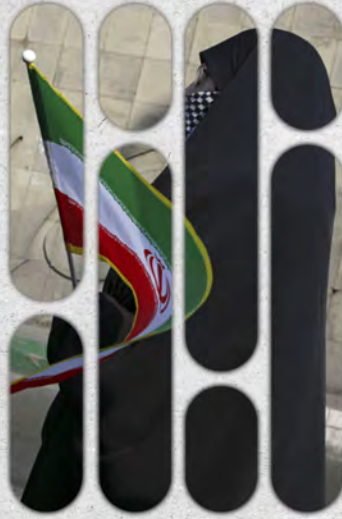


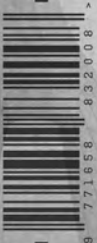
MONTHLY REPORT



# IRAN CASE FILE

Your window on Iran from inside and abroad

September 2019



**RASANA**  
المعهد الدولي للدراسات الإيرانية  
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# IRAN CASE FILE

September 2019



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# IRAN CASE FILE

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# THE EXECUTIVE SUMMARY

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**D**uring the month of September, Iran pursued a brinkmanship policy. After the attacks on Aramco's oil facilities in Saudi Arabia in Abqaiq and Khurais and the disruption of Saudi oil exports by 50 percent, Iran realized that it was pursuing a very risky strategy by escalating its hostile and provocative policy. It realized that it must restrain itself, either to reap the benefits or to prevent collapse. Furthermore, it realized that if it continued with its hostility it could face a violent regional and international response. Therefore, Iran sought to contain regional and international reactions in the aftermath of the oil attacks as well as to reduce the potential dangers it could face. This is discussed further in the *Regional Affairs* and *International Affairs* sections of the report.

As for *Internal Affairs*, Iran is waging a war on financial corruption right across state apparatuses, the details of which are no longer hidden from Iranian citizens. This comes following a series of corruption scandals in which government figures, both current and former ones, were involved. Clerics were not excluded from these scandals, which prompted one of Iran's clerics –Abul-Fazl Shokouri – to attempt to exonerate the clergy, saying 97 percent of clerics in Iran are just capable of making ends meet. According to Shokouri, those clerics who made financial gains from the 1979 revolution never exceeded 3 percent of the total clerical population. There is no doubt that this attempt by Shokouri to exonerate his community was prompted by the government's criticism of religious institutions as their finances are not subject to any regulatory scrutiny. Revenues from endowments, expenditure on the supreme leader's house, and the Khoms share, as well as funds allocated to religious seminaries are not subject to oversight.

Politically, corruption has been the focal point of political interactions in Iran after President Rouhani's brother was sentenced to five years in jail. Despite suggestions that the judicial authority headed by Ebrahim Raisi was politicizing trials, the sentencing of Hussein Fereydoun, brother of Rouhani, caused a stir in the Iranian street. To Iranian citizens, it seems as if all government figures are involved in corruption, whether

conservatives or reformists, especially after the mutual accusations between Ayatollah Yazdi, the former head of the judiciary, and Sadeq Larijani the former head of the judiciary and the Chairman of the Expediency Discernment Council, which involved reciprocal accusations of economic corruption and lack of academic knowledge. Despite the government's desire to maintain an ideal image of its figures, the crackdown on corruption led by the current head of the judiciary Ebrahim Raisi, who is accused of carrying out political executions in the 1980s, is one of the Iranian government's tools to improve the deteriorating economic conditions in the country which have worsened since the US imposed sanction on Iran. Hence, exposing corrupt officials has become a necessity unlike in the past when government corruption was covered up.

On the economic scene, following the attacks on Aramco's oil facilities, US President Donald Trump announced a new package of economic sanctions on Iran, which included the Central Bank of Iran, the National Development Fund and Etemad Tejarat Pars. The latter is known to finance the activities of the IRGC. These sanctions were enacted in light of Iran's involvement in the attacks which undermined global energy security and posed an acute threat to the global economy. Although the Iranian government is currently able to endure these consecutive packages of sanctions through depending on its reserves, in the long run, these sanctions will lead to a deterioration in Iran's economy and constitute a decisive factor in shaping the realities and future of the Iranian economic situation. Given the downturn in the Iranian economy and negative growth rates, estimated by the World Bank last October to be negative 6 percent and 8.7 percent GDP growth in a report published after its reassessment, the Iranian economy will need to achieve high growth rates for consecutive years to make up for the damage caused to it, or at least prevent further deterioration in the living conditions of Iranians.

At the military level, the attacks on Aramco's oil facilities constituted a means to reassess Iran's missile capabilities in terms of their range and precision. Analysts presented several interpretations to explain as to why the attacks were successful. Most of these interpretations focused on the positioning of Saudi missile systems and the ability of US missile defense systems in repelling attacks by low-altitude missiles such as cruise missiles and drones. They also discussed the options Saudi Arabia has to boost its air defense systems via the Patriot missile defense system in conjunction with other missile defense systems such as THAAD.

As for *Arab Affairs*, Iran continues to implement its schemes in Syria, taking advantage of Bashar al-Assad government's success in controlling more Syrian territory with the help of Russia and Iran. Iranian schemes in Syria revolve around solidifying its presence via demographic change, which involves repopulating Sunni areas with Shiites. Iran has focused on Deir ez-Zur by establishing several Shiite mosques in the area and not allowing Sunni residents to return to their homes without a written approval by leaders of Iranian militias deployed there. Also, Iran continued its efforts to establish military bases in Syrian territories, especially near the Syrian-Iraqi borders amid continued competition with the Russians to get reconstruction and infrastructure contracts. The most important among these contracts obtained by Iran was the contract to build a power plant in Latakia with a capacity of 450 megawatts. Within Iran's efforts to connect with Syria and establish areas of influence there, Tehran revived project to export Iranian oil via Syria's Banias Port by extending an oil pipeline passing through Iraqi territories. This represents, a new link in the Iranian project to consolidate its presence on the shores of the Mediterranean. This is in addition to the franchise granted to Iran by the Syrian government to establish, run and operate a multi-task port on the coast of Latakia.

In regards to Yemen and the Iranian role there, the Houthis' claiming responsibility for the attacks on Aramco represented further evidence of its subordination to Iran. The



spokesman for the Houthis announced that the group had carried out drone attacks. This acceptance of responsibility aims to alleviate the pressure on Iran and distract attention away from it. In order to reaffirm the Houthi role in alleviating international pressure on Iran, the Houthis announced their initiative of de-escalation and stopping attacks against Saudi Arabia via drones and ballistic missiles. At the time, Saudi Arabia said that it would look at the initiative of the Houthis, particularly at its seriousness. However, there are no strong indications of progress in finding a political solution to the Yemeni crisis as there were some complexities that emerged on the Yemeni scene through increased Iranian interventions to exploit the Yemeni issue to ease mounting international pressure on Tehran.

With regard to International Affairs, Iran believed that the sacking of US National Security Adviser John Bolton would bring a change in the US position on dealing with Iran. Iran is heedless of the fact that when Bolton was still in his job, Trump was proposing negotiations with it all the time and at the same time continued to impose sanctions on it to force it to accept negotiations. When Bolton was dismissed, the US position did not change as a new package of sanctions was imposed along with new calls for negotiations. The new development is the enhancement of US military presence in the Arabian Gulf due to Iran's hostile acts that threaten maritime navigation and compromise the security of the region's countries.

On the other side, Iran offered nothing but a proposal to ratify the Additional Protocol of the International Atomic Energy Agency (IAEA) in return for the lifting of US sanctions imposed on it. In addition, Iran proposed what is known as the Hormuz Peace Initiative to form an alliance to protect Gulf security with the participation of Iran. The initiative ignores realities and is based on the assumption that Iran is the guarantor of Gulf security, not the primary threat to it.

On the Russian Front, Iran seeks by all means to deepen cooperation with Russia and the member states of the Eurasian Economic Cooperation Organization (EECO) in order to mitigate the impact of US sanctions. It floated the project of banking interconnection between the Interbank Information Transfer Network, known as Shetab and Russia's Mir to facilitate transfers among individuals and institutions in the two countries in order to avoid conducting dealings using SWIFT. But a hindrance to the success of the Iranian plan is the weakness of Iranian infrastructure in many sectors and Tehran's inability to integrate within the Eurasian economy, in addition to the opposition of some members of the EECO to Iran's accession due to its long history of meddling in the internal affairs and supporting terror groups in the Euroasia region.

The positions of Tajikistan and other countries were reflective of Iran's long history of regional interference. But at the diplomatic level, Iran boosted its cooperation with Russia through proposing its Gulf collective security project and by engaging in joint mediation efforts with the Russians to reignite negotiations on the nuclear deal, with Russia becoming Iran's prime partner in its global decision-making.



# Internal Affairs

**A**t home, Iran is witnessing rising public interest in financial corruption scandals, in which several Iranian officials and their relatives have been involved in a bid to address the economic situation in the country. Corruption has become the biggest danger to Iran after the US imposed sanctions on Tehran. The crackdown on corruption had an ideological and political dimension due to the corruption files pursued and those that were overlooked. This anti-corruption campaign has led to the destruction of the ideal image of its figures which the Iranian government has historically sought to promote. In addition, this anti-corruption drive is likely to impact the results of the coming elections, including the parliamentary elections which will be held on February 2020 due to the fact that newcomers are likely to participate following the serious corruption scandals in which several of the government's key figures are involved..



# THE IDEOLOGICAL FILE

This file casts light on the ideological developments in the Iranian arena during the month of September and the impact of such developments on internal actors in the state and seminary. This month, the ideological file will discuss the financial status of clerics in Iran based on the remarks made by a former parliamentarian about them.

## I. Clerics Under the Poverty Line

Abul-Fazl Shokouri,<sup>(1)</sup> in the context of the ruling religious elite, stated that 98 percent of clerics in Iran live below the poverty line. They have no permanent home. They move along with their wives and children to meet their needs here and there on dilapidated motorbikes. They can barely make ends meet.

He also noted that nearly 3 percent of clerics benefited from the revolution. The rest are forced to live by spending only 600,000 tomans per month or by the money they earn during Muharram or Ramadan by giving sermons at mosques. He asserted that people only see clerics who work as jurists or in regulatory and military apparatuses, which leads them to misjudge the income and lifestyle of clerics.<sup>(2)</sup>

The remarks of Shokouri can be interpreted in light of rising popular pressure on clerics. The people see them as having seized power and accumulated wealth amid rising poverty rates. His remarks contradict the public perception of clerics' monopolizing the state and its resources, with Shokouri asserting that most of them live under the poverty line. There are several reasons for these remarks, including:



**1-** The Iranian government's attempt to defuse public anger towards clerics with growing demands on them to reduce spending and end Iran's religious and sectarian presence beyond its borders, which requires a lot of expenditure.

**2-** The Iranian government is aware that its sectarian and religious expansion beyond its borders, entails excessive spending on renovating shrines, recruiting religious, political and military elites, building Shiite mosques, promoting Velayat-e Faqih, and so forth. As a result Iranian expansionism is not without difficulties as there is domestic discontent towards it due to harsh economic sanctions and rising poverty for people of all income brackets inside Iran. Therefore, the presence of Iranian clerics outside Iran and the money spent on Iran's external activities are always handled in an indirect or covert way compared to similar issues at home.

We notice that Shokouri wanted to assert that clerics do not abuse their positions and that the biggest portion of them are not appointed to senior positions. But his remarks suggest otherwise. If we accept the fact that only 3 percent of clerics benefited from the revolution, they are the clerics and elite which support and promote the Velayat-e Faqih line, while a large percentage of clerics are neither Marjias, who are in positions below the level of ayatollah, nor are they engaged with clerics who oppose Velayat-e Faqih or at least don't believe in it. They are generally counted as junior clerics.



## **II. Jurists, Government Positions and Sources of Wealth**

What was raised by Shokouri casts light on the monopolisation of key government positions by clerics. Some of those in the elite believe that Khomeini was not a proponent of the idea that clerics take over the government and executive positions in the beginning, and that his plan was limited to clerics playing a supervisory and guiding role. It was never on the cards that clerics would exercise executive powers within the government.<sup>(3)</sup> But, according to some, he was forced to change his position and rely on clerics instead of technocrats due to the clash between technocrats and clerics on points of contention such as the constitution, identity, legislation and so forth. These were considered as non-negotiable issues that could not be ignored and left to others to decide<sup>[#]</sup>, according to Khomeini.

It is argued that Khomeini was a pragmatic who deliberately intended to recruit clerics in due time after exploiting technocrats and making their popularity wane immediately after the revolution. Regardless of the aforementioned, there is little doubt that clerics dominated state apparatuses and hindered institutional transformation, and the existence of independent regulatory and supervisory institutions. Clerics depend on their reputation and jurisprudential knowledge, which they are eager to uphold and preserve, as they are the representatives of the supreme leader, who is dependent on them. As



the supreme leader looks to clerics for advice, elected institutions are neglected and overlooked. However, such institutions are constitutionally required to overlook the performance of state apparatuses regardless of who has been appointed to manage them. Clerical domination and their impunity was guaranteed by law as they were prevented from being tried except through special courts.

