrawn.

Last but not least, the United States' restraint was not the result of Iran's military preparedness and the threat of a deadlier response via the Shiite mercenaries in the Middle East but rather was the result of political, diplomatic and economic necessities. The scaled-up military presence is just a reminder for any impending exigencies.

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POLITICAL SYSTEM

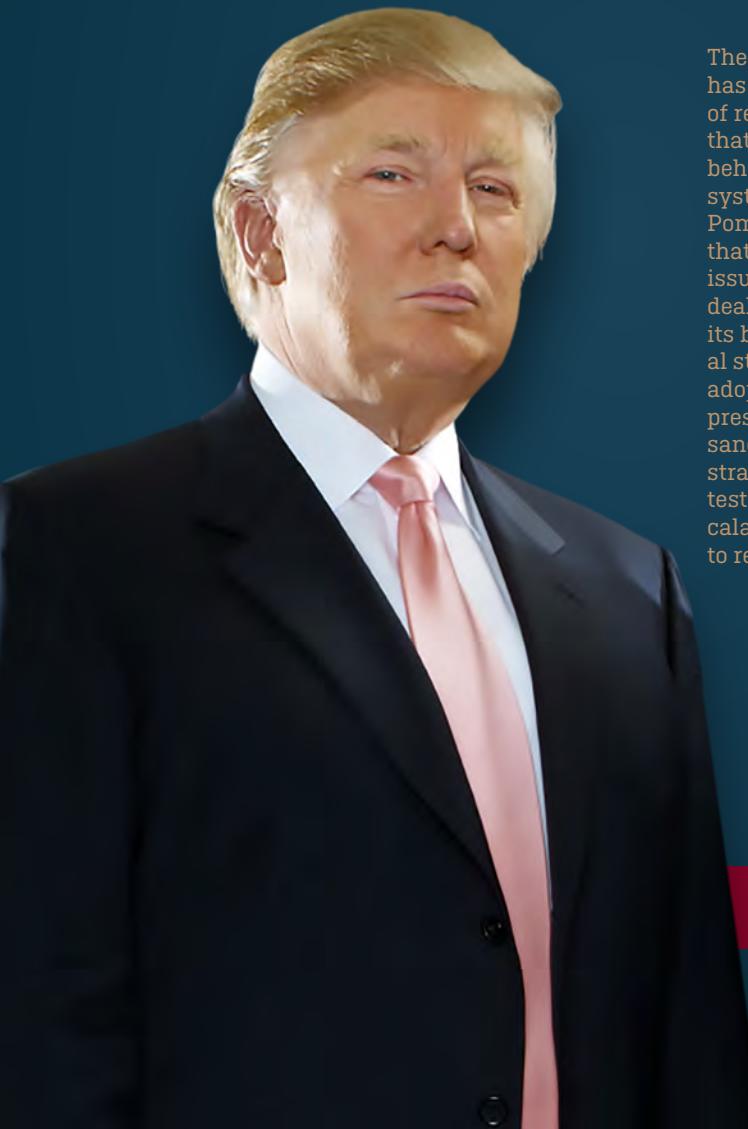


IRANIAN ISSUES SERIES

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FACTORS OF STRENGTH AND WEAKNESS OF US STRATEGY TOWARDS IRAN

Mahmoud Hamdy Abo El-Kasem



The US President Donald Trump has set his administration's goal of reaching a new deal with Iran that would lead to a change in the behavior of the Iranian political system. The Secretary of State Mike Pompeo presented the 12-point plan that deals mainly with three main issues: the imbalanced nuclear deal, Iran's nuclear capability, and its behavior threatening regional stability and security. Trump adopted the strategy of "maximum pressure" to reach this deal, and sanctions are the backbone of this strategy. Trump's administration is testing its strategy by gradually escalating while offering negotiations to reach a new agreement.

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Arab Affairs

At the Arab affairs level, in June 2019 Iran worked to use its influence in both Iraq and Yemen to benefit its central cause, namely, confronting the US maximum pressure strategy. It has mobilized its agents in the region to carry out actions to remind international and regional powers of its ability to steer the course of events and to create havoc in those countries. As a result of this strategy, the Embassy of the Kingdom of Bahrain in Baghdad was attacked. Additionally, a limited attack was carried out against the headquarters of US forces in Iraq. Iran has pushed Iraq to mediate between the Arab Gulf states and Iran to lessen the tensions. This has resulted in Iraq becoming a mediator between Iran and the Arab Gulf states rather than being a part of its Arab environment. As for the Yemeni crisis, Iran continues to exert its influence in Yemen by supporting the Houthis.



IRAN AND IRAQ

In June 2019, the Iraqi arena witnessed intensive Iranian moves, ranging from political and economic actions to militia attacks on Arab and international vital sites inside Iraq. Also, Iran used Iraq as a platform to strike other regional and international targets to provoke an escalation of the US-Iranian conflict in the Middle East during the last three months. This is due to the centrality of Iraq in Iranian strategy on the one hand, and Iran's efforts to maintain its gains in Iraq as well as to ensure the continuity of Iraq within its sphere of influence on the other. However, popular discontent in Iraq has increased over Iraqi demands to train the Iraqi army in Iran.. Meanwhile, Iran has sought to de-escalate tensions with the Gulf states through Iraq. Also, Washington gave Iraq an exemption from US sanctions for the fourth time.

I. Iranian Moves to Maximize Iran's Role in Iraq

On June 10, 2019, Iran's Parliament approved a draft law to stimulate and support investment between Iran and Iraq reciprocally. The Iraqi and Iranian sides have reached an agreement on ⁽¹⁾the need to promptly sign a memorandum of understanding for enhancing tourism cooperation between the two countries. They also discussed the allocation of Iranian land in the province of Ardabil in northwest Iran to hold Iraqi exhibitions and to establish tourist markets. In return, Iraq will allocate a plot of land in its Najaf province for Iranian exhibitions and tourist and cultural heritage markets.⁽²⁾

The two aforementioned moves were considered first as three indicators of Iranian efforts to ensure the continuity of Iraq within the sphere of Iranian influence. Second, they maximize Iran's economic and cultural gains in Iraq as the central state in Iran's expansionist project. This is consistent with the statement of the adviser to the Iranian Supreme Leader, Major General Yahya Rahim Safavi, who asserted in June 2019, "Syria



and Iraq are Iran's strategic complement."⁽³⁾ He was referring to the centrality of Iraq in the Iranian Corridor project, which will link Tehran to the Mediterranean. Third, Iraq is also Iran's most important economic gateway to the rest of the world given the ongoing severe economic sanctions imposed on it.

