

MONTHLY REPORT



IRAN CASE FILE

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October 2019



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THE EXECUTIVE SUMMARY

Iran was perplexed during the month of October 2019 due to the outbreak of popular protests in Iraq and Lebanon. Iran took advantage of its regional neighborhood to mitigate the impact of US sanctions imposed on it, through pursuing legitimate and illegitimate economic activities such as exporting low-quality Iranian goods, smuggling oil and engaging in money laundering. This is in addition to the role of these countries in constituting key pillars of Iran's sectarian project. However, the popular protests broke out in Iraq and Lebanon to denounce Iran's sectarian project, as well as to reject the fate of Arab countries being hijacked for the benefit of Iran. In addition, the protests denounced the political landscape in Iraq and Lebanon due to it being controlled by parties and militias loyal to Iran. This has led to the economic situation deteriorating in the countries that are part of Iran's sectarian project, leading to the spread of economic corruption and declining living standards.

At the ideological level: Iran wanted to take advantage of the Arbaeen processions marching on the Iraqi city of Karbala to support Shiite factions loyal to it in Iraq. Iran made immense efforts to mobilize mourners partaking in the Arbaeen of Imam Hussein. It announced that the number of mourners reached 20 million. Also, it assigned the Iranian Defense Minister Amir Hatami to lead these processions, with the processions drawing parallels with an army that is seeking to strengthen Iranian domination in Iraq. Iran has exploited the Arbaeen celebrations to highlight the complete coordination between Iran's military leadership and the leaders of the Popular Mobilization Units (PMU) in Iraq. This is a clear message to Iraqi protesters that Iraq's Shiite militias have external support which they can rely if they are subject to political accountability. This reveals the dynamics between Iran's leadership and the PMU. As to the ideological theoretical aspect, the Iranian religious leadership, headed by the Iranian Supreme Leader Ali Khamenei, deliberately invoked jurisprudential interpretations rejecting rebellions against rulers and staging protests against the supreme leader. They accused protesters of being stooges and receiving support from outsiders. The Iranian elite invoked the religious interpretations of Sheikh Fazlollah Noori who rejected the constitutional movement and parliamentary politics

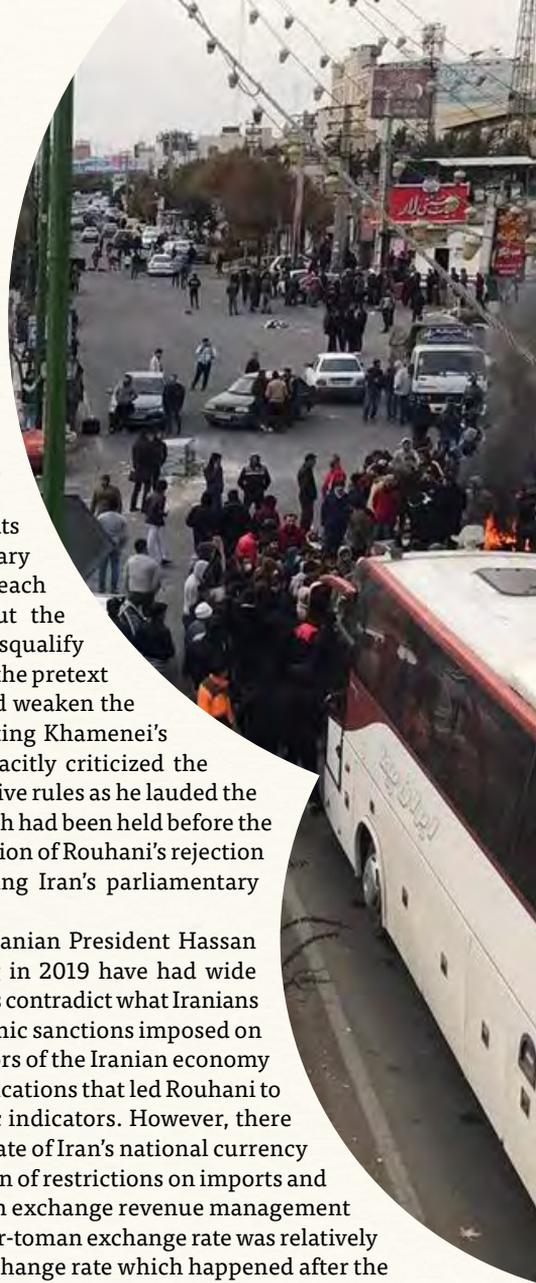
as well as public participation which contradicts the position of the Iranian religious establishment when it expressed its support for the Arab Spring in Sunni Arab countries. The Iranian elite voiced support for the Arab Spring, in contradiction to the Iranian position on the popular protests in Iraq and Lebanon. Protests are welcome if they are against governments who reject Iranian meddling, however, they are denounced when they break out against governments who support Iran's clout and influence.

At the political level: Internal political arrangements are increasingly intensifying as Iran's parliamentary elections are drawing closer as is the case with each election in Iran. Fears continue to mount about the decision of the Guardian Council to exclude and disqualify a large number of parliamentary candidates under the pretext of being disloyal to the Islamic republic. This could weaken the coming Parliament and make it a tool for supporting Khamenei's policies. The Iranian President Hassan Rouhani tacitly criticized the performance of the Guardian Council and its exclusive rules as he lauded the Islamic Republic's first parliamentary elections which had been held before the Guardian Council's establishment. This is an indication of Rouhani's rejection of the role of the Guardian Council in engineering Iran's parliamentary elections.

At the economic level: The statements of the Iranian President Hassan Rouhani on Iran's economic indicators improving in 2019 have had wide repercussions at home and abroad. These statements contradict what Iranians feel and what is expected globally due to the economic sanctions imposed on Iran by the United States. The performance indicators of the Iranian economy indicate significant accounting and statistical falsifications that led Rouhani to make inaccurate statements about Iran's economic indicators. However, there has been a genuine improvement in the exchange rate of Iran's national currency against the dollar. This is attributed to the imposition of restrictions on imports and the implementation of the rules of the Nima foreign exchange revenue management system. Overall, however, the decline in the US dollar-toman exchange rate was relatively low and did not come close to the decline in the exchange rate which happened after the US enforced its economic sanctions on Iran.

At the military level: On the military level, Iran is seeking agreements to import huge quantities of weapons ahead of the fifth year since the signing of the nuclear agreement in October. In 2020 the arms embargo is expected to be lifted. Therefore, Iran sent Maj. Gen. Mohammad Bagheri, Commander in Chief of the Iranian Armed Forces, to China. The Iran Case File provided a list of weapons that Iran is expected to purchase if the ban on arms imports is lifted, especially advanced drones, main combat tanks, as well as speedboats and bigger naval vessels. On the other hand, Iran will be able to export arms rather than smuggle them to a number of countries and armed militias, making the Middle East a region susceptible to further unrest and giving rise to armed conflicts in a number of countries.

In Arab Affairs: From Iraq to Lebanon, the Iranian project has been besieged. Throughout October 2019, people in the two countries have been rising up against what the Iraqi and



Lebanese protesters described as Iranian control over the Iraqi and Lebanese equations. The Shiite-majority cities and provinces in these countries that Iran controls and are central to Iran's expansionist project and its plan to expand its clout in the Middle East turned out to be a major disaster and a new challenge for Iran's decision-makers. The blow dealt to Iran by the people of these provinces has been severe and cruel. This forced the Iranian supreme leader to describe the protests as riots and the protesters as saboteurs. The protesters, especially the young generation, announced that they are standing up against the sectarian policy which Iran has long manipulated for its benefit in order to implement its plan. This young generation is a winning card that should be exploited and used against Iran for it to change its tools and replace its strategy towards the Arab region in particular and the Middle East in general. The Iranian expansionist project has been besieged in the most two important Arab countries within this expansionist project. This is in addition to the international sanctions imposed on it and the international isolation it is experiencing.

In International Affairs: The United States is pursuing a strategy of maximum pressure to force Iran to change its behavior and amend the nuclear agreement. In October 2019, the United States designated Iran as a jurisdiction of primary money laundering and imposed sanctions on the construction sector given its role in building nuclear facilities.

The United States also sought to create an international consensus on the danger of the nuclear agreement completing its fifth year as Iran's restrictions on arms exports are to be lifted. It has also taken a number of measures to boost its military presence in the Gulf region. On the other hand, Iran has threatened to go ahead with the fourth phase of reducing its nuclear obligations and announced that it has begun producing more sophisticated centrifuges than the ones it already has.

Alongside the US strategy of maximum pressure, international mediation efforts are still trying to defuse the possibility of war in the Middle East after the attack on Saudi Aramco's oil facilities. Pakistani Prime Minister Imran Khan's visit to Iran and Saudi Arabia came in this context. Although the Pakistani mediation effort did not succeed in calming the situation, it undoubtedly reflects the unwillingness of international and regional actors to foment tension because of the enormity of what the region and the world economy would lose in the event of a new war in the Gulf.

Internal Affairs

A state of cautious calm prevailed at the internal level during the month of October. Preparations for the religious processions heading to Karbala were the most significant occurrences on the domestic front. Iran's elite fully backed the processions in order to provide moral support to Iraqi armed militias loyal to Iran and show its commitment to the ruling bodies in Iraq and Lebanon.

Politically, although the parliamentary elections scheduled for February 2020 are approaching, the usual electoral momentum is still unnoticed except for the remarks made by Rouhani. He hinted at the negative role of the Guardian Council and that better elections had been held when the Guardian Council had not been established. The lack of preparations for the Iranian parliamentary elections could be attributed to political life in Iran being bankrupt and the competition between the reformists and conservatives no longer interesting the public. The repression-filled atmosphere prevailing in Iran following the popular protests in 2017 and 2018, as well as public rejection of figures loyal to the Iranian regime, hinders any effective political participation in the coming parliamentary elections. The main concern for the Iranian regime is to boost its military capabilities by taking advantage of the embargo to be lifted on Iranian imports of weapons despite the severe economic crisis through which the country is going.



THE IDEOLOGICAL FILE

This file casts light on the ideological developments in the Iranian arena and the impact of these developments on internal actors within the state and seminary. The issue that this file will focus on this month is the Arbaeen processions, which attracted the attention of both the political and religious elites in Iran throughout this month.

I. The Arbaeen Processions: Iran and Political Exploitation

On Safar 20 AH every year, Iranians and other Shiites in the Islamic world descend on Karbala to visit the shrine of Imam Hussein on the anniversary of his death.⁽¹⁾ Most of them go there on foot.

