

# ANNUAL STRATEGIC REPORT



# 2019

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# **ANNUAL STRATEGIC REPORT 2019**

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# EXECUTIVE SUMMARY

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**I**t is not an exaggeration to say that Iran was on the edge of a cliff in 2019. On the external level, Iran faced many developments and interactions which almost pushed it into a direct military confrontation and drew it close to the outbreak of a massive revolution to topple the ruling system. However, these interactions returned to relative stability. The variable and swift interactions, moving from escalation to appeasement, have made evaluating the current events and forecasting the future in Iran a difficult task.

The United States withdrew from the nuclear deal and announced its maximum pressure campaign to change Iran's behavior in 2018 but the actual implementation of the US strategy started in May 2019 with the cancellation of sanctions waivers granted to eight countries for importing Iranian oil. Consequently, Iran's oil exports dropped sharply in 2019 and its step to circumvent the US embargo on its oil exports through smuggling and concluding 'oil for goods' agreements with Russia failed. Also, the Iranian economic procedures to make amendments to the national budget and impose restrictions on imports failed too. Massive protests broke out across the Iranian cities against the rise in gasoline prices and the deteriorating economic conditions. Later, Iran resorted to provoke international escalation through evoking the memories of the so-called

Tanker War or to smooth the path for negotiations through gradually decreasing its nuclear commitments and defusing tensions in return for reducing US sanctions or activating the Instrument in Support of Trade Exchanges (INSTEX). But the United States insisted on its position; no mitigation of sanctions before negotiations. Iran continued to provoke tensions in the region at all levels; the impact of the US pressure campaign was crystal clear.

On domestic level, the Iranian ruling system sought to improve its image at home through the dismissal of Friday prayer leaders accused of abuse of power and corruption and exploiting their close relations with the ruling elite. Also, to gain more support from the Shiite Marjaya, the Iranian ruling system worked to move closer to the Najaf Hawza. The latest developments and the radicalism, financial and political corruption of Iranian clerics thwarted Iran's effort to achieve a closer rapprochement with Najaf. As a result, the two poles of the Iranian ruling system Mohammad Yazdi, the former head of Iran's Judiciary, and Sadeq Larijani, the head of the Expediency Discernment Council engaged in conflict over and finger pointing at each other over corruption and jurisprudential disqualification. Their conflict demolished the Iranian ruling system's efforts to show that it aims to fight corruption by the dismissal of Friday prayer leaders. Thus, the interpretation of their dismissal is to suspend those who are opposed to the ruling system or to the Supreme Leader Ali Khamenei. Immediately, after Rouhani's visit to Najaf which aimed to achieve a rapprochement between Qom's Hawza and Najaf's Hawza, Iraqi public outrage broke out across the country against Iranian interventions in Iraqi affairs. According to the Najaf Hawza, Qom's Hawza is a group of agents who aim to destroy the Iraq Hawza, therefore, it stood with the Iraqi protesters against Iran. Thus, the paths of the two hawzas increasingly diverged; staking out sharply divergent positions on the Iraqi protests. Iran also attempted to improve its image on the regional and international level after a young girl set herself on fire after she was arrested for attempting to enter a football stadium. It decided to reduce its restrictions on women by allowing them to attend football matches, hoping to ease the people's outrage and appease the international community. The pro-Velayat e-Faqih religious elite failed to appease the young women and men; the clerics, the seminaries and entrenched traditional mentalities remained stumbling blocks between the Iranian people and their government.

On the political level, Rouhani faced the most difficult challenge of his tenure. The collapse of his best achievement, the nuclear deal; the accusations of leniency in negotiating with the nuclear deal signatories; the hardliners' insistence on preventing any talks with regard to the deal made Rouhani call for carrying out a popular referendum on the country's relations with the West. Rouhani had called for a similar step last year; a referendum on the powers granted to the president of the republic. Apparently, Rouhani routinely calls for popular referendums as a means of alleviating criticism. Overall, Khamenei's criticism of Rouhani over his economic performance reduced.

However, the Minister of Foreign Affairs, Mohammed Javad Zarif, received the lion's share of accusations. He submitted his resignation because of the interventions of the former Quds Force Commander, Qassem Soleimani in the country's foreign policy. Soleimani accompanied the Syrian President Bashar al-Assad to meet Khamenei without informing Zarif. Despite these furious political battles, Zarif won. Rouhani appraised his performance and called him 'mujtahid;' (the Shia religious establishment divided the Muslim community into two groups: mujtahid and muqallid). Nevertheless, he was impeached by the Parliament on more than one occasion over his remarks on financial corruption and his indirect accusation that the IRGC was behind the blocking of FATF legislation. The IRGC is keen to keep its bank accounts and transactions inside and outside Iran hidden, which also hinders the activation of INSTEX. Zarif failed to obtain parliamentary approval for FATF. Corruption of the ruling system's officials was the prevailing image amongst the Iranian people towards their ruling and religious elite. Corruption could not be hidden any more. In 2019, new courts specializing in corruption were formed. Ibrahim Raisi, the head of Iran's Judiciary, launched a massive campaign against corrupt officials in the country. However, the anti-corruption campaign itself was tainted by corruption. The trials targeted the officials of the elected institutions or the executive officials working in the Iranian president's administration. But the officials working at the supreme leader's institutions who enjoy unmonitored, open-budgets and manage huge bank accounts were not brought to trial for corruption. The popular outrage broke out over the deteriorating economic conditions, especially after the rise of gasoline prices. The government justified its rise of gasoline prices by its aim to provide subsidies to more people and to stop the smuggling of gasoline to Iran's neighboring countries. However, the sudden rise in gasoline prices by 300 percent shocked the Iranian people who have been suffering from high prices and the collapse of their national currency. The Iranian people lost their trust in the government and took to the streets protesting against the government's performance. The protests were addressed by the security forces using violence; blocking the internet service, and deploying the Basij and Hezbollah to crack down on the protesters. The international community condemned the Iranian government crackdown on protesters after the high death toll. The Iranian people's increasing dissatisfaction with their government's performance was expected. Thus, their participation in political life in general and in the next parliamentary elections in particular would decrease.

On the economic level, the issue of corruption in the political and ideological arenas showed the extent of Iran's economic deterioration. This deterioration mounted, prompting the Iranian government to amend its budget four months after approving it. The Supreme Council for Economic Coordination, made up of the heads of the three branches of power, the executive, the legislative and judicial, announced the approval of a new budget. This came as the Iranian



government realized that there was an insurmountable mistake in the budget which rendered the entire budget unworkable, which was the exaggerated estimates of oil export revenues during the current fiscal year. The budget deficit in Iran was estimated at 33\$ billion at the official exchange rate of 4,200 toman per dollar, which makes up about 32 percent of the total budget. The government also decided to increase the non-oil financial budget and reduce expenditures to fill the deficit. The government's decision to boost its financial resources mainly depended on withdrawing from the sovereign development fund with assets of up to 80\$ billion, withdrawing from the surplus of the trade balance, issuing bonds and selling government assets.

When it comes to reducing expenditures, the government depended on reducing investment expenditures, keeping the items related to wages untouched. But it is noticeable that the budget, even after its amendment, was not realistic when it came to estimating oil export revenues. The budget has been prepared on the basis of exporting 300,000 barrels of oil per day, which prompted the government by the year-end to raise the price of gasoline to tackle the deficit in revenues resulting from failing to achieve the level of oil exports.

In general, Iranian economic indicators have declined though the government announced otherwise. But this improvement is attributed to the government's changing of criteria in calculating some of the indicators such as unemployment, not because of a genuine improvement. The main sector in the Iranian economy which saw a decline was foreign trade in addition to a decline in the agricultural sector due to the floods which hit Iran in April 2019. The report offered an accurate analysis of most of the indicators of the Iranian economy in 2019.

At the military level, the Iranian military has seen activities at several levels based on its assessment of the level of dangers and objectives that should be realized as part of supporting Iranian political moves. It received a huge morale boost after downing the US drone and seizing the British oil tanker *Stena Impero*. The Iranian military command approved a program to develop the military doctrine, which depends on three main underpinnings: conventional military force, nuclear ambiguity and hybrid war. This is in addition to making changes to the formation of the forces and restructuring them by abolishing the division of forces into brigades and divisions, depending instead on brigades and battalions in order to cope with the asymmetric warfare and militia warfare through which Iran believes that it made gains on the ground, extended its influence to the Mediterranean and established a buffer zone made up of the countries bordering it.

This is in addition to implementing a major reshuffle within the command of the IRGC. Also, Iran sought to enhance coordination and harmony between the forces of the IRGC and the armed forces, especially the navy which is witnessing major restructuring. The headquarters of the Iranian army's navy was moved from Tehran to Bandar Abbas as an indication of Iran's enhanced naval forces and Iranian keenness to reach out to international waters and follow an active

naval strategy.

Iran is currently implementing ambitious programs in the manufacture of naval weapons, aerospace weapons and drones. These programs have been described within the report, highlighting the approved techniques used in manufacturing, and the technological specifications of each weapon. This comes as Iran plans to import sophisticated weapons and technologies after the partial lifting of the embargo on the supplies of arms to Iran, which will be effective from October 2020.

With regard to Arab Affairs, Iranian interactions within the Arab sphere were affected by the US-Iranian standoff. The region was on the verge of sliding into military confrontation on multiple occasions as Iran embraced the policy of threatening maritime navigation in the Arabian Gulf and the Sea of Oman as part of its efforts to disrupt oil supplies from the region to global markets.