II. Iran's Use of Iraq as a Platform to Hit Regional and International Targets

Several media outlets, experts and specialists have pointed out that Iran is responsible for - and the first and last beneficiary of - a series of military attacks targeting vital Arab and international targets inside Iraq. However, these attacks failed to achieve their desired goals.. Iraq was also used by Iran as a central platform to hit strategic targets in the Gulf and Arab region in 2019, including the following:

Date	
14-6-2019	-The attack on Balad airbase in Saladin governorate north of Baghdad with three mortar shells, resulting in minor damage to the airbase perimeter, without any casualties.
18-6-2019	-Shelling of the Taji military camp, where US forces are located north of Baghdad, by Katyusha rockets, causing material damage without any human casualties. -The attack on the complex of the presidential palace in Mosul by Katyusha rockets causing material damage without any human casualties. -The attack on the Al-Bargisia complex west of Basra province by a short-range missile. It includes a number of international oil companies: Royal Dutch-British Shell, the Italian company Eni, and the US energy corporation Exxon Mobil.
19-6-2019	-The attack on the Green Zone perimeter, which includes foreign embassies and government buildings in Baghdad, by Katyusha rockets without any human casualties. -The attack on a residential camp of the US energy corporation Exxon Mobil in Iraq, and the oil drilling company in Al Bargasia in Basra province by Katyusha rockets.
27-6-2019	-The storming of the Bahraini embassy by protestors in Baghdad, leading to buildings being damaged.
28-6-2019	- US officials familiar with intelligence on airborne attacks on Saudi oil pipelines in May 2019 said the attacks were from Iraq, not Yemen, adding that they were pointing fingers at Iranian-backed militias in the region, The Wall Street Journal reported. ⁽⁴⁾

These attacks, which mostly failed to hit their targets and did not result in human casualties, have Iranian fingerprints all over them given the nature of the attacks, the

quality and the range of weapons used, the timing of the attacks and the information obtained by international intelligence services. The targeting of embassies is an Iranian technique used when Tehran wants to send political messages to specific countries in the region of the Middle East or beyond. In fact, Iran has a long history of attacking diplomatic headquarters internationally since the Iranian Revolution's triumph in 1979. It includes storming the US embassy and the detention of its employees for 44 days in 1979, the bombing of the US embassy in Beirut and Kuwait in 1983, the attack on the Russian embassy in 1988, its involvement in the assassination of four Saudi diplomats in Thailand in 1989, and the attack on the Saudi diplomatic headquarters in Tehran and Mashhad in 2016.

As for the quality of the missiles used in the attack, they are short-range Katyusha rockets. This type of missile, which was first created in the Second World War (1939-1945) by the Soviet military, and is owned by pro-Iranian militias in some Arab countries, especially the Lebanese Hezbollah. Distinctively, it is easy to hide, move and transport across borders. Iran's militias rely on them for short-range targets. In addition, the use of these missiles is compatible with Iran's preferred scenario of limited confrontation to respond to the US strategy of blocking Iran and stifling its economy in order to change the behavior of its political system.

Moreover, these attacks occurred at a time of escalating tensions between the United States and Iran in the context of increasing American pressure and sanctions on Iran. In the same context, the US administration ended the sanctions waivers granted to eight countries. In addition, it classified the Iranian Revolutionary Guard Corps (IRGC) as a terrorist organization. The US administration sent the Abraham Lincoln carrier and its bombers to the Middle East in response to intelligence reports that Iran is preparing to carry out military attacks against US interests, targets, and forces in the Middle East. In June 2019, the IRGC shot down an American drone in its territorial waters, according to Iranian claims.

Iran has likely chosen the Iraqi arena as a platform to hit the targets of its adversaries because Iraq is the backbone and cornerstone of Iranian strategy, and Iran's greatest area of influence beyond its borders. Iran has substantial pressure cards in Iraq compared to other actors. This enables Iran to deliver on its objectives against its adversaries and rivals in Iraq. Also, Iraq has the largest US deployment in the region with 5,500 US troops. Significantly, Iran recognized how limited American influence is inside Iraq because the United States does not have strong political forces there to enable Washington to implement its agenda and to confront Iranian plans in Iraq.

These attacks are tantamount to Iran sending a message to Arab, regional and international actors that Iraq is within its sphere of influence. Iran also examines the readiness of the Iraqi leadership to defend Iran in the event of any possible American escalation. In addition, these attacks fall within the strategy of the Iranian response to US moves to block Iran. This strategy is pursued by prioritizing limited confrontation to deliver messages to the United States and its allies that Iran still holds pressure cards.

These attacks cannot be undertaken without Iran instructing its pro-Iranian militias to target Gulf embassies. These attacks occurred in the midst of heightened tensions between the Gulf countries and Iran against the backdrop of Iran's expansionist and subversive activities in the Gulf and Arab countries. These attacks also came amid remarkable progress in the level of Saudi-Iraqi relations following an increase in mutual visits and the signing of economic and investment agreements between Iraq and Saudi Arabia during the past few months.

In addition, these attacks raise fundamental questions about the ability of the Iraqi government led by Adel Abdul Mahdi and its influence over the pro-Iranian militias

in Iraq. Will Abdul Mahdi's power and ability to control the relationship between the government and militias remain shackled to militia consolidation in Iraq for more than 15 years? To this extent, the leader of the Iraqi Decision Alliance, Atheel al-Nujaifi, said on June 9, 2019, that "Iran sought to strengthen its ties with the successive Iraqi governments since 2003. It was to pull that off through its political arms in Iraq. Iran was also able to dominate the decision-making centers in Baghdad." He added that "the Iranians are infiltrating a number of Iraqi parties that hold allegiance to Iran's revolution. These parties find themselves bound to implement Iran's plans in the region and to give more priority to Iranian rather than Iraqi interests." He further stated, "The leaders of religious parties in Iraq have undertaken a long-term service in the IRGC that is no different than that of its original leaders such as Qasem Soleimani and others."⁽⁵⁾

Or will Abdul Mahdi act freely by bringing these militias under his government's control and prevent the transformation of Iraq into a battleground between the United States and Iran, especially after his statement that foreign forces inside Iraq should be under Iraqi control before the end of June 2019?