According to reports released by the Abu al-Fazl Abbas Endowment, the Arbaeen visitors this year reached 15 million people.⁽²⁾ Meanwhile, the Tehran Friday prayer leader, Mohammed Emami-Kashani, put the number of visitors at 20 million people.⁽³⁾ There is no doubt that both figures are exaggerated to a large extent, but in any case, the large number of visitors and lack of organization led to deaths due to heavily congested areas. According to the Iranian consulate, more than 100 visitors died from among the visitors coming from Iran alone.⁽⁴⁾

The ruling elites in Iran have been keen to take advantage of this religious occasion to enhance the image of Iran as the prime caretaker of Shiites. From the military establishment, the Iranian defense minister participated in the Arbaeen processions this month and visited Najaf and Karbala. He held phone calls while partaking in the religious ceremony with the Iraqi interior minister, the chief of staff of the Iraqi army and the deputy head of the PMU. He expressed his gratitude to Iraqi officials for their hospitality. The Iranian defense minister considers that the massive Arbaeen processions “pave the way for a modern Islamic civilization for the current era as the people are eager for freedom.”⁽⁵⁾

The Commander in Chief of the Revolutionary Guards, Major General Hussein Salami, while inspecting the Shalamchek border crossing southwest Iran, said that Iran’s security apparatuses are ready and prepared for accomplishing the Arbaeen visit.⁽⁶⁾ Meanwhile, Commander in Chief of the Iranian Armed Forces, Major Gen. Bagheri, said that this tremendous global assembly of people in the Arbaeen religious ceremony embodies the strength, unity, and fraternity among Muslims. He also sent a letter to the Iraqi chief of staff in which he praised the role of the Iraqi armed forces and the Iraqi people, government and Marjaia for hosting and providing services to the visitors.⁽⁷⁾

At the level of the presidency, Iranian President Hassan Rouhani sent a message to his Iraqi counterpart Barham Salih and Prime Minister Adel Abdul-Mahdi where he expressed his gratitude to the Iraqi people, government and Marjaia for Iraq’s hospitality towards those who visited Imam Hussein’s shrine. He said that the Arbaeen processions this year highlighted the solidarity that exists between the Iraqi and Iranian people.⁽⁸⁾

We notice through these remarks made by Iran’s political and military figures that there is an Iranian focus on this religious occasion at all levels. This Iranian attention paid to the Arbaeen processions is not free of an attempt to exploit sectarian slogans in



order to polish Iran's image among the entire Shiite community, and to create a prevalent belief among the Shiite community that Iran is the guardian of Shiite rituals, shrines and spheres. In addition, Iran seeks to create hardcore sectarian Shiite enclaves within Shiite communities in Iraq and neighboring countries. Iran is well aware of the fact that the Arbaeen ceremony is the annual occasion when Shiites in the region and the world gather. Therefore, Iran seeks to make the biggest possible gains from this gathering for its benefit.

There is a conflict between religious centers in Iran and Iraq with regard to who should represent Shiism. Iran strongly seeks to monopolize this representation and to be the cradle of Shiism and the Shiite community in the world in order to secure certain political objectives that have become known to everybody.

The way the Iranians addressed the Arbaeen ceremony and how they exploited it can be summed up in the following points:

1- Coordination between the IRGC and Popular Mobilization Units: The Chief of Staff of Iran's Armed Forces, Major General Mohammed Bagheri, said that the Revolutionary Guards, through cooperation with the PMU and their Iraqi brothers will make utmost efforts in order to foster security and provide housing, health, and food to those partaking in the Arbaeen ceremony.⁽⁹⁾ This coordination enables the Iranians to penetrate the Iraqi security establishment, hence, running them in accordance with Iran's agenda.

2- Offering services to those partaking in the processions: According to some sources, Iranian diplomats sought to identify the problem in Iraqi-Iranian relations after the protests staged by Iraqis in October 2019 against the government and corruption as well as against Iran as the protesters blamed it for the deteriorating situation in the country. Iranian diplomats reached the conclusion that the alliance between Iran and Iraqi politicians did not reach the level of popular support. Therefore, Iran sought to polish its image during the Arbaeen ceremony by providing the participants with money, tents, cooked food and mobile toilets.⁽¹⁰⁾

3- Reminding Iraqis of Iran's participation in the anti-ISIS drive: In the Arbaeen processions, a huge billboard described the Iran-backed militias as the contemporary comrades of Imam Hussein. The Commander of the Qods Force, Major General Qassem Soleimani, released video footage showing him walking through the battlefield in Mosul. This is a clear reminder of the Iranian role in the war on ISIS. The video then moves on to show a golden dome and two poles of the Karbala shrine. He said, "Had they arrived at our shrines, they would have completely destroyed it." The video ends with showing the participants in the Arbaeen processions heading to Karbala.⁽¹¹⁾

However, there have been big placards put up, showing the Iraqi protesters killed over the past two weeks when they staged peaceful rallies against corruption within the Iraqi government. The placards were near the billboard promoting Iran-backed militias.

The political exploitation of the Arbaeen processions falls within the strategic parameters embraced by the Iranian elite. The most important among these parameters includes the strategic awareness of the importance of Iraq as the main gateway for Iranian expansion westward. Also, Iraq has become fragile due to the existing political, security and economic situation. In addition, Iraq provides strategic depth for Iran in terms of politics, geography, and religion (Shiism) for the Iranian state. Iran's elite is also aware of the fact that such political exploitation ensures creating some popular incubators that can contribute to boosting Iran's clout and pledge loyalty to the Iranian state, not to their own state. These incubators will act as a support base that will defend Tehran and its interests in Baghdad.

II. The Arbaeen Processions: Shiite Protests and Differences With the Iranians

The difference between the Iraqis and Iranians resurfaced at two levels: at the official and popular base levels. At the official level, there are Iraqi political and religious elites who are concerned by Iran's meddling in the internal affairs of Iraq. At the popular base level, there is a negative outlook, which began to spread among Iraqis towards Iran and its allies. This negative outlook reached its peak during the recent protests, which saw anti-Iran chants, and pictures of the Iranian supreme leader being torn up in Karbala itself,⁽¹²⁾ which is one of the major central capitals of Shiism.



During this uprising, while all factions of the Iraqi people were protesting across all the Iraqi cities against the Iraqi government, Iranian media outlets and the political and religious elite showed a great deal of disrespect to the protesters. Moreover, the supreme leader of Iran accused the protesters, most of whom are Shiites, of being stooges to foreign parties.⁽¹³⁾

According to Iranian politicians and clerics, regional and international actors were behind the protests with the aim of undermining the Arbaeen processions. Such accusations were made by the chief of the judiciary Ebrahim Raisi and other officials.⁽¹⁴⁾

The same accusations were reiterated by the Friday prayer leader Ayatollah Kashani four days after the protests. In a Friday sermon, he said, "The enemy has declared its intention to face up to the Islamic nation. The US and Zionism are targeting the Arbaeen marches in Iraq and are stirring up a crisis since it is difficult for them to accept the presence of millions in Karbala".⁽¹⁵⁾

This Iranian position impacted Iranian public opinion. Differences between the Iranian government and the Iraqi people were apparent during the Arbaeen ceremony.⁽¹⁶⁾

In addition, the differences which emerged at the popular level pose a real threat to the clout of the Iranian elite in Iraq. For the first time since the fall of the Baath party, Iran is facing an uprising from within the Shiite community against its local proxies and its influence and interests in Baghdad.

This popular awakening against Iranian influence enhances the theory suggesting a collapse in the Shiite Crescent that Iran has been working to shape since 1979 due to the present Shiite-Shiite standoff in Iraq. The recent protests reveal that this Shiite Crescent is no longer feasible and it cannot just depend on military and militia elements without a genuine popular base. This will not happen unless there are substantial economic and political reforms within the structure of the Iraqi political system, which, if they happen, will lead Iran to lose its central position in Iraq. Eventually, Iran will be in a difficult situation in Iraq.

Conclusion

Iran is facing tremendous challenges in changing the demographic map which it has been working to manipulate over the past decades in Iraq and Lebanon. It was shocked by the fragility of the Shiite Crescent project which it has been working towards in these two countries. This is because Iran has depended on sectarian elites without the need for them to be efficient in governance. People who Iran trusts have been given precedence at all levels. The economic situation continued to worsen due to the irresponsible and nontransparent policies pursued by sectarian elites. This led the masses to rise up against Iran's local proxies and the supreme leader in Tehran. This pushed Iran to polish its image via the Arbæen ceremony by showing that it is the guardian of Shiism. Moreover, it accused outside forces of targeting the processions by financing, supporting, and flaring up the protests.

In the future, it is not expected that Iran will stop exploiting the Shiite sect and its rituals. Also, it is not on the cards that the condition of the Shiite community in Iraq will improve with regard to their political and economic situations. Therefore, the standoff between Iran and Shiites will continue at several levels. It is not unlikely that the violence led by Iran and its militias against Shiite protesters will increase as they are classed as criminals. This was hinted at by Khamenei.

THE POLITICAL FILE

Both the reformists and conservatives fear that the Guardian Council will disqualify several candidates in the coming parliamentary elections, which will be held after three months. This concern has encouraged the Iranian President Hassan Rouhani to level criticism at the Guardian Council's performance during the various elections held in Iran so far. Rouhani lauded the first elections to be held in Iran following the fall of the Shah in 1979, considering the Parliament which convened following this election as the best in the history of the Islamic revolution, although there were no regulatory bodies such as the Guardian Council at the time. He called for abandoning the belief that imposing strict conditions on candidates will lead to better results.⁽¹⁷⁾

I. The Indications of Rouhani's Lauding of the First Parliament

Rouhani's remarks lauding the first Parliament carried several messages, with the most important being a warning to the Guardian Council dominated by conservatives against imposing strict rules on candidates in the coming parliamentary elections scheduled for February 2020. This is in addition to reassuring his reformist supporters who fear losing their equal status (i.e seats) in Parliament and consequently control in the coming Parliament to the conservatives due to the failure of Rouhani in fulfilling the promises he made to the Iranian people and the widespread popular resentment at the deteriorating economic conditions resulting from government policies and US sanctions. Hence, lauding the first Parliament and first elections after the revolution could be considered a pre-emptive step by President Rouhani who fears that the Guardian Council is likely to disqualify reformist and moderate candidates through a screening process which will precede the parliamentary elections scheduled to be held on February 21, 2020. What backs up this hypothesis is the Twitter post of Hossam Ashta, Hassan Rouhani's advisor, where he said, "President Rouhani is most probably concerned about the unfairness and partiality of the regulatory bodies when screening the candidates for the parliamentary elections. There is no difference in the fate of those who have bad records. But the matter is related to the regulatory bodies' citing of unjustified claims and accusations as well as charges which have been proved against those running in the elections."⁽¹⁸⁾

The role of the Guardian Council is discussed ahead of each election in Iran. It is described as the most powerful fortress of the conservatives. The body is also



accused of curbing the capacity of Parliament to pass legislation. It is considered the most important regulatory body within the Iranian political system. It oversees all elections, and screens candidates for Iran's parliamentary and presidential elections as well as for the Assembly of Experts elections. The body has the right to interpret the provisions of the constitution and determine whether they comply with the Islamic Sharia and the Iranian Constitution. It consists of 12 members, six of whom are jurists who are directly appointed by the supreme leader. The other six men of law are nominated by the head of the judiciary. They are appointed after their approval by Parliament and the supreme leader.

The main debate among the political factions within the Iranian regime is in regards to the Guardian Council judging whether candidates for Iran's presidential, parliamentary and Assembly of Experts elections are suitable or not. The debate among them is not on whether the elections should be supervised or not.

Criticism has been leveled at the Guardian Council for disqualifying candidates and depriving them of participating in Iran's parliamentary, presidential and Assembly of Experts' elections. Past candidates have included former heads of state such as the late Hashemi Rafsanjani and former President Mahmoud Ahmadinejad. During the era of Mohammad Khatami, the reformists called for nullifying the role of the Guardian Council in determining whether candidates are suitable or not for the elections.