Iran has carried out several seizures against oil tankers, on top of which comes the British oil tanker *Stena Impero*. This is in addition to carrying out several subversive attacks against other tankers in the economic waters of the UAE and inciting Houthi militias to attack the Saudi oil tankers in the Red Sea.

The Gulf States responded to Iranian hostile policies with self-restraint and the avoidance escalation. But several initiatives were proposed calling for establishing a maritime collective security system by the United States, the European countries and Russia. However, Iran has continued to pursue its hostile policies by targeting Saudi oil facilities. Although the Houthi militias claimed responsibility for the attacks, there are proofs that Iran is involved in these attacks. US reports suggested that the drones were scrambled from the northern and northeastern borders of the country.

As for the Yemeni crisis, the domestic developments on the Yemeni arena further complicated the crisis. The divergence in orientations among the Yemeni political forces has created a strategic vacuum which boosted the position of the Houthi militias in the Yemeni arena.

Also, the Iranian role has directly led to impeding the comprehensive peace process in Yemen. Iran has used Yemen as a lever in its dispute with the United States as a tool to pressure US allies in the region. This happened through threatening international navigation in the Red Sea, targeting the Saudi mainland with Iranian-made ballistic missiles and drones, the avowed Iranian support for the Houthis after accepting the credentials of the Houthi ambassador to Iran, who allegedly represents Yemen, which goes against all the political norms. This makes Tehran as the only capital worldwide to host a Houthi ambassador.

But the diplomatic moves by the Kingdom of Saudi Arabia tackled many of the circumstances exploited by Iran. Signing the Riyadh Agreement led to restoring harmony and unity among the Yemeni political forces.

But the Yemeni crisis is still facing one challenge: How to prompt the Houthis to engage in serious and effective negotiations to resolve the Yemeni crisis

according to the three 'referential agreements' in light of the continued Iranian support to them and their actions which are carried out based on the interactions of Iran's crisis with the United States.

As for Iraq, it turned into an arena and a circus for the rivalry between the United States and Iran in 2019. The two sides, the Americans and Iranians, realize the importance and centrality of Iraq in their respective strategies to make strategic gains and realize their interests.

The Iraqi people took to the streets en masse demanding the abolition of political and economic corruption caused by Iran as it worked to further its sectarian and geopolitical project in Iraq.

Iran also intensified efforts to contain Iraq via several measures, including the intensification of official visits at different levels, pushing the Iraqi Parliament to issue a bill stipulating that US forces should pull out from the Iraqi territories, which would make Iran the only actor with a presence in Iraq via its loyalist armed militias. This is in addition to escalating Iranian economic domination over Iraq through Iraq's continued reliance on importing Iranian gas and electricity, turning Iraq into a market to sell low-quality Iranian products and outlining a financial mechanism to facilitate financial transfers away from the scope of the US sanctions.

On the other side, the US administration exerted pressure on the Iraqi government to prompt it to abide by the sanctions imposed on Iran and classified several pro-Iran armed militias as terrorist groups, starting with Harakat al-Nujaba, affiliated with the Popular Mobilization Units, then Asaib Ahl Al-Haq on accusations of committing human rights violations. The two militias were involved in the crackdown and killing of Iraqi protesters after the outbreak of Iraqi mass protests earlier in October 2019.

Hence, Iran and its militias in Iraq moved to target US bases in northern Iraq and the US embassy in Baghdad. This led the year to end with an escalation no less significant than the escalation that happened after Iran targeted oil tankers, threatening maritime security in the Arabian Gulf.





But the US handling of the Iranian escalation in Iraq was different from its approach in the file of maritime security.

The United States has come under direct attack from the pro-Iran militias. The United States responded earlier in 2020, targeting the procession of the commander of Qods Force Qassem Soleimani and Abu Mahdi al-Muhandis at the Baghdad airport.

The move repainted the picture of the US-Iranian conflict anew. Maybe the killing of Soleimani represents an opportunity for Iran to change its behavior in the region and a way out from creating crises and fueling them, instead seeking to establish normal relations with its geographic neighbors and the world. This comes as the killing of Soleimani, despite being painful for the Iranian government, may be an opportunity in case the government decides to change its behavior.

In Syria, Iran faced intense competition with Russia over the Syrian territories which influenced their interactions based on competition over areas of influence. Iran used a set of economic and military tools and demographic policies to bring about demographic change in favour of the Shiite component, to ensure the creation of a Syrian state loyal to it. Israel became involved in the Syrian conflict by intensifying its air strikes against Iranian headquarters and concentrations in Syria. The gap between Russia and Iran in Syria widened, leading to armed confrontations due to the absence of common interests between the Russians and Iranians. Turkey continued its military incursion into northern Syria to secure its sphere of influence, while the opposition remained in Idlib, which Iran believes poses a threat to its survival in Syria and is just as dangerous as its competition with Russia. Therefore, Iran has entered a new stage of the conflict in Syria that is not confined to confronting armed opposition groups, but rather its levels vary between armed conflict, diplomatic negotiations and active economic competition. The report provides a detailed picture of the analytical dimensions and interactions, viewing it as one of the Iranian rings of penetration in the region.

In Lebanon, the popular protests revealed the extent of corruption and the poor economic and political conditions Lebanon experiences because of Iran's domination over the Lebanese state through the Lebanese Hezbollah, its agent in the region. The latter has plunged the Lebanese state into many armed conflicts acting on the orders of the Tehran rulers who are now commanding Hezbollah elements to interfere in conflict zones in the Middle East and beyond, starting from Syria, Yemen and Iraq to Latin America. This prompted the United States to impose sanctions against the party's institutions and individuals. These sanctions do not separate the party and the Lebanese state. Sanctions were imposed on Lebanese individuals and institutions so that the Lebanese state would be placed in the face of American sanctions, which exacerbated the economic crisis in Lebanon.

Iran did not care about the popular rejection against its presence in Lebanon.

Rather, it sought to perpetuate its presence in Lebanon by strengthening Hezbollah's military capabilities, supplying it with new types of missiles, and creating a state of economic dependency on Iran. It also aimed to consolidate the Iranian presence within Lebanese media platforms, taking advantage of some sectarian and national sentiments which contravene Lebanon's national interests.

In the context of international affairs, which strongly influenced all the interactions of the Iranian situation internally and regionally through the interactions of the Iranian-American crisis, the United States has intensified its maximum pressure on Iran. This pressure has affected the stability of the internal situation in Iran with the tightening of economic sanctions that included vital exports, and most importantly oil, petrochemicals and minerals, as well as financial dealings with the outside world. These pressures included the intensification of the military presence in the region to counter Iran's regional influence. They also aim to create an international consensus on Iran. On the other hand, Iran bets on continuing to face the challenges and setting a strategy to overcome sanctions, addressing the economic crisis and unifying the domestic front. It also adopted an escalatory policy that raised tensions in the Gulf region in order to reduce American pressure as well as its nuclear obligations. This strategy aims to pressure European countries in order to activate their obligations towards Iran to ensure the undermining of the American strategy. The mutual escalation from both sides, and the concern that the conflict will escalate to the stage of open confrontation, led to the intervention of a number of regional and international parties in order to calm and halt the escalation. These parties have proposed a number of initiatives, including mediation efforts, to address the crisis, without finding a clear solution to the crisis because Iran insists on the lifting of sanctions before commencing negotiations with the United States. This reflects a mutual crisis of trust between the two parties, despite the successive escalations between the United States and Iran in more than one arena of the conflict during 2019, as we mentioned before in the Arab Affairs file, Iran did not continue its escalatory acts, and ultimately the situation returned to a state of tense stability.

At the level of Iranian-Russian relations, with the exception of competition and struggle on Syrian soil, 2019 can be described as the year of bilateral agreements between Russia and Iran. Following the US withdrawal from the nuclear agreement and the imposition of sanctions, Iran has tried to compensate for the reduction of its trade exchange with the United States and Europe by strengthening its cooperation with both Russia and China. Russia feared that Iran's shift toward the West would undermine bilateral economic cooperation after the lifting of sanctions in 2015. It is now seeking to strengthen its cooperation with Iran through long-term economic agreements and contracts. Iran may be currently unable to meet all its payment obligations to Russia. However, the latter believes that it can receive payment on the basis of

consideration in exchange for its cooperation with Iran through oil exchange deals for goods and services. Even if Iran achieved a breakthrough in the file in terms of its relationship with the West, Russia will begin reaping the fortunes of its contracts with Iran which have linked the two countries in both the economic and technological fields.

Russia also sought to benefit from Iran for achieving its regional multilateral cooperation projects. It worked to include Iran in the Eurasian Economic Alliance, and activate the North-South Corridor that would contribute to launch Russian trade with South Asia through Iranian territory. In return, Iran can get the benefits from the Russian position on the policy of reducing its nuclear obligations because Russia has not joined the American and European position which believes that a nuclear Iran would pose a threat to global peace and security, thereby obliging the United States and Europe to transfer the Iranian nuclear file to the UN Security Council again.