The absence of active institutions and oversight led to public funds being merged with private capital. Estimates of endowment revenues across Iran, and the government's budget allocated to the supreme leader's house as well as the *Khoms* collected are not announced. No regulatory authority in Iran has the power to oversee these funds and know the details of how they are spent. Some opposition figures suggest that the supreme leader's annual expenditure approaches close to \$18 billion.<sup>(4)</sup>

From a poor background, the late cleric Hashemi Rafsanjani became one of the richest men in Iran. He was classified as a billionaire among the rich clerics, with total assets worth \$1 billion.<sup>(5)</sup> Meanwhile, one of the businessmen, the son of Makarem Shirazi, took over the franchise of sugar imports. This pushed the government to lower the subsidy paid to the high-cost locally produced sugar in favor of importing low-cost sugar following pressure from Makarem Shirazi, according to some opposition figures. This led to lowering the domestic production of sugar and laying off a number of sugar factory workers.<sup>(6)</sup> Some call Makarem Shirazi the "King of Sugar" as he controls this important aspect of Iranian lives.

A wide spectrum of clerics who did not believe in *Velayat-e Faqih* and who did not agree to the seminary changing its fatwas or jurisprudential leanings after the revolution, remained dependent on a portion of the *Khoms* for their basic income. However, after the revolution they suffered as religious seminaries were semi-nationalized by the Iranian political system and a portion of the *Khoms* had to be provided to the state. What Shokouri said, in addition to contradicting facts related to the assets of clerics, led to some clerics supportive of the government to criticize the financial corruption of clerics. He said, "Those who wear cloaks and turbans compete for amassing the biggest possible portion of wealth in Iran. They also asserted that the main work of the Iranian government's clerics is to trade in meat, steel, and sugar. Thus, the people are bound to be negative towards them."<sup>(7)</sup>

This clerics' absolute power is attributed to the idea of infallibility which is one of the required tenets of absolute *Velayat-e Faqih*. According to Ali Khamenei himself, the supreme leader is infallible. His power cannot be opposed. The core essence of the concept of *Velayat-e Faqih* is based on the fact that the person responsible for the Islamic government does not make mistakes. If he did make mistakes, he would not be the supreme leader at the moment. This ideology led clerics to reject any form of control over the apparatuses they are appointed to.<sup>(8)</sup>

### III. Future Indications

It is expected that the financial gap between the ruling elite and Iranian society which suffers further because of US sanctions imposed on Iran will continue. It is not on the cards that the ruling elite will concede any of its financial privileges or accept state resources to be supervised or followed up by regulatory bodies. There are several reasons for this, including a belief among clerics that these privileges are a legitimate right for them, not only a political one, citing jurisprudential justifications in *Velayat-e Faqih* theory. Also, the Iranian government enhances its legitimacy through forming complex networks of loyalists that ensure its survival by promoting its ideology and creating a popular support base for it.

## Conclusion

There is no doubt that there is a disparity between clerics and society and among clerics themselves based on their closeness to the government and their clout within its corridors. It is not expected that this disparity will vanish as it has become complicated and has evolved into compounded networks and lobbies which seek to protect their financial interests and ideological tenets at the same time.

The issue of clerics' hoarding their assets and the way they got these assets in the post-revolution era is one of the most controversial issues causing social discontent in Iran. Hence, any attempts to justify these issues by the government, its elite or experts will find no popular acceptance unless Iranians see an improvement in their economic situation, and justice in the way resources are distributed as well as equal opportunities and merit-based appointments to public posts.

# THE POLITICAL FILE

Iran is engaged in countering financial corruption deeply rooted within the ruling government at all levels. Perhaps the government and its senior figures are engaged in corruption. This came to the surface through the conflict between the former head of the judiciary Ayatollah Yazdi and the present head of the Expediency Discernment Council, Ayatollah Sadeq Larijani, who also used to head the judiciary. There is no doubt that there is a new approach to handling the files of corruption since Ayatollah Ibrahim Raisi came to office as head of the judiciary in March 2019. He may have been prompted to do so on direct orders from the supreme leader in a bid to address the effects of US sanctions which have limited Iran's economic revenues which were once available to the government and were used to support its militias and military activities overseas. This is not the first attempt to wipe out corruption in Iran. A committee to combat corruption was formed in 2003. Accounts of state apparatuses were reviewed. But the apparatuses under the direct control of the supreme leader were not reviewed, which effectively led to the failure of the committee's work. But now, there is an intent to crack down on corruption, given the deteriorating economic circumstances which the country is facing.

## I. Raisi and Confronting Corruption

After he was appointed by the supreme leader as the new head of the judiciary, Ebrahim Raisi made combating corruption his top priority. By engaging in this mission, he wanted to present himself to the public as the toughest official in terms of combating corruption without any apparatuses of the state left untouched. He was aided by the fundamentalists who are supportive of him and who launched strong propaganda campaigns after he was appointed to the judiciary. They described him as the most suitable man for the job and the most efficient when it comes to combating administrators and officials who abuse their positions and relationships for illegal profiteering.

In order to achieve this end, the judicial authority made several arrests and conducted several trials against those involved in corruption, the last of which was the five-year prison sentence handed to Hussein Fereydoun after he was convicted of financial corruption and accepting bribes. Despite the legal measures pursued by the judicial authority in order to wipe out or curb corruption, there is uncertainty about the effectiveness of these measures due to the widespread nature of corruption and the involvement of major bodies and institutions within the government in corrupt practices.

The most prominent reason behind this corruption is the absence of transparency, which has encouraged civil servants to take advantage of their positions and take bribes without any mechanisms to expose their irregularities and hold them accountable. This is compounded by the complacency of official regulatory authorities such as the Iranian Parliament, the General Inspection Office and local councils towards performing their role in preventing corruption. Also, some institutions engaged in these corruption scandals such as the IRGC are connected to the supreme leader.

The judicial authority, which has led an investigation into corruption scandal among



different institutions and circles in Iran, also faced corruption charges in 2017. This came after the judiciary announced that it had 63 bank accounts and accused its former head Sadeq Larijani of acquiring millions of dollars via opening secret bank accounts with the aim of collecting bail money for those accused of various crimes. At the time, Larijani was engaged in recriminations and mutual accusations with President Rouhani. This finger-pointing reached the extent that President Rouhani announced his readiness to disclose the bank accounts of the presidency, calling on Larijani to take a similar measure.

To extricate the judiciary from being tainted with corruption and to lay the groundwork in order to combat corruption, the new head of the judiciary Ebrahim Raisi took several measures, including reducing the judiciary's bank accounts down to five<sup>(9)</sup> and dismissing 60 judges<sup>(10)</sup>

## **II. Sentencing the Brother of President Rouhani to Five Years in Jail Over Bribery Charges**

Following the victory of Hassan Rouhani in the 2013 presidential elections, the Iranian people pinned high hopes on him to eradicate the record-breaking corruption witnessed under his predecessor, Mahmoud Ahmadinejad. But what the people woke up to find was that corruption ruined the house of President Rouhani himself after the arrest of his brother and his special adviser Hossein Fereydoun<sup>(11)</sup> in July 2017 in connection with several corruption cases. Before the arrest, radicals within the Iranian government, including the former member of the Iranian Parliament Alireza Zakati stated that Fereydoun was running an economic corruption network and turned the office of the president of the republic into a hotspot for middlemen who reaped huge amounts of money through fraud, evasion and bribery.<sup>(12)</sup> As for the judiciary, it announced that Fereydoun was accused of committing financial corruption offenses. He was released on bail with a bond of 50 billion tomans, which is equivalent to \$15 million.<sup>(13)</sup>

After Ebrahim Raisi was appointed as judiciary chief, it was expected that the file of Fereydoun would be reopened and set into motion, especially since Raisi mentioned in televised debates which preceded the presidential elections in 2017 that he had conclusive evidence of Fereydoun's financial irregularities and that Rouhani did not allow his brother to face justice.

Over the past three months, Hussein Fereydoun's trial hearings continued, until the judicial spokesman Gholamhossein Ismaili recently announced that the Court of Appeal had sentenced Fereydoun to five years in prison and fined him 31 billion tomans after he was found guilty of accepting bribes.<sup>(14)</sup>

## **III. Possible Strategies to Mitigate the Consequences of the Trial**

The imprisonment of Hussein Fereydoun has caused a great deal of embarrassment to President Rouhani among his opponents and even among his reformist and moderate supporters, since the convict is his brother and his special adviser, and the charges brought against him relate to the corruption that Rouhani has long spoken of and promised to eliminate.

To get out of this crisis, Rouhani has pursued certain strategies to alleviate the pressures he and his government may face as a result of Fereydoun's imprisonment:

**1-** The judiciary has always been accused of politicizing prosecutions against reformists or officials of government institutions. This accusation has been down to its failure to open corruption files involving a number of fundamentalists and those close to the supreme leader who possess massive economic institutions and companies not subject to control and accountability. There is an accusation directed towards Ebrahim Raisi that he is seeking to exact revenge on Rouhani who defeated him in the last presidential elections



as well as the conservatives' desiring to boost their chances to win most of the seats in the coming parliamentary elections which will be held in less than five months, February 21, 2020. Since September 14, 2019, Rouhani directed the same accusation at Raisi, less than three weeks before the final verdict was to be issued against his brother Fereydoun, during a meeting bringing together the heads of the three branches of power (the executive branch headed by Hassan Rouhani, the legislative branch chaired by Ali Larijani, and the judiciary led by Ebrahim Raisi). Rouhani complained to Ebrahim Raisi about the political discrimination witnessed in the corridors of the anti-economic corruption courts.<sup>(15)</sup> In other words, the political current to which the defendant belongs determines whether he shall stand trial or not.

Rouhani's accusations directed at Raisi and the judiciary were preceded with criticism by some reformist political activists of the judiciary's discriminatory anti-corruption tactics, stressing that the courts do not deal with the many cases of corruption committed by institutions controlled by the supreme leader and those close to him.<sup>(16)</sup>

But these criticisms were strongly rejected by Ebrahim Raisi and his deputy Mohsen Eje'i, while hardliners and some analysts linked Rouhani's criticism of judicial efforts to address corruption, to the trial of his brother Hussein Fereydoun, in particular, as his brother's final verdict was quickly approaching.<sup>(17)</sup> This means that Rouhani's criticisms were a preemptive attempt aimed at either influencing the trial, mitigating the sentence or strengthening his stated position that the judiciary politicizes trials related to combating corruption in case a verdict against his brother was issued.

Rouhani's criticism did not stop at accusing Raisi of politicizing corruption trials. He also targeted the bill related to the courts allocated to combating economic corruption itself. This bill was proposed by the former head of the judiciary Sadeq Larijani which has been continued by Raisi.

The Iranian president asserted that Sadeq Larijani introduced the bill to the supreme leader for approval despite the countless reservations on it raised at a previous meeting held to discuss the bill. But Larijani made no changes to it and sent it to the supreme leader directly. The supreme leader, too, agreed to it.<sup>(18)</sup>

**2-** The second strategy that President Rouhani may resort to using in order to get out of this impasse is to support the anti-corruption trials despite his reservations. This is in order to prevent his opponents from accusing him of corruption and to avoid being embroiled in a new crisis with the judiciary and its president, Ebrahim Raisi, who is strongly supported by the Supreme Leader Ali Khamenei.

## Conclusion

Despite the importance of the trials in eliminating rampant corruption in the Iranian government, which has undermined Iran's economy and security, the trials carried out by Ebrahim Raisi against those involved in corruption are a favorable opportunity for hardliners in the Iranian establishment to settle their score with the government, contain public anger and halt popular protests against corruption, high prices and deteriorating living conditions. This is evident through the strong public support for most of the arrests and trials that have been carried out so far. These trials also provide an opportunity for Ebrahim Raisi who aspires to improve his image and change the negative view of Iranian public opinion towards him after being a member of the death committee, which carried out the terrible executions of thousands of political prisoners in the 1980s, to the person who managed to eliminate corruption in Iran.



# THE MILITARY FILE

The primary strategic goal behind the attack on Aramco's oil refineries was to disrupt the global supply of oil for a long period. Saudi Energy Minister Prince Abdulaziz bin Salman stated, "5.7 million barrels a day of crude oil and gas production have been affected."<sup>(19)</sup> After an initial slump, the markets rebounded and stabilized.<sup>(20)</sup> On the other hand, Saudi Arabia was quick to bring its refining capacity back to normality in less than a month.

The Aramco saga demonstrated how wickedly the perpetrators targeted a vital Saudi national asset. Despite the soaring Saudi investment in state-of-the-art military hardware, it is feared that the Gulf's vital assets are at risk of sabotage from foreign adversaries, states and non-state actors alike.

## I. Attacks on Aramco's Oil Facilities

Yemeni Houthi rebels Ansar Allah claimed responsibility for coordinated unmanned combat aerial vehicle (UCAV) attacks on Aramco's oil facilities in the cities of Abqaiq and Khurais in Saudi Arabia on September 14.<sup>(21)</sup> It was not the first time the Yemeni rebels targeted Aramco. Earlier, on August 17, the Shaybah Oil Field was targeted but resulted in no structural or human loss.

During the post-attack press conference convened by the spokesperson of the Saudi-led coalition Col. Turki al-Malki, he said, "The attack was launched from the north and unquestionably sponsored by Iran. We are working to know the exact launch point."<sup>(22)</sup> The Saudi-led coalition believes that 25 drones and cruise missiles struck Aramco's oil facilities.

The Saudi military exhibited the TJ100 engine of a cruise missile: a type of turbojet engine used to power cruise missiles. It is made by the PBS Group in the Czech Republic. This engine powers some of the cruise missiles belonging to the Quds Forces, albeit with some variations. The Czech company denies selling the engines to Iran.<sup>(23)</sup> Besides, there were other missile and drone parts on display for the media.