II. Reactions of the Radicals Within the Iranian Political System

The comments made by Rouhani sparked conservative reactions. The first of these reactions was from the Secretary of the Guardian Council Ahmed Jannati who said that the only way to deal with problems was by enforcing the law and taking into consideration the suffering of the Iranian people as well as refraining from causing an uproar over secondary issues to hide government failure in addressing deteriorating socio-economic conditions. In a message which seems to be addressed to President Rouhani, Jannati



said that the Guardian Council will not yield to political pressure exercised against it and it will not back down from performing its legal duties. The Council will not prevent those that have the appropriate legal qualifications from entering Parliament nor those that seek to help the people.⁽¹⁹⁾

Meanwhile, the Spokesman for the Guardian Council, Abbas Kadkhodai, leveled harsh criticisms at Rouhani. He said Rouhani, who had pledged to uphold the constitution, had violated it through his remarks as well as the election rules. Rouhani was obliged to urge all parties to respect the constitution and implement it, not to encourage them to breach it. He justified the significance of the Guardian Council's supervision saying, "letting people with previous records of moral and economic corruption into the Council contradicts the rights of the citizens and that the Guardian Council, as the regulatory body supervising the elections will perform its duties in accordance with the law."⁽²⁰⁾

Ahmed Khatami, a member of the Assembly of Experts who is known for his unmitigated loyalty to the Supreme Leader Ali Khamenei, strongly defended the Guardian Council. He leveled a direct accusation at Rouhani, saying that he senses that Rouhani seeks by his remarks to divide Iranian society into two poles. He said that elections are not a hallmark of feuds among different political parties and overseeing them is closely related to the government's reputation and that democracy does not mean letting candidates participate in elections without them being screened.⁽²¹⁾

III. What Distinguishes the First Parliament From the Rest of Iran's Parliaments

The Iranian Parliament (Islamic Consultative Assembly) is one of the most important institutions formed after establishing the Islamic republic. The first election was held in 1980, one year after announcing the Islamic republic. The most important characteristic of this Parliament was the diverse opinions of its members, regardless of their thoughts or ideologies. The absence of differences and exclusive attitudes led to the emergence of diverse thoughts, which made it an independent Parliament that defended the people and their interests, unlike the parliaments that followed. They had limited influence and were ineffective due to the strict control imposed by the Guardian Council on potential parliamentary candidates, with competent candidates prevented from participating in the elections. This is in addition to interfering in the decisions and laws which are approved and passed by Parliament, which led to an insurmountable difference between it and the Parliament, which prompted the Expediency Discernment Council to interfere to settle the differences between them.⁽²²⁾

A considerable number of former Iranian members of Parliament have held positions similar to that of President Rouhani, including Reza Karmi, who had won a seat in Iran's parliamentary elections for five legislative terms. He believes that former parliamentarians had been elected from among the elite and that one of the first Parliament's strengths was that it was chaired by the late Hashemi Rafsanjani. This is in addition to the consent among its members to resolve the problems facing Iran at the time despite divergent visions and thoughts.

Shahabaddin Bimeghdar, an Iranian Parliament member in its first, second and 10th sessions, believes that the power of Parliament stems from Khomeini's support and his role in taking vital decisions. This is in addition to the scant hindrances and the desire of lawmakers to resolve the problems which Iran was going through at the time. This is in addition to weekly meetings held by Mehdi Bazargan with the members of Parliament and the expedient resolution of problems during these meetings.

A conservative member in the current Parliament, Ahmed Salik, who was a member of Iran's first Parliament, said that one of the strengths of the first Parliament was that it stood up against the People's Mujahedin of Iran and it voted to dismiss Abolhassan Banisadr.⁽²³⁾

The remarks of Rouhani and his tacit criticism of the regulatory role of the Guardian Council indicate the fact that the reformist and moderate camps are concerned about the possibility of a large number of candidates being disqualified leading-up to the parliamentary elections. However, the multiple pre-emptive warnings issued by President Rouhani and a number of reformist figures to the Guardian Council as well as popular anger towards the policies of the Iranian government may lead the conservatives to deal cautiously with the issue of disqualifying candidates.

THE ECONOMIC FILE

This file breaks down the most urgent issues in the Iranian arena during the month of October. The most important development related to the Iranian economic case is the report of the World Bank (WB) issued on October 9 concerning its predictions for the Iranian economy and the future dangers it could face. It predicted that there would be a sharp economic recession of 8.7 percent⁽²⁴⁾ in the Iranian economy during the fiscal year 2019-2020. The WB's outlook in its report was more pessimistic than the forecast it issued in April of this year.

On the other side, at a press conference held by President Rouhani on October 15, he made several statements about the Iranian economy. He said that the Iranian economy was heading in the right direction, contrary to global and domestic reports on Iran's economy. Between the issuance of the WB's report and Rouhani's press conference, there were several indicators highlighting the performance of Iran's economy. The remarks of President Rouhani which he made during a press conference held on October 15 have received a great deal of attention. Rouhani said that the Iranian economy was heading in the right direction and that the indications of the economy suggest an increase in Iran's Gross Domestic Production.⁽²⁵⁾ Most of the remarks were inaccurate and incorrect. Many critics believe that Rouhani made his inaccurate remarks in order to diminish growing public opinion at home against his government's policies as economic hardship has hit the country hard.

The Iranian economy has borne the brunt of the political tensions witnessed in 2018 after the United States pulled out of the nuclear deal and imposed economic sanctions on Iran. These sanctions came within the framework of what is known as the US maximum pressure strategy. This strategy has had a significant impact on the level of Iran's economic performance since the imposition of sanctions. This file will focus on reviewing the details mentioned in the report of the WB and the press conference held by President Rouhani. Five economic performance indicators will be examined: the inflation rate, the unemployment rate, economic growth, oil exports, and currency value. The file will be divided as follows: the performance indicators of the Iranian economy and its statistics, the reasons for them and the future outlook of the Iranian economy.

I. The Performance Indicators of the Iranian Economy and Its Statistics

1- Inflation Rate

In his conference, Rouhani pointed out that the inflation rate dropped from 52 percent in May last year to 43 percent in the same period this year. The rate of inflation will continue to decline until the end of the year, and that this decline is an achievement and success of the Iranian government, he claimed. It is true that the index has declined slightly, but compared to previous years, the rate of inflation remains high. The decline is not due to Rouhani's policy and government, but to the decline in purchasing power per capita that has led to lower inflation in general.

Iran ranks 135th out of 141 countries⁽²⁶⁾ globally for inflation, and its inflation index

was surveyed in the Macroeconomic Stability Study of the Global Competitiveness Report 2019. The reason for this is that Iran's consumer price reached 52 percent in May 2019, due to increased economic uncertainty and the rial's devaluation in the previous 12 months.

2- Unemployment Rate

Among the things Rouhani pointed out is that Iran's unemployment rate dropped from 12.3 percent in 2018 to 10.5 percent in 2019, a 1.8 percent decline, which contributed to economic growth, he said. The reality is not as Rouhani presented in his speech, because the method of calculating the unemployment rate this year differs from the method used the previous year. According to the Iranian Statistics Center last year, the unemployment rate was calculated for the age group of 10 years⁽²⁷⁾ and above, but this year the age group was changed to 15 years and above, which certainly leads to a decrease in the unemployment rate, while IMF statistics indicate that the unemployment rate is still very high at 16.8 percent. According to the WB's report, Iran's labor participation rate fell to 40.6 percent annually in July 2019, reflecting the impact of the ongoing economic recession on Iran's labor sector, while the unemployment rate among Iranian youth exceeds 28 percent.

The Unemployment Rate in Iran Since the 1990s Until 2019 ⁽²⁸⁾



Source: International Monetary Fund - World Economic Outlook (Oct 2019).

3- Economic Growth

Rouhani's statement that the Iranian economy is going well this year is somewhat true, compared to the circumstances of the Iranian economy in the second half of 2018. But Rouhani did not mention that this positive growth happened only in the first half of this year, and that the economy will witness a decline of 1.5 percent in the second half of the same year, according to the latest WB report. Rouhani cited only one part of the statistics and ignored the rest.

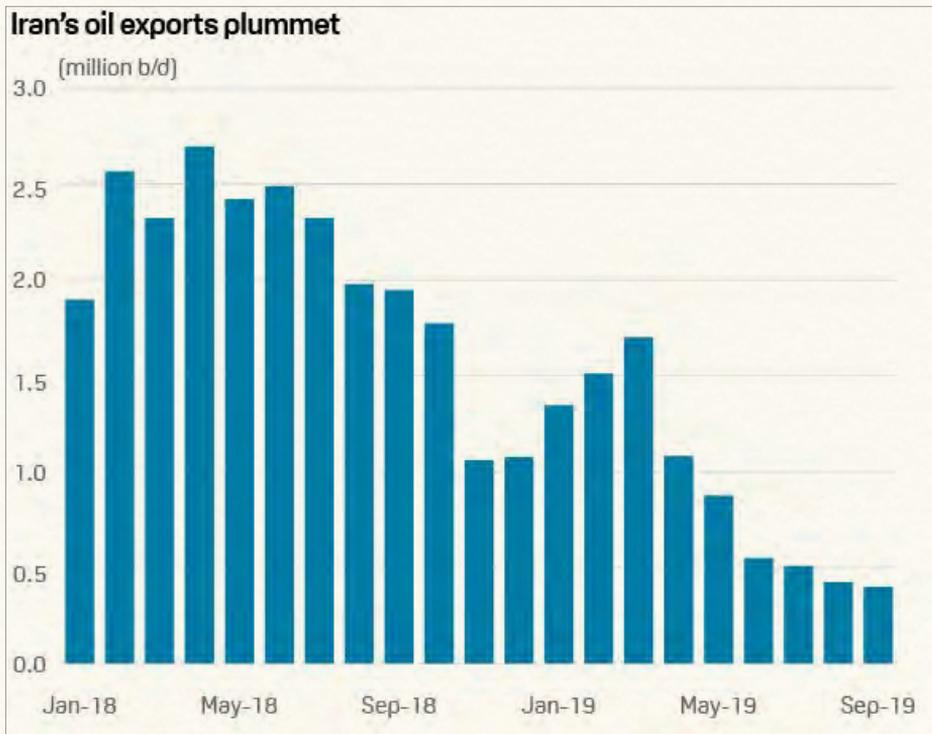
Iran's progress in business facilitation to 126th from 127th⁽²⁹⁾ the previous year is one of the indicators of Iran's economic growth, as Rouhani pointed out in his speech. But at the same time, Iran still ranks far behind its neighbors. For example, Saudi Arabia was

ranked 63rd this year from 92nd in 2018, and Egypt has risen from 120th to 114th this year. Therefore, claiming that Iran's economic situation has improved is irrational.

On the other hand, the WB report indicates that the Iranian economy is expected to grow by 0.5 percent within the next two years (2020-21 to 2021-22). Inflationary pressures will be moderate. But the annual inflation rate will remain above 20 percent, a figure much higher than the one-decimal inflation rate between 2016-2017 and significantly higher than the inflation rate in regional countries.

4- Iran's Oil Exports

It is difficult to determine the exact volume of Iranian oil exports or count them accurately, given the lack of official statistics issued by the Iranian Oil Ministry. Nonetheless, some oil export tracking agencies have indicated that Iran's oil exports recorded in October fell to the lowest level since US sanctions were imposed in 2018. Iran's total oil exports in October this year amounted to approximately 398,000⁽³⁰⁾ barrels per day compared to 1,700,000 in the same period last year, which is a severe collapse in Iran's total exports. This collapse began gradually.



Source: S&P Global, Iran Oil Exports Face New Security Threat. 13 Nov 2019. <https://2u.pw/uCCx1>

The month of August 2018 saw a decline to nearly 2 million barrels per day compared to the previous month. The average total oil exports continued to fall to 1 million barrels per day from November to December 2018. This period was followed by a slight increase to 1,500,000 barrels per day from January to March, before gradually falling again to less than 400,000 barrels per day in October.

Not only did Iran's oil exports decline, but some countries also retreated from importing oil from Iran, leaving Iranian oil almost without a buyer as they feared US sanctions.