At the level of Iranian-European relations, the interactions of the relationship revolved around Iran's pressure on Europe through a policy of reducing nuclear obligations, activating the ballistic and intercontinental ballistic missile program to force Europe to truly implement the INSTEX mechanism, activating trade exchange with Iran, and resuming the purchases of Iranian oil. With the holding of periodic meetings according to the mechanisms of the nuclear agreement, a mutual bargaining developed between the two parties. Europe and France in particular started a number of mediations to work on resolving the crisis between Iran and the United States no avail. However, the European position has drawn significantly closer to the American stance despite the former's adherence to the nuclear agreement, given Iranian behavior that threatens the security of maritime navigation, the attacks on Saudi oil installations, and Iran's violations of the sovereignty of European countries on its territory by carrying out terrorist operations against Iranian opposition groups present on European territory. Europe has aligned more closely with US measures for establishing an alliance to ensure the safety of maritime navigation and has rejected Iran's policy for reducing nuclear obligations. Therefore, the year concluded with three European countries transferring the Iranian nuclear file to the dispute settlement mechanism emanating from the nuclear agreement.

At the level of Iranian-Chinese relations, China adhered to the principles of the relationship with Iran - namely, the continuation of economic cooperation and not to suspend Iranian oil imports completely, but only reduce them to avoid a clash with the United States. It also complied with the nuclear agreement and rejected the American withdrawal from the agreement. However, the relationship between the two countries witnessed developments influenced to a large extent by the developments in Chinese policy. With the outbreak of the trade war between China and the United States, China seemed more committed to integrate Iran into its regional economic system through the Shanghai Cooperation Organization, and started to allude strongly to Iran's membership



in the organization, with Iran integrating into the Belt and Road Initiative to create a land trade route linking China and Europe via Central Asia and Iran.

As China started to pursue a policy of military proliferation outside its territories, established a naval base in Djibouti in 2017 and activated its growing naval power, especially in the Indian Ocean region where it actively participated in an Iranian naval exercise which also included Russia under the title Maritime Security Belt. Perhaps China is sending a message to the United States that it intends to have a permanent and strong presence in the Gulf of Oman and the Arabian Gulf region after consolidating the Chinese naval presence in the Indian Ocean. Iran is also sending a message that underlines its ability to establish anti-US alliances in international waters.

Despite its growing relations with the United States in recent years, India considers it necessary to develop its relations with Iran. This is due to its dependence on the Iranian role with regard to several issues for creating a strategic balance against the China-Pakistan alliance, within the framework of the Chinese-Indian conflict on the proliferation in South Asia and the Indian Ocean, reducing Iranian support to Pakistan in the Kashmir file, creating opportunities for India to access Afghanistan without having to pass through Pakistan's territory via Chabahar Port. India also aims to support Iran to facilitate the movement of Indian exports to Central Asia and Russia through its territory. Due to the American desire to limit China's role in the Indian Ocean region, the United States issued an exemption for the Iranian port of Chabahar, through which Indian trade to Afghanistan and other landlocked Central Asian countries could be facilitated. In return, India suspended its oil imports from Iran after the end of the exemption period granted to India until May 2019. In fact, Iran played a role in easing tensions between Pakistan and India in 2019.

At the level of Iranian-Turkish relations, the two countries pursued a policy which saw the clear separation of certain files. The collision in Turkish-Iranian relations on Syrian soil because of Iran's support for Bashar al-Assad, and Turkey's support for the Syrian opposition did not finish their agreement to suppress separatist tendencies among the Kurds, and to implement a joint military attack on the Kurds in the Iraqi Qandil Mountains, nor to take a common position in support of Qatar against the Arab states. It also did not curb the deepening trade exchange between the two countries, even with the high possibility of military confrontation between the Bashar al-Assad regime and the semi-besieged Syrian opposition in Idlib.

With regard to these complex files, which are difficult to study individually without taking into account the factors affecting the region as a whole, the strategic report provides in-depth research analyzing the interactions of the Iranian issue at three levels: the internal level, the Arab level and the international level, in an attempt to forecast its future course in . 2020

Tremendous developments and events took place in Iran at the ideological, political, economic or military levels. Iran still faces economic challenges and crises resulting from the US sanctions. Political developments directly emerged from the harsh economic crises which have placed heavy pressure on the Rouhani government. His call to carry out a popular referendum on the country's foreign relations; the remarks made by the Iranian Foreign Minister Mohammad Javad Zarif on money laundering; his pressure on the hardliners to approve bills to combat money-laundering and terrorism clearly disclose the extent of the internal crises the Rouhani government is facing. However, Iran paid greater attention to its military institutions. The Iranian ruling system continued to exert more efforts to strengthen its military, by developing its domestic military industries and restructuring its naval forces.

**INTERNAL AFFAIRS**



# The Ideological File

In 2018, the conflict between the Iranian religious elites and some popular religious currents emerged in Iran. The Iranian authorities arrested Hossein Shirazi, a cleric and the son of the marja of the Shirazi Current Ayatoallah Sadiq Shirazi, after calling Khamenei a pharaoh. In a backlash movement, the Shirazi launched protests; targeted the Iranian soft power abroad; and criticized the Valayet e-Faqih theory. The Iranian government cracked down on the The Gonabadi Dervishes [Iranian Sufi Muslims], arrested a great number of them, and sentenced some of them to prison and death. Other religious currents also protests against the religious elite, who were so concerned about the secularism of the religious seminaries [hawazas] and the geographical expansion of protests.





The Ideological File addresses the most prominent issues in 2010 related to the Hawza and Iranian religious elite. The pro-Velayet e-Faqih religious elite has worked to nationalize religion, in particular its own religious perspective. To entrench its legitimacy at home and abroad with other Shiite communities, the religious elite has worked to amend its orientations to tackle its points of weakness and strength. This File also clarifies whether the religious elite would succeed in conquering the religious arena in Iran or not as well as the future of the conflict between the reformists and the hardliners on official interpretation of religion. It addresses these points through reviewing the following topics: The Dismissal of Friday Prayer Leaders, Rouhani-Sistani Meeting, IRGC Commander Admits to Supporting al-Qaeda, and Targeting US Forces: Haeri's Fatwa.

### **I- Dismissal of Friday Prayer Leaders**

At the beginning of the year, Iran witnessed the resignations or dismissals of several Friday prayer leaders, who gave no clear reasons for their decisions. Ayatollah Mousa Jazaeri, Friday prayer leader in Ahwaz, Khuzestan province, cited incapacity and old age as reasons for his resignation.<sup>(1)</sup> But others said that there were political reasons behind their decisions.<sup>(2)</sup>

Jazaeri's resignation was followed by other resignations including Ayatollah Abbasali Soleimani, Friday prayer leader in Sistan and Balochistan, who said he resigned in order to give greater room for the youth and new ideas.<sup>(3)</sup> The two resignations support the viewpoint suggesting that there were political reasons behind the Friday prayer imams resigning.

The resignations of Jazaeri and Soleimani came in the wake of a series of resignations of Friday prayer leaders over the past two years. A large number of imams have resigned, including Ayatollah Murtaza Shabastari in the province of East Azerbaijan, Alireza Birjandi of South Khorasan province, Ayatollah Zein Al-Abedin Ghorban of the province of Gilan, Ayatollah Assadullah Imani of Fars province, Jafar Mohsenzadeh of Alborz province, and Ayatollah Mohammed Naqi Lotfi of Ilam province. Last year, Ayatollah Yehia Jafari resigned as the Friday prayer leader in the province of Kerman after his remarks about supporting President Hassan Rouhani sparked controversy across the country. Following these developments, the Iranian First Vice President Eshaq Jahangiri described the resignations as worrying.<sup>(4)</sup>

He described the resignations or dismissals at that time as a systematic purge against supporters of Rouhani and the late Rafsanjani from giving Friday prayer sermons and that the conservatives will get via appointments what they could not get via the ballot box.<sup>(5)</sup> Meanwhile, the government disseminated rumors that some Friday prayer leaders were engaged in graft. Maybe these allegations of corruption were true. But it has been raised in a selective way to cover up political differences and exclude the reformists.

The political system in Iran depends on the Friday prayer as an indispensable component in shaping the collective Iranian mindset as well as the country's national sectarian identity.<sup>(6)</sup> The Friday prayer sermon in Iran began with the advent of the 1979 revolution. Ayatollah Mahmoud Talaghani suggested holding Friday prayer sermons on a regular basis, a suggestion seconded by Khomeini personally.<sup>(7)</sup>

The government was alerted to the importance of the Friday prayer sermon in conveying its messages to the people right across the country, especially before the advent of modern day communication. In the wake of technological advances, it was presumed that the position and significance of the Friday prayer in Iran as part of the government's political and mobilization strategy would fade in significance. But the exact opposite happened due to the conditions which paved the way for reinforcing the significance of the Friday prayer. Western sanctions on Iran prompted the ruling religious elite to use the victimization card and curb liberty and freedom. The government blocked access to a large number of websites. As a result, this preserved the importance of the Friday prayer sermon in shaping the Iranian collective mindset.

## **II- Rouhani-Sistani Meeting**

During his visit to Iraq in March, President Hassan Rouhani met with major Shiite clerics such as Ali al-Sistani, Saeed al-Hakim, Bashir al-Najafi and Sheikh al-Fayyad. This meeting was of great importance as it was the first meeting between the Supreme Marjaya in Najaf and an Iranian president since the outbreak of the 1979 revolution. According to reports, the Supreme Marjaya





refused to meet with the former Iranian President Mahmoud Ahmadinejad in 2013.