The Saudi military spokesman classed the September 14 attack on Aramco's oil facilities in Abqaiq and Khurais as an extension of the attacks witnessed in the provinces of Afif and Dawadmi on May 14. US Secretary of State Mike Pompeo also squarely blamed Iran for attacking the oil giant while noting that over 100 times Iran has targeted Saudi Arabia with projectiles.<sup>(24)</sup> Iran denied the assertion while expressing readiness for a 'full-fledged war.'<sup>(25)</sup>

Though maintaining a very modest air force, Iran has developed, largely through black-market purchases and reverse-engineering, the largest ballistic and cruise missile arsenal in the Middle East. This has provided Iran with the capability of possibly launching swarm attacks against Saudi missile defense systems.<sup>(26)</sup>

## II. Did the Saudi and US Missile Defense Systems Actually Fail?

American and Saudi military leaders are not ready to accept the point made by some observers that Saudi and US missile defense systems failed to track and shoot down the



projectiles. When asked during a press conference, the Saudi-led Coalition spokesman Col. Malki said, “More than 230 ballistic missiles were intercepted by coalition forces...we have the operational capacity to counter all the threats and protect the national security of Saudi Arabia.”<sup>[27]</sup>

The US Patriot system (PAC-2) has an impressive track record of intercepting high-altitude ballistic missiles fired by the Houthis from Yemen against various Saudi cities, including Riyadh. However, it is an altogether separate discussion as to how rational it is to destroy a drone with a Patriot missile worth approximately \$3 million.

The Chairman of the US Joint Chiefs of Staff Joseph Francis Dunford reacted differently to a similar query, “You know, we don’t have an unblinking eye over the entire Middle East at all times.”<sup>[28]</sup> To some, the general’s statement is hard to believe as the military superstructures in the Gulf are designed to counter only one prime suspect i.e. Iran. Analysts wonder as to how Saudi’s western border was left unwatched by surveillance equipment and satellites as it is geostrategically the most significant. Analysts also pose questions regarding the utility of the Royal Saudi Air Defence Forces, a separate branch of the armed forces, whose sole mission is to secure Saudi airspace.

There are three sets of views on the success of the terror attacks. The first group of analysts, predominantly pro- Russia and pro-Iran, like to believe that western air defense systems are incapable of detecting and shooting down drones and cruise missiles. The second group of analysts believe that it is plausible that the systems were shut down for maintenance and upgrading or were being relocated. However, the third group of analysts believe that the western missile defense systems deployed in Saudi Arabia were neither entirely capable nor fully configured to trace and hunt low-radar-signature, and low-flying drones.

Dave DesRoches, Professor, Near East South Asia Center for Strategic Studies, at the National Defense University in Washington, opines that the most conventional air defense radar is designed for high- altitude threats like missiles. “Cruise missiles and drones operate close to the earth, so they aren’t seen because of the earth’s curvature. Drones are too small and don’t have heat signature for most radars.” Therefore, Saudi and American



missile defense systems had not taken fully into account the deadly power of drones and more so when coupled with cruise missiles. Also, added to this was the daredevil decision of Iran to carry out a direct attack under the garb of perfect plausible deniability, with the Houthis taking the blame. Western countries, primarily America, have been shy to invest in defense against disruptive low-cost weapons such as drones. Here, three possibilities are examined one by one.

The ones least shocked at the attack's success believe that small-scale dry-runs had been conducted from the Yemeni side. The Houthis' ballistic missiles and high-flying armed drones were intercepted with remarkable success until this started to change sometime during the last year. Iranian advisers, whose presence Tehran has admitted, have learnt important lessons about Saudi air defense capabilities which allowed them to plan the attack on September 14. The analysts, primarily with leanings to Iran and Russia, refuse to give credence to arguments that US and Saudi officials did not expect a direct attack from within Iran. Also, they are not in agreement with the argument that Saudi and allied military early detection and warning systems were locked to the Yemeni border. Thus, the lack of air-defense systems on the eastern coast does not seem plausible to them. In fact, Pakistan faced a similar situation when the US forces launched a swift and crisp operation against Osama bin Laden's hideout in Abbottabad in 2009. The Pentagon was fully aware that Islamabad did not have adequate radar coverage on the western front. Therefore, the Pentagon used this blind corridor to its utmost advantage. Will Saudi Arabia have a blind spot on its frontier facing Iran? This is a question perplexing the strategic community as well as diplomats.

The explanation from this camp of strategic analysts is very straight-forward and simple: The US Patriot system is much inferior to Russia's S-400 Triumph system.<sup>[29]</sup> Also, they allege that over-confidence in the air defense systems led to serious security holes, which the enemy was aware of due to better intelligence as well as frequent smaller attacks through missiles and drones. In the age of computer aided warfare, US and Saudi air-defense systems were neither sophisticated nor integrated enough to mitigate





the meticulously planned move. The same analysts also suspect that the US Patriot air defense system could have been possibly 'disabled' by the Houthis, something they believe did happen earlier on too.<sup>(30)</sup> They also question the lack of information released about various technical aspects of the attack, which support Riyadh's claim that Iran instead of the Houthis launched the projectiles. The theory that the Houthis or Iran can jam Saudi air defense systems is largely absurd. Since 2015, the US Patriots have protected Saudi air space from Houthi-fired Iranian missiles and drones.

Then there is the assumption that the US Patriot systems were not operative on September 14 due to maintenance, upgrade or relocation. Based on authentic intelligence, the Iranians used the opportunity to attack Aramco and the Houthis claimed the credit. The Saudi defense against criticism of the US Patriot system failing is its denial of the attack originating from Yemen. Had the drones and missiles come from the south, the US Patriot missile defense system would have taken them out in the air.<sup>(31)</sup> Instead, the American and Saudi leadership holds Iran directly responsible for the attack. No claim of a single kill in the Aramco attack saga has been made which is perplexing given the previous track record and also the large number of intruding flying objects. Furthermore, there has been no clear statement about the debris of a missile found and pictured in the desert.

According to some analysts it prematurely exploded or lost its engine in flight.

As stated above, the US Patriot missile system has worked wonders against intruding high-flying objects but it is neither tailored nor configured to tackle low-flying, and low-visible threats. Saudi remains vulnerable to a similar attack. The threat emanates not only from Iran but also from the Houthis and now the Popular Mobilization Forces (PMF) in Iraq, all of whom share more or less identical weapons as they are from the same source. Iranian generals have adequately amplified the fact that even the most advanced and deeply integrated missile defense systems come with severe limitations. Some strategic experts believe that Israel's Iron Dome armed with the Tamir interceptor, though expensive and complex to deploy, may fill the void in the Saudi missile system for short-range air defense.<sup>(32)</sup> Short-range air defenses (SHORADs)



may be the most reliable way to counter low-profile threats, but the systems need more advanced capabilities, especially against swarm attacks.

### III. Where Does the Open-Source Data Lead To?

Some analysts have tried to identify the source or direction of the attacks from the pictures of the damaged plant. It is not possible to infer such conclusions by using the sophisticated technology which is available today. Cruise missiles and drones can be launched from standoff ranges and both are capable of low-flight as well as changing course like a plane or a bird. Punctured storage depots and some other damaged parts of the oil facilities go to show though that the weapons used in the attack were being controlled remotely until their impact. It was not the showering of a deadly payload against a multibillion-dollar vital strategic asset. Almost-identical holes in key storage tanks show that the munitions were tailored to precisely penetrate and explode. The attack operation was remotely controlled up to the final impact amidst the prospect of the drones and missiles being shot down. Thus, from an Iranian perspective, the attack can be classed as an exceptional success.

While the available data helps little regarding the origin of the missiles and drones used, it does suggest that the UCAVs can't alone be held responsible for the attack. The attacks could have come from any direction ranging from Iran, Iraq, Yemen and the Gulf. For certain, the United States, the United Kingdom, France and Saudi Arabia must be precisely aware by now as to where the attack originated from, based on information gathered through satellites, ground surveillance equipment and naval assets.

The open source information may not help deconstruct the complexities of the Aramco attack but it does help non-state actors better plan their subversive attacks with more accurate information. Starting from basic Global Positioning Systems (GPS) to other Open Source Intelligence (OSINT) tools and the darknet, clandestine activities have become relatively easier to plan and execute. Open source data on the internet brings location and precision targeting information within a militant's reach. Much of this open source data can be accessed via the internet in a remote hideout or a café in a bustling capital.

As for the Aramco attacks, Iran's direct involvement is pretty evident from the heightened tensions at the geostrategic plain. The PMF were the latest to be targeted in Iraq amidst Iranian positions in Syria coming under attack, Hezbollah facing a near-war situation and Tehran withstanding the crushing burden of US sanctions. Tehran has avoided direct military confrontation with the United States and Israel unless a drone flies in its airspace or a marine boat strays into its waters; it has chosen to avenge by attacking Saudi Arabia. The Houthis' claim of responsibility provided a temporary smokescreen but the real benefactor has been Iran, which has repeatedly threatened to thwart Gulf oil supplies. Publicly released information and open source research has not yet provided any clarity about the location from where Iran launched its cruise missiles and drones. Did they fly over Kuwait or across the Gulf? The answer remains anybody's guess.

### IV. Countering the Nuisance

For now, the Saudi King has approved the deployment of more American troops and military assets.<sup>(33)</sup> The fresh deployment may not be impressive in terms of the number of troops. However, from the angle of incoming technical capabilities it is quite impressive. Two fighter squadrons, two Patriot missile batteries, and one Terminal High-Altitude Air Defense (THAAD) system besides a USAF's Air Expeditionary Wing with flexibility in its size and scope are to be deployed in Saudi. With the addition of 3,000 troops including technical staff, the number of US forces will soar to 14,000.

The fresh defensive deployment after the Aramco attack supplements the US Patriot

batteries with the THAAD system which is capable of shooting down incoming missiles. Though not declared publicly, there must be additional measures and assets in place in the Gulf as well as along Saudi frontiers, particularly along the Iraqi border which poses a fresh threat to regional stability and to global oil supplies.

Unmistakably, Saudi Arabia is not leaving anything to chance. Riyadh reached out to South Korea and Pakistan at the outset for possible cooperation on counter-drone and counter cruise-missile threats as both share borders with hostile neighbors.<sup>(34)</sup> Besides, the expertise of China and Russia in dealing with low-flying, and small-radar-signature objects can benefit the Kingdom. Moscow has been facing armed rebel drones targeting its Hmeimim Air Base in Syria and has successfully managed to counter them.<sup>(35)</sup> China has already made its mark in developing drone and counter-drone technology and remains a closer military hardware supplier to Saudi Arabia.



# THE ECONOMIC FILE

## **The Aramco Attacks and New US Sanctions on Iran's Economy**

The United States imposed sanctions on three Iranian financial institutions. At the top was the Central Bank of Iran after it announced Iran's involvement in the attacks on Aramco's oil facilities in Saudi Arabia on September 14, 2019. These attacks disrupted nearly 50 percent of Saudi Arabia's oil production by halting production of more than 5 million barrels of oil per day and endangering global energy security and energy prices.

This happened before the biggest economic institution in the Kingdom intervened, repaired the damage which enabled the resumption of production and exports in less than two weeks, restoring calm to global markets. On the other side, three important financial institutions in Iran were hit by sanctions: The Central Bank of Iran, the National Development Fund, and Etemad Tejarat Pars company.

The United States has repeatedly stated that its goal behind the series of sanctions on Iran is to change Iran's destabilizing behavior in the region and force it to renegotiate the nuclear deal, but in return Iran rejects any negotiations before the lifting of sanctions, not only the latest sanctions but all the sanctions on oil and trade imposed since November 2018. In our current report, we will look at the nature of the recent US sanctions related to the Aramco attacks, are they really new or a repeat of previous sanctions, and what is their impact on the reality of the Iranian economy and their role in shaping its future?

### **I. Series of US Sanctions on Iran**

US President Donald Trump announced a new package of economic sanctions against three Iranian financial institutions following the Saudi Aramco attacks, including the inclusion of the Central Bank of Iran, the National Development Fund (sovereign wealth fund) and Etemad Tejarat Pars on the US sanctions list issued by the US Department of the Treasury, which said in its statement that the Central Bank<sup>(36)</sup> of Iran is responsible for financing the Islamic Revolutionary Guard Corps, the Qods Force, and the Lebanese Hezbollah. Britain, France, and Germany have also blamed Iran for the incident,<sup>(37)</sup> but they have reiterated their commitment to the nuclear deal and demanded that Iran agrees to negotiate its nuclear and missile programs as well as its regional activities.

This is not the first time that the United States has imposed sanctions on the Central Bank of Iran, raising questions about the effectiveness of re-imposing them. However, it is the first time sanctions have been imposed on the Central Bank due to Washington accusing it of financing and spreading terrorism, while the previous US sanctions in November 2018 on the Central Bank were part of a package of economic sanctions on Iran to force it to renegotiate the nuclear deal.

Accordingly, the United States will consider any international financial institution's transaction with Iran's Central Bank not only as a breach of sanctions, but as financing and spreading terrorism, requiring it to face the consequences defined by US laws.

The new sanctions package included the imposition of sanctions on the National



Development Fund, the first time that the United States has imposed sanctions on it, a sovereign wealth fund established in 2010, with nearly \$100 billion worth of funds in international banks around the world. Placing it on the sanctions list obliges those banks to freeze their funds lest they will be subject to fines and may even be denied opportunities in the US market, which is feared by large financial institutions, especially the European ones.