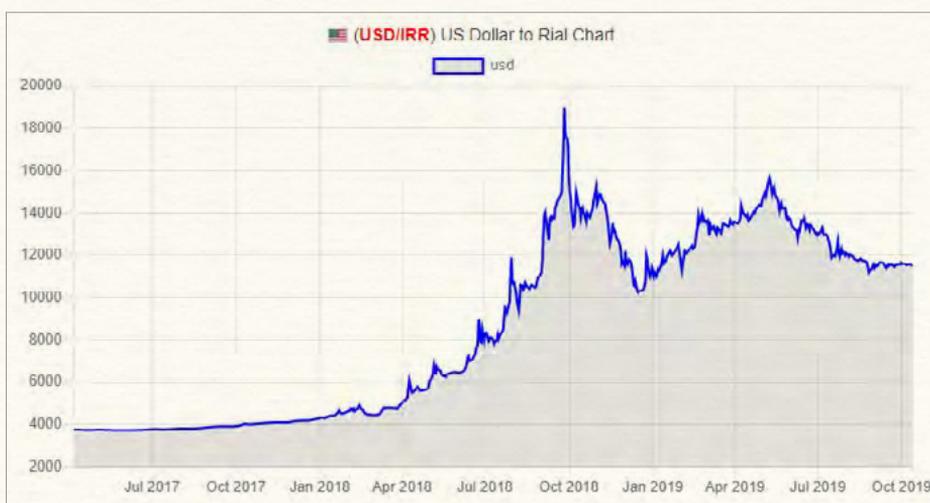


Perhaps the most important buyer was China, which is one of the largest trading partners with Iran, with a volume of oil and non-oil imports amounting to \$823 million last September. Before the US sanctions, China was buying about 700,000 barrels of oil a day from Iran, but it fell to less than 200,000 barrels, down 70 percent⁽³¹⁾ of its total oil imports from Iran. Syria is also the second largest importer of Iranian oil after China, importing nearly 30 percent of Iran's total oil imports.

5- Currency Value

The market value of the rial reached a historic low against the dollar in September 2018, but by August 2019 the rial had regained about 40 percent of its open market value against the dollar. Although this relative stability of the rial is calculated by the government (it helped to moderate inflation by 4 percent annually in August 2019), the market value of the Iranian currency against the dollar is still very low compared to its value before the imposition of economic sanctions. Two years ago, the US dollar was equivalent to an average of 4,009 Iranian tomans. In October last year, after economic sanctions, the price of the dollar was around 14,254 Iranian tomans. The improvement noted in the WB report that the value of the Iranian toman is stable according to the data of this month compared to the US dollar (dollar = 11,473 toman) does not give an accurate picture of the value of the Iranian currency. Although the current exchange rate has improved compared to the first few months after US sanctions were imposed last year, the current value of the toman is still less than half of its value in October 2017.⁽³²⁾

The Exchange Rate of the US Dollar Against the Toman (June 2017 - October 2019)



Source: BONBAST - live exchange rates in Iran's free market.

The Exchange Rate of the US Dollar Against the Iranian Toman During October 2019

All prices are in Iranian Toman (1 Toman = 10 Rials)		
	Sell	Buy
Average	11473	11373
Max	11650	11550
Min	11270	11170

Source: BONBAST - live exchange rates in Iran's free market.

II. Reasons Behind the Decline in Iran's Economic Indicators

The main reason for the decline in Iran's economic indicators is due to the continuation of US sanctions imposed on Iran since August 2018, which prohibit trading with Iranian banks in US dollars as well as US sanctions on Iranian oil buyers, aimed at reducing Iran's oil exports to zero. According to the WB report, low oil exports due to economic sanctions, coupled with restrictions on international trade and capital flows, have adversely affected Iran's non-oil sectors such as the automotive, machinery and construction sectors, which have faced challenges related to financing and high operating costs.

Iran's dependence on oil for most of its cash revenues is another reason for US sanctions. Iranian oil exports have already continued to decline and have reached less than 170,000 barrels per day. Given that more than 30 percent of the government budget is obtained directly from oil and gas sales, the fiscal deficit is projected to increase to 5.6 percent of GDP in 2019-2020.

In addition to US sanctions on oil exports, the United States has imposed sanctions on some Chinese companies that were transporting Iranian oil. But it seems that the small quantities of oil exported from Iran to China are an alternative method of payment to Chinese companies that have previously invested in Iranian oil fields. The WB report pointed out that Chinese imports from Iran amounted to about \$11 billion, which means a decrease of 37 percent compared to last year.

There are also administrative and technical reasons for the government's monetary and fiscal policy. For example, the Iranian government has been unable to absorb the increasing growth of liquidity through its monetary instruments, such as raising interest rates, the legal reserve of banks or open market operations.

On the other hand, current revenue data indicates that it has been adversely affected by the lowering of the tax base due to declining economic activity. This negative impact, in turn, will lead to a low budgetary expenditure allocation. It is important to note that Iranian governments have consistently exceeded budgetary expenditure allocations over the years. This, of course, will impact the quality of services provided to the public.

In the context of the future outlook of the financial sector, liquidity, and capital recycling challenges, if left unaddressed, could undermine banks and their ability to facilitate economic activity. Further restrictions on trade and financial arrangements with Iran's

neighbors could lead to a big difference in future economic expectations.

One of the most influential factors in the Iranian case is political and economic uncertainty, which makes it difficult to predict future poverty statistics. However, a sharp decline in real GDP per capita and the inflation rate being above 9 percent will certainly have a strong negative impact on poverty rates due to increased costs of living, declining value of remittances, and less opportunities in the labor market. This is in addition to the slow response of the government's general policy. The nature of the uncertainties facing the Iranian economy means that the downside risks facing any expected economic growth remain.

Conclusion

Rouhani has repeatedly said that, "Iran is currently stronger compared to the past year," to highlight that despite US sanctions, his government has demonstrated its ability to manage the country's affairs. The motives for such a claim by Rouhani are numerous such as reducing growing internal divisions, stifling criticism, and ensuring that he remains on the Iranian political scene after leaving the presidency.

The World Economic Forum's Global Competitiveness Report 2019 confirms Iran's 10-point decline in the global competitiveness ranking compared to last year's report. Iran is ranked 99th out of 141 countries surveyed.

The WB report predicted a sharp recession of 8.7 percent in the Iranian economy during the fiscal year 2019-2020, which is supported by the statistics of the four indicators that we reviewed in this file.

In conclusion, the Iranian government hopes to withstand the economic sanctions imposed on Iran and that its political endeavors succeed in activating the nuclear agreement again in order to allow it to fulfill its nuclear ambitions and revitalize Iran's economy. But the biggest obstacle to Iran's economy remains the policy of the Iranian government.

THE MILITARY FILE

Iran's top military commanders don't usually visit Beijing. On September 10, an exception was witnessed when Iran's Chief of Staff of Armed Forces Major General Mohammad Hossein Baqeri received a red carpet welcome in Beijing. He was a guest of Li Zuocheng, Chief of the Joint Staff Department of the Central Military Commission.⁽³³⁾

General Baqeri told his host General Li Zuocheng, "Iran attaches great significance to its relations with the People's Republic of China in all areas. We have long-standing ties in the military sector as well, and we hope this visit can be a turning point in the development and reinforcement of the relations."⁽³⁴⁾ During his three-day tour, General Baqeri visited Chinese military-industrial units and delivered a speech at the Chinese National Defense University besides co-signing the establishment of the Iran-China joint military commission. General Baqeri offered the readiness of Iran's Supreme National Defense University to share its military experiences with China's National Defence University. On October 19, Deputy Chief of Staff of the Iranian Armed Forces Brigadier Mehdi Rabbani,⁽³⁵⁾ heading a high-ranking military delegation,⁽³⁵⁾ arrived in Beijing to attend the 9th Xiangshan Security Forum.

These back-to-back high level visits by Iran's military leadership come after Foreign Minister Javad Zarif's visit to Beijing in August. Zarif proposed a 25-year roadmap for bilateral cooperation with China in a bid to "consolidate the comprehensive strategic partnership." Following Zarif's announcement, in September, Brigadier Ghadir Nezamipour, head of international affairs and defence diplomacy of Iran's General Staff of the Armed Forces, announced⁽³⁶⁾ that Iran will hold joint naval exercises with China and Russia in the Sea of Oman and the northern Indian Ocean. Brigadier Nezamipour did not speak of a timeframe.

China said the military maintains "regular cooperation" with its foreign counterparts.⁽³⁷⁾ The Chinese Foreign Ministry Spokesperson Geng Shuang hinted at China sending only its routine anti-piracy fleet, which has been deployed to Somali waters to protect commercial vessels.

If held, the naval drills will be the first of its kind involving two veto-yielding United Nations Security Council (UNSC) members joining Iran. China held naval exercises in the Gulf back in June 2017, involving an Iranian warship and two Chinese destroyers, as well as a logistics ship and helicopter.⁽³⁸⁾ The Strait of Hormuz is the world's most important chokepoint for maritime oil traffic, with some 16.8 million barrels a year being shipped out from the Gulf.⁽³⁹⁾

Russia's security posturing and its relations with Iran are an entirely different ballgame due to their shared worldviews on geopolitics and close military cooperation. Rear Admiral Hossein Khanzadi, Commander of the Iranian Navy and his Russian counterpart Admiral Nikolai Anatolevich Evemenov signed a memorandum of understanding in August to "expand bilateral ties."⁽⁴⁰⁾

I. An Insight into Iran-China Relations

Evidently, Sino-Iran military ties are strengthening since Xi Jinping's visit to Tehran after the signing of the Joint Comprehensive Plan of Action (JCPOA) with the P5+1 countries. On January 23, 2016, the two nations signed 17 agreements, including an agreement to build two nuclear power plants in southern Iran. The agreements signed are estimated to boost the bilateral trade volume to \$600 billion between the two countries.⁽⁴¹⁾ The visit also culminated in the establishment of a China-Iran 'comprehensive strategic partnership.'⁽⁴²⁾

Though the two states did not have diplomatic relations until 1971, they soon took off with Iran exporting oil and China selling missile technology to Tehran.⁽⁴³⁾ After the 1979 Iranian revolution, the late Speaker of the Iranian Parliament Hashemi Rafsanjani opened the doors for military ties with China in July 1985.

China came to Iran's rescue in the crucial war against Iraq in the 1980s when it sold her weapons worth \$5 billion, supplying Tehran with advanced fighter aircraft, tanks, radars, cruise missiles, fast attack patrol vessels, and other weapons.⁽⁴⁴⁾ From 1990 to 1996, China helped Iran in the development of its nuclear program, by training Iranian scientists to build the research nuclear reactor in Isfahan and provided enriched uranium and dual-use technology. Western pressure was too much to ignore by 1997 and the cooperation between the two countries ended.⁽⁴⁵⁾ China did not veto the UNSC's resolution and the sanctions that were imposed on Tehran in 2006. Beijing fully complied with the UNSC's restrictions against the export of nuclear technologies or know-how to Tehran. As a result, formal military ties stopped between the two countries, though bilateral backdoor cooperation continued which helped Iran to improve and mass produce its existing arsenal of imported military hardware.

II. Preparing for Military Ties After October 2020

Next October when the JCPOA becomes five years old, the embargo on Iran's arms deals will expire. The JCPOA's fifth anniversary is what Iran has been waiting for since US President Donald Trump took over the presidency in the United States and imposed new sanctions on Tehran after withdrawing from it. Though signed on July 14, 2015, the agreement came into effect in October that year.⁽⁴⁶⁾

The JCPOA states that after five years of implementation, certain types of major conventional arms would require a UNSC waiver before Iran's sale or purchase. The requirement of UNSC approval will expire after three more years of compliance, in a total of eight years. In effect, the embargo remains in place for Washington and its western allies will exercise a veto against any likely import or export of weapons by Tehran. Beijing and Moscow will be the prime beneficiaries of any UNSC waiver granted to Iran for purchasing weapons. The United States has already sought extension⁽⁴⁷⁾ of the UN embargo on even smaller weapons, the acquisition of which won't require UNSC approval due to their deadly impact on US military assets in the Gulf as well as in the wider Middle East. Tehran can acquire fast attack patrol boats (which will sharpen the bite of its naval kamikaze force), anti-ship missiles and mines. China has previously provided Iran with the military hardware in question.⁽⁴⁸⁾

The potential of Iran's arms acquisition after a year can be understood not just through visits of its senior military officials to China and Russia but also from the point where the transactions or negotiations stopped prior to the agreement.