After the meeting between Sistani and Rouhani, a statement issued by the Office of the Supreme Leader Ali Sistani welcomed any step on the path of enhancing relations between Iraq and its neighbors on the basis of respecting sovereignty and non-interference in internal affairs. The statement also said that the top cleric called for the state and security forces to have the exclusive right to bear arms.<sup>(8)</sup> He also called on both countries to respect each other's national sovereignty.<sup>(9)</sup> The meeting also had several implications for both sides parties at home and abroad.

The Iranian side was keen to show that the meeting with the Supreme Marjaya in Najaf was a sign of acceptance of the Iranian reformist and moderate current by the Supreme Marjaya, especially as this meeting was the first of its kind between an Iranian president and the Najaf Marjaya since the advent of the 1979 revolution.

Among the messages that the Iranian president and his foreign minister wanted to convey to the domestic front was that the Iranian moderate and reformist movement has supportive voices within the Najaf Marjaya and acceptance across the Shiite world, especially in Iraq, where the central capital of Shiism, Najaf, is located. Hence, it seems that this development constitutes a moral victory for the reformists over its political foes inside Iran, especially the fundamentalists and conservatives.

This meeting may also indicate that the Iranian side is keen to send messages to its political and sectarian rivals in general that there is something resembling a thaw and convergence in viewpoints between the Iraqis and Iranians at the level of sect, Marjaya and religion, especially since sect and religion are among

the main factors determining the relations between the two countries, Iraq and Iran.

The Iraqi side, especially the Supreme Marjaya, wanted to send direct and plain messages to the Iranian apparatuses that Iraq deserves to have independent decision-making processes at home and unified security forces under the umbrella of official state apparatuses via integrating armed militias into the official apparatuses of the state. This is in addition to maintaining the sovereignty of Iraq, abandoning conflicts, to which the Iranians paid no heed as the following developments will demonstrate.

Perhaps the meeting with the Marjaya was some sort of pressure tactic against the fundamentalists in Tehran with the aim of forcing them to change their supremacist vision and strategy towards Iraq and the Marjaya in Najaf. The Iranians are working to move the influence of the Marjaya to Qom and take control of the most important apparatuses in Najaf, changing its jurisprudential structure in order to become consistent and harmonious with the Velayat-e Faqih ideology ruling Iran.<sup>(10)</sup>

### III- IRGC Commander Admits to Supporting al-Qaeda

In April this year, when the United States placed the IRGC on the terrorist blacklist, Brigadier Saeed Qassemi, a retired IRGC general, said that the IRGC supported the jihadists in Bosnia and that they allied with and provided support to al-Qaeda. He said: "We headed to Bosnia under the guise of the Red Crescent Society. We have trained the jihadists. We have been aligned with al-Qaeda and we have formed units with all the jihadists across the world."<sup>(11)</sup>

It is worth noting that the United States classified the IRGC as a terrorist organization on April 8 last year, only a few days before the remarks of Qassemi,<sup>(12)</sup> thereby vindicating the move taken by the Trump administration.

Hossein Allah Karam reiterated the remarks of Qassemi, which angered the radicals within the government and they escalated against Qassemi, Karam and other commanders who made similar remarks.<sup>(13)</sup> They said that such remarks cause harm to national security, give justification for US actions and influences public opinion to support US actions.

The spokesman for the IRGC denied the remarks. He said that the remarks made by Saeed Qassemi, the retired IRGC general,



on using the Red Crescent Society as cover for conducting operations lacked credibility.<sup>(14)</sup>

In addition, the Red Crescent Society denied such remarks in a statement, saying that it would lodge an official complaint against Qassemi. It asserted that this measure, of which Qassemi spoke, was taken without any license or coordination with the society. In the statement, the society said they never give their badges or uniforms to military forces. According to the Geneva Convention, the Iranian Red Crescent Society adopts neutral positions during armed conflicts and aims to support humanitarian efforts and civilians only.<sup>(15)</sup>

The remarks of Qassemi raised suspicion about the role of the Red Crescent Society in Iran and to what extent it is employed by the IRGC to support militias overseas. This put the society in a very awkward position with it fearing accusations of violating international law and a dent in its credibility.

These remarks supported the credibility of some reports which discussed the role of the Iranian Red Crescent Society in battles waged overseas. For example, the Yemeni government in 2009 ceased the activities of two medical institutions affiliated with the Iranian Red Crescent Society which were active in Yemen. In 2016, officials in the Yemeni government accused Iran of sending weapons to the Houthis under the guise of the Red Crescent Society's aid. In response to these accusations, the Iranian government said it sent flights carrying aid shipments to the Yemeni Red Crescent. The shipments included health and medical aid. In December 2010, WikiLeaks published a report which asserted that Iran sent weapons to Hezbollah during its war with Israel in 1998 via the ambulances of the Red Crescent Society.

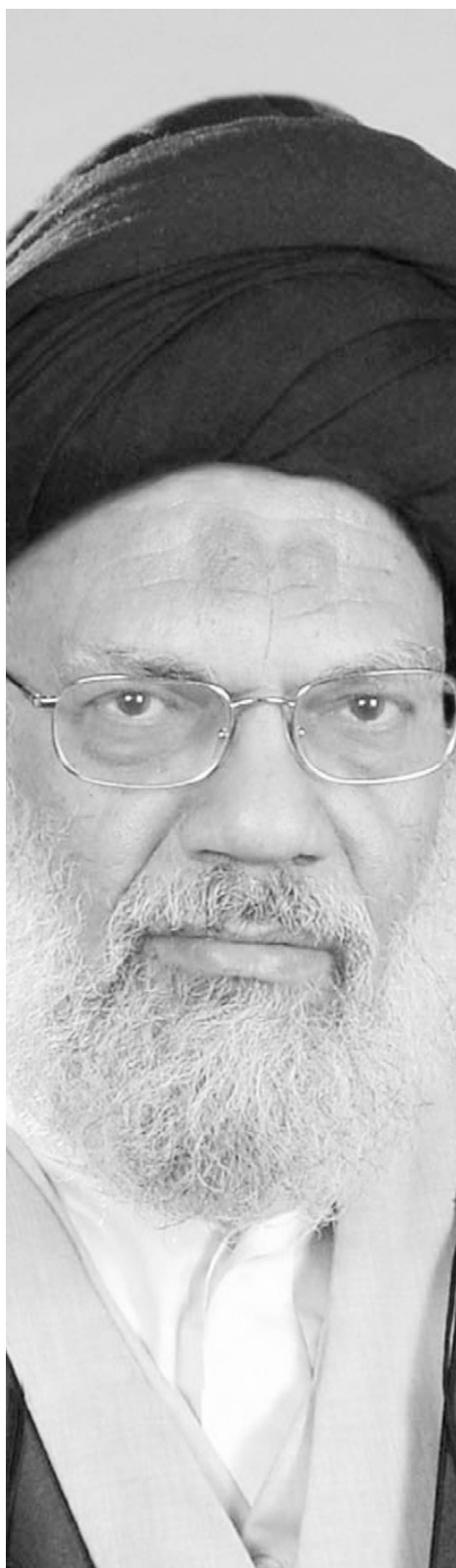
Another report stated that Iran had sent missiles via a plane carrying medical equipment to Lebanon.<sup>(16)</sup>

#### **IV- Targeting US Forces: Haeri's Fatwa**

In August 2019, cleric Kazem al-Haeri<sup>(17)</sup> issued a fatwa in which he urged Iraqis to target US soldiers in the country as well as US interests. The fatwa came after a drone attack on an arms depot belonging to the PMU. It was reported at the time that Israel was behind the attack. Haeri wanted to respond to this attack by attacking US interests in Iraq. The fatwa's text stated: "In this context, I expressly







state and announce out of religious responsibility that the presence of any US military force or the likes of it, under any pretext whatsoever, including training, offering military advice or even combating terrorism of which the Americans are sponsors and creators, is unlawful.”<sup>(18)</sup>

Haeri's fatwa sparked widespread reactions inside and outside Iraq. But some raised questions about the timing of the fatwa. The presence of US forces is not new for Iraq. Haeri also has no known record of issuing fatwas inciting jihad. He did not issue such fatwas after the US invasion of Iraq in 2003 and the following battles that took place between the Sadrist movement and the US forces in southern Iraq. Moreover, he issued a fatwa in Muharram 1424 AH, 2003 AD which called for a ban against fighting US forces in Iraq.<sup>(19)</sup> He attacked the Sadrist movement for fighting the Americans, withdrawing his mandate from Sadr.<sup>(20)</sup>



Therefore, it seems that the fatwa released by Haeri is part of the crisis-ridden situation which Iran is facing. The fatwa is an Iranian tool through which Iran is attempting to reduce the political and economic pressures put on it via pressuring the Americans.

It is worth mentioning that Haeri believes in Velayat-e Faqih<sup>(21)</sup> and believes in the right of the Guardian Jurist to create new rules, which means that he is one of the tools of the supreme leader to pressure the Americans.