III. Iraqi Popular Discontent Over Iraqi Demands to Train Iraqi Army Personnel in Iran

The request of the director of military training in the Iraqi army, Major General Tariq Abbas, to the Iranian army commander of the ground force, Kioumars Heydari, during his visit to Tehran on June 23, 2019 to conduct military exercises for members of the Iraqi army inside Iran has aroused ⁽⁶⁾ popular, military and political discontent in Iraq. According to Iraqi popular opinion, Iran underestimates the Iraqi army in order to promote the superiority of the Iranian army over its Iraqi counterpart and it compels Iraqis to accept the Iranian idea that Iraqi forces were defeated against their Iranian counterparts during the 1980-1988 Iran-Iraq War.



On a more serious note, the training of Iraqi army personnel by Iranian officers could devastate the Iraqi army with one deadly strike if this was to happen. This is because it directly affects the doctrine of the Iraqi army, its orientation, and objectives. First, it alienates the Iraqi army from its strategic objectives within its Arab and Islamic environment. Second, the Iraqi army will be directly associated with Iran's doctrine, objectives, and plans, restricting it within the framework of Iran's agenda and beliefs which promote Iran's regional project, both inside and outside Iraq. Third, the training of the Iraqi army by Iranians will instill a sectarian mindset among Iraqi army personnel, as the doctrine of Iranian officers and leaders is sectarian which is enshrined constitutionally and it is in reality under the rule of the guardian jurist. Consequently, it may increasingly affect the Iraqi Sunni community. Fourth, it will give Shiite militias more space, which are directed and led by Iran's pro-revolution hawkish IRGC.

IV. Iranian Efforts to Deescalate Tensions With the Gulf States Through Iraq

The Iraqi ambassador to Tehran, Saad Abdul Wahab Jawad Qandil, revealed an official request to Iraq from the Iranian authorities, represented by Foreign Minister Mohammad Javad Zarif, to act as an intermediary to normalize relations between Iran and the Gulf countries, especially Saudi Arabia, the UAE and Bahrain through the signing of a non-aggression treaty. He also stated that the President of Iraq Braham Salih forwarded the proposal to Riyadh, Abu Dhabi and Manama.^[7]

The Iranian request to de-escalate tensions with the three Gulf capitals has raised several questions such as: does the Iranian request reflect a genuine Iranian desire to negotiate with the Gulf states on all outstanding issues

in the Middle East? Is it a political maneuver to mitigate the conflict with the Gulf countries while it is going through a severe economic crisis as a result of US sanctions imposed on the Iranian economy? Can Iraq play an influential role in resolving the Gulf-Iran crisis given the deteriorating financial and security conditions that the country is facing? Is it possible to accept Iraq as a neutral intermediary in light of the widespread deployment of militias and their influence on Iraqi decision-making? Can Iraq, which is already infiltrated by Iran, offer a guarantee to the Gulf states and to the United States of Iran's commitment even though this harms Iraq's security?

V. The Extension Granted by Washington to Exempt Iraq From US Sanctions

On June 15, 2019, for the fourth time, the US administration extended Iraq's exemption from Iran sanctions for 90 days (three months), allowing it to continue importing Iranian electricity and gas from June 23, 2019 to September 23, 2019. The first exemption for 45 days started from November 5, 2018 to December 20, 2018. The second exemption for 90 days began on December 21, 2018 to March 12, 2019. The third exemption for 90 days was from March 22, 2019 to June 22, 2019.

The US extension of the exemption to Iraq to import gas and electricity from Iran is due to Washington's realization that Iraq does not have any alternative options under the present circumstances. In fact, Iran supplies Iraq with about 40 percent of its energy needs by exporting 1,200 MW of electricity, as well as 28 million cubic meters of gas per day to produce electricity. Still, Iraq suffers from a shortage of electricity needed to address its power crisis. The United States recognizes that not extending Iraq's exemption will not work given the complexity of its electricity crisis and it would be a strong motive for Iraq's rapprochement with Iran.

Conclusion

To ensure Iraq's centrality within Iranian strategy, Iran seeks to separate it from Arab and American influence and to transform it into an arena to target Arab, Western and American interests. Iran has intensified the growth and continuity of its role in Iraq, with which it shares a border. Iran has sought to deliver political messages to the Gulf countries in general, and to Saudi Arabia and the United States in particular, that Iran has cards and can carry out military actions from several fronts including Iraq, Syria,



Lebanon and Yemen against Gulf and US interests in any possible war against Iran as well as Iran having capability to inflict great harm on their interests as well. In addition, Iran wishes that the Gulf states and the United States accept Iran as a regional force that has weight and influence in the Middle East. Iran may agree to negotiate a de-escalation of the regional situation through Iraq, which will ultimately result in US pressure and sanctions easing against Iran.

THE YEMENI FILE

In tracking the course of the latest developments in the Yemeni arena, the crisis is growing more complex. These complexities center on the continuous failure of a comprehensive political solution in Yemen. This is due to the intransigence of the Iranian-backed Houthi militias because they are not committed to implementing the agreements on the ground, including the Stockholm agreement, which is considered to be the most important agreement in the process of seeking a political solution. Eight months have passed since the Stockholm agreement was first signed without any tangible progress on the ground. This agreement, however, is considered as one of the pillars which helped the legitimate government forge a comprehensive political solution in Yemen. Thus, its failure is one of the main factors that have led to the complexity of the Yemeni crisis. As a result, the agreement lost practical value and dealing with it on paper or in the media by the UN Special Envoy Martin Griffiths has no benefit. The legitimate government has described Griffiths as ineffective since the stance of the UN envoy disrupted military action and a political settlement at the same time. This gave the Houthis the opportunity to win time to strengthen their political position while taking advantage of the strategic vacuum between the political components in Yemen on the one hand and to smuggle more sophisticated weapons from Iran on the other hand. These weapons were used by the Houthis for carrying out terrorist escalatory operations in Yemen and in neighboring countries. These operations are consistent with Iran's orientation. We will review the Houthi's activities in the political and military arenas in addition to the growing economic crisis caused by the Houthi militias in Yemen.