From China, Iran has not only been seeking the transfer of advanced cruise missiles or their sensitive parts. Such an acquisition does not only have direct implications for the balance of power in the Gulf for the short term, in addition, it will help Iran refine and perfect its long cruise and ballistic missiles in order for them to have a greater outreach to

US bases situated in places such as Diego Garcia.⁽⁴⁹⁾ The other low-visibility and low-profile but high impact acquisition may include Houbai-class missile boats from Beijing. Media reports have been making the rounds with speculation that Iran has shown a keen interest in purchasing Chinese J-10 fighter jets.⁽⁵⁰⁾ For its part, Tehran's wish list from the Asian great power may include advanced unmanned aircraft systems, missile defense systems, electronic warfare platforms and systems as well as remotely operable submarines.

Though the majority of available weapons systems of medium or high tactical value will not be available for Iran without a specific and fresh UNSC sanction waiver, Washington can still use its political clout over Beijing and other non-veto yielding arms supplying nations except for Moscow to deny Iran of weapons procurement. The White House will have to bargain with Beijing in order to deny Tehran purchasing anti-access/area-denial (A2/AD) weapons (basically, short-range defensive weapons used from coastal areas).

Prior to the 2012 sanctions, Iran bought missiles from China approximately worth anywhere between \$4 billion and \$10 billion.⁽⁵¹⁾ Below is a table prepared by the Stockholm International Peace Research Institute (SIPRI) showing trends in Iran's weapons acquisition from China over the years.

System	Utility	Range	Delivered	Status Under JCPOA
C-802	Anti-ship missile	120 km	1994–2012	UNSC required till 2023
Type-86	APC	N/A	1997–2011	UNSC required till 2023
TL-10/FL-8	Anti-ship missile	18 km	2002	Permitted (max range >25 km)
C-704	Anti-ship missile	45 km	2003	UNSC required till 2023
C-801	Anti-ship missile	40 km	2004	UNSC required till 2023
QW-11	Portable SAM	5 km	2005	UNSC required till 2023

Source: SIPRI Arms Transfer Database

Anti-ship missiles are cheaper yet they can cause havoc if and when the Iranian government fires a few on any enemy vessel.⁽⁵²⁾ Their absence from the no-sale list of the JCPOA is bothersome for the United States after President Donald Trump exited from the pact. As for the big-ticket items in China's basket, a deal to redesign and upgrade two nuclear reactors in Arak, southeast of Iran, worth \$10 billion is waiting to be materialized.⁽⁵³⁾

On the Russian front too, Tehran has an equally ambitious shopping list. Not only does it want to acquire a license to produce T-90S main battle tanks⁽⁵⁴⁾ but also highly-advanced and super-maneuverable Sukhoi Su-30SM fighter jets.⁽⁵⁵⁾ Russia has already delivered an unknown number of S-300 missile defense systems to Tehran and the last reports of Russo-Iran arms negotiations hinted at possible agreements worth \$10 billion.⁽⁵⁶⁾

III. Future of China's Military Support to Iran

Iran's desperate desire to have China by their side in more explicit terms is dictated by their geopolitical quagmire. Tehran sees Beijing as the world's leader in technology and a growing economic power which can further counter America's geopolitical and economic footprint. However, Beijing is walking a tightrope. Its dependence on the United States is enormous in economic terms. As a result, China has made special efforts to appease the United States so that Washington eases the high tariffs imposed on Chinese goods. Thus, it won't be able to afford a direct and more explicit confrontation with the United States. At any cost, including relations with Iran, China won't like its corporations or entities to face US sanctions for working with a state which the United States is wanting to constrain via its maximum pressure strategy. Russia and Pakistan remain China's top allies yet neither is in a full-fledged defense pact of any sort with it. Beijing maintains a strong relationship with Moscow and Islamabad but has abstained from becoming bracketed with either of them. How is it that China can take such a risk with Iran which has pursued destabilizing policies across the Middle East as well as the West since the advent of the 1979 revolution? However, China is not willing to support Iran in all its demands. For example, the Shanghai Cooperation Organization (SCO) – a quasi-military-economic bloc – has not admitted Iran as a full member despite its application since 2006. China has vehemently opposed Iran's bid to join the emerging geopolitical bloc while its rivals India and Pakistan enjoy full membership in the SCO.

Nonetheless, Beijing will continue to pursue a policy of soft-balancing against outright confrontation with Washington. It will provide political support to Iran at the UN as well as providing tactical weapons within the framework of international law. In the shape of Iran, China has the opportunity to balance America's actions in Taiwan. After the JCPOA sanctions are eased in October next year, Beijing may like to facilitate Tehran with upgrading some of its fighter jets as well as augmenting its naval firepower.

After the Caspian Sea littoral states, including Iran, agreed to a resource-sharing mechanism, China has its eyes set on the likely discoveries of hydrocarbons, which will reduce China's dependence on Golfoil supplies.

Conclusion

After lifting the US arms embargo imposed on Iran, the United States has the following options to prevent boosting Iran's arms capability:

The first and foremost option but simultaneously the most difficult one is to seek UNSC support for extending the October next year deadline by a couple of years. This will require Washington to seek Moscow and Beijing's consent – countries which are both likely to be direct beneficiaries of Tehran's future weapons purchases. Besides, France may not be willing for a further extension of the arms embargo against Iran, which may go outright rogue and destabilize the balance of power in the Middle East.

The second policy option for the United States and its Arab allies is to lobby China and Russia not to supply standoff or access-denial technology to Iran. Over the years, Saudi Arabia and the UAE have both significantly improved relations with Russia to contain Moscow's cooperation with Iran. In order to prevent Russian companies economically empowering Iran which will lead to Tehran destabilizing the region by funding its expansionist project, the UAE and Saudi Arabia may offer Russian companies attractive contracts to explore minerals and to build nuclear reactors for civilian purposes to turn them away from Iran.

The third and most lethal option could be limited strikes against Iran's crucial military assets in the Gulf as well as its research facilities to roll back its success and production lines by a few years. Tehran has thrived on the predictability of its foes in the Gulf as well

as the West. In the wake of limited punitive strikes for one pretext of the other, Beijing and Moscow won't go beyond condemning and seeking restraint. Such a limited attack is not prohibited under the JCPOA and if done by non-JCPOA member states it won't be an excuse for Iran to further undermine its commitments to the deal as well as the Nuclear Non-Proliferation Treaty (NPT). Washington may keep it as an option for the worst-case scenario if its relations with Beijing and Moscow remain on the affirmative side.

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Arab Affairs

In October 2019, Iran faced a new variable in the Arab arena represented by the escalation of popular protests denouncing poor economic conditions in the countries Iran considers as the axis of resistance. The demonstrators expressed their total rejection of pro-Iran political forces. The closeness of these countries to Iran has fueled deteriorating economic conditions, the spread of political and economic corruption, the absence of state power, the proliferation of armed militias and the development of internal and external conflicts. The nation-state has been held hostage to sectarian projects which only benefit the interests of the power elite of Iran. The protests reveal that armed militias and the establishment of pro-Iran political elites have led to a wave of hostility against Iran and its policies that undermine the rights of the people and erode stability and prosperity.



PROTESTS IN IRAN, IRAQ, AND LEBANON

The popular protests in both Iraq and Lebanon brought new and unprecedented challenges to Iran's decision-makers in implementing Iran's cross-border sectarian project. This was evident from the Iraqi and Lebanese protests with the protestors rejecting Iranian presence in Iraq and Lebanon. Protestors used slogans and banners against Iran. The new challenges against Iran's project are obvious from the geographic distribution of the protests, the Shiite groups participating in the protests, and the protestors chanting against Iranian presence in Iraq and Lebanon. The following will discuss the factors which sparked the protests in Iraq and Lebanon, protestor demands and impact of the protests on Iranian influence in the region.

I. The Factors which Sparked the Protests and the Demands of the Protesters in Iraq and Lebanon

The decision of the Iraqi Prime Minister Adel Abdul Mahdi on October 1, 2019, to exclude the Commander of the Counter-Terrorism Forces Lieutenant General Abdul Wahab al-Saad, who played a major role in fighting ISIS in Iraq, sparked protests in Iraq. The removal of the commander was widely perceived as a deliberate marginalization of a successful military figure. These protests have rapidly turned into political protests against the government's inability to address several economic crises such as corruption, poverty, and unemployment, as well as its failure to provide services such as drinking water and electricity. These were the same crises that twice triggered protests against the former Prime Minister Haider al-Abadi in 2018, which prevented him from winning a second term. As the government used force against the protestors, the mobilizing power of the protests increased and demonstrators raised the ceiling of their demands, calling for the resignation of the government and the formation of an interim government and early elections.

The decision to impose taxes on Whatsapp calls as part of a series of taxes introduced by the Lebanese government which at the time was headed by Saad Hariri on October 16, 2019 - a decision it later withdrew - inflamed the protests on October 17, 2019. After the threatening speech of Hezbollah's Secretary-General Hassan Nasrallah against the protestors, the protests turned from merely demanding better living standards to calling for the overthrow of the government and the ouster of the entire political class, including Hezbollah. Consequently, these protests prompted Hariri to resign on October 29, 2019.

Therefore, the demands of the protestors in the Iraqi and Lebanese cases went beyond the usual demands for reform. They insisted on the overthrow of the Iraqi government due to the domination of the pro-Iranian Shiite component. The demands for the dismissal of the Lebanese government were due to the domination of the Iranian-backed Hezbollah and its allies in the March 8 Alliance. The protestors also demanded

the ouster of prominent government figures such as Michel Aoun, Nabih Berri, Walid Jumblatt, and Samir Geagea. In addition, the protestors in Lebanon and Iraq called for the removal of Iran and its armed militias from their respective countries, albeit to a greater degree in Iraq.

II. Lebanese and Iraqi Slogans and Banners Against Iran

The slogans and banners of the protestors in Iraq and Lebanon revealed their rejection of the Iranian sectarian project. In Iraq, demonstrators of different ethnic groups and political and religious affiliations chanted slogans such as “Iran out, out, out....Iraq remains free” and “Iran out, out, out, Basra remains free.” Anti-Iranian influence hashtags were activated on social media sites such as “Expelling Iran is an Iraqi demand,” which became the most trending hashtag on Twitter.



Since October 17, 2019, in Lebanon, protestors representing different religions, affiliations, and regions raised slogans against Iran and its proxies. They also rejected Hassan Nasrallah's threats that he directed towards them in his speech on October 19, 2019. During his speech he also declared his categorical rejection of the resignation of the government and the holding of early elections. Nasrallah threatened to push his supporters to take to the streets to achieve the party's goals by saying, “We do not accept resorting to a political vacuum, we do not accept the abolition of the Covenant, we do not support the resignation of the government, and do not now accept early parliamentary elections.”⁽¹⁾ The protestors chanted, “All of them means all... Nasrallah is one of them,”⁽²⁾ referring to the need for the removal of the entire ruling class including the leaders, ministers and deputies of Hezbollah, who form the majority in Parliament and the Lebanese government.

The slogans and banners of the protestors indicate that they have overcome - even if only temporarily - the political, sectarian and ethnic divisions that have characterized Lebanese and Iraqi political life since the beginning of the first decade of the twenty-first century.

III. The Expansion of the Protest Movement to Shiite Bases in Southern Iraq and Lebanon

The protest movement in Iraq expanded from the capital Baghdad to most of the southern provinces and cities with large Shiite populations such as Basra, Maysan, Dhi Qar and Najaf. They are considered by Iran as critical pillars to its regional project. The demonstrations also extended in Lebanon to the southern suburbs: strongholds of Hezbollah and the Amal movement, and towards their headquarters in Sidon, Sour, Nabatieh, Srifa, Alashouq, Cana and Tibnin.