At home in Iraq, reactions toward Haeri's fatwa varied. Asaib Ahl al-Haq threatened to target US interests in Iraq such as its military forces, consulates and sites where US forces were concentrated. An official in the movement said, "We want neither training, support nor transfer of experience."<sup>(22)</sup>

The Fatah Alliance said it will throw its weight behind Haeri's fatwa inside the Iraqi Parliament, describing it as a brave fatwa against the United States and Israeli attacks on the positions of the PMU.<sup>(23)</sup>

The deputy head of the PMU accused the United States of launching drones to strike the weapons depots of the PMU in Iraq. But the Iraqi government said such remarks do not reflect the official position of the government.<sup>(24)</sup>

Close to the position of the Iraqi government, Shiite cleric Moqtada al-Sadr issued a statement ruling out that Israel had carried out such an attack. He called on the Iraqi government to speedily conduct a neutral investigation. He also called for restricting the right to bear arms to the state in order to prevent any foreign interventions.<sup>(25)</sup>

Haeri again issued his fatwa after the killing of Qassem Soleimani. He said in a statement: "O our honorable children, and our tribes enthusiastic to defend Iraq...I have stated this before and I announce it today as the breach of sacred rites are being committed in broad daylight and the sacred shrines are being breached openly: our land, skies, blood and men are up for grabs. I say, the presence of the US forces and their allies is unlawful. We should work hard to protect our territories and maintain our sacred spots. These forces have no legitimacy on our soil."<sup>(26)</sup>

Moqtada al-Sadr agreed with him on this occasion and he called for ending the US presence in Iraq after the killing of Qassem Soleimani and Abu Mahdi al-Muhandis.<sup>(27)</sup> This enhances the theorem of Iranian pressure, using religious tools especially after Iran's inability to use its militias during this delicate juncture against the Americans to force them accept a political settlement and ease the economic embargo.

## **V- The Future Religious Elite Orientations Towards the Statehood and Hawza**

Through studying the trends and policies of the Iranian religious elite towards the Hawza and statehood in 2019, we conclude the following:

The Iranian ruling system has sought to nationalize and generalize its religious thought at all levels, the dismissal of the Friday prayer leaders is

an example of strategy. Therefore, some reformist were provoked by this strategy to find alternatives that go in align with their perspective of religion and statehood or to use these alternatives as a method to place pressure on the ruling system to change its behavior. An example of the reformist endeavors in this regard is the visit President Hassan Rouhani to the Supreme Najaf Marjaya, the traditional rival of the Iranian conservative religious elite. Rouhani's visit reminds us of the meeting of the former Iranian President Khatami with the marja'a Shubairi Zanjani. Moreover, it incited a great number of women and youth to rebel against the whole Islamic model made by the ruling system. Many women took off their hejab, and Iranian feminists were placing further pressure on the government to allow women attend football games, many Iranians started to harshly criticize religion or even become atheists, i.e., they rebelled against religion itself not the radical interpretation crafted by conservative clerics.

The Iranian ruling system exploited the fatwas to mitigate the impact of US sanctions and economic woes, and massive public outrage at home and abroad resulted from the US withdrawal from the nuclear deal. Cleric Kazem al-Haeri issued a fatwa in which he urged Iraqis to target US soldiers in the country the same fatwa was repeated by with a stronger tone by al-Haeri and other Iran-affiliated marajas , following the killing of the Quds Commander Soleimani by an American drone attack.

The Iranian ruling system has quite been pragmatic, it avoided any direct confrontation with the West. The supreme leader never issued a fatwa calling to target the US troops in Iraq despite of the killing of Soleimani and the US attacks on PMF warehouse. The Iranian officials denied the remarks made by the IRGC commander that Iran collaborate with Alqaeda, and issued official statements confirming Iran's efforts to collaborate with the international community to fight







ISIS. They tried their best to clean up the international reputation of their country.

In 2020, the religious elite is expected to continue its hegemony on the Iranian religious and cultural arenas. There are no signs indicating the religious elite would make any future changes or comprises despite of the growing protests against the policies of the ruling system, and against the clerics. The Iranian ruling system relies on a pro-Valayet e-Faqih clerics who support its political and religious legitimacy and strengthen the jurisprudence of governance to protect the hawza's agreed upon teachings and heritage.

The Iranian religious elite is expected to adopt the same policies towards the Shiites abroad. Iran would not stop its support to its ideologized militias employed abroad. According to the protests spread in Iraq and Lebanon, the religious elite believes they are targeting the Iranian influence in the countries which Iran has been working for forty years to entrench. Thus, it is likely a new fatwa, like the one issued by al-Haeri, would be issued against the anti-regime protests abroad.

# The Political File

*The consequences of the severe economic crisis which Iran has experienced for years, corruption and the government facing pressures from the Conservatives were the most important developments which dominated the political scene in Iran during 2019. If compared to the political events that the country witnessed during 2018, we find that the main development on the Iranian political scene during the past two years were the sanctions imposed by US President Donald Trump.*

Due to these sanctions which worsened the economic situation, the Rouhani government, on instructions from the supreme leader, decided to raise the price of gasoline. But this decision sparked one of the most dangerous and bloodiest protests in the history of Iran. Rouhani was seeking tirelessly to overcome the economic crisis via openness to the outside world and holding talks with the US administration on different outstanding issues. But he stumbled into the Conservatives' intransigence and opposition to any dialogue with the US, which pushed him to suggest holding a referendum on Iranian foreign policy. As for his Foreign Minister Mohammed Javad Zarif, the continued pressures he faced from the Conservatives led him to submit his resignation. After his resignation was turned down, the Conservatives reopened an investigation into his remarks made in 2018. He admitted that money laundering is rampant in Iran. He was summoned to parliament in November 2019 to answer some questions about his remarks. When it comes to combating corruption, the corruption courts led by the new Chief Justice of Iran Ebrahim Raisi arrested and began trials against some state officials.

Based on these challenges and crises, four main issues representing the core events that dominated the political arena in Iran during 2019 will be discussed in this report. They include the popular protests which broke out due to the rise in gasoline prices, Rouhani's call for holding a referendum on Iran's relations with the outside world, Zarif's dispute with the Conservatives and the rise in corruption scandals in Iran despite the increasing number of anti-corruption trials. Then we shall outline the possible future conclusions and scenarios for Iranian policy in 2020.

### **I- Raising the Price of Gasoline Sparked Fresh Protests in Iran and the Government's Forces Killed Hundreds**

The Iranian government's decision to raise the price of the ordinary liter of gasoline by 50% for the first 60 liters, as a monthly quota per each private vehicle, and 300% per each additional liter above the first 60 liters, was sufficient to spark one of the biggest and most violent protests in the history of the Iranian regime. Although the rise in fuel price was the final straw, the years-long economic crisis was the main motive behind most of the protests witnessed in Iran in recent years. Maybe the Iranian government resorting to raising the price of gasoline highlights the limited options it has in addressing the collapse of its economy as well as the effectiveness of the sanctions imposed on it by the US. The sanctions are aimed to put Iran in a crisis to force it to change its destabilizing regional behavior and pressure it to respond to the US desire to sit down around the negotiating table to reach a new deal on the Iranian nuclear program instead of the July 2015 nuclear deal rejected by the Trump administration.



## 1- Security Crackdown in the Face of Violence From Protesters

As a result of the heavy repression which the police and security forces used against protesters across different Iranian cities, some protesters reacted violently, which led to direct clashes with the security forces, and mounting attacks on the police, petrol stations, some banks, and government facilities. To justify the crackdown launched against protesters, the leaders of the Iranian regime such as the Supreme Leader Ali Khamenei, Hassan Rouhani and some commanders of the IRGC branded the protesters as traitors and cited legal justifications for the heavy crackdown, alleging that the events in Iran are part of a global conspiracy led by the US and some of its regional allies in order to annihilate the regime. Also, the demands raised during the protests went beyond merely calling for improvements in living conditions with the protesters condemning key figures of the Iranian regime and its policies as well as demanding it to be toppled and changed. This prompted the government to use some measures to end the protests as soon as possible such as arresting the protesters, branding them as traitors, threatening them with harsh trials and opening live-fire on them.

## 2- Reformists and Conservatives Agreed on Suppressing the Protests

The government officials agreed on rejecting the protests, starting from the Supreme Leader Ali Khamenei, to the President Hassan Rouhani, the ministry of interior (security and police forces), the Supreme National Security Council, the army and the IRGC. The Supreme Leader Ali Khamenei described the protesters as evildoers and called on the security forces to perform their duties<sup>(28)</sup>, which meant cracking down on the protesters. He accused the regime's foes and foreign enemies of involvement in acts of sabotage against a large number of economic institutions and facilities<sup>(29)</sup>.



As to President Rouhani, he vowed not to allow the protesters to cause a security crisis in the country and to clamp down on them, especially car owners who stopped their cars in protest at the rise in the price of gasoline. He also called on the judiciary to act in this respect.<sup>(30)</sup> The IRGC also threatened to take decisive and revolutionary steps against any movement which undermined peace and security<sup>(31)</sup>. This unified position against the protesters, as well as the regime disabling the internet, indicates growing concern as protests have spread since 2009 and popular discontent is rising due to deteriorating economic conditions. These developments may turn lead to an all-out revolt which could entirely uproot the regime.

Within the early hours after taking the decision, the Iranian government led by President Hassan Rouhani stood behind the decision and insisted on its implementation. But the Chairman of the Planning and Budget Organization Mohammed Nobakht put the judicial and legislative branches under scrutiny when he announced that the decision to raise the prices of gasoline was issued after the approval of the Supreme Council for Economic Coordination<sup>(32)</sup>, which is chaired by the heads of the three branches of power and is made up of several ministers and heads of economic institutions.<sup>(33)</sup> The decision to raise





the price of gasoline has never been taken by the Iranian government without consulting parliament.