I. Political Scene

The effect of the Iranian role in Yemen seems more obvious on the Yemeni political scene. This is observed by the linkage of the Houthis' moves in recent months with what Iran is going through and Iran's continued support for the Houthi militias politically and militarily in order for them to be an influential actor in the crisis. Iran considers the Houthi file as part of the equation of its political recruitment to use them as pressure cards given the sanctions and economic siege imposed on Iran. In addition, these militias serve Iran's expansion strategy. Iran aims to build the Iranian project in the region that is based on controlling maritime and commercial lanes, most notably the Bab-el-Mandeb Strait, which is regarded as an international shipping artery.

Therefore, Iran seeks to activate the role of the Yemeni file. It does so by trying to prolong the crisis as much as possible by instructing the Houthi militias not to abide with the provisions of the Stockholm agreement on the ground and by supplying the Houthis with advanced weapons and experts. As the Yemeni Minister of Information said, "The Iranian threat is obvious by targeting international shipping in Bab al-Mandab and the Red Sea."

Iran's influence in Yemen was noticed during the demonstrations held by the Houthi militia in Hodeidah, where they carried photos of Khomeini and Iran's flag. This coincided



with demonstrations in Sana'a. "These moves are part of Iran's attempts to show its cards and to project its map of extension in the region, given the increased regional tension against the backdrop of its practices and sectarian militias,"⁽⁸⁾ the Yemeni Minister of Information said. This is confirmed by the Iranian Foreign Minister Jawad Zarif's statement on Iran's ability to resolve the conflict between Iran and the Gulf countries in one of his articles, especially in the Yemeni file, which gives a clear indication of Iran's prominent role in Yemen and its use of the Houthi militia as a political pressure card.⁽⁹⁾

One manifestation of the complexities of the Yemeni crisis is that the disruption of the comprehensive political process by the Houthi militias in Yemen coincided with the uncertainty of the positions adopted by the UN. Consequently, this led to the disruption of the confidence-building process between the legitimate government on the one hand and the Houthis and the UN committees on the other. The legitimate government stated that the position of the United Nations represented by its Special Envoy Griffiths legitimizes the Houthi moves in the Yemeni arena. These complexities led the Yemeni Foreign Minister Khaled al-Yamani to submit his resignation to President Abed Rabbo Mansour Hadi on June 10, 2019, and he condemned at the same time the Houthi militia's intransigence and its role in thwarting the Stockholm agreement.⁽¹⁰⁾

In this context, the legitimate government denied any progress in the implementation of the Stockholm agreement. It also expressed its surprise at the speech made by UN Special Envoy Griffiths during his briefing to a UN Security Council session. The speech's references to Houthi positions completely contradicted the actual stance of the Houthis.

The Houthis have openly declared that they will not abandon Hodeidah and this has been repeated many times by the head of the so-called President of the Revolutionary Committee Mohammed Ali al-Houthi.⁽¹¹⁾

Consequently, the impact of the current conflict represented by the behavior of the Houthi militia has affected the political scene in Yemen. It has led to a strategic vacuum in Yemen and a tendency towards a divergence in opinions and orientations among Yemeni political components in favor of the position of the legitimate government of Yemen.

The Houthi militia works on this strategic vacuum to use it in their favor, along with Iranian support and the pro-UN position. In addition, they establish alliances with terrorist groups which have taken advantage of the security and strategic vacuum, the geographical nature of the country and the rooted tribal state in Yemen. These elements

have contributed in creating an environment for terrorist groups and their infiltration into Yemen in cooperation with the Houthis to destabilize Yemen's security and stability. In addition, to the Houthi controlled areas of Yemen where terrorist groups live in close contact to the Houthi ideology. This contributed to the spread of Houthi ideology among groups supporting the militia..

Interestingly, the legitimate government and the coalition forces supporting it are working to limit the movements of terrorist groups in Yemen. The spokesman for the Forces to Support the Legitimacy Colonel Turki al-Maliki stressed that there is a strong relationship between al-Qaeda in the Arabian Peninsula and the Iran-backed Houthi militia. He also pointed to the successful operation carried out by the coalition in Yemen leading to the arrest of the al-Qaeda leader in Yemen known as Abu Osama Al-Muhajir on July 25, 2019.⁽¹²⁾

II. The Military Scene

The escalation of the Houthi militia inside Yemen is associated with terrorist attacks on Saudi targets. They coincide directly with the crisis conditions in the region, their development, and the tension between Iran and the United States of America.

This gives an indication of the Iranian role in strengthening the Houthi militarily inside Yemen and its attempt to target vital targets in Saudi territory. Therefore, the Yemeni file will be used by Iran in finding a solution to its crisis of regional isolation and the sanctions imposed on it. This can be achieved through the continued supply of weapons, drones and military experts to the Houthi militia.

The military alliance to support the legitimate Yemeni government revealed that weapons used in Houthi military attacks exceeded the capabilities of the Houthi militia including drones and ballistic missiles used in terrorist operations against civilian sites inside Saudi territory. Prominently, one of these attacks was a missile attack on Abha International Airport on June 12, 2019 wounding almost 26 civilians. This attack was followed by a wave of attacks against Saudi territory by Iranian-made drones.

These sophisticated attacks were highlighted in the statement of the military spokesman for the Houthis Yahya Sariyah in which he said that the Houthis have grown in terms of their possession of cruise missiles, drones and ballistic missiles with a range of 800 kilometers in reference to the direct threat posed to neighboring countries. He claimed that they have technologies that the US interceptor system and even other systems cannot deal with.⁽¹³⁾

In this context, the Yemeni Ministry of Defense announced that five Iranian military experts and Houthi fighters were killed while they were trying to launch a ballistic missile. The missile exploded before it was launched resulting in fatalities of all those involved at al-Dulaimi Air Base north of Sana'a. Notably, the Houthis have turned al-Dulaimi Air Base into a military barrack, a base for launching drones, and Iranian-made ballistic missiles. In the context of the Iranian role⁽¹⁴⁾, the statement of the Spokesman for the US Central Command about the bringing down of the US MQ-9 by the Houthis over Yemen said it was beyond the Houthis' military capabilities. He also indicated that it is further evidence of Iran's support for the growing rebel forces, coinciding with regional tensions between Iran and the Gulf states as well as the siege imposed on Iran.

The US Assistant Secretary of Defense for International Security Affairs at a news conference on June 11 mentioned that the weapons used by the Houthi militia are more sophisticated, and also he explained the role played by Iran in smuggling sophisticated arms to the Houthi militia. The US Assistant Secretary added that these attempts by Iran and the Houthi militia will not result in dominance on the battlefield. "The Houthis are an Iranian-backed force that is increasingly contributing to Iran's efforts to destabilize

the Arabian Peninsula," the US Secretary of State Mike Pompeo said.