IV. Shiite Groups in the Crossfire of the Protest Movement in Iraq and Lebanon

Iraqi protesters targeted the offices and headquarters of pro-Iranian armed militias. They set fire to images of Ali Khamenei which were placed on poles and walls in Basra, and the Iranian flag in many provinces (see photo no. 1). They burned the headquarters of the Shiite Dawa Party of the former Iraqi Prime Minister Nouri al-Maliki who is one of Iran's closest political allies. They also set fire to the offices of the Badr Organization and Saraya al-Khorasani, the closest armed militia to Iran. They also accused Iran and its armed militias of using excessive force as well as killing and wounding protesters. This accusation was confirmed by two indictors:

First: the Iraqi government accused so-called "saboteurs" (unidentified snipers) of targeting protesters and police alike,⁽³⁾ and who in Iraq has an interest in dispersing the protesters and preventing anti-Iranian slogans other than pro-Iranian militias?

Second : Falih Al-Fayyadh, the head of the pro-Iranian Popular Mobilization Units, announced on October 7, 2019 that his factions and militias were ready to intervene to prevent what he called a "coup or insurgency" against the government in Iraq.⁽⁴⁾ This proves the strong relationship between the Shiite government and Iran.

Picture no. 1: Setting fire to the Iranian flag



#ایران بره بره بغداد تکفلی حره

In Lebanon, demonstrators tore down many flags of the Shiite Amal movement in southern Lebanon. The former Lebanese Prime Minister Fouad Siniora held Hezbollah and President Michel Aoun who is affiliated to the March 8 Alliance which belongs to Hezbollah and Iran, responsible for deteriorating economic, political and living

standards in Lebanon. He pointed out that the most prominent reasons for the mass protests are “Hezbollah’s total control of the reins” and that President Aoun behaves “as if he represents a small group of Lebanese without the other. He is probably under the authority of Hezbollah,”⁽⁵⁾ reflecting the extent of Hezbollah’s domination over the Lebanese equation since the May 2018 elections.

To curb the anti-Iranian protest movement in Iraq and Lebanon, indicators have been emerging that Iran is mobilizing its arms to intimidate the protesters. In Iraq, protesters have accused militias of using weapons against them. In Lebanon, activists on social media circulated videos showing elements of the Amal movement shooting protesters, as well as videos of motorcades with Hezbollah flags and drivers carrying firearms roaming the streets of Beirut and southern Lebanon.⁽⁶⁾ Iran preserved its gains in the two Arab states central to its project at the beginning of 2018, with the Shiite component in Iraq winning more than half of the seats in Parliament and dominating ministerial positions in the Mahdi government. In addition, Iran extensively deployed its militias in both Iraq and Lebanon. Hezbollah and its allies from the March 8 Alliance after the May 2018 elections were able to control more than half of the total number of seats in Parliament, as well as a majority of ministerial portfolios in the Hariri government.

V. The Motives of the Protesters Against Iranian Presence in Iraq and Lebanon

With the support of the Iranians, Hezbollah now controls the Lebanese equation, and the Shiite component and the pro-Iranian militias in Iraq dominate the Iraqi equation. Therefore, the spread of corruption and the deterioration of living standards and economic conditions in Iraq and Lebanon are attributed to Iranian intervention. To extend its influence inside Iraq and Lebanon and implement its plans, Iran has relied on its proxy militias that are under its command in order to ensure Iranian objectives in Iraq and Lebanon are accomplished. Therefore, these two Arab countries have become fragile states trapped in crises:

1- Prevalence of Corruption

Lebanon ranks 138th out of 180 countries in Transparency International’s 2018 report. Iraq ranks 168th in the same report for 2018.⁽⁷⁾ Maliki’s period is considered the most corrupt period in Iraq’s history. During his term, pro-Iranian militias were formed at the expense of public interests under the pretext of fighting terrorism. The value of public funds wasted in the post-Saddam Hussein era amounted to about \$450 billion, which is almost four times the state budget, and more than twice the country’s GDP.⁽⁸⁾

SCORE	COUNTRY/TERRITORY	RANK	41	Kuwait	78
70	United Arab Emirates	23	36	Bahrain	99
62	Qatar	33	35	Algeria	105
61	Israel	34	35	Egypt	105
52	Oman	53	28	Iran	138
49	Jordan	58	28	Lebanon	138
49	Saudi Arabia	58	18	Iraq	168
43	Morocco	73	17	Libya	170
43	Tunisia	73	14	Yemen	176
			13	Syria	178

Source: <https://bit.ly/2r8qbfe>

2- Economic Downturn

The figures reveal the tragic reality of the Iraqi and Lebanese economies. In Iraq, the budget deficit in 2019 was \$112 billion, which is a \$23 billion, twofold increase from 2018. The exchange rate of the dinar reached low levels. Although oil revenues account for more than 90 percent of the budget and about 99 percent of Iraq's exports, the oil sector contributes only toward 1 per cent of total employment due to the presence of foreign oil companies and dependence on foreign labor. The volume of foreign debt exceeded \$125 billion in 2018 according to the Finance Committee of the Parliament.⁽⁹⁾ In addition, 22.6 percent of young males are unemployed according to the Iraqi Central Statistical Organization,⁽¹⁰⁾ 40 percent according to the International Monetary Fund 2018. About 80 percent of women are unemployed according to the Iraqi Namaa Organization. Anyone seeking a job in government departments or its subsidiaries has to pay a bribe reaching up to \$10,000 to be recruited.⁽¹¹⁾ More than one quarter of the population lives in extreme poverty.

Iraq also suffers from chronic power cuts and a shortage of drinking water. In addition, one million displaced Iraqis are homeless, and about 6.7 million Iraqis need humanitarian aid, although it is the second largest oil producer in OPEC after Saudi Arabia and holds the fourth largest oil reserves in the world.⁽¹²⁾ Lebanon is also one of the most indebted countries in the world with a public debt of \$86 billion in 2019.⁽¹³⁾ About 28 percent of Lebanese live below the poverty line. Unemployment is at 36 percent. Lebanon also hosts about 1.5 million Syrian refugees, which weighs heavily on Lebanon, imposing additional burdens on it.

3- Lack of Services

Lebanon suffers from an electricity crisis that has prompted its citizens to rely on expensive generators. In the capital, the rate of power cuts per day is three hours, while it reaches up to about 20 hours a day in other regions. Iraq suffers from chronic power cuts and the shortage of drinking water for years twice triggered an outbreak of protests in the southern provinces in July/September 2018. Iraq's reconstruction cost, including the cities liberated from ISIS, is estimated at \$88.2 billion, according to the Iraqi Ministry of Planning.

The dominance of pro-Iranian militias over the Iraqi and Lebanese equations has resulted in Iraqi and Lebanese citizens suffering due to deteriorating living and economic conditions. Some Arab and Gulf countries and institutions have refused to provide aid such as grants and loans to an Iraqi government dominated by armed militias and a party that is classified in many countries such as the United States, Britain, Argentina and Paraguay as a terrorist group. These factors have created a tragic economic and living situation, and have inflamed the protest movement in Iraq and Lebanon.

VI. The Repercussions of the Iraqi and Lebanese Protests on Iranian Influence

Iraqi and Lebanese citizens are aware of the seriousness of Iran's sectarian projects, considering their slogans, banners and demands, on the future of their countries and their living conditions. The youth, and the poor classes in the two countries that are integral to the Iranian project participated in the protests against Iran and its plans in their countries. Therefore, we are witnessing the rise of an anti-sectarian national majority that has discredited Iran's legitimacy abroad and its ambitions to create a model state that can be replicated across Iran's targeted countries. They have worked to expose it internally and externally, especially after consecutive popular protests in Iran against the policies of the Guardianship of the Islamic Jurist. We are therefore facing another Iranian failure at home and abroad, in particular, in creating an exemplar state, which reflects negatively on the Iranian project and increases the cost of its continuity, given:

1- Awareness and Rejection by Iraqis and Lebanese of Sectarian and Ideological Divisions

Any observer of the protest movement in Iraq and Lebanon would have noticed the absence of partisan banners and chants, as well as other sectarian affiliations. Also, any observer would have recognized a growing popular awareness against sectarianism due to its negative impact on socio-economic conditions. Moreover, the Iraqi and Lebanese people have become aware that sectarianism will discourage countries that take an anti-sectarian stance from providing development funds for Iraq and Lebanon, as well as reducing the chances of investment from those countries. This is reflected by the participation of young people from all Iraqi and Lebanese sects and currents and Shiite areas more than non-Shiite regions against Iran's sectarian projects. Iran has lost its sectarian division card that it has long invested in for its expansion. The Iranian leadership has become perplexed and this can be clearly seen in Khamenei's remarks when he identified the protesters as "rioters".

2- New Generations Espousing Anti-sectarianism Dominate the Protest movement in Iraq and Lebanon

The critical mass that dominates the protest movement in the two Arab countries is made up of the youth under the age of 20, and the unemployed. This segment uses technology and is concerned about living conditions, social life, and justice as well as public and private freedoms since they spend most of their time on social networks that promote western values and traditions. They totally reject everything related to intellectual and sectarian projects and prefer to fight corruption and corrupt leaders. This new generation is working against the Iranian project.

3- The Poor and Marginalized Classes Dominate the Protest Movement:

These classes believe that the ruling elites have used public resources and revenues to serve external agendas in order to ensure the reinforcement of their position, strength and continuity in power at the expense of the poor. The poor are only concerned about their sustenance and daily lives, they are not interested in doctrinal or political projects. Therefore, the Iranian project has lost the large scale support of the marginalized classes in Lebanon and Iraq.

VII. The Iranian Position on the Protests in Iraq and Lebanon

Several statements made by Iranian government representatives denounced the Iraqi and Lebanese protests, most notably the statement by the Supreme Leader Ali Khamenei on October 30, 2019 that "Western countries, with the help of money from regional countries, are used to support unrest in the region," calling on "the keen and wise people in Lebanon and Iraq to address the insecurity case in these two countries."⁽¹⁴⁾ This came a few days after the Special Assistant to the Speaker of Parliament for International Affairs Hussein Amir Abdallahian asserted that the protests were destabilizing and spreading chaos in Iraq and Lebanon.⁽¹⁵⁾

These provocative statements against protesters reflect the excessive level of Iranian anxiety and confusion over the degree of its influence and the gains of its expansionist project in the two most important Arab countries to Iran. They also reveal the extent to which these massive protests and the rejection of Iranian interventions can affect the scope of Iranian influence in Iraq and Lebanon and how they have become a nightmare for Iran's decision-maker. Khamenei's description of the protests as riots was met with complete rejection by the protesters. This description aims to undermine the legitimacy of the protesters' demands, especially the demand of overthrowing the government that has a ministerial majority supporting the Iranian project.

In an apparent insistence on maintaining the sectarian quota system to ensure its proxies remain at the pinnacle of power in Iraq and Lebanon, the Iranian leader, unlike what he and his comrades did at the outbreak of the revolution that overthrew the Shah in 1979, called on protesters to respect the law i.e. the quota system. Therefore, Iran is expected to do its utmost to maintain its political gains by mobilizing its arms to limit the protest movement. This matter depends on the movement's ability to defy and resist opposition from Iran and its proxies in Iraq although the Iraqi President Barham Saleh announced on October 31 that Abdul Mahdi was willing to offer his resignation.



VIII. The Outcome of the Protest Movement in Iraq and Lebanon and the Influence of Iran in the Region

The protests have revealed that Iran is losing influence, as people are no longer deceived by reform measures or by its proxy governments. They have realized that these governments are fixated on securing the interests of their external supporters in exchange for their survival in power. This is considered a new challenge for the Iranian project emerging from the countries that lie within the framework of the Iranian project itself. These are not conspiracies as some Iranians perceive. This increases the cost factor if Iran is to proceed with its expansionist project.