Prior to the recent US sanctions related to the Aramco incident, the US government imposed sanctions on September 4, 2019, on the offshore oil transport network operating under the supervision of the Qods Force, the wing of Iran's Islamic Revolutionary Guard Corps, beyond Iran's borders. The US Special Envoy to Iran, Brian Hook, described the network as the "Oil in Service of Terrorism" network. The US government allocated a \$15 million reward for information about the IRGC's financial cycle.<sup>(38)</sup> The new US sanctions in the field of oil include 16 entities, involved in the transfer of Iranian oil, as well as 10 people, including the former Oil Minister Rostam Qasimi, and his son. On the 25th of the same month, the United States imposed sanctions on COSCO, Conlon Holdings and Concord,<sup>(39)</sup> one of the largest oil transport companies in the world, for their involvement in transporting Iranian oil and violating the US embargo. The Central Bank of Iran faced US sanctions for the first time in 2012, when several Iranian financial assets were frozen abroad. The EU's support of the imposition of sanctions against the Central Bank was the biggest blow to the Iranian economy due to the extent of its trade relations with Europe. All banks that were cooperating with the Central Bank in the transfer of oil money were sanctioned. This situation continued until the nuclear agreement in November 2013. According to this program, Iran was able to sell oil at a certain level from the date of 23 November, 2013, and to obtain the proceeds of the sale through several private banks.

## II. Divergence of Opinion on the Impact of New Sanctions on Iran

There is a divergence of opinion on the impact of new sanctions on Iran. Some totally reject the idea that the new sanctions have worsened Iran's economic situation while others disagree and believe that there have been further negative effects that have increased the exhaustion and stagnation suffered by the Iranian economy.

The first opinion, which some hold, argue that the Iranian economy is resilient as it has been under siege since the Iranian revolution in 1979 until the time of the US withdrawal



from the nuclear agreement in November 2018. The government has been able to deal with repetitive US sanctions by its own circumvention methods despite the sanctions' obvious impact on the economy which no one cannot deny. Thus, the recent US sanctions on the Iranian Central Bank will not worsen the status quo and are nothing but a psychological pressure on the Iranian government. "These latest measures against the Central Bank are propaganda from our point of view. US sanctions have created serious problems for the Central Bank of Iran with regard to banking ties [...] But the bank has adopted other mechanisms to conduct its transactions, and if sanctions are fourfold imposed on us, there will be no new impact," Central Bank Governor Abdel-Nasser Hemmati said. He stressed that the main objective was to provide the necessary currency to cover "imports of commodities;".<sup>(40)</sup> Iranian analyst Hani Zadeh<sup>(41)</sup> also agrees with this interpretation, "Except Washington, other countries in the world still want to establish economic, trade and financial relations with Iran. Large segments of European countries are still seeking financial and economic dealings with Iran. The reason is that the White House action is just a virtual measure."

The second opinion, to which we are more inclined, the US via the new sanctions intends to put more economic pressure on the Iranian government, not to make it collapse, but to stop its economic growth and exacerbate the financial deficit to force it to renegotiate the nuclear deal. The last step to fulfill the aforementioned objective by the US, therefore, is to impose more restrictions and control over the transfer of funds to and from Iran, increase the risk of keeping foreign exchange reserves outside the country, exacerbate the Iranian government's fiscal deficit in the first place and limit the capacity of the National Development Fund to finance IRGC's military activities.

Under sanctions imposed on the Central Bank as well as the National Development Fund on charges of financing terrorism, US individuals and companies cannot conduct trade dealings with these financial institutions, and anyone who deals with these entities will be subject to sanctions as well as the freezing of any assets in the United States. International companies or corporations with trade links to the US market may be subjected to substantial fines or even denied trade with the United States, losing a large market. In addition, to facing sanctions they will face charges of supporting terrorism. Canada made a similar decision on September 13 to freeze assets of the Iranian Islamic Revolutionary Guard Corps,<sup>(42)</sup> such as the Iranian Cultural Center in Ottawa. Iranian property was sold for about \$28 million. Compensation has been paid to the families of victims of terrorist attacks





by Hezbollah or Hamas, following a decision by the Canadian judiciary which recognizes that these organizations are financed by Iran.

This move is expected to affect the Central Bank's external role to some extent. As we know, the Central Bank is responsible for receiving export funds for oil, gas, petrochemicals and any other products sold by government companies. This is also in addition to the Central Bank paying the value of imports and the needs of the government and receiving installments of international loans signed with any country. This would have a negative impact on Iran's outside dealings and perhaps on economic relations between Iran and Europe in particular. It seems that these sanctions will eliminate the possibility of implementing programs such as INSTEX and the granting of a \$15 billion credit line by Europe to Iran because if European banks deal with the Central Bank of Iran, they will be accused of collaborating and supporting terrorist groups.

The sanctions could affect the financing of joint investment projects with Chinese or Russian companies. It would also be difficult for the Central Bank to issue treasury bonds on international financial markets (sometimes used to obtain funds to fill the budget deficit as a form of borrowing). It could even affect Iran purchasing food and medicine, which were exempt from US sanctions. Sanctions could result in additional expenses along with the previous costs, increase transaction costs, destroy banking standards and create black markets.

The new US sanctions have been imposed on the National Development Fund as the government has used the Development Fund several times to withdraw billions of dollars

to compensate for the shortage in its budget and to develop the defense and armament capabilities of the Islamic Revolutionary Guard Corps and the Qods Force as well as to finance its nuclear program. The National Development Fund has money and assets overseas that will be seized or at the very least there will be difficulties in the Development Fund accessing or transferring its funds. Whereas Etemad Tejarat has been sanctioned, as it is a government company believed to be the government's arm for buying military imports from Russia, and it has been placed on the US sanctions list in an attempt to block sophisticated Iranian arms purchases from abroad.

### III. The Role of Sanctions in Shaping Realities and the Future of Iran's Economic Status

For those who follow Iranian affairs, the nature of the current economic situation is well known for more than a year after the imposition of US sanctions, especially at the individual level. Both the state and its people are suffering economically.



Iranians are certainly suffering due to domestic prices rising by more than 50 percent, and the prices of imported products rising by more than 150 percent after Iran's local currency lost about 70 percent of its value against the US dollar. The rise in prices is accompanied by families falling below the poverty line every day. They are estimated to be about half of the population of Iran, according to Iranians themselves.

The situation will likely deteriorate in light of an economic downturn by 6 percent, which will lead to more unemployment and layoffs. The ordinary Iranian citizen is without a doubt feeling helpless. The helplessness is fueled by eroding incomes which is falling short of meeting the cost of living and family expenses. This is the situation for those employed. As for those unemployed, there is a shortage of money, decreasing job opportunities and perhaps psychological pressures impacting their surrounding environment.

The situation at the state level is not much different. It suffers from a multi-billion-dollar fiscal deficit caused by the fall of daily oil exports to no more than 500,000 barrels at best after they reached about 2.5 million barrels before the sanctions. The state has not only lost revenue from oil exports, but also from petrochemicals and mineral exports included in US sanctions. The World Bank said in a report released on October 1 that the fiscal deficit would increase to 5.6 percent. Its estimate of economic growth is gloomier than previous reports, which predicted a contraction of around 6 percent this year. But in its latest report, the bank predicted a contraction in GDP by 8.7 percent given the short-term political and economic uncertainty as well as the financial and trading constraints facing Iran.

Despite this gloomy forecast, Iran can, in times of siege and international sanctions, implement austerity measures that are very similar to those of war, enabling it to manage the country's affairs for as long as possible with the least resources available, especially if there is help from friendly countries like China or Russia until it can change the situation using other tools, whether diplomatic or non-diplomatic.

Its most important austerity measures include: controlling imports and raising exports to maintain its foreign exchange reserves and to meet its basic needs from abroad such as food, medicine, and some production requirements. Currently, the Iranian government maintains an estimated reserve of \$100 billion which is sufficient for two years in the current circumstances.

## Endnotes

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# Arab Affairs

**I**n the Arabian arena, Iran sought in September to solidify its political, economic and military presence in Syria in a way that makes it the most effective actor on the Syrian scene and the most influential in the new Syria equation.

It is competing with Russia to win the biggest share of reconstruction contracts by signing economic and investment agreements to connect Iraq with Syria via several tools. These tools include extending oil pipelines from Iranian territories through Iraq to Syria's Baniyas Port on the Syrian coast with the aim of acquiring a foothold along the Mediterranean coast. This is in addition to agreeing infrastructure projects with the Syrian regime, as well as Iran, continuing with its schemes to change the demographic makeup in the country by repopulating Sunni areas with Shiites through taking advantage of the widespread deployment of Shiite militias in Syria. Also, Iran is working to set up new military bases in strategic areas in Syria. However, there are challenges facing Iran when it comes to solidifying its presence in Syria, such as the Russian, American and Israeli challenges since Iranian expansionism is detrimental to the interests of regional and international parties to the Syrian crisis. Also, the Houthis' subordination to Iran has been clearly demonstrated as the Houthis claimed responsibility for the attack on Aramco's oil facilities in a bid to divert international criticism away from Iran.



# IRAN AND SYRIA

Syria is one of Iran's most important targeted countries because it lies within a vital area which is of importance in implementing the Iranian cross-border project. The countries in this vital area are important by virtue of their geographical proximity to Iran. Iraq is located to the west, crossing down to Syria, Lebanon, and the Mediterranean. The Shiite population is a key component of the demography in these states. These countries are plagued by crises and conflicts which are exploited and escalated by Iran. As a result, these countries are vulnerable and fragile, allowing Iran to implement its regional plan.

## I. The Ongoing Consolidation of the Iranian Presence in Syria

While disputes are rising over distribution of gains and competition of expanding spheres of influence between regional players in Syria, Iran, with its armed militias, is tirelessly accelerating to entrench its presence and boost its influence in Syrian institutions and infrastructure. This will allow Iran to control the new Syrian equation in the future and enable it to implement the rest of its expansionist plans and its project to link Tehran to the Mediterranean through Iraq and Syria. Apparently, during August and September 2019, Iran continued its endeavours to control Syria's construction sectors, and to establish military bases in strategic areas in order to preserve and maximize its areas of influence, as follows:

### 1- Iran's Continuous Demographic Change Drive Is in Favor of Shiites

Not only does Iran have a large scale deployment of militias in Syria, but it also encourages its armed militias to control cultural and administrative sectors in all the provinces under the control of its militias, especially in Deir ez-Zor and its surrounding areas. Iran also pushes its militias to control local institutions related to education and health, as well as to establish a number of husseiniyyas and shrines in the Harabish neighborhood and in Qubbet Ali village. The militias have opened several real estate offices to buy property and land in order to seize vital sites in Deir ez-Zor. To reside in villages, and the countryside of Deir ez-Zor one requires written approval from militia leaders, as follows:<sup>(1)</sup>

**A-** Revolutionary Guard fighters under the command of al-Haj Salman, the Iranian military official in Deir ez-Zor and its countryside.

**B-** Al-Nujaba militia, which is composed of Iraqi and Iranian fighters numbering 1,500 to 2,000 approximately concentrated in al-Ktif neighborhood in Al-Bukamal city after they expelled its residents.

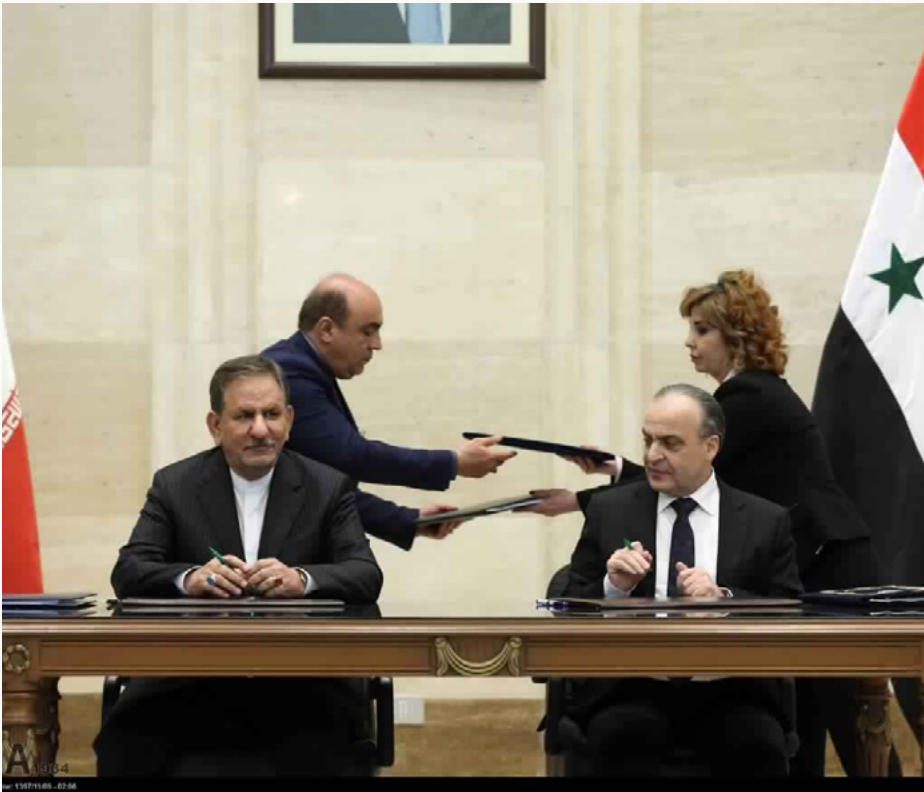
**C-** Syrian Hezbollah elements who number about 700 fighters in Deir ez-Zor concentrated in al- Dahiya and al-Qusour neighborhoods.