### 3- Khamenei's Intervention and the Parliament Retreats From Initially Rejecting the Government's Decision

President Rouhani, who is facing huge pressures due to the deteriorating economic situation, mentioned that he supported the decision as his government is facing economic difficulties. He vowed that not a single rial generated from raising the price of gasoline will go to the treasury. To reassure the angry public and convince them that the decision to raise the price of gasoline will pay dividends, he said that the money generated will enable the government to help segments in society to address the difficulties in their livelihoods.<sup>[34]</sup>

The decision was opposed by several lawmakers as they deemed it untimely and harmful to the interests of the Iranian people. As a result, a bill was prepared to block the implementation of this decision. But after the speech of the supreme leader in which he voiced support for raising the price of gasoline<sup>[35]</sup>, in addition to the letter he sent to the parliament in which he warned against intervention to impede this decision<sup>[36]</sup>, the parliament reversed its position, and announced its support for the decision. The messages and warnings issued by the supreme leader made it clear that the decision to raise the price of gasoline was taken on the orders of the supreme leader.

After the intervention of the supreme leader, lawmakers reversed their opposition to the decision, announcing their support for Khamenei, limiting their criticism to the way the decision was announced and implemented. They claimed to have had no idea about the decision. The parliament reversing its position significantly defamed its image as an independent entity, which represents the people, protects its interests and expresses its aspirations.

### 4- Material and Human Losses

If we compare the numbers of victims who fell in the recent protests with the victims of previous protests, especially in 2009 and 2017, one of the largest protests that Iran has witnessed since the victory of the revolution,







we find that the Iranian regime unleashed a very harsh crackdown against the protesters during the recent protests. This could be seen in the large number of victims, whose estimates according to Amnesty International reached 304<sup>(37)</sup> and 1500 based on the latest report issued by Reuters.<sup>(38)</sup> The number of detainees increased to more than 7,000 people in addition to hundreds of those injured. During the 2009 protests that broke out in a number of Iranian cities, including the capital, following accusations against the Iranian regime that it had rigged the presidential elections in favor of the former President Mahmoud Ahmadinejad, about 72 people were killed. The December 2017 protests that were bigger than the 2009 protests broke out to denounce soaring prices and the deterioration of the standard of living, approximately 50 people were killed.<sup>(39)</sup>

As to the material losses, they were also huge. Banks, petrol stations, government headquarters and facilities were set on fire. Police stations and libraries were also targeted. According to the tallies of the Iranian ministry of interior, 731 bank and currency exchange branches were set ablaze. This is in addition to 70 petrol stations, 50 police stations and over 1,000 government vehicles destroyed.<sup>(40)</sup>

The use of violence against protesters leading to a large number of deaths and injuries could be attributed to several factors, including the following:

- 1- The huge geographic areas to which the protests spread. Protesters took to the streets in more than 100 cities.

- 2- The economic motives of the protests, represented in the protesters rejecting the government's decision to raise the price of gasoline but also the protesters in different Iranian cities resorted to chanting political slogans, which dented the regime's prestige. The protesters chanted slogans through which they attacked the Iranian ruling system and the Supreme Leader Ali Khamenei more than one witnessed during the 2017 protests, which broke out due to economic motives. This situation prompted the security forces to intervene harshly to end the protests as soon as possible and prevent the geographic expansion of the protests as well as to maintain the regime's prestige

among the Iranian people.

3- The 2009 protests were led by the middle class and supporters of the Reformist movement in a number of major cities. Dwellers of small towns, ethnic minorities and the poor brackets did not significantly participate in these protests compared to 2017 and 2019. During the 2017 protests, the geographic area expanded to include a number of cities which amounted to 80 in addition to the participation of the poor brackets who were affected by the economic crisis from which Iran was suffering. But in the November 2019 protests, the working and middle class had a high representation due to the economic pressures which affected the low and middle income people alike.

4- The huge material losses incurred by some government facilities due to the violence which broke out in the aftermath of the protests led the security forces to harshly crackdown on the protesters.

## **II- President Rouhani Calls for Holding a Referendum on Iran's Relations With the Outside World**

Due to the unprecedented economic and political pressures to which Iran is subject, the Conservatives' reluctance to hold negotiations with the US administration on the nuclear deal and the US placing the Iranian Foreign Minister Mohammed Javad Zarif on its lists of sanctions at a time when the government is in need of his services and international movements, the Iranian president, who the Conservatives blame for the economic crisis, found that he is prompted to reiterate his call for a popular referendum. He believes that it is the only solution to preserve the regime and overcome the political and economic morass through which Iran is going. This time the call



for a referendum came in October 2019 in a speech at Tehran University. He said, "If we failed to reach a solution to the problems we have been discussing over the past 40 years, we should opt for a referendum and call on the people to have their say on these issues."<sup>(41)</sup> It seems, based on Rouhani's question on what is better for Iran and its development: constructive engagement or confrontation with the world, that he is looking for a way-out to end Iran's crisis-ridden relations with the outside world, especially with regional and European countries as well as the US.

This was not Rouhani's first time in calling for a popular referendum on contentious and defining issues which have caused much controversy among the apparatuses of the regime since the victory of the Islamic revolution in 1979. The constitution, laws, domestic/foreign policy, the nuclear deal and other thorny issues in the domestic and foreign arena have been a source of tension and conflict in Iran. Rouhani's call for a referendum began in 2015 when he said that he desires to put different political, social, economic and cultural laws up for a popular referendum instead of them merely being rubber-stamped by parliament.<sup>(42)</sup>

At the time, Rouhani did not mention a specific issue. But the nuclear deal and the Conservatives' rejection of the government's efforts to reach a nuclear deal with the major world powers were the most significant bone of contention between Rouhani and the Conservatives. On the 39<sup>th</sup> anniversary of the victory of the Islamic revolution held in February 2018, President Rouhani renewed his call for holding a general referendum in the country, but this time for the sake of getting out of the political deadlock resulting from the ongoing conflict between the Iranian regime's political currents.<sup>(43)</sup>

### **1- The Conservatives' Position on a Referendum**

Rouhani's recent remarks were interpreted as a clear call to figure out public opinion regarding negotiations with the US. Rouhani has been criticized by a wide range of radicals within the Conservative movement due to his call for a referendum on negotiations with the US as they contradict the Conservatives' position of rejecting any new negotiations on the nuclear deal with the US. The criticisms of Hossein Shariatmadari, who is in charge of the Kayhan newspaper, against Rouhani revealed the position of Khamenei and the other Conservatives on a possible referendum and negotiations with the US administration. He said that Rouhani who considered in 2018 negotiations with the US to be a sort of madness now wants to negotiate with it. He wondered: "Did not you negotiate with the US on the nuclear deal, and the result is that you destroyed the nuclear industry in the country, made dozens of concessions, and caused dozens of new sanctions<sup>(44)</sup> to be imposed instead of lifting the current sanctions?." These remarks came in reference to the US sanctions which led to Iranian oil exports declining as well as complicating and worsening the economic situation.

Another camp within the Conservatives considered Rouhani's call for a referendum as a tactic to deflect from his failure in honoring its commitments to the Iranian people. In order to exert more pressure on Rouhani and force him to retract his repeated calls for a referendum on several issues, some Conservative voices calling for holding a referendum on the performance of the government emerged. They said that the government failed to make good on the promises it made to the people, and the people shall answer one question: Do you agree or not that this government should remain in office?<sup>(45)</sup>

Rouhani's multiple calls for a referendum on contentious and defining issues indicates the enormous pressures, challenges and obstacles facing his presidential career. They express a desire for constructive interaction with the world, especially with the West to overcome the multiple crises hitting the country, especially the economic crisis and the nuclear deal. They also include indirect criticism of the Supreme Leader Ali Khamenei and the rest of the Conservatives within the Iranian regime who prefer confrontation and hostility towards the US instead of negotiations with it to resolve concerns surrounding its nuclear program.

The Conservatives rejected Rouhani's calls for a referendum, although it is one of the most important notions enshrined in the Iranian Constitution. Maybe the proof of its importance lies in the fact that it is mentioned in articles 6, 59, 99, 110, 123, 132, and 177 of the Constitution. The term referendum was mentioned in 11 places in the aforesaid articles while the term Velayat e-Faqih was mentioned in only two places.<sup>(46)</sup>

Despite the repeated calls made by Rouhani to gain the needed legitimacy on a number of thorny issues from among different factions of the Iranian ruling system, he did not officially ask the Supreme Leader Ali Khamenei or the parliament or the rest of the Iranian regime's regulatory bodies such as the Guardian Council or the Expediency Discernment Council. He is still in the phase of trying to convince the Iranian public of the importance of holding a referendum as it is the only hope to improve the social and economic situation in the country. This also means that he is about to test the will and desire of the supreme leader to resolve the crises facing the regime at home and overseas. But in light of the huge attacks on President Rouhani by the Conservatives each time he speaks of a referendum, the supreme leader may also rebuff his call for holding a referendum.