On the internal front, the Houthi militia benefited from the truce imposed by the United Nations in the Stockholm agreement. They made some gains in the central regions of Yemen by carrying out military operations aimed at expanding their influence in Yemen. On the other hand, the appointment of Major General Sakhir bin Aziz as commander of the joint operations of ⁽¹⁵⁾Yemen's army presents an indication of the general trend towards strengthening the military option in the Yemeni file. In fact, the appointment could initiate major transformations in the military track. These transformations could probably occur in Yemen's national structure and be compatible with the coalition to support the legitimate government and the involvement of all Yemeni factions and currents to counter Iranian influence in Yemen represented by the behavior of its Houthi allies.

III. The Economic Scene

With the poor living conditions of the Yemeni people, especially in the areas under pro-Iranian Houthi control, the Houthis consistently hinder the supply of humanitarian aid such as food, and medical assistance, as well as remittances from abroad. They impose fees on remittances for the benefit of their leaders . In this context, the World Bank pledged to regulate the flow of remittances for four future phases until mid-2020.

Some sources revealed information about the Houthis' determination to oversee the distribution of food and their rejection of the fingerprint system, which limits the theft of food and medicine aid by militia leaders. The World Food Program (WFP) said the militia steals humanitarian aid and uses it for mobilization, as well as selling it on the black market.⁽¹⁶⁾



The World Bank issued a report showing the impact of the coupist Houthi militia on Yemen's standard of living from the beginning of the coup to June 2019. The report issued in early June stated that Yemen's revenues fell from \$10 billion before the Houthi coup to \$1 billion at the end of last year. The World Bank's report posted on its website summarized what the Houthi militia's coup had done to government institutions in Sana'a and the efforts by the legitimate government and the coalition countries to restore the institutions of the legitimate government from the coupist militia's grip from 2015 until June 1, 2019.

The World Bank stated that the Houthi militia has directly contributed to the economic collapse in Yemen, with its careful monitoring proven by supporting accurate

statistics of the role of the Houthis in leading Yemen to the country's worst economic situation; for example, government revenues fell from \$10.5 billion in 2014 to \$1.1 billion, a decrease of 89 percent.

The coup caused the collapse in the capabilities of the state and disrupted production in the country. The gross domestic output nearly halved from \$43 billion to \$23 billion. As for gross national product per capita, the statistics show a decline from \$1,574 to \$745, a decrease of 53 percent. The World Bank report points to reductions in exports generally of goods and services from \$9.3 billion to \$1.3 billion, a decrease of 86 percent. This means Yemen with its institutions and its people were able to export only 14 percent of what they could export before the rebels' coup.

As a result of a major balance of payments deficit, the exchange rate of the Yemeni currency has deteriorated sharply. The exchange rate of the dollar has risen from 215 riyals per dollar before the coup to an average of 542 riyals per dollar. As a result, the prices of goods and services increased significantly. The inflation rate was also close to 55 percent late last year.

The report points to security improving in the areas liberated from the Houthi militia, and oil and gas production recovering quickly which has enabled Yemen's monetary policy to be better managed. The report predicted that the decline of production experienced in the liberated areas could reverse in mid-2019. It also mentioned that the accumulation of public debt was 4.5 trillion Yemeni riyals before the coup and 11.7 trillion Yemeni riyals after the coup. In reference to famine, there is still a serious threat and humanitarian tragedy for the Yemeni people in areas under the Houthi militia's control.^[17]

Conclusion

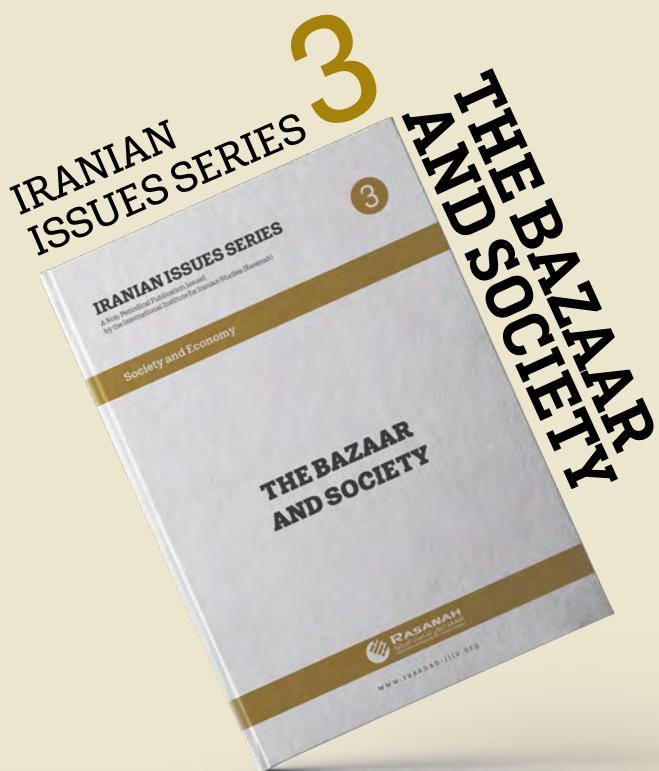
The Yemeni crisis intensified in all its political, military and economic aspects because of the behavior of the Houthis, who serve the Iranian strategy of at the regional level or act as its political pressure cards. This is implemented by disrupting the political solutions proposed and by military escalation resulting in economic and humanitarian crises that harm the Yemeni people. As for the efforts made by the Arab coalition countries, they are aimed at supporting the legitimate government, confronting the Iranian role in Yemen, promoting a political solution, and providing humanitarian assistance to their brotherly Yemeni people.

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Society and Economy

3



IRANIAN ISSUES SERIES

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International Affairs

Iran's intransigence has become much stronger after it thwarted Japan's mediation efforts and decreased its commitments under the nuclear deal by enriching uranium and increasing its heavy water production beyond the limit set by the JCPOA to pressure Europe into circumventing US sanctions. As a result, the United States has increased its maximum pressure campaign on Iran to force Tehran back to the negotiating table without inciting a military conflict and to assess Tehran's ability to address escalating US pressure.