**D-** The 313 Division fighters, composed of approximately 300 Pakistani, Afghan and Iranian fighters, stationed in the Deir ez-Zor desert .

**E-** The Quds force and its Pakistani and Afghan fighters who are stationed in Deir ez-Zor.

The most important cities and towns which are under the control of pro-Iranian militias in Deir ez-Zor and its countryside are: Al-Bukamal city on the Iraqi-Syrian border, Mayadin





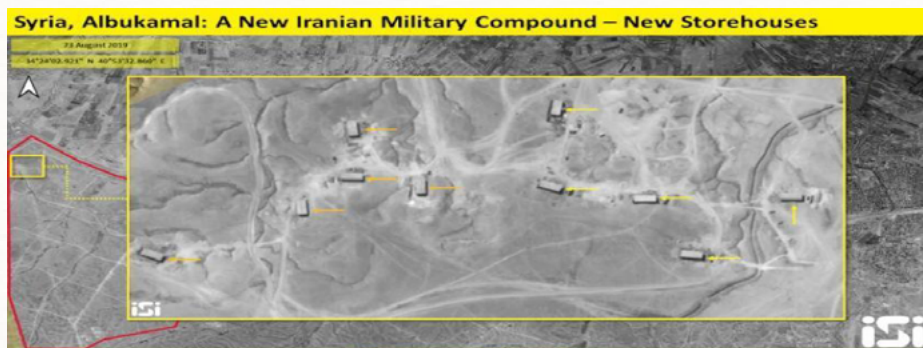
city in the eastern countryside of Deir ez-Zor, Sbeikhan, Bqrou, Al-Toub, Hattla, Ain Ali and Salhiya in Deir Ez-Zor's northern countryside, and the river strip in al-Ashara town. Many of the schools in these cities and towns have been turned into headquarters and camps belonging to pro-Iranian militias.

Iran seeks to have complete control of all Syrian and Iraqi border areas through its demographic change plans by displacing Sunnis in order to implement the Iranian corridor. On the Iraqi side, Iran has worked to create an extensive Shiite militia network, represented by the Popular Mobilization Forces and the Quds force. This is part of a comprehensive strategy to extend Iran's influence and dominance in order to ensure Iran's presence in Iraq in general and to barricade the Iraqi-Syrian border. On the Syrian side, Iran seeks to implement a similar step by controlling all Syrian border cities, especially the city of Al-Bukamal in Deir ez-Zor. It is a major gateway between Iraq and Syria and this will help Iran in tightening its control over the Syrian-Iraqi border, an important step in creating the Iranian economic corridor.

## *2- The Continuation of Establishing Military Bases in Key Syrian Strategic Areas*

According to Western intelligence sources, Fox News revealed on September 3, 2019 that Iran is building a new military base in Syria, known as the Iranian "Imam Ali Complex." Analysts at the Israeli satellite company, Image Sat International (ISI), which specializes in satellite image analysis and accuracy (see image 1) revealed that a military base is under construction on the Syrian-Iraqi border, with 10 weapons depots. The image also indicated the possibility that completion of the base could be imminent in the next few months.<sup>(2)</sup>

Image 1: Satellite Image of a New Iranian Military Base in Syria



Iranian efforts to build a new military base in Syria reveals its desire to strengthen and consolidate its military presence in Syria along with securing the lion's share of reconstruction projects in Syria. They reflect Iran's intention to implement its demographic change plan in favor of Shiites to facilitate Iran in controlling the Syrian equation. In addition, Iran seeks to encircle Israel by military forces that are capable of confronting it in the event of a confrontation.

### 3- Iranian Domination of Syrian Infrastructure

Iran has prompted its big companies to dominate Syria's construction sector as part of the reconstruction process. This ensures financial returns for Iran in order to alleviate its economic crisis due to US economic sanctions. This explains the participation of 90 Iranian companies out of a total of 390 companies that participated in the 5th Syria Reconstruction Exhibition, which was held in Syria during September 2019. Iran contracted with the Syrian government on 26 September, 2019 to implement the project of building a power plant in Latakia with a production capacity of 540 megawatts<sup>(3)</sup> to address Syria's electricity crisis. The Syrian Telecommunications Corporation signed a contract with the Telecommunication Company of Iran (TCI), a state-owned company with a monopoly over Iran's landline tele**communication** network, in September 2019, to operate a third mobile operator in Syria.<sup>(4)</sup> In addition, the Iranian and Syrian governments signed on August 1, 2019, three projects to be implemented by Iran in Syria: the establishment of a baby milk factory, a pharmaceutical laboratory for cancer treatment, and a car assembling plant.

These contracts offer the IRGC the opportunity to extend its control and influence in Syria since Mabna is a company that is owned by the IRGC and more than 50 percent of ITC shares are owned by the IRGC as well. On the one hand, they will enable the IRGC to control two vital sectors. These contracts accordingly give the IRGC the opportunity to dominate Syria's electricity and telecommunications sectors. The latter is the most important element in influencing public opinion through social media networks. They complete Iran's control over Syria's vital sectors after the signing of a memorandum of understanding within the past two years between the two countries including joint projects in mining phosphate, railway construction, education, and culture as well as combating terrorism and money laundering.

There is a Russian-Iranian rivalry to win the largest share of reconstruction projects to compensate for the human and financial costs that they have paid leading to Assad controlling 90 percent of Syrian territory, according to Russian President Vladimir Putin in September 2018.<sup>(5)</sup> However, the investment contracts signed between the Russians,



Iranians, and the Syrian government reveal that the Russians are seeking more domination over investment in major projects. Iran seeks to control more investment in micro projects that directly affect the lives of ordinary Syrian citizens, in order to obtain pressure cards in the future by creating Syrian support bases and loyalists, who can influence the Syrian government in the future to serve the Iranian agenda.

While Syria is badly in need of economic resources to rebuild its destroyed infrastructure, the Assad government has signed reconstruction contracts with its Russian and Iranian allies to repay these two countries for their support for keeping it in power. Therefore, Iran exploited the Syrian government's need for its militias to maintain its areas of influence, and to ensure the elimination of further pockets of opposition against it. The government in Syria can neither turn down nor say no to Iran because it wishes to appear victorious and dominant on the ground. In addition, the government would not mind if its commercial and economic facilities are managed by its Russian and Iranian allies. It also granted them contracts for a duration of almost 50-years, which were named by observers as occupation contracts, not as rent or investment contracts.

#### 4- Iranian Efforts to Launch Economic Projects Linking Iraq and Syria

Informed sources revealed on 27 August, 2019 that Iranian decision makers were seeking to revive a project to export Iranian oil to the Syrian port of Baniyas on the Mediterranean Sea across Iraq through an oil pipeline. The project is based on two tracks: the construction of a 1,000 kilometer pipeline. Half of this pipeline crosses Iraq and the other half passes through Syrian territories to join the Kirkuk-Baniyas pipeline. This pipeline has been suspended since 1982 due to a cut in Syrian-Iraqi relations because Syria sided with Iran during the Iran-Iraq war (1980-1988). The pipeline is expected to have a capacity of 1.25 million barrels of oil per day. The second pipeline starts from northern Iraq across the Nineveh Plains until it reaches Syria through Deir ez-Zor to the Syrian coast.<sup>(6)</sup>

These projects demonstrate Iranian efforts to circumvent the stifling economic sanctions and to avoid the potential economic implications for its internal affairs if it closed down the Strait of Hormuz in the event of military confrontation in the Arabian Gulf. These projects also contribute to the implementation of the Iranian Corridor linking Tehran to the Eastern Mediterranean. This converges with the Iraqi government's interest because it is also concerned about the potential eruption of any military confrontation in the Arabian Gulf. Any military confrontation may affect Iraq's oil exports from the Arabian Gulf, which have decreased significantly, owing to the decline in Iran's exports after the US administration refused to extend the exemptions previously granted to eight countries from oil sanctions on Iran.

#### 5- Acquiring a Foothold in the Mediterranean

On September 3, 2019, the Iranian company, Khatam al-Anbiya, obtained a concession from the Syrian government to establish, manage and operate a 2,500 meter multi-purpose port on Latakia's shores on the Mediterranean Sea. The contract will last for 30 to 40 years.<sup>(7)</sup>

The port brings several gains for Iran, including securing a trade route from Tehran to the Mediterranean in light of its deteriorating economic conditions, and getting a foothold on the Mediterranean near Israel. This poses a major challenge to Israel, especially as Iran has great military influence in Syria. This port can help Iran to realize its dream of launching a corridor which links Tehran to the Eastern Mediterranean. Therefore, the corridor maximizes the power and influence of Iran, which inevitably conflicts with Russian power and influence in Syria. This would explain Russia's tolerance of successive Israeli airstrikes against Iranian positions in southern Syria to curb Iran's influence in Syria. Iran can exploit the port to transport weapons to its proxies in Syria, so Israeli



strikes are likely to increase in the future with the green light from Russia, as Russia is against the Iranian presence in Latakia.

## II. Challenges to Iran's Role in Syria

Iran has not been the only player in the Syrian crisis since it first began about eight years ago, but there are also other influential players involved regionally: Turkey and Iran; and internationally: Russia and the United States. The interests and goals of these countries run counter to Iran's interests in Syria. This poses great challenges to Iran, in particular, for extending its scope of influence which will ultimately limit its ambitions in Syria and its influence on the new Syrian equation. The most important challenges to the Iranian role in Syria during August and September 2019 were as follows :

**1 - Israeli Air Strikes:** Israel continues its air strikes and intensive missile strikes against Iranian headquarters and positions in Syria in general and in southern Syria (Daraa and Quneitra) in particular (see Table 1). These airstrikes aim to curb Iranian influence in Syria, thus preventing the replication of the Lebanese Hezbollah model in southern Syria after Iran formed military divisions in Daraa and Quneitra, considered as the nucleus of Hezbollah's Plan B in the northeastern flank of Israel.

**Table: Israeli Strikes on Iran's Sites in Syria during August-September 2019**

1/8/2019	The Israeli Air Force targeted Iranian positions in western Quneitra, southwest of Syria near the Syrian-Israeli border.	Nine fighters were killed, including three Syrians and six Iranians.
24/8/2019	Israel targeted the Quds Force and pro-Iranian armed militias in the area between Damascus International Airport and Sayyidah Zaynab, southeast of Damascus. These militias were planning to carry out attacks against northern Israeli positions from inside Syria.	Two Hezbollah members and one Iranian were killed.
9/9/2019	Unidentified air strikes attributed to Israel bombed positions of Iranian forces and pro- Iranian militias in Al-Bukamal area eastern Syria.	18 members were killed.

Source: Unit of Regional and International Studies, ©2019 Rasanah

These strikes reveal Israel's adherence to its demand for the withdrawal of Iranian militias from Syria or at least from southern Syria. Israel considers the Iranian presence in Syria as an Iranian violation of Israeli redlines as Tehran supplies armed militias with technology and missiles capable of striking strategic targets deep inside Israel such as: air force bases, army headquarters, power plants, airports, and population centers. In addition, Iran used Hezbollah forces and other militia elements to build a military front that mimics Hezbollah in Lebanon but in southern Syria.<sup>(8)</sup> Therefore, Israel intensifies its airstrikes not only against Syria but also Iranian positions in Iraq and Lebanon in order to curb Iran's

entire regional influence.

It also reveals that there is Russian-Israeli coordination to curb Iran's growing position in Syria, and limit Iran's appetite for dominating Syria's reconstruction process and gaining a larger share of areas of influence. It also curbs the Iranian direct threat to Israel's security in southern Syria. This coordination was reflected in the flight of a Russian fighter jet over the border area between Syria, Lebanon and Israel to prevent another Israeli raid against Iranian targets in Syria<sup>(9)</sup> in August 2019 after carrying out its first raid on August 24, 2019. Once Israel monitored Russian air movements, it took the decision of calling off the second round. This means that Russia permitted Israel to carry out the first round of airstrikes against Iranian targets.

**2- Safe Zone in Northern Syria:** In September 2019, there was a US-Turkish dispute over the depth of the safe zone in northern Syria on the Turkish-Syrian border. It separates the Kurdish People's Protection Units' (YPG) areas of control which is designated by Ankara as a terrorist group and the Turkish border. Ankara seeks to establish a safe zone stretching into Syrian territory from Jarabulus to the Iraqi border city of Faysh Khabur (see map no. 1). It would be 30 kilometers in depth and 450 kilometers in length. Turkey seeks to prevent the creation of a Kurdish entity similar to the Kurdistan region of Iraq on the Turkish border, and to create a stable security situation in Syria that grants Syrian refugees a safe area to return to. However, Washington has refused the establishment of a safe zone area more than 5 kilometers in depth which is very different from Turkey's proposed safe zone.