## **2- Indications of the Conservatives' Refusing Rouhani's Calls for a Referendum**

There are core issues which the Iranian ruling system fears holding a referendum on them since they will hurt the regime's core institutions and threaten its existence. They are considered by the Conservatives as red lines such as: Iran's relations with the US, the principle of interfering in the affairs of other countries under the guise of exporting the Iranian revolution,

contradictions in the constitution, the huge gap between its provisions and implementation on the ground, the powers of the supreme leader and the Guardian Council that is accused of engineering elections and disqualifying candidates, political participation, rights of racial and ethnic minorities, powers of the institutions elected and appointed by the supreme leader such as the Guardian Council, the judiciary and the Expediency Discernment Council, the future of the Iranian regime and multiple other issues which have been a source of huge controversy within Iranian society over the past 41 years of the revolution.

Agreeing on holding a referendum on the issues raised by Rouhani would mean that the Iranian regime has reached an impasse and that Khamenei who has been leading the regime over the past 30 years is incapable of running it and failed to manage the crises facing him. This would be considered a blow to his prestige as the supreme leader of the regime.

There is a contradiction between holding a referendum and the regime's Velayat e-Faqih philosophy. The powers of the jurist who rules on behalf of the infallible imam has the same powers as the infallible imam. Therefore, he, not the masses, has the right to define the interests of the nation. Therefore, a referendum contradicts with Velayat e-Faqih according to the viewpoint of the Conservatives. The only referendum which was held in the Iranian republic included the people's approval of Velayat e-Faqih, other than that they have no say over the affairs of governance.

Responding to Rouhani's calls to conduct a referendum and his success in resolving some differences may be deemed by the Conservatives as in the interest of the reformist movement, which has always called for reforming the regime, especially its domestic and foreign policies.

### **III- Zarif's Disputes With the Hardliners**

Throughout 2019, the Iranian Foreign Minister Mohammed Javad Zarif came under intense pressure and faced several criticisms, which prompted him to submit his resignation as Iran's top diplomat, but it was turned down by President Rouhani.

Due to his positions and remarks on several issues, the parliament summoned him to answer some questions and criticisms levelled at him by radical lawmakers. His previous remarks on the spread of money laundering in Iran caused much controversy in Iran. This sparked angry reactions from all spectrums of the Conservative movement.

#### **1- Zarif's Resignation**

The surprise resignation of the Foreign Minister Mohammad Javad Zarif in February 2019 sparked huge controversy inside and outside Iran. Although President Rouhani turned down this resignation, it revealed deep conflicts



within the Iranian regime. Mohammad Javad Zarif pursued an extraordinary manner in submitting his resignation. He made his announcement in an Instagram post which is widely used in Iran instead of submitting it to the president of the republic or at the headquarters of the Foreign Ministry. This step had a lot of indications, maybe the most important of which is his anger at the interferences and setbacks hindering his job and his opposition to the way Iranian foreign policy is run.

## 2- Reasons Behind Zarif's resignation

The reasons behind Zarif's resignation are countless, including the heavy criticisms levelled at him by the radicals since the US pulled out from the nuclear deal, and his inability to keep the foreign ministry independent of the pressures of the radicals and their priorities which caused tremendous pressures on the government of Rouhani. Zarif has plainly expressed his anger about this issue when he called for separating Iranian foreign policy from the conflicts among Iran's political currents and parties. He earlier described the impact of the conflict among political forces on the Iranian foreign policy as a deadly poison.<sup>(47)</sup> Also, the Expediency Discernment Council refusing to approve the Financial Action Task Force's (FATF) regulations-despite the parliamentary approval thereof-may be one of the factors that triggered Zarif's resignation. Other indirect factors which may have prompted Zarif to tender his resignation, include his anger about ongoing conflicts between the political currents within the Iranian regime, which negatively impact Iranian foreign policy, obstacles hindering openness to the world and Iran's inability to resolve the multiple economic and political crises hitting the country. Zarif, who is accredited with signing the nuclear deal in 2015 continued to face heavy criticism from the radicals within the Iranian regime, especially by those who consider sitting down with the US (the Great Satan) on the same negotiating table for negotiations to be an act of treason and against the principles of the Islamic revolution.

But it seems that Zarif submitted his resignation due to the fact that he was not informed of the meeting held between senior officials within the Iranian regime and the Syrian President Bashar al-Assad who visited Tehran in February 2019 for the first time since the beginning of the Syrian crisis. The presence of the Quds Force Commander Qassem Soleimani who was assassinated earlier this year in a US raid in the Iraqi capital Baghdad, was remarkable during this meeting, especially in the meeting between Hassan Rouhani and Bashar al-Assad.

The radicals who previously accused him of treason threatened not to allow him to leave Iran. Zarif reversed his decision to resign due to pressures exerted on him by the radicals or perhaps the supreme leader himself. This is in order to cover up crises and differences hitting the Iranian regime and putting an





end to the huge controversy that followed his resignation at home and abroad.

As to the government, accepting his resignation it would have been a huge loss for it, especially President Hassan Rouhani, who heavily relies on Zarif in the remaining period of his second term to run foreign policy.

### **3- Interrogating Zarif in Parliament due to His Remarks on Mmoney Laundering**

Due to the tremendous economic pressures to which Iran has been subject for years, the Iranian Foreign Minister Mohammed Javad Zarif in November 2018 attempted to defend the government by saying, "Many people benefit from money laundering. But it is certain that those who generate thousands of billions due to this operation can spend tens of billions to prevent the issuance of laws which prevent money laundering in Iran."<sup>(48)</sup>

These implicit accusations were considered to be leveled at those powerful within the Iranian regime such as the IRGC. This opened a floodgate of criticism, prompting Zarif to respond officially to the judiciary which rejected his remarks and called on him to clarify them and to present the documents he possesses.

These remarks came at a time when the Iranian government was continuing to deny international reports which warned countries of working with the Iranian financial system. These remarks were exploited by the radicals to heap blame on Zarif and the government whose President Rouhani seeks

to end whether by defending Zarif on one hand and bringing forth proofs corroborating the remarks of his foreign minister on another.

Since the beginning of 2019, Zarif has continued to follow up the issue of FATF regulations pertaining to money laundering and fighting terrorism with the Europeans. He held talks with the former European Union foreign policy chief Frederica Mogherini on those two files. He hoped that these regulations would have been approved in a last-ditch bid to maintain the nuclear deal and ensure support of the Europeans to establish new financial channels to circumvent US sanctions. But these hopes ended with the radicals rejecting the approval of such regulations.

In October 2019, the global regulatory body concerned with combating money laundering and financing terrorism, known as FATF, granted the Iranians a last grace period scheduled to end on February 4, 2020, to approve the regulations<sup>(49)</sup> in order to prevent placing Tehran on its blacklist. These new international pressures on the Iranian regime gave the radicals a pretext to continue their attacks on Zarif. He was accused of not doing enough to defend Iran when it comes to combating money laundering and financing terrorism. As a result, they called for him to be interrogated in parliament. Two Conservative lawmakers, Mohammad Javad Abtahi, representative of the city of Khomein, and Mujtaba Zulfour, representative of the city of Qom,<sup>(50)</sup> questioned him about his remarks on money laundering in Iran and the reasons why he did not defend Iran in this file. They also questioned him on why he had said

that there were groupings in the parliament that had blocked the vote on legislation to combat money-laundering and terrorist financing.

Zarif began his response by reiterating the assertion that defending the national interests of Iran is more important than the dispute among the political currents. This is in reference to Zarif being summoned to parliament by the radicals. He also defended the foreign ministry by saying that his ministry had done its utmost to confront Western actions against Iran in relation to accusation of money laundering.<sup>(51)</sup>

Unlike his previous remarks, Zarif cleared the regime of the ac-



cusations of it being an accomplice in money laundering, but said it is rampant in Iran. He said money laundering generates thousands of billions of tomans. In order to support his position and prove the correctness of his remarks, he wondered about the reasons behind executing Vaheed Mazlomian, known as the sultan of gold coins in December 2018<sup>(52)</sup>. He was accused of money laundering. Authorities found two tons of golden coins in his possession after he was accused of setting up a network for disrupting the economic and monetary system as well as hard currency in Iran.

Before the parliament session ended, Zarif apologized, saying he cannot continue to answer the questions, arguing that he is prompted to leave the parliament to attend a meeting at the Supreme National Security Council. This opened a floodgate of new criticisms, especially from the Conservatives who considered his storming out of parliament and not waiting to see whether parliament is convinced with his answers as an insult to parliament and a breach of regulations.<sup>(53)</sup> But hours after this controversy broke out, one of the members of the parliament's presidential body, Ali Asgharnejad, revealed that Zarif's permission to leave parliament was not aimed to belittle parliament nor was it a result of anger about the questions posed to him by lawmakers. The foreign ministry sent an official letter to the parliament, reiterating the importance and necessity of Zarif leaving parliament as early as possible to partake in the meeting of the Supreme National Security Council<sup>(54)</sup> which is headed by the president of the republic and its members include the parliamentary speaker, heads of the judiciary, army and IRGC commanders, as well as the chief of staff and other officials within the Iranian regime.

#### **IV- Despite Trials and Arrests Corruption Is on the Rise in Iran**

Corruption, a phenomenon cutting across Iran for years, has become one of the biggest challenges and crises facing the Iranian regime. Over the past few years, corruption networks have increased at a high pace, running through most of the regime's apparatuses. Corruption has reached record-breaking levels. This demanded the creation of special courts to try those involved in corruption.