With a prospective military engagement between Washington and Tehran looming, Iranians have been keen to gauge the position of regional countries in this regard, especially that of Pakistan, amid its strained relations with the United States. Islamabad has attempted to strike a balance between its relations with Tehran on the one hand and with the GCC states on the other hand.



IRAN AND THE UNITED STATES

The developments in US-Iran relations in July 2019 can be summarized as follows:

I. Updates on the US Position with regard to the Iran Crisis

1. The US Accusing Iran of Destabilizing the Region

The United States held Iran accountable for the recent attacks in the Gulf region; especially the attacks on the two oil tankers in the Oman Gulf on July 13, 2019.⁽¹⁾ A video released by the United States shows details of the attacks. Iran was also accused of a failed missile attack against a US surveillance drone, which was monitoring the movement of oil tankers.⁽²⁾ The US Navy, on June 22, accused Iran of shooting down a US surveillance drone over the Strait of Hormuz.⁽³⁾ Before these two attacks, on June 16, the US Secretary of State Mike Pompeo had blamed Iran for attacks on US forces in Afghanistan.⁽⁴⁾

2. The US Halted Limited Strikes on Iran

Despite the United States' accusations, and a boost in its military presence in the Gulf region, as well as consecutive remarks by US officials of a possible limited strike on Iran, the US administration resorted to pacification, indicated by its decision to halt a military strike against Iran. Trump canceled military strikes against three Iranian sites after the shooting down of a US drone by Iran.



جواب

Donald J. Trump
@realDonaldTrump



....On Monday they shot down an unmanned drone flying in International Waters. We were cocked & loaded to retaliate last night on 3 different sights when I asked, how many will die. 150 people, sir, was the answer from a General. 10 minutes before the strike I stopped it, not....

۲۰۱۹ یونیورسیتی - وسیع

3. Imposing More Sanctions

The US administration believes that its sanctions strategy is instrumental in pushing Iran to change its behavior. The US maximum pressure campaign would either topple or weaken the Iranian political system, forcing it to offer more privileges, Brian Hook, the US special envoy on Iran said.⁽⁵⁾

The United States continued with its maximum pressure campaign by imposing economic sanctions on Iran's political system. Table 1 shows the US sanctions on Iran.

Table1: The US Sanctions on Iran in July 2019

Date	Sanctions
June 7	The Treasury Department of the Treasury imposed sanctions on the Persian Gulf Petrochemical Industries Company and 39 of its subsidiaries and foreign sales agents.
June 12	Iraqi nationals were sanctioned by the US Treasury for facilitating Iran's access to the Iraqi financial system. The US Treasury also sanctioned the South Wealth Resources Company over allegedly carrying out wide-ranging financial transactions with Iran.
June 16	A US national was brought to trial for bypassing US sanctions on Iran by smuggling thousands of aircraft spare parts worth \$2 million.
June 24	Sanctions on the Iranian supreme leader and his office
24 June	Sanctions against eight senior IRGC commanders who supervise the IRGC's malicious regional activities, including its provocative ballistic missile program, its harassment, and sabotage of commercial vessels in international waters, as well as its destabilizing presence in Syria.

4. Negotiation and Mediation Offers

Despite the US sanctions on Iran, negotiations are still a strategic goal for the US administration, "We're prepared to negotiate with no preconditions," Pompeo said. Apparently, the United States has stepped back from the 12 conditions it laid down before its withdrawal from the nuclear deal in May 2018. The US President Donald Trump, during his visit to Japan, asked the Japanese prime minister to mediate between Washington and Tehran.⁽⁶⁾

5. Looking for Alternatives to Maintain Maritime Security in the Gulf

As the GCC states face attacks carried out by Iran and its proxy militias, risking the freedom of navigation and maritime security, Trump raised some questions regarding US military presence in the Gulf region and why Washington should protect the shipping lanes of other countries? Later, the United States started to exert efforts to create an international coalition for protecting shipping lanes in the Gulf.⁽⁷⁾



Donald J. Trump @realDonaldTrump



China gets 91% of its Oil from the Straight, Japan 62%, & many other countries likewise. So why are we protecting the shipping lanes for other countries (many years) for zero compensation. All of these countries should be protecting their own ships on what has always been....

138K 3:08 PM - Jun 24, 2019



44.3K people are talking about this



Donald J. Trump @realDonaldTrump · Jun 24, 2019



China gets 91% of its Oil from the Straight, Japan 62%, & many other countries likewise. So why are we protecting the shipping lanes for other countries (many years) for zero compensation. All of these countries should be protecting their own ships on what has always been....



Donald J. Trump @realDonaldTrump

....a dangerous journey. We don't even need to be there in that the U.S. has just become (by far) the largest producer of Energy anywhere in the world! The U.S. request for Iran is very simple - No Nuclear Weapons and No Further Sponsoring of Terror!

114K 3:08 PM - Jun 24, 2019



II. Iran's Policy in Confronting the US Position

Iranian policy in addressing the latest US position on the attacks is clarified as follows:

1. Exploiting the Card of Regional Security and Stability

In a retaliatory measure against the US maximum pressure campaign, with the US imposing economic sanctions and threatening limited strikes, Iran implicitly, without taking responsibility, and through applying several techniques, attacked oil tankers and facilities in the Gulf region. Moreover, shooting down a US drone was an explicit message that US forces are not out of bounds as targets for Iran's military. It also threatened to attack US forces through its proxy militias.

Tehran is keen to show the world that regional stability and security will not be achieved as long as the United States continues to impose sanctions on Iran.⁽⁸⁾ General Yahya Rahim Safavi, a senior advisor to the Iranian supreme leader said, "All foreign vessels and US forces in the Arabian Gulf are targeted by Iranian missiles [...] The presence of US vessels in the Arabian Gulf would make it easy for us if the Americans wanted to start a conflict."⁽⁹⁾

2. Decreasing its Nuclear Commitments

Under the pretext that Iran's demands under the nuclear deal have not been met and the parties in the accord have not carried out any effective action so far, Behrouz Kamalvandi, a spokesman for Iran's Atomic Energy Organization said, "based on the decision by the president and the Supreme National Security Council (SNSC), the order was given to take the second step and to increase enrichment beyond 3.67 percent by June 27," exceeding the 300 kilograms stockpile limit that was stipulated in the JCPOA.⁽¹⁰⁾ The late Yukiya Amano, the International Atomic Energy Agency's former Director-General, said that Tehran had increased its enriched uranium reserve; however, it was not yet clear if the stockpile violated the limit set by the nuclear deal or not.