In Iraq, there is a possibility for the failure of the movement due to Iranian conspiracies and movements that are against the protests and the demands of the protesters in order to preserve Iran's gains. Iran bets on the frustration and boredom of the demonstrators; if the protests are thwarted its influence consequently will increase. There is a possibility of the movement's success in realizing the demands of the protestors and pushing the government to resign. The continued protests by the younger generation clearly signals a negative impact on the degree of Iranian influence and its continuity in Iraq. This also depends on the future of the conflict between Iran and the United States, especially as it has been proven over the past periods that the United States is indifferent about curbing Iran's regional influence.

In Lebanon's case, the issue has differed after Hariri's resignation from the government. By Hezbollah's acceptance of his resignation, Hariri has probably succeeded in persuading Hezbollah and its allies from the March 8 Alliance to cooperate in carrying out reforms to quell public outrage. In particular, it is impossible to form a new government that can be different from the current government given the nature of the party balances, the rules of the current political system in Lebanon, and the difficulty of approving it and functioning without the consent and domination of Hezbollah. The

formation of a government of technocrats is difficult to realize in the Lebanese case, but this scenario may move Lebanon to a different political reality open to all possibilities.

Conclusion

The most important and prominent issue in the Lebanese and Iraqi cases is that the Iraqi and Lebanese people, who are described by Iran as vulnerable, have had enough of Iran and its militias. This issue is a valuable historic opportunity and a trump card that should be invested in against the Iranian project, and the principles of the Iranian revolution, which underscores the support of the vulnerable. It is important to emphasize the risk of Iran harming the security and stability of Arab and non-Arab countries. For instance, Syria, Yemen, Lebanon and Iraq, which is the second-largest oil producer in OPEC after Saudi Arabia and has been suffering from catastrophic crises as a result of Iranian intervention since 2003. In addition, the Trump administration must reconsider the tools and strategies to modify the behavior of the Iranian government if it is serious about curbing Iran's regional influence, by using Arab popular discontent particular from the youth that rejects sectarianism and clerical rule as strong pressure cards against Iran.

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International Affairs

In October 2019, Iran's international interactions saw significant developments, most notably in its relationship with the United States. The latter continues with its maximum pressure strategy to persuade Iran to negotiate a new deal, while Iran sticks to its position not to negotiate under sanctions. This led to an escalation in US-Iranian relations during this month.

As for the relationship between Iran and Pakistan, the Pakistani Prime Minister Imran Khan visited Iran and Saudi Arabia in the context of Pakistan's mediation efforts to ease the escalating crisis in the Gulf after the Iranian attack on Saudi oil facilities in September 2019.



IRAN-US RELATIONS

The US-Iranian crisis continued to escalate during October 2019. The following elements describe the relationship between the two sides:

I. Developments in the US Position toward Iran

1- Increasing Pressure on Iran

The United States continued to impose more pressure on Iran. Table (1) illustrates the most significant pressures imposed by the United States:

Table (1): US Pressures on Iran, October 2019

Date	Sanctions
October 6 th	The White House warned Chinese shipping companies against shutting down their tracking devices in order to hide Iranian oil shipments.
October 24 th	The US refused to issue a visa to Iran's minister of economy as well as to his accompanying economic delegation that was planning to participate in the World Bank's annual meeting from October 14-20, 2019.
October 24 th	Senators Ted Cruz and Lindsey Graham introduced a bill calling on the US president to prevent Iran from nuclear cooperation with the world. According to the proposed bill, nuclear cooperation with Iran in regards to the development of its Arak and Fordow nuclear facilities as well as its Tehran Research Reactor would have to be eased.
October 25 th	The US Secretary of the Treasury Steven T. Mnuchin said, "Iran is a jurisdiction of primary money laundering concern that deliberately ensures that there is no transparency in their economy so they can export terrorism around the world."
October 27 th	The US Department of the Treasury and State announced a new humanitarian mechanism to ensure unprecedented transparency in humanitarian trade with Iran to ensure that the funds accrued are not diverted to the Iranian political system to develop its ballistic missile program.

Date	Sanctions
October 27 th	The US Department of the Treasury blacklisted Iran on charges of money laundering under the Patriot Act of 2001, which effectively prohibits all US transactions with Iranian banks.
October 3 ^{1st}	The US State Department announced new sanctions on Iran's construction sector and a trade embargo on four items that Tehran uses in its military or nuclear programs. Moreover, it is determined to impose further restrictions to prohibit Iran from possessing nuclear weapons and vowed to use a full range of diplomatic and economic tools to constrain Iran's proliferation activities.

Source: Regional and International Unit, ©2019 Rasanah IIIS.

Despite pressures and sanctions, the US State Department extended Iraq's waivers from the US Penal Code on October 16, 2019, in order to allow Iraq to continue buying gas and electricity from Iran for another three months. This was the fifth time that the United States had given waivers to Iraq from its energy-import sanctions on Iran. The United States takes into account the heavy dependence of Iraq on the purchase of electricity and gas from Iran.⁽¹⁾

2- International Consensus

In addition to intensifying pressure, the United States continues its policies to persuade pro-Iran states that support the nuclear deal to abandon their positions. According to the US Secretary of State Mike Pompeo, "The world believes that the Iranian government understands only the language of force." He revealed that European countries are also putting pressure on Tehran to force it to negotiate, after the Iranian attacks on Aramco's oil facilities.

Time on Iran's Restrictions Is Running Out

11

MONTHS

:

11

DAYS

:

8

HOURS

:

1

MINUTES

:

51

SECONDS



The Islamic regime in Iran is the world's leading state sponsor of terror. For over 40 years their malign behavior and support for terrorist proxies has spread uncurbed. The implementation of the JCPOA, informally known as the "2015 Iran Nuclear Deal," has placed even more resources and money at the regime's disposal, furthering the reach and aggression of their malign activities. This is why the United States left the JCPOA and implemented decisive sanctions to curb the regime's ability to fund terror.

On the other hand, Brian Hook revealed that the United States is imposing pressure on Russia, China, and other members of the Security Council to act appropriately against Iran after its attacks on Saudi oil facilities. The US Defense Secretary Mark Esper confirmed this during a seminar in Brussels and invited US partners to contribute to deterring Iran.

The US State Department began a propaganda campaign to warn of the dangers awaiting post-JCPOA. After October 2020, the Iranian government will be free to sell weapons to anyone, including its terrorist agents. Moreover, countries like Russia and China will be able to sell tanks, missiles, and air defense systems to the Iranian government. The US State Department posted a countdown timer on its website to highlight the time remaining before Iran's restrictions on importing and exporting weapons end. Pompeo called on the United Nations on October 18 to re-impose an arms embargo on Iran because as long as the nuclear agreement is in force an arms race will be instigated in the region. Pompeo noted that Iran's disturbing activities in the region would be much more dangerous if it is allowed to import small drones, sophisticated missiles, or armor.

3- Strengthening Military Presence in the Gulf

After the attack on the Abqaiq oil facilities in September 2019, the United States boosted its military presence in the Gulf. The Pentagon sent 3,000 troops to Saudi Arabia and planned to send two Terminal High Altitude Area Defense (THAAD) and Patriot missile defense systems to the Gulf as well as two new fighter squadrons to Saudi Arabia. The US Secretary of State Mike Pompeo commented that the United States was trying to boost Saudi defense capabilities through sending more troops and equipment. Pompeo mentioned that the reason for sending troops and military equipment to Saudi Arabia was to create a deterrent force in order to counter Iran.⁽²⁾

The US President Donald Trump and Mark Esper stated that the United States was prepared to face the Iranian threat if necessary. After a meeting at the White House, Trump said, "We will strike in an unprecedented way if Iran does something." After the conclusion of the G20 summit in Osaka, Japan, Trump said the United States had a list of potential targets in Iran, referring to a possible military strike.

In the framework of security arrangements, the Bahraini capital Manama hosted an international conference consisting of more than 60 countries to discuss Iranian hostilities, as part of an attempt to formulate a joint plan to deal with Tehran. Member states of the Warsaw Conference – a group of Arab and Western countries, as well as Israel, attended the anti-Iran meeting in the Polish capital in February 2019 led by the United States.

However, President Trump's decision to withdraw US troops from northern Syria raised concerns over the future ability of the US to counter Iran's schemes and influence in the region. As a result, Republican and Democratic party leaders oppose Trump's decision as they believe it benefits Iran and its allies in the region.⁽³⁾ Hook said President Donald Trump's decision to withdraw US troops from Syria would not change Washington's strategy towards Iran.

4- Launching Cyberattacks

At the end of September 2019, the United States carried out a cyberattack against Iran following the attack on Saudi oil facilities, which caused considerable damage. The cyberattack operation indicated the Trump administration's approach in trying to curb Iran without being drawn into a broader and more difficult confrontation.

5- The US Position on Negotiations



Brian Hook summarized the US position on negotiating with Iran. On October 11, 2019, Hook stated that the United States would continue imposing sanctions on Iran until the latter agrees to the option of negotiations again.⁽⁴⁾

On October 16, Hook reiterated that Washington had engaged in an unprecedented and extreme pressure campaign to push Tehran to accept negotiations and prevent it from acquiring nuclear weapons through a comprehensive agreement to prevent it from malicious interventions in the region. He added, “Iran’s missile program will be at the table of any future negotiations,” and pointed out that the “maximum pressure campaign against Iran will continue and will be intensified,” until Iran accepts negotiations. Hook sees that the US sanctions harm Iran significantly, and deprive the Iranian government of tens of billions of dollars, pointing out that the political system has never suffered from such an economic crisis before in light of the 12 percent decline in Iran’s national output.

II. Iranian Policy Against US Positions

The following indicate Iran’s policy toward the United States:

6- A Continuation in Iran’s Policy of Resistance and Confrontation

Some Iranian leaders believe that the United States has exerted its maximum efforts to put pressure on Iran, while its options are limited, and Iran can continue its policy of resistance and confrontation through continuing to export oil and goods despite the sanctions.⁽⁵⁾ Rouhani asserted that Iran could produce more than 95 percent of the drugs needed in Iran. He also pointed out that there are countries that support Iran in secret, as Iran’s neighbors stand by Tehran even if they show otherwise to the United States. According to Rouhani, this was a reason for Iran’s steadfastness in the midst of US sanctions and pressure.⁽⁶⁾ The Iranian political system emphasizes that harmony and unity between its internal components are a fundamental pillar in the government-adopted confrontation strategy.⁽⁷⁾



7- Threats to Implement the Fourth Phase of Reductions in Tehran's Nuclear Obligations

The fourth phase includes several expected actions, the most important of which are: 1) producing and operating more sophisticated centrifuges; 2) imposing more restrictions on inspections of nuclear facilities; 3) limiting IAEA monitoring activities on nuclear activities in Iran. On October 14, President Rouhani announced Iran would continue to reduce its obligations under the JCPOA. Also, Iran has announced that it will run the second circuit of the upgraded Arak reactor within the next two weeks, revealing that it has become self-sufficient in producing and operating centrifuges.

Iran is hoping through threatening to implement the fourth phase in its plan to reduce its nuclear obligations that EU countries will be pressured into fulfilling their obligations under the JCPOA, but Iran fears this would harm the survival of the JCPOA as a whole, as well as prepare the ground for intensifying international pressure on Iran. The increase in uranium enrichment will create an international consensus for more pressure against Iran, in accordance with Trump's aspiration.⁽⁸⁾

Iran's Supreme Leader, Ali Khamenei,

said Iran possessed nuclear technology but had never sought to manufacture or use nuclear weapons, as they are prohibited in Islam. This was an attempt to downplay the consequences of the fourth phase in which Iran intends to increase its stockpile of enriched uranium. According to Iran this fourth step does not violate the JCPOA.