**Map no. 1: Safe Zone According to Turkey**  
**Turkey's 30km Deep Safe Zone**



Source: Nors for Studies <https://bit.ly/2VDZEBF>

Launching the political track to settle the Syrian crisis at the beginning of the Astana talks in early 2017 was undesirable to the Iranian decision-maker, who prefers a military solution rather than a political one. Therefore, Iran did not favor the creation of safe zones that would allow regional and international parties to maximize their spheres of influence at the expense of Iran. Iran seeks to get the lion's share of contracts in the new Syrian equation because of the material and human costs it has borne during the Syrian crisis. This was understood by the United States and explains its position which rejects the Turkish proposal but supports the Kurdish demand of establishing a safe zone of 5 kilometers in depth. This is due to the US concern of a potential Kurdish alliance with Assad, Iran's ally, which reduces the chances of the United States countering Iran's regional influence.

**3- The 13th Round of the Astana talks:** These talks were held from August 1 to 2, 2019 in the Kazakh capital. The talks were held with the participation of the representatives of the three guarantor countries: the Russian President's Special Envoy to Syria Alexander



Lavrentiev, Turkey's Deputy Foreign Minister Sedat Önal and Iran's Deputy Foreign Minister Ali Asghar Haji. In addition, representatives of the Assad government and opposition factions, as well as observers from Iraq, Lebanon and Jordan participated. The talks aimed to discuss the Idlib crisis and the safe areas in northern Syria as well as the formation of a constitutional committee to prepare Syria's constitution to ensure a transition to a political and constitutional process, the return of displaced persons and the reconstruction of Syria.

No new terms were added to the final statement of the 13th round of talks. It included the commitment of the guarantor states to the unity and sovereignty of Syria. It also confirmed their commitment to fight terrorist organizations and the rejection of Israel's occupation of the Golan Heights. They called on the international community to support efforts to return Syrian refugees and displaced persons, and hold the 14th round of talks in October 2019. Although the three guarantor countries are involved in the political process in order to settle the crisis, the military option has been the decisive factor for all parties since the beginning of 2017 to maintain their areas of influence and interests in Syria. For example, Russia and Iran as guarantors of the Astana talks and the agreement to reduce escalation in the safe areas signed in May 2017 did not hesitate to resort to armed force to consolidate their spheres of influence or to extend their influence towards other areas possessing strategic resources in Syria.

## Conclusion

Iran exploits the Syrian government's need for pro-Iranian armed militias to consolidate its pillars, to prevent the emergence of new opposition groups which may pose a new threat to the government, to maximize its areas of influence, to extend its influence in Syria, and reap the benefits of the material and human costs suffered by Tehran for



ensuring the survival of the Assad government. Therefore, Iran is working to implement demographic change plans, establish military bases and dominate investment projects in the geographical areas that serve its expansion project by linking Tehran to the Eastern Mediterranean. Expansionism has been part of the Iranian strategic mindset since 1979. The Imam of the Friday prayer in the city of Mashhad, Ahmad Alam ul Hoda , son-in-law of Ebrahim Raisi, the head of the judiciary and a member of the Expert Council which has the mandate to appoint the supreme leader, said in a Friday sermon on September 20, 2019 that Iran's territory is larger than its actual geographical borders, because all armed factions that Tehran supports in the Middle East are part of Iran."<sup>(10)</sup> This statement is only one example of hundreds of similar statements.

# IRAN AND YEMEN

The Houthis' subordination to Iran became public following the steps taken by both sides; most notably the Iranian government's acceptance of the credentials of the Houthi ambassador to Tehran. In addition, a series of statements and the adoption of mutually beneficial positions by both sides, reflect the depth of the strategic relationship between the Iranian government and the Houthis. This contradicts all the previous positions of the Houthis and the Iranian government in the past years, as they used to deny a relationship between each other, in particular, the Iranians used to deny support for the Houthis. At the same time, Iran's current position confirms the validity of the position of the legitimate government and coalition countries to expose the Iranian role in Yemen. Iran's support to the Houthis is via smuggling arms and developing their military capabilities to suppress the Yemeni people and threaten neighboring countries, but in private. Now the relationship between the two parties has got to an interchangeable phase that serves the interests of the Iranians and reduces the chances of international condemnation against Tehran. This is evident from the Aramco oil attacks in Abqaiq and Khurais on September 14. Iran disassociated itself from this attack but the Houthis claimed responsibility for the attack, although all the evidence substantiate the point that the Houthis are not able to target the two fields. This is a continuation of the Houthi militia's approach that serves the strategic interests of Iran and subordinates to Iran. We will review the developments in the Yemeni arena in September, which were associated with the recent Iran-Houthis relationship, as follows:.

## I. Iran will Continue to Target Energy Supplies in the Region

Since the United States withdrew from the nuclear deal with Iran, it decided to lower Iranian oil exports to zero last year. Many Iranian officials have threatened that no one in the Gulf will be able to export oil as a retaliatory measure to exert pressure on the United States and its allies, to destabilize the region, and to raise oil prices and the value of shipping insurance in order to destabilize global markets. Iranian threats followed by a series of terrorist acts since last year when the IRGC asked the Houthi militia to target two Saudi oil tankers in the Bab al-Mandab Strait, according to Nasser Shaabani, operational commander of the Thar Allah headquarters of the IRGC, who in a direct statement, indicated the use of the Houthis to implement Iran's strategy.<sup>(11)</sup> The targeting oil supplies continued this year: four oil tankers off the coast of the UAE, two oil tankers in the Sea of Oman and oil pumping stations in the Saudi provinces of Afif and Dawadmi.

Finally, Aramco's oil facilities in Abqaiq and Khurais were targeted. These operations directly express the Iranian will to target energy supplies in the region or through its agents in Yemen, Iraq or Syria. The fingerprints of Iran are evident in all terrorist operations that target energy supplies in the region, given the fact that Iranian officials had previously expressed their country's willingness to target oil facilities in the Gulf.





### 1- Condemnation of Tehran

The spokesman of the alliance for the Support of Legitimacy in Yemen, Colonel Turki al-Maliki, revealed physical evidence and satellite images that prove Iran's direct involvement in the terrorist operation that targeted the two oil facilities of Saudi Aramco. He said, "The attack against Aramco, 18 drones, and seven cruise missiles were used in the attack, did not originate from Yemen but the north. Particularly, it was supported by Iran." He also confirmed that the attack was an extension of previous attacks in reference to the targeting of oil tankers as they passed through the Arabian Gulf. The components of the attack and the missiles used in the Aramco attack, the analysis of the data at the attack sites, as well as the technology used, prove Iran's involvement in the attack, al-Maliki said, citing at the same time the IRGC commanders' statements in February regarding their development of advanced cruise missiles.<sup>(12)</sup>

Sources close to the Iraqi Hezbollah revealed that the drone attacks were carried out through direct coordination between the IRGC and the Houthis and the Iraqi Hezbollah. Three "Raqeeq" drones, made by the Iraqi Hezbollah, were launched from Basra southern Iraq, particularly from the Samawah desert west of Basra. Meanwhile in an official statement, Iraq denied that its territory was used to launch the attack, "Iraq denies what some media and social media reported on the use of its territory to attack Saudi oil facilities by drones."<sup>(13)</sup>

The terrorist attack was widely condemned by leaders of Arab and Muslim countries, the international community and regional and international organizations. The leaders of France, Germany and Britain issued a joint statement in which they blamed Iran for the attacks on the two Saudi oil facilities. They called on the Iranian government to give preference to dialogue over provocation. The statement urged Iran to engage in dialogue and stay away from escalation. The three governments said, "It is time for Iran to accept a long-term negotiating framework on its nuclear program as well as on regional security issues, including its missile programs." The statement added, "The attacks highlight the need to stop the escalation in the region through continuous diplomatic efforts and engagement with all parties."<sup>(14)</sup>

The US Ambassador to the UN Security Council, Kelly Craft, said that, "all information and evidence of the attacks on Aramco points to Iran's involvement in the attacks. There is no evidence that the attacks originated in Yemeni territories." She emphasized a statement by the US Secretary of State regarding Iran's relationship to the attack on



Aramco's oil facilities. Craft also added that, "The United States condemns the attack in the strongest possible terms, and we stand firmly with our Saudi friends," adding, "the attacks are clearly against the global energy supplier."<sup>(15)</sup>

## 2- Iran's Denial

Given the growing international condemnation of the terrorist acts that targeted the two Saudi oil facilities, Iran denied its involvement in the terrorist attacks. Iranian President Hassan Rouhani said that the Houthis attacked the Saudi oil facilities, arguing that it was a warning in response to the Arab Coalition's activities in Yemen. Rouhani added that the charges against the Iranian government were meant to increase pressure. "While they are exerting psychological and economic pressure on the Iranian people, they want to put maximum pressure on Iran by naming and shaming," he said at a cabinet meeting. These statements came from the head of the Iranian government, whereas satellite images show that the missiles targeted oil installations originating in the north, not Yemen.<sup>(16)</sup>

Observers believe that the terrorist attacks are consistent with the Iranian objective of targeting energy supplies in order to raise oil prices and to retaliate against the economic sanctions imposed on Tehran, especially the sanctions on Iranian oil exports. Some observers consider that this step is part of a series of hostile Iranian steps, which are within the context of Iran's desire for a limited war in order to shuffle the cards and increase escalation to the brink of war without directly entering into it. This Iranian move aims to put the US administration under pressure from the international community and stir American anti-war opinion to mitigate the impact of stifling economic sanctions on the Iranian government.

Hosam al-Din Ashna, adviser to Iranian President Hassan Rouhani stated, "If US President Donald Trump does not want war with Iran, he must decrease the embargo against it." Iranian government officials believe that a limited military strike will strengthen and show it as the victim before the world. This is what the government espouses to the West and its allies such as Russia and China. The US government and its allies in the region know this game very well, so the United States and its allies refrain from launching limited strikes. The United States adopted a "maximum pressure" policy last year that has brought the Iranian government to the brink of economic collapse.<sup>(17)</sup>

Notably, the media of the IRGC is promoting the Houthis as claiming responsibility for the terrorist attacks in Saudi Arabia. In this regard, US Secretary of State Mike Pompeo said, "There is no evidence the attack on Aramco came from Yemen. The Iranian media are significantly promoting the Houthi militia's claims through various means."

## II. The Houthis Adopt Iranian Actions and Offer a Peace Initiative

### 1- The Houthis Claim Responsibility for the Attacks

While all the evidence and reports claim Iran's direct involvement in the terrorist attacks on the two Saudi oil facilities, it is also proven that the attacks were beyond the military capabilities of the Houthis. The Yemeni Houthi group has claimed responsibility for drone attacks on two Aramco oil facilities. They deny, both directly and indirectly, Iran's responsibility for the terrorist attacks. The military spokesman for the Yemeni Houthis Yahya Serai, said on Al Masirah TV, "The Houthi militia has claimed responsibility for drone attacks on two Saudi Aramco installations in the eastern region of the Kingdom." He added that the Houthis targeted the facility with 10 drones.<sup>(18)</sup>

The Houthis' claiming responsibility for the attacks comes within the framework of easing international pressure and removing suspicion surrounding the Iranian government. There is joint coordination between the Houthi militia and the Iranian government due to similarities in the objectives of the two parties. The attack reflects

the Iranian will to target energy supplies in the region directly or through its agents. On the other hand, the Houthis claiming responsibility for the attacks was an attempt by the Houthi militia to appear morally victorious in light of the developments inside Yemen and its political relationship with the Iranian government.<sup>(19)</sup>

In this context, British Foreign Secretary Dominic Raab told the BBC, “According to the information I have seen, I believe it is entirely implausible the Houthis in Yemen were behind the attacks and this story lacks credibility.” He added that the action needed to be taken must be robust and as widely supported as possible.<sup>(20)</sup>

A report by the New York Times mentioned that the scale and complexity of the attacks on the Saudi oil installations far exceed any capabilities that the Houthis have previously demonstrated. The report also concluded the range, scale and precision of the latest attack including the successful penetration of Saudi air defenses and the avoidance of obstacles like power lines and communication towers which far exceeds anything the Houthis have ever done. The report proves what is shown in satellite photos that the attacks originated from the north or northwest of Iran or Iraq, not Yemen. A photo of the wreckage of a missile fired at Aramco, was consistent with a Quds-1 missile, proving that the attack did not originate in Yemen, because a Quds-1 missile does not have enough range to reach Saudi facilities from Yemen.<sup>(21)</sup>



## 2- Houthi Initiative Indications and Timing

In a statement broadcasted by the al-Masirah channel of the Houthi militia, the so-called Houthi Political Council Chairman Mahdi Al-Mashat announced the ceasing of attacks against vital places in Saudi Arabia, saying, “We declare ceasing our targeting of Saudi Arabian territory with military drones, ballistic missiles and all other forms of weapons, and we wait for a reciprocal move from them.”<sup>(22)</sup>

This announcement comes after a week of attacks. Apparently, this initiative is linked to developments in the Iranian-Houthi relationship as well as international reactions. Many observers believe that this initiative is only an Iranian directive and comes within the context of easing pressure on the Iranian government following international condemnations and reactions against the government. At the same time, it is considered a political maneuver that is an immediate reaction to overcome the shock of the wide ranging condemnations against it. Meanwhile, it reflects the extent to which the Houthi militia is submitting to the orders of Iran, even at the expense of its own interests, as well





as the interests of the Yemeni people, who pay the price of the IRGC's crimes and those of the Houthi militia. This was confirmed by IRGC Commander Hossein Salami in an unprecedented statement that the Houthis are part of the Iranian revolution, saying, "Ansar Allah is a branch that emerged from the revolution. Today, it is an accumulated source of power. If it is released, it will change the entire battlefield."<sup>(23)</sup>

Within the framework of the peace process, Yemeni Foreign Minister Mohammed Abdullah al-Hadrami said that the legitimate government does not expect from those who haven't abided by previous agreements to comply with subsequent deals. At the same time, he called on the international community to continue to pressure the Houthis to comply with the Hodeidah agreement. He said that all the allegations made by the Houthi militia that they have implemented the terms of the Hodeidah agreement are not true. He also confirmed that the Yemeni government's keenness to achieve peace based on the three references: UN resolution 2216, the Gulf initiative, and its implementation of the mechanisms and outcomes of the Yemeni comprehensive dialogue. This came during a meeting in New York with the UN Special Envoy for Yemen, Martin Griffiths. Al-Hadrami stressed that the Iranian role is contributing to the continuing crisis and the deterioration of living and economic conditions in Yemen during his speech at

the ministerial meeting of the group of least developed countries, which was held at the United Nations. He said, "The humanitarian and economic crisis in Yemen were a result of the coup of the Iranian-backed Houthi militias in 2014."<sup>(24)</sup>

Saudi Arabia did not accept or reject the Houthi offer and announced that it would consider the merits of the Houthi initiative and its seriousness. In this context, eight countries, including the five permanent members of the Security Council, met on the sidelines of the UN General Assembly and expressed their opinion on the Houthi initiative, "it is an important first step towards de-escalation and should be followed by a positive movement on the ground by the Houthis as well as restraint from the coalition."<sup>(25)</sup>

## Conclusion

Through linking the Houthi positions to Iranian political and strategic orientations, as well as the developments in the relationship between Iran and the Houthis, it is noticeable that the Houthis in all cases, whether calling for peace and de-escalation or military



escalation inside or outside Yemen, remain the arm of Iran in the region. It also serves its political and strategic orientations. They are working under Iran's command to serve Iran's strategic and political interests. The Houthis believe that Iran aims to provide the militia with its needed services, but actually Tehran exploits the Houthis to serve its own interests.