3. Addressing Economic Sanctions

Despite US sanctions on Iran's oil exports, it was reported that Iran exports oil covertly, thus bypassing US sanctions. Abdolnaser Hemmati, the head of Iran's Central Bank said Iran will make all possible efforts to export oil. Fandana Harry, CEO of the Malaysian Company of Oil Research, confirmed that Malaysian oil exports to China increased 86 percent in May 2019. According to Reuters, Iranian oil exports for the first three weeks of June were estimated at approximately 300,000 barrels per day.⁽¹¹⁾

On the other hand, Iran succeeded in exploiting US sanctions to reorganize its internal affairs and to contain public protests by boosting nationalism and showing its defiance, as well as finger-pointing to external conspiracies. It managed to strengthen the political system's legitimacy as an icon of resistance against the United States.⁽¹²⁾

4. Negotiations

Unlike the position of Iran's Supreme Leader Ali Khamenei who clearly stated that Iran will not negotiate and will not engage in a war and the IRGC's clear-cut rejection of negotiations,⁽¹³⁾ President Hassan Rouhani said the door is open for negotiations with the United States but conditioned them to the US lifting its sanctions on Iran and meeting its commitments under the nuclear deal.⁽¹⁴⁾ The Iranian government is facing internal pressure to accept negotiations. An announcement by 225 students, political activists and citizens inside and outside the country — in which they expressed the desire of many Iranians for an easing of tensions in the region — called for talks with no preconditions with the United States.⁽¹⁵⁾

There have been many mediation efforts as indicated in the recent comments made by the Qatari minister to carry out separate talks with Iran and United States to ease tensions as well as the mediation efforts made by the Japanese Prime Minister Shinzo Abe and his meeting with Iran's Supreme Leader Ali Khamenei on June 13 in Tehran. The Japanese mediation was upon the request of the US president.⁽¹⁶⁾

5. Hindering International Unanimity

Iran is still keen on blocking any international unanimity against it. This is obvious in Iran's eagerness to maintain its relations with Europe, China, Russia, India, South Africa, and its neighboring countries. Tehran is keen to prevent the United States from exploiting Iranian-European tensions for its own benefit. By submitting a letter to the UN Security Council about the US spy drone violating its territories, Tehran can boost its legal position in the international arena.⁽¹⁷⁾

III. Indications and Consequences

By examining the US-Iran relationship in June, we can conclude the following:

- 1.** According to the status quo, it seems that the United States is not ready to get involved in a military engagement in the Middle East at this stage.
- 2.** Without a shadow of a doubt, the US ability to deter Iran was weakened by canceling its decision to launch limited strikes on Tehran. As a result, Iran has become much more belligerent in jeopardizing the freedom of navigation and regional security in the Arabian Gulf.
- 3.** Iran still refuses to negotiate under pressure. The remarks made by Trump and officials in the US administration, in which they expressed US willingness to begin talks with Iran with no preconditions and to support mediation efforts, sent Iran a false message that Washington does not war. This gives Tehran enough room to amend its position before starting any talks with Washington.
- 4.** Imposing US sanctions on Iran has not achieved its target of forcing Iran to sit at

the negotiating table. The sanctions recently announced by the US Department of the Treasury on Iran's Supreme Leader Khamenei and IRGC commanders are merely for American propaganda purposes to support its maximum pressure campaign on Iran.

5. Shooting down the US drone is an Iranian message to show the US the extent of Tehran's ballistic missile range and that it is ready to confront the United States. However, the US response on the targeting of its drone unveiled that Washington is not after a military escalation, which confirms Khamenei's remarks when he said a war would not happen.

6. The US attempts to internationalize the safeguarding of regional security and shipping lanes reveal that protecting the Arabian Gulf is not a top priority for the United States anymore. The United States has not responded to the recent attacks on the Arabian Gulf, instead, it called on world powers to protect their own interests in the region.

7. Though Iran showed that it is prepared for a military confrontation, Iranian officials have not made a clear-cut decision on opening talks with the United States. Iran is keen to prolong tensions but to avoid a military confrontation that would cost the country huge losses.

In a nutshell, the US maximum pressure campaign was weakened when Washington canceled its military strike, which was part of its original strategy. According to Washington, a military threat would deter Iran's policies and would force it to sit at the negotiating table. Calling off its military strike does not mean that the United States is weak, rather it means that it is keen to tame Iran and to open talks in order to discuss the main outstanding issues to protect US interests. It is not certain that any future US-Iran understanding will align with the Arab regional agenda, although the Arab countries remain perplexed by Iran's regional behavior.

Pakistan and Tensions in the Arabian Gulf

Tensions in the Arabian Gulf have escalated in recent months due to Iran's belligerent behavior with it attacking oil tankers and its proxy in Yemen, the Houthis, launching drone attacks against airports and oil pipelines inside Saudi Arabia. This belligerence has led to fears of a possible military confrontation between Washington and Tehran. This fear has been heightened with Iran downing the US Global Hawk drone on June 20, 2019, which it claims had trespassed into its territory. To calm tensions in the Gulf there have been Japanese attempts to mediate as well as offers from regional states such as Iraq and Kuwait. This report aims to analyze Pakistan's posture towards the ongoing



crisis, particularly its reaction to the attacks in the Strait of Hormuz and on Saudi Arabia, as well as the motives behind Pakistan's mediation offers. In addition, future scenarios will be presented of Pakistan's potential posturing if the crisis were to escalate and head closer to a military confrontation between Tehran and Riyadh.