8- Military Preparations

The Iranian government is keen to develop its military capabilities as part of its resistance strategy. Khamenei sent a letter to the IRGC, "the military guard machine must be sophisticated. Get what you need in all military and intelligence fields."⁽⁹⁾ The Iranian Defense Ministry is monitoring US movements in the Gulf around the clock, threatening to target US interests in the region if Iran is attacked. The Deputy Iranian Defense Minister, Qasem Taghizadeh said, "Most US interests are 220 kilometers away from us, and if they strike us, their interests will be targeted." Iran has also announced the development of its military capabilities by making cheaper and more appropriate weapons, such as the Iranian (Power 373) missile system, which forced the United States to stop using (U-2) drones against Iran. Taghizadeh added that Iran "carries out more than 2,000 military research projects, with a budget of 447 billion Iranian tomans (equivalent to about \$38 million)."

Iran welcomed the withdrawal of US troops from northeastern Syria and considered this as an opportunity to entrench its presence in the Middle East. In response to US

threats, Iranian Defense Minister Amir Hatami said the US president's threats to strike Iran were "just nonsense and aimed at covering the shame of US policy in the region, which it has pursued recently."

9- Cyberattacks

Microsoft said that Iranian hackers, with the apparent support of their government, have made more than 2,700 attempts to penetrate email accounts of current and former US government officials as well as the email accounts of journalists covering the 2020 presidential election campaign in the United States.⁽¹⁰⁾

10- Iran's Position on the Negotiation Process

Iran believes that resistance and confrontation are the only options available to it and if negotiations are to begin, the United States must return to the JCPOA and lift the economic sanctions imposed on it. On October 16, 2019, Rouhani pointed out the need for a referendum "to resolve fateful issues related to the internal situation." Rouhani considers that , "Iran has not reached a clear and firm answer in this regard for 40 years. Some want to deal constructively with the world, others call for a continuous confrontation, and some say that we must break the enemy, and others believe that it is possible to solve all these problems...the main concern is to either follow the dealing strategy or the strategy of confrontation." A referendum is meant to impose pressure on the supreme leader and hard-liners within the political system to change their point of view and replace Iran's resistance and confrontation options with more open policies that would accept mediation efforts and negotiations with the United States.

Jean-Yves Le Drian told the Foreign Affairs Committee of the French Parliament about French mediation, "We still consider these initiatives – which have not worked, to be put forward and it is up to Iran and the United States to benefit from them in a relatively limited period."

11- Implications and Consequences

The effects of US pressure on the Iranian economy and the Iranian people are undeniable. The rate of inflation is steadily increasing, and the price of the national currency declined as the value of the US dollar reached 115,000 thousand riyals in October 2019, while two years ago one dollar was worth 30,000 Iranian riyals.

Poor economic conditions have impacted government spending levels and trends. Iran's military spending has fallen by 29 percent, Iran's funding of militias in the region has declined, and in recent months after US sanctions on Iran's petrochemical and metal industries, Iran has lost \$10 billion and its economy contracted by 6 percent.

The IMF expressed its forecast for Iran's economy in a report in October 2019 that the 2019/2020 year would be the worst for Iran since 1983 during the Iran-Iraq war.⁽¹¹⁾ Iran's economy remains deeply challenged as the US administration threatens to impose further sanctions, and foreign countries, companies, and banks face difficulties in dealing with Iran, including Chinese and Russian companies.

Nevertheless, another trend sees the ineffectiveness of the White House policy in exerting maximum pressure on Iran. This trend suggests that US policy does not meet the aspirations of President Trump, and Iran has succeeded in resisting US pressures and sanctions. Iran's policy has contributed to the United States lack of credibility , and strengthened Iran's regional influence and the role of its allies and militias. Also, it has strengthened the legitimacy of Iran's resistance strategy that the government implements at home; leading to internal currents aligning and consenting against US policies. Moreover, the European position gives Iran legal justification and a diplomatic platform to oppose US policy.

IRAN-PAKISTAN RELATIONS

Imran Khan's Visit to Iran

This month's contribution to the Iran Case File will look at Pakistani Prime Minister Imran Khan's visit to Iran, in particular, the objectives and motives of the visit will be analyzed as well as the outcomes of the visit. Before delving into the crux of the discussion, it is imperative to understand the context in which the Pakistani premier's visit to Iran took place.

I. Context

In an exclusive interview with CNN's Max Foster, Pakistani Prime Minister Imran Khan said that US President Donald Trump had asked him to help defuse tensions between the United States and Iran by acting as a "go between." "What I like about him is he does believe in wars," Khan said of Trump while speaking to Foster.⁽¹²⁾ In addition, Khan told reporters at the United Nations after meeting both Trump and Iranian President Hassan Rouhani that Trump asked him to mediate with Iran to defuse tensions in the Gulf. He said, "Trump asked me that if we could de-escalate the situation and maybe come up with another deal."⁽¹³⁾

This US request came in the aftermath of Washington blaming Iran for the attacks on Aramco's oil facilities in Saudi Arabia on September 14.⁽¹⁴⁾ The attack, comprising 25 drones and missiles, targeted oil facilities in Abqaiq and Khurais. Abqaiq, located in Saudi's oil-rich Eastern Province, is the world's largest oil processing facility and crude oil stabilization plant with a processing capacity of more than 7 million barrels per day (bpd). Khurais, which lies about 110 miles southwest of Abqaiq, has the capacity to pump around 1.5 million bpd.⁽¹⁵⁾

II. Imran Khan's Visit to Tehran

Imran Khan arrived in Tehran on Sunday, October 13 - the first part of a whirlwind diplomatic trip that also included Saudi Arabia. During the trip, he met Iranian President Hassan Rouhani, Iran's Supreme Leader Ali Khamenei and other senior Iranian officials. Khan said at a news conference alongside Rouhani, "We recognize that it is a complex issue, but we feel it can be resolved through dialogue. What should never happen is a war between Saudi Arabia and Iran because this will not just affect this whole region — two brotherly countries will be affected — this will cause poverty in the world. Oil prices will go up."⁽¹⁶⁾ Khan also offered to host talks between Saudi Arabia and Iran in Islamabad, as a neutral venue.

However, during his visit to Tehran, Khan contradicted his earlier statements that his visit had been on the request of the United States when he emphasized that the visit to



Iran and Saudi Arabia was Pakistan's "initiative."⁽¹⁷⁾ This was reinforced by Saudi Arabia's Minister of State for Foreign Affairs Adel al-Jubeir when he said Riyadh had not asked Pakistan to mediate and Khan's visit was Pakistan's "initiative." Regardless of whether Khan's visit was on Trump's request or Pakistan's initiative, what is clear is that the visit was of interest to Pakistan for a number of important reasons. First, the Gulf is in close proximity to Pakistan, and it is not in Islamabad's interest for a neighboring country i.e. Iran to be at war with its allies in the Gulf. Second, Pakistan's economy is already facing immense macroeconomic and structural challenges, with the Pakistani government turning to the International Monetary Fund (IMF), the UAE, and Saudi Arabia for financial assistance. These challenges would be compounded if global oil prices were to rise and remain inflated for a long period of time. This would be the natural outcome of any conflict in the Gulf. Third, Saudi Arabia is home to approximately 1.9 million Pakistanis, while the UAE hosts a further 1.2 million Pakistanis.⁽¹⁸⁾ In case a conflict arises in the Gulf, there is no doubt that Pakistan's expatriates would be affected because an ensuing regional economic slowdown would result in companies either shutting down or downsizing their projects or employment numbers to weather the storm. Without work, Pakistani expatriates would have no choice but to return to Pakistan, which would severely affect Pakistan's remittance flows, and in the process, worsen Pakistan's economic challenges. Fourth, India, Pakistan's main rival, has been warming its relations with Tehran, in particular, with its investment in Iran's Chabahar port. However, with US sanctions on Iran's oil sector, Tehran has been annoyed with New Delhi's compliance with US sanctions as well as its oppression in Kashmir. These developments provide Islamabad with an opportunity to strengthen its ties with Tehran and in the process minimize New Delhi's influence among Iran's leadership. Fifth, Pakistan fears conflict between Saudi Arabia and Iran will result in it spilling over into its territory with sectarian conflict breaking out between Sunnis and Shiites.⁽¹⁹⁾ As a result, Pakistan is eager to ensure there is a de-escalation in the Gulf to ensure that the relative stability it has achieved after years of fighting terrorism lasts without insecurity returning again.

When Khan left Tehran, he said, "I will go to Saudi Arabia with a positive mind." On October 15, Khan arrived in Riyadh, and detailed discussions were held with the Saudi leadership, which said it appreciated the Pakistani prime minister's efforts for peace and

de-escalation of tensions in the region. According to the Saudi government's statement, they discussed the "latest developments in the region and a number of issues of common interest."⁽²⁰⁾ A press release from Khan's office provided more detail, saying the Saudi side agreed to move the process forward, continue consultations and remain engaged.⁽²¹⁾

III. A Breakthrough?

There have been mixed opinions on the outcome of Imran Khan's visit to Tehran. Pakistan's Foreign Minister Shah Mehmood Qureshi, as expected, was optimistic and when he spoke to reporters in Islamabad after Imran Khan's trip to Tehran and Riyadh he said, a mechanism for continued engagement between both countries is in the pipeline. Even though both countries have not set dates for negotiations, there is hope de-escalation will follow particularly as Tehran and Riyadh have shown appreciation for Imran Khan's diplomatic efforts and signs of willingness to negotiate.⁽²²⁾

According to Iran's former moderate parliamentarian Nozar Shaffiei, Imran Khan's visit was a sign of a decline in tensions between Saudi Arabia and Iran, as both countries welcomed the Pakistani premier and showed appreciation towards his efforts to de-escalate the crisis in the Gulf.⁽²³⁾ In addition, Shaffiei said that Pakistan enjoys good relations with both countries, and to make the most of Imran Khan's visit Riyadh and Tehran must adjust their expectations.⁽²⁴⁾ However, there are voices within Iran's leadership that distrust Pakistan due to its close relationship with Riyadh and question how neutral Islamabad can be when trying to act as a mediator to de-escalate tensions. In addition, Pakistan is part of the US security architecture in the region, which throws further doubts on its impartiality. These voices are likely to derail Pakistan's efforts to break the ice between the parties. In addition, Saudi Arabia in its press statement post-Imran Khan's visit did not mention Iran and spoke about the need for peace and stability in the region in a somewhat general manner.

According to Pakistani journalist Zahid Hussain, to expect Imran Khan's meetings with the leadership of both countries to lead to negotiations "is too much." He told Al Jazeera, "It is important (for Pakistan to do) but I doubt very much that anything substantive will come out from Pakistan's effort to facilitate talks between them."⁽²⁵⁾ He added, "Conflicts between the two countries go much deeper. (The conflicts) are not minor issues, (that) have just arisen. It has been there for a very, very long time, and both countries are deeply involved in conflicts in the Middle East. So for Pakistan getting them together may not work."⁽²⁶⁾

Conclusion

It is not surprising from Pakistan's perspective for it wanting to act as a mediator to de-escalate tensions in the Gulf due to the aforementioned reasons but at the same time given the myriad problems facing Pakistan, in addition, to its proximity to Riyadh and recent disputes with Tehran over cross border terrorism, it is bewildering how Islamabad's leadership believes it can facilitate talks between Tehran and Riyadh. What is apparent during Imran Khan's short time in office is that he has relied on foreign policy trips and successes to contain growing internal discontent with deteriorating socio-economic conditions. This latest initiative could possibly be a diversion from domestic worries which are growing with the political opposition demanding his resignation.

If one really wants to de-escalate tensions and push toward negotiations, a much stronger state carrying diplomatic power and mutual respect would be required, such as China, which holds positive relations with both countries and is independent of the United States. At the same time, Beijing also has an interest in ensuring stability in the Gulf due to much-needed oil supplies, but whether the United States would consent

to China acting as a mediator in a US sensitive region is another question altogether. In addition, Iran would need to show some goodwill by restraining its interference in regional affairs, and Saudi has made it clear that if Iran wants to be treated as a normal country it must change its policies towards its neighboring countries as well as its behavior in the region.

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