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# International Affairs

**I**ran's interactions on the international scene in September 2019 witnessed significant developments, most notably in its relationship with the United States, which continues its strategy of maximum pressure to persuade Iran to negotiate a new agreement, while Iran sticks to its position of rejecting negotiations while the US sanctions continue to be imposed on it. This has resulted in tension and mutual escalation characterizing the relationship between the two sides at this stage. With regard to the relationship between Iran and Russia, Iran is still trying to mitigate the damage caused by US sanctions on its economy by strengthening its cooperation with Russia and EECO member states, along with more security and diplomatic coordination.





# US-IRAN RELATIONS

In September 2019, international efforts to bring the United States and Iran closer together failed, and the crisis continued to escalate between the two sides.

## I. Developments in the US Position Towards the Crisis With Iran

The United States has pursued the following:

### 1- Continuation of Sanctions

The United States continued to impose further sanctions on Iran as part of its maximum pressure strategy. Table (1) illustrates the most significant sanctions.

**Table (1): US sanctions on Iran during September 2019**

Date	Sanctions
September 3	As Tehran uses certain institutions to develop its ballistic missile program, the United States sanctioned the Iranian Space Agency, the Iranian Space Research Center and the Astronautics Research Institute.
September 4	New sanctions on 16 companies, 10 figures, and 11 oil tankers that serve the IRGC's oil smuggling network.
September 10	New sanctions on the IRGC, Lebanese Hezbollah and Hamas.
September 20	For issues relating to terrorism, the United States sanctioned the Central Bank of Iran, the National Development Fund of Iran, and Etemad Trading Company.
September 25	The United States sanctioned five Chinese as well as six companies belonging to China for their links to Iran: COSCO Shipping Tanker, COSCO Shipping Tanker Seaman, Ship Management, Kunlun Holdings, and Pegasus 88 Limited.
September 29	The White House announced postponing the issuance of US visas to senior Iranian officials and their families, while the deportation of children belonging to senior Iranian officials is under debate.

Source: International and Regional Studies Unit, Rasanah IIIS

## 2- Urging European Parties to Increase Their Pressure on Iran

The United States doubts the viability of the JCPOA as Iran continues to reduce its nuclear commitments, especially after the IAEA reported that Iran had exceeded the uranium enrichment limit stipulated under the JCPOA as well as Tehran installing advanced centrifuges at its Natanz nuclear facility. Furthermore, the US put pressure on the European Union (EU) to abandon the JCPOA.



## 3- The Dismissal of John Bolton

On September 10, 2019, US President Donald Trump announced the dismissal of his National Security Adviser John Bolton. In the aftermath, some observers were of the belief that Bolton's dismissal could facilitate efforts to resolve the US-Iran crisis, as Bolton was one of the strongest proponents of using force against the Iranian government. Moreover, Bolton played a significant role in pushing the US approach towards Iran by visiting a number of countries in Europe and Asia, as well as some neighboring countries to Iran, in order to persuade them to implement the US strategy of maximum pressure and to maintain the existing stranglehold on Iran.

Even with Bolton in office, Trump genuinely desired to negotiate with Iran. Bolton was not an obstacle to begin such negotiations, despite his opposition to possible talks between Trump and Iran's leadership. The failure to begin negotiations is more related to the respective positions of the two sides; the Iranians view negotiating under sanctions as political suicide, whereas the US believes that sanctions will pay dividends – and will erode Iran's ability to influence over time.



#### 4- Position Towards Negotiations

The French President Emanuel Macron continued his efforts to mediate between Trump and Rouhani as well as attempting to arrange a meeting between the two during the UN General Assembly in New York. However, his efforts failed as Iran was unwilling to show some flexibility, as it continued to demand a meeting within the framework of the P5+1 and not just a bilateral meeting between Trump and Rouhani. In addition, Iran was unwilling to approve a meeting while US sanctions continued to be imposed on Tehran.

France offered Iran a \$15 billion credit line, equivalent to nearly a third of Iran's oil and gas exports in 2017. However, the Americans opposed any EU facilitation to help Iran export its oil, "We will no longer grant any exemptions — we're going to zero," the US Secretary of State Mike Pompeo told reporters in Washington. Pompeo was referring to Washington's continued policy of maximum pressure on Iran and its unwillingness to engage in negotiations before Iran accepts US conditions.<sup>(1)</sup>

#### 5- The US Increasing its military presence in the Gulf

After the attacks on Aramco's oil facilities in Abqaiq and Khurais in Saudi Arabia, Trump threatened to target the perpetrators involved in the attack, while Pompeo blamed Iran for the attack. In response, the United States deployed a number of its military forces in Saudi Arabia. The United States is reviewing its strategy to deter Iran. "



Contrary to Tehran's expectations, key EU countries accused Iran of targeting Saudi oil facilities. The United Kingdom, France, and Germany joined the United States in blaming Tehran for the attack on Saudi Arabia. The EU's Troika leaders stated that Tehran should begin talks on a new long-term agreement covering its nuclear and missile program, as well as its regional activities. The attack indicated a significant shift in the confrontation between the US and Iran, with tensions escalating between the two countries.

## II. Iranian Policy Towards the US Positions

The following elements illustrate Iran's policy towards the United States:

### 1- The Third Phase of Iran Reducing Its Nuclear Commitments

Iran claims that this third step of reducing its nuclear commitments is within the framework of the JCPOA. Zarif pointed to paragraph 36 in the JCPOA in a tweet on September 7, 2019. Tehran announced that this phase is linked with Iran immediately commencing research and development in the field of new centrifuges and uranium enrichment. Within this step, Iran will not commit to the timeframe of the JCPOA, and advance its nuclear activities and technology under IAEA observation for peaceful purposes. To increase pressure, Iran has given the 4+1 countries a two-month deadline to fulfill their JCPOA commitments and



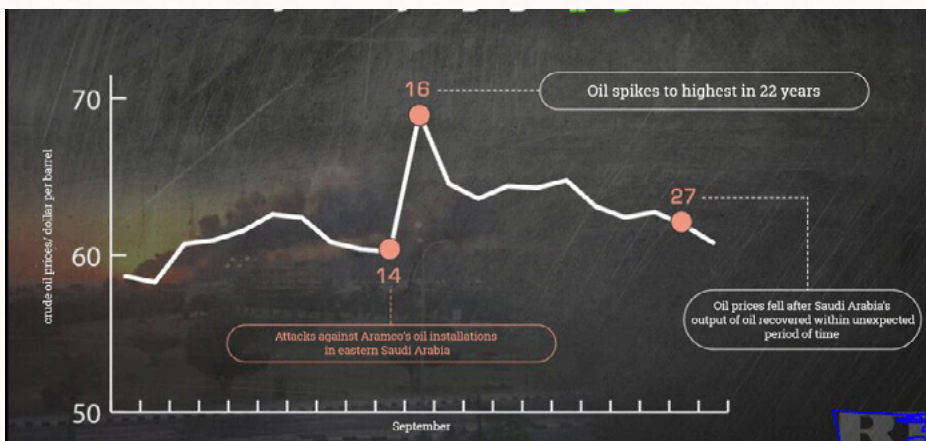


consequently agree to lifting pressures imposed on Iran.<sup>(2)</sup>

## 2- Targeting Oil Facilities in the Gulf

On September 14, the Houthis claimed responsibility for targeting Aramco's oil facilities in Khurais and Abqaiq in Saudi Arabia. While Iran denied involvement in the attacks, international and regional powers blamed Tehran. Thus, Iran turned defensive and lost some of its sympathizers, including those among the EU. Iran's attack on Aramco failed to put pressure on relevant parties to help in defusing growing tensions between Washington and Tehran. By targeting Aramco's oil facilities Iran tried to deprive regional countries of exporting oil, and to impose pressure on major countries by raising oil prices as well as attempting to affect the economies of industrialized countries which depend on oil. Prices in the oil market rose by 15 percent in the aftermath of the attack.

### Oil prices Before and After the Aramco Attacks in Saudi Arabia



Source: RT, <http://ksa.pm/mkv>

## 3- Amending the JCPOA in Return for US Sanctions to Be Lifted

On September 25, 2019, Iranian government Spokesman Ali Rabiei announced an Iranian

offer to ratify in the Iranian parliament the IAEA Additional Protocol, which allows for Iranian nuclear sites to be inspected without notice, and to accelerate the implementation of deferred items in the JCPOA, in exchange for the US Congress lifting the US sanctions imposed on Tehran. During possible negotiations, it is expected the controversial sunset clause will be discussed, thus extending the restrictions imposed on the Iranian nuclear program, which are expected to end in 2025. According to Iranian President Hassan Rouhani on the sidelines of the UN General Assembly on September 25, 2019, if negotiations are to be held again, the United States will have to lift its sanctions for six months, then begin negotiations with the P5+1 to change the spirit of the JCPOA.

#### 4- The Hormuz Security Initiative

After Washington's announcement of sending military reinforcements to the Gulf at the behest of Saudi Arabia and the United Arab Emirates, Rouhani presented Iran's "Alliance for Hope" initiative to the UN General Assembly on September 25, 2019. Rouhani said the tenets of the initiative included mutual understanding, non-aggression, and respect for the sovereignty of states. In addition, the initiative's aim is to create an alliance involving Gulf states, as an alternative to Washington's initiative to create an international coalition to ensure Gulf maritime security.

This offer is not the first of its kind. In recent months, Iran has repeatedly offered several initiatives to reach an understanding with the Gulf states, but Iran's behavior has always been at odds with the spirit of these initiatives and the goodwill needed to push any of these initiatives forward.

Iran criticizes the presence of foreign forces in the Gulf to protect maritime navigation, as this undermines the Iranian navy's ability to influence and use navigation security as a pressure card in the face of US sanctions. Moreover, Iran realizes that the US-led coalition could play a future role in tightening the blockade on Iran and its oil exports as well as perhaps relegating the country to international isolation if it continues to violate its nuclear obligations.

#### 5- Position Towards the Trump Meeting

On September 25, 2019, Iranian President Hassan Rouhani said in his speech to the UN General Assembly in response to Trump's demands to meet him that no negotiations would be held with the United States under the current US sanctions imposed on Tehran. Furthermore, in response to EU pressure for a bilateral meeting between the two presidents, Zarif said to reporters in New York regarding a possible meeting between Rouhani and Trump, "We conditioned the need of lifting sanctions for a meeting between Rouhani and P5+1 leaders and not between Rouhani and Trump alone. Iran has conditioned the start of real negotiations and finding a sustainable solution to the US ending its so-called "Economic War" against Iran."<sup>(3)</sup> In response to EU pressure to negotiate a new agreement that includes Iran's ballistic missile program and its regional interventions, Zarif said, "Commitments under the nuclear deal are certainly separate from the situation in the region."<sup>(4)</sup>

### III. Indications and Implications

The United States continues to exert its maximum pressure strategy through imposing more economic sanctions on Iran mainly targeting the Central Bank of Iran, as well as international networks that establish trade relations with Iran and help it sell oil or exchange money.

However, the US strategy still suffers from some shortcomings, especially its inability to deter Iran from threatening regional security, and targeting regional countries, including their oil facilities. In addition, it has been unable to prevent Iran from threatening Gulf



security and maritime navigation, as well as its increasing influence in the region. Therefore, in the aftermath of the Aramco attacks, questions were raised concerning Washington's overt and covert objectives in the Gulf and the extent of its commitment to safeguard the region from Iranian threats.