I. Pakistan's Position on the Escalating Tensions in the Arabian Gulf

Pakistan has been concerned about the escalating tensions in the Arabian Gulf, and it has issued statements expressing its condemnation of the attacks on oil tankers in the region as well as the Houthi drone attacks on Saudi Arabia. Islamabad has called on all parties to show restraint. "The attack on Saudi vessels is, in fact, an assault on the development and economic interests of the Kingdom," Malik Muhammad Ehsan Ullah Tiwana, the Chairman of the National Assembly Standing Committee on Foreign Affairs, told Arab News. He added, "We stand with Saudi Arabia against attempts to undermine its security and territorial integrity and we are ready to play our part to curb such incidents of international terrorism."⁽¹⁸⁾ The government of Pakistan condemned the Houthi drone attacks on oil pumping stations in Saudi Arabia. The Pakistani Foreign Office's statement stated, "Pakistan strongly condemns the drone attacks on oil pumping stations in the eastern province of Saudi Arabia and expresses its solidarity with Riyadh."⁽¹⁹⁾ The attacks forced Riyadh to shut down one of the major pipelines raising tensions in the Gulf. During Iran's Foreign Minister Javed Zarif's visit to Islamabad in May, Pakistan's Prime Minister Imran Khan raised his concern over the implications of "rising tensions in the Gulf" but without specifically mentioning Saudi Arabia.⁽²⁰⁾ The prime minister's office in a statement said, "Further escalation in tensions in the already volatile region was not in anyone's interest. All sides need to exercise maximum restraint in the current situation."⁽²¹⁾

In light of the variance in the tone, message, and language in the aforementioned statements, it can be seen that Pakistan is trying to navigate difficult ground. On the one hand, Islamabad has strong relations with the Gulf countries, particularly with Saudi Arabia, and on the other hand, Pakistan is experiencing a turbulent and sensitive relationship with the United States and Iran. As a result, Pakistan's positioning during the crisis is reflective of its attempts to balance the various relationships without bringing unwanted pressure on itself, particular from Iran. Since the start of the year, there has been a deterioration in relations between the two countries due to cross-border militant attacks with Tehran accusing Islamabad of not doing enough to stop them. As a result, Pakistan finds itself between a rock and a hard place, given the difficult decisions it has to make to juggle its bilateral relationships without jeopardizing its own national interests.

II. What Are Pakistan's Motives in Acting as a Mediator Between the US and Iran or Between Iran and the Gulf countries?

In the case of growing tensions, Pakistan will naturally be concerned about its security and the stability of the region. In this context, the Pakistani Foreign Minister Shah Mehmood Qureshi said, "Pakistan was closely following the situation" and would take a stand "that best served the national interest."⁽²²⁾ During Zarif's visit to Pakistan in May, after weighing its national interests, Pakistan offered to mediate between the United States and Iran. While speaking at a weekly news briefing, the Foreign Office Spokesperson Dr. Mohammed Faisal said Pakistan always supported dialogue and desired that all issues should be settled through engagement. "If required, Pakistan is ready to play a constructive and positive role in this regard," he added.⁽²³⁾ This Pakistani offer to mediate is a result of three worrying realities for Islamabad if military confrontation

were to break out between the United States and Iran. First, India has deployed its warships in the Gulf of Oman to protect its vessels transiting in the region, and a move towards military conflict could push New Delhi to increase its military build-up in the area.^[24] In response, Pakistan would be forced to counter this move by increasing its naval presence in the region leading to a possible military flare-up between the two countries, something Islamabad is not in a position to enter given its dire economic situation and political crisis at home. Second, in any potential military confrontation between the United States and Iran, Pakistan's Shiite population would exert pressure on Islamabad to take a position, and whether it is with or against Iran it would be suicidal for Pakistan.^[25] Siding with Iran would alienate Pakistan from its Gulf allies and strain tensions further with the United States, whereas siding with the United States and its Gulf allies would potentially lead to the Shiites rebelling against the Pakistani state. Third, Pakistan, along with the United States, is working on reaching a political settlement in Afghanistan and the situation is complicated by the political stakes different parties have in the country. Iran is involved in Afghanistan and has established contacts with the Taliban. Any move towards military conflict could lead to Iran derailing the peace process and instigating further insurgency in the country. This would harm Pakistan's national interests and regional security.^[26] From the aforementioned it is apparent Pakistan's key national interests are at stake if a military confrontation happens and it is eager to offer its help to ease the tensions quickly otherwise it could risk the progress it has made on strengthening its national security over the last five years.

III. Possible Scenarios in the Event of a Military Confrontation Between Iran and Saudi Arabia

Multiple different scenarios can play out if military conflict were to break out between Iran and Saudi Arabia. I will examine each, in particular assessing the realistic nature of each scenario. First, Pakistan could militarily support Saudi Arabia given the warm relations between the two countries and the multiple statements from Islamabad indicate that it would come to Saudi Arabia's defense if it was attacked. In Pakistan, the position of the military establishment is critical with it placing Pakistan's national interests at the center of its calculations. The military establishment is fully conscious of possible Iranian destabilization in Baluchistan as well as in Afghanistan if it were to support Saudi Arabia in a war against Tehran. If Iran resorted to such behavior in these two territories, Pakistan's national security would be severely compromised. In addition, since the Iranian revolution, Pakistan has been apprehensive about its own Shiite population and how it could be used by Iran to destabilize Pakistan. As a result, Pakistan's military establishment since the 1980s has supported Sunni sectarian outfits such as Sipha-e-Sahaba (Soldiers of the Companions) to subdue the Shiite community and to keep it under pressure.^[27] Given these concerns, it is highly unlikely Pakistan would militarily support Saudi Arabia in any attack on its territory. Second, Pakistan could alternatively support Iran in any military conflict as they share a border and Pakistan's security is intertwined with Iran. However, this would be a major miscalculation by Pakistan as it would risk its relations with the Gulf countries that have invested heavily in Pakistan's economy. Its warm relations with Saudi Arabia would turn cold. Third, if one looks at Pakistan's position when it comes to conflicts in the region it has mainly tried to remain neutral, such as during the Iran-Iraq war in the 1980s and the Gulf war in 2003. Similarly, in the ongoing Yemeni conflict, Islamabad has refrained from siding with Riyadh despite pressure to do so. Since the advent of the Imran Khan government and Riyadh providing loans as well as the UAE, Pakistan has changed its tune by offering to play a role in the Yemeni crisis if required. Although Pakistan has not specified its

role, it is likely to limit itself to a political rather than a combat role. However, it is important to remember Pakistan did take a defiant position in the 1990 Gulf war and deployed its forces in defense of Saudi Arabia.⁽²⁸⁾ But unlike Iran, Iraq does not border Pakistan and does not have destructive proxies inside Pakistani territory that could be used to destabilize the country. Therefore, Pakistan remaining neutral is the most likely scenario if a military conflict breaks out and Pakistan - knowing the potential risks if this occurs - has offered its services to diplomatically resolve the crisis in the region. Pakistan is at the center of a sandstorm and needs to maintain its national interests without throwing off balance the delicate relations it has with the United States, Iran, and the Gulf.

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