Iran has offered different approaches oscillating between escalation and de-escalation, recognizing its inability to adopt escalation as a consistent strategy, as it is unable to bear the consequences of this option. Moreover, Iran can use escalation as a testing mechanism and a pressure card to improve its position and push its opponent to rethink its options and policies, gaining time before making substantial concessions.

Iran partially announced the third phase of reducing its nuclear commitments. This step increased pressure on the JCPOA parties, except the United States, and pushed them towards either settling the Gulf crisis or fulfilling Tehran's demands. Such pressure tactics by Iran may lose their impact since all parties reject any violation to the JCPOA. Iran confines its steps within the limits of what is acceptable, under the supervision of the IAEA and for peaceful purposes.

The phases Iran has initiated in reducing its nuclear commitments may be reversible within a set timetable, but with step four and the possibility of other political decisions, this scenario seems elusive. In practice, Iran will enter a new phase of developing its nuclear capabilities, and this will raise a new challenge for the international community to confront.

On the other hand, Iran has exploited the absence of a US deterrent force and intensified its threats by targeting Saudi oil facilities directly and indirectly. Through the recent attack targeting Aramco's oil facilities Tehran sent a message to the region and the world that Iran is capable of harming and threatening global oil supplies. Nevertheless, the attack resulted in a unified EU position in which Iran was accused of involvement. Moreover, Britain, France and Germany joined the United States in blaming Tehran. The Troika's leaders said it was time for Tehran to start talks for a new long-term deal involving its nuclear and missile program as well as its regional activities.

It is indisputable that Rouhani's initiative to create an alternative Gulf alliance to the international coalition to protect Gulf security came after Iran began to feel the threat of the international coalition. The United States sought to launch such a coalition to protect maritime navigation in the Gulf, the Strait of Hormuz, and the Gulf of Aden, where Iranian threats are primarily directed.

## Conclusion

The US-Iran escalation continues, with each party seeking to change the terms of negotiations in its favor, but Iran is the least able to influence the outcome of this conflict because of regional and international alliances which are against it and have strengthened over time. Moreover, the US tends to exert more pressure on Iran by reinforcing its military presence in the region and continuing its maximum pressure campaign. Iran's militarization of its nuclear program can be considered as a motive for the US and the EU to resolve their disputes and unify their positions to contain the Iranian government and push it towards negotiating a new agreement under US conditions with a margin of maneuver for Iran given its influential pressure cards.



# IRAN-RUSSIA RELATIONS

Iran and Russia aim to build an alternative Gulf security arrangement that will replace the dominant US-led security system for the region. Iran has escalated regional conflicts in the Gulf in recent months, and it has simultaneously offered regional security plans.<sup>(5)</sup> It aims to raise the cost of escalation only to steer its neighbors into cooperation. Russia has refused to directly condemn Iranian actions, and it has engaged in active Gulf diplomacy to promote regional security with Iran's Arab neighbors including Saudi Arabia and the United Arab Emirates.

Russia supports Iran's bid to keep its military forces in Syria as long as it promotes peace. But Tehran and Moscow do not agree on how to resolve the armed conflicts in Idlib and in the Kurdish regions. Tehran believes that Moscow and Ankara have allowed the Syrian armed opposition to remain in Idlib, and have prevented the Iranian-backed government of President Bashar al-Assad to regain control over the area. Assad also hopes to regain control over the Kurdish regions. But the Kurds are fighting Turkey, and have received support from the United States. This has complicated Iran's relations with Russia. Tehran seeks government control over the Kurds, but Russia works with multiple actors including Damascus, Turkey, and the United States to find a solution concerning the Kurds. As a result, Moscow quietly seems to be accommodating of Ankara's bid to retain its military forces in both Idlib and the Kurdish regions, which Iran rejects. The Russian position partly aims to prevent Iranian-backed forces from expanding their spheres of influence in Syria. Also, Tehran and Moscow compete to win economic opportunities in Syria as it plans its reconstruction.

Iran is expanding its financial and trade opportunities with Russia. Iran's ability to join regional markets in Eurasia with Russian support remains limited, and many in Iran are skeptical about the idea. But Iran's government views ongoing negotiations with Russia regarding access to Eurasian



markets as being important, because it serves its larger plan to strengthen political and economic alliances with its northern neighbor. Russia is cautiously keen to access Iran's markets by offering Tehran new financial mechanisms to trade despite US sanctions imposed on Iran.

Russia is concerned about Iran's maneuverings and has made it clear that it does not see eye-to-eye with Tehran on important strategic issues. Moscow offers Tehran the prospect of better economic relations in exchange for Moscow influencing Iran's political and security policies. Since the breakdown of the nuclear talks, Iran has pursued a proactive policy to expand its regional influence, regardless of Russia's unwillingness to support it.

## **I. Iran-Russia Security Cooperation**

Since the breakdown of nuclear talks with Europe and the United States, Iran has pursued a more aggressive Gulf policy. Tehran's goals are to strengthen its regional influence, and its so-called resistance forces across the region, as well as to push its Arab neighbors to accept Iran's regional influence.<sup>(6)</sup> Though Iran escalates the conflicts in the Gulf region, it continues to offer peace proposals to stymie and divide regional efforts to hinder its interference in the region.

Russia has remained a regional power broker that appears impartial in promoting cooperation.<sup>(7)</sup> But Russia may have limited influence over Iran. In recent meetings between Presidents Vladimir Putin and Hassan Rouhani, the latter has shown disinterest in Russian proposals to enhance regional security in a manner that keeps Iran's expansionism under control.<sup>(8)</sup>

Tehran insists that it will march ahead with its own regional agenda. As a result, it is unlikely that Tehran and Moscow view each other as strategic partners. Their partnership is based on expediency. Iran likes to think that it shares a vision with Moscow of how the world should be, which includes less US ability to project power. But Iran does not see Russia as a fully reliable partner in achieving this vision, and it insists on expanding trilateral cooperation between Tehran, Beijing, and Moscow.<sup>(9)</sup>

On September 2, the Iranian Foreign Minister Mohammad Javad Zarif said after meeting with his counterpart Sergei Lavrov that Iran and Russia planned to secure the Gulf waterway and extend a security umbrella through the Indian Ocean by promoting cooperation among regional states.<sup>(10)</sup> The plan includes China. On September 21, Iran announced plans to hold a meeting to launch joint naval drills with Russia and China in international waters. General Ghadir Nezami Pour, Head of International Affairs and Defense Diplomacy of Iran's General Staff of the Armed Forces said the purpose of the drills was to display convergence of security goals among the three states.<sup>(11)</sup>

The extent of Iranian-Russian cooperation over Syria is unclear, as Syria descends into further chaos after Turkish incursions into the northeast of the country. Yet on September 16, the leaders of Turkey, Russia, and Iran met in Ankara for a fifth trilateral meeting on Syria, without making any tangible progress by way of resolving the conflict in the country. Russia and Iran continue to support Syrian President Bashar al-Assad and remain concerned by the threat posed by terrorist groups including the Islamic State (IS). Ankara's proposed "safe zone" plan in northern Syria to host up to 3 million Syrian refugees currently living in Turkey was extended to include Deir al Zur and Raqqa during the latest talks.

But Russia and Iran did not formally commit to the Turkish plans, and both remained concerned by Turkish incursions into Kurdish areas in northeast Syria. They remain suspicious about Turkish-US cooperation in Syria. Iran condemned the Turkish incursion. Russia maintained that countries that are in Syria illegally should leave. It insists that Iranian-backed forces are in Syria on the invitation of Damascus.<sup>(12)</sup>



Tehran suspects that Russia supports Turkish strongholds in Syria to keep Iranian influence in Syria contained.<sup>(13)</sup> Iran also rejects Russian and Turkish efforts to maintain Turkish forces in Idlib and asks for a quick resolution regarding the armed conflict in Idlib to enable the Syrian government to regain control over the area. Russia and Turkey have agreed to restore order in Idlib where Turkey retains observation posts. Iran fears that some areas in Idlib are now controlled by Syrian opposition forces rather than by the Syrian government.<sup>(14)</sup>

As a result, Iranian-Russian ties in Syria are cyclical. Russia supports Iran's bid to support the Syrian government. Iran insists on cooperating with Russian forces in Syria. But Tehran consolidates its foothold in Syria by continuing to use Iran-backed fighters.<sup>(15)</sup> Russia agrees that Iran can retain bases in Syria as long as they are invited to stay by Damascus. Russia is mindful that it has limited control over Tehran's actions in Syria. At the same time, its partnership with Iran is essential to keeping US-Turkish plans over Syria under control. This does not translate into Russian desire to negotiate for Iran's interests in Syria. Moscow wants to limit Iran's role in Syria, but this goal cannot be achieved immediately given the complex political and military landscape in Syria.

Iran is determined to avoid being contained by Russia within Syria. Meanwhile, Moscow struggles to contain Iran's expansion in Syria. On September 12, Russia's President Vladimir Putin and Israeli Prime Minister Benjamin Netanyahu met to discuss Iran's influence in Syria, and military coordination to prevent Iranian military entrenchments in the country.<sup>(16)</sup> Iran believes that Israel wants tensions in Syria to persist, and to prevent the Syrian army from getting stronger, as well as to create a wedge between Damascus and Tehran.<sup>(17)</sup>

There are signs that Iran and Russia disagree over their respective economic spheres of influence in Syria. But since both must cooperate to expel the US troops of their spheres of influence, Iran believes that there is room to negotiate regional trade deals with Russia including in Syria.<sup>(18)</sup> Still, Tehran thinks that Moscow holds back from offering concrete policies to support Iran in Syria. It insists that Moscow and Tehran must avoid trade wars over Syria, and understand that the strength of their relations rests in their continuity even when there is an insufficient level of understanding between them. This Iranian position serves to retain the peace between itself and its powerful northern neighbor, and increases the prospects for an emerging alliance between Iran and Russia that at the present time remains far-fetched.

## II. Iran-Russia Trade and Financial Cooperation

Russia has offered concrete measures to expand economic cooperation with Iran. But Russia bars its major firms from being sanctioned for trading with Iran. Major Russian oil producers quit projects in Iran after stricter US-led sanctions against Tehran were enforced in November 2018.<sup>(19)</sup> Still, Moscow encourages its regional allies to support trade with Iran. On September 12, Crimea offered its ports to Iran to circumvent US sanctions and transport oil.<sup>(20)</sup> Two days later, Russia offered to extend military cooperation with India.<sup>(21)</sup> The two countries have stressed the need to back ties with Iran.<sup>(22)</sup>

In Eurasia, Iran has concluded a temporary one-year preferential trade agreement with five countries, allowing the exchange of hundreds of products without tariffs.<sup>(23)</sup> The diversity of the products, which are over 500 different consumption items, allows Iran to partly avoid the pressure of US-led sanctions that restricts Tehran's ability to trade basic goods.

Since the Expediency Council and the Guardian Council have not made a final decision about Iran joining the Palermo agreement, Tehran appears keen to keep doors open to join future global financial mechanisms.<sup>(24)</sup> To this end, Russia and Iran have held discussions





to expand electronic financial networks for trade purposes. This includes connecting the Russian financial messaging system (SPFS) to Iran's Financial Electronic Messaging System (SEPAM) to enable the transfer of local currencies. The joint cooperation between SPFS and SEPAM serves as an alternative to the Belgium-based Society for Worldwide Interbank Financial Telecommunication (SWIFT) payments system. SWIFT has halted transactions with Iran since the sanctions in 2018.<sup>(25)</sup> The new financial measures agreed between Iran and Russia, announced in mid-September, will protect both countries against any third party sanctions, according to Russian presidential aide Yuri Ushakov.<sup>(26)</sup>

Russia-Iran trade grew by 24.6 percent in the first seven months of 2019 to reach \$1.33 billion. But sanctions decreased Iran's exports to Russia by 6.2 percent compared to 2018. Iran's Parliamentary Research Center has issued a report urging Iran to expand bilateral and multilateral monetary arrangements in order to facilitate at least half of Iran's foreign trade transactions despite US sanctions.<sup>(27)</sup> To ensure this goal, Iran's central bank will need to introduce new monetary instruments. These instruments will aim to regulate interest rates and curb inflation. In return, Iran hopes the measures will encourage the emergence of new banking frameworks that enable easier monetary connections with banks in neighboring states. By operating through the Institute of Management Accountants (IMO), Iran aims to offer financial instruments that allow its central bank to connect with other regional central banks, and trade government bonds as well as to engage in inter-bank lending. Russia and Iran also plan to link the Russian network MIR with the Iranian network Shetab.<sup>(28)</sup>

To this end, SEPAM functions electronically and will facilitate Iran joining the 2015 Eurasian Economic Union (EEU), comprising countries in central and northern Asia as well as in Eastern Europe. Iran hopes to join the EEU within three years, and it has initiated

free trade zone discussions with the union members. Trade within the EEU will be carried out in local currencies to avoid trading in the US dollar.<sup>(29)</sup>

The Eurasian market will be important to Iran as it seeks to eliminate oil revenues from its national budgetary plans, given tight US sanctions imposed on its oil and gas industry. Within the EEU and the International North-South Transport Corridor (INSTC) Russia has access to trade worth billions of dollars that Iran hopes to benefit from. As a result, Tehran insists on building up trade transport corridors, though Russia has been reluctant to do so given its desire to retain its own control over Eurasian markets.<sup>(30)</sup>

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RELIGIOUS AUTHORITIES



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