Corruption which has been eroding the Iranian economy has led to an increase in poverty, economic recession, unemployment and inflation as well as weakening public and private production. Maybe what increases the dangers posed by corruption is that it cuts across a large number of the regime's institutions such as the government, parliament, judiciary, IRGC, insurance firms, banks, private factories and firms.

This phenomenon prompted the leaders of the Iranian regime to publicly speak of corruption and ways to combat or curb it. It also prompted others to demand harsh measures against those involved in corruption. The officials included Ali Motahari, a member of parliament and the son of the prominent

revolutionary cleric Mortaza Motahari— who was assassinated in 1980. He presented a suggestion to President Rouhani in order to combat corruption. He suggested that Rouhani should pursue the highest levels of transparency by disclosing the names of institutions and organizations involved in corruption in order for the judiciary to perform its role in convicting those involved in corruption.

But Motahari, despite his call for transparency, attempted to clear senior officials within the Iranian regime of corruption by saying that the hands of senior officials within the regime are not stained with corruption, but the existence of corruption among the regime's senior officials cannot be denied<sup>(55)</sup>

Also, stern warnings have been launched from within the Conservative regime against the danger posed by this phenomenon for the future of the Iranian regime. A member of the Expediency Discernment Council, Ahmed Tawakoli, warned of what he described as rampant corruption within official state apparatuses. He considered that the Iranian regime will not fall due to a coup, war or military campaign, but it may fall due to chronic corruption.<sup>(56)</sup>

The most important types of corruption in the country include the exploitation of state resources by officials to benefit themselves and their relatives and friends at the expense of national interests, rent-based profiteering, exploitation of banking resources, embezzlement, colossal wages, seizure of government-controlled plots of land, tax evasion, smuggling goods/hard currency and monopolisation of economic sectors.

### **1- New Courts to Try Those Involved in Financial Corruption**

The former head of the judiciary Sadiq Amoli Larijani was the first to float to the supreme leader Ali Khamenei the idea of establishing courts to fight financial corruption. The aim was to tackle crimes related to financial corruption. After the approval of the supreme leader, it was agreed to establish courts specialized in fighting corruption only, which would work side by side with the revolutionary courts that investigate political and security crimes.

On the directions of the supreme leader, it has been reiterated that the verdicts issued by these courts are ultimate, binding and unchallengeable, except for death verdicts.<sup>(57)</sup>

After the radical Ebrahim Raisi was appointed as head of the judiciary, these courts have become more pragmatic than what was seen during the era of Sadiq Amoli Larijani. Raisi made the issue of combating corruption his top priority. Maybe he is prompted to do so due to the directives of the supreme leader in an urgent bid to tackle the consequences of the US sanctions which have blocked a lot of critical revenue sources once available for the Iranian regime which it had used to support its activities at home and overseas. These directives appeared in the speech delivered by the supreme leader in March 2019 when he appointed Ebrahim Raisi as head of the judiciary. Khamenei reiterated the necessity of uprooting corruption.

Although corruption is a real impediment for the Iranian regime, Khamenei's reiteration of the necessity to wipe it out carries other indications other than merely fighting corruption, on top of which comes polishing the bad image of the judiciary in the minds of the Iranian public. The judiciary is accused of partiality, lack of transparency and politicizing trials. Over the past few years, the judiciary and its former chief Sadiq Amoli Larijani faced charges of involvement in corruption cases. Also, the former Iranian President Mahmoud Ahmadinejad stirred up controversy about it in the Iranian public when he described officials of the judiciary as the source of corruption.

The second indication is that Khamenei wanted to send a message to the public that the Iranian regime is serious this time when it comes to combating corruption and stopping heavyweight economic and political figures accused of embezzlement.

The third indication is standing up to corruption, which has devastated the Iranian economy. This may represent a timely opportunity for Ebrahim Raisi, who seeks to become the supreme leader in the future, to improve his image in front of the Iranian public. He along with others is held responsible by Iranians





for the 1988 executions carried out against thousands of political prisoners.

To prove how far he is serious in combating corruption, Raisi began his mission by fighting corruption within the judiciary. He ordered the arrest of Akbar Tabari, the executive assistant and director general of financial affairs of the judiciary under the former head of the judiciary and present head of the Expediency Discernment Council Sadiq Amoli Larijani, on corruption charges. Up to 60 judges have been dismissed on charges of committing irregularities<sup>(58)</sup>. The number of bank accounts affiliated with the judiciary, an issue raised under the former head of the judiciary Sadiq Amoli Larijani, have been reduced from 63 accounts to 5 accounts only.<sup>(59)</sup>

## 2- The Most Important Trials

Over the past few months, a large number of officials in different sectors have been arrested on corruption charges. During a brief period since the establishment of the corruption courts, it has been announced that verdicts have been issued against 978 people accused of committing acts of corruption. Verdicts have ranged from being banned from government posts, executions, imprisonment, life imprisonment, dismissal, exile and flogging.<sup>(60)</sup>

The anti-corruption purge has impacted two Conservative lawmakers in the parliament: Feredon Ahmadi and Mohammad Azizi on charges of causing disruption in the automobile market. They were locked up at Evin prison after they failed to secure the bail bond. After spending three days in jail, they were released after direct intervention from the parliamentary speaker Ali Larijani. On the following day, they appeared in a public parliamentary session, which provoked a firestorm of criticism, including the message sent by Ahmed Tawakoli, a member of the Expediency Discernment Council to Ali Larijani, in which he criticized the latter for mediating to ensure the release of the two lawmaker who are facing corruption charges.

The anti-corruption purge also included the chief executive of Iran Khodro, Hashem Yakeh Zarea, after he was sacked on administrative and economic corruption charges. Also, the head of the privatization organization, Abdullah Pur Hosseini, was arrested.

But the most prominent incident during these trials is the ruling issued against Hossein Feredon, brother of President Hassan Rouhani to be sentenced to five years in jail over his involvement in committing financial crimes.<sup>(61)</sup>

The significance of this trial lies in the fact that the perpetrator is the brother of President Hassan Rouhani and his personal adviser. He held important positions within the Iranian regime such as the governorship of Karj and Nishapur and was Iran's ambassador to Malaysia. Before signing the nuclear deal, he was a member of the Iranian negotiating team.<sup>(62)</sup>

### 3- The Criticisms Levelled at the Anti-corruption Courts

Since Raisi took over responsibility to combat corruption, there have been doubts due to the existence of nepotism and bribes in the political system as well as the lack of transparency and involvement of heavyweight regime apparatuses in corruption. This is in addition to the institutions that deem themselves as being above accountability. Also, there are regulatory bodies such as the parliament and inspection organization that are not performing their role in fighting corruption.

The first accusation leveled at these courts was from President Hassan Rouhani who a few weeks ago lodged a protest with Ebrahim Raisi against the trial of his brother due to the political victimisation that the anti- economic corruption courts are witnessing.<sup>(63)</sup> It seems that when Rouhani spoke of the victimisation, he meant that the courts aim to settle scores among political currents. Some Reformist activists shared this viewpoint with him. They blasted the method of the judiciary in fighting corruption, which they described as discriminatory.

The activists asserted that these courts do not deal with the corruption charges brought against the institutions controlled by Khamenei and those close to him.<sup>(64)</sup>

The only credibility and justice of courts is based on them investigating all institutions without any exception. But as days went by, none of the legal members of the committee to fight corruption came forward to open an investigation into the activities of the institutions and entities which are beyond accountability due to their indirect connections with the supreme leader. They include the Mostazafan Foundation, the Foundation of Martyrs and Veterans Affairs, the Execution of Imam Khomeini's Order, the Relief Committee, the Razavi Shrine which is responsible for the Imam Reza shrine in the city of Mashhad, the Khatam al-Anbiya Construction Headquarters and the IRGC.<sup>(65)</sup> This means that several institutions within the Iranian regime will remain beyond the scope of these courts' jurisdiction.

It seems that the accusations leveled at the judiciary of politicizing trials and confining them to certain institutions while excluding others are a result of facts on the ground. This includes confining investigations to certain institutions and individuals while excluding others. So far, no judicial case has been filed against the IRGC, the office of the supreme leader or even the inner circle around him despite the multiple criticisms and accusations leveled at them. During the past few years, the committee formed to fight economic corruption, which the supreme leader himself called for establishing in April 2001, failed to hold accountable any military commander, especially IRGC commanders, or any official working in the institutions controlled by the supreme leader.

Perhaps the reason for this is the ultimate control by the supreme leader over this committee and the judiciary, whose president is appointed by him and he should be one of his loyalists and supportive of his policies. The supreme leader rejected in the past making the institutions affiliated to him subject to oversight. This is clear in the remarks of Abbas Nabavi, a cleric close to the supreme leader, who asserted before a group of Ansar Hezbollah members that Khamenei opposed the intervention by the supervision and oversight committee of the Assembly of Experts in the details of the performance of the institutions affiliated to him personally.<sup>(66)</sup>

The new ranking by Transparency International about corruption in the Iranian government revealed increasing corruption. Iran declined 8 positions and occupied the worst position in recent years, 146<sup>th</sup> place after it was 138<sup>th</sup> in the last ranking. This means that the anti-corruption purge led by Ebrahim Raisi has failed so far to achieve its objectives<sup>(67)</sup> and that corruption is continuing to rise in the country despite the ongoing trials.

## **V- Future of the Political Situation in Light of the Current Challenges**

It has been clear during the recent protests that part of the middle class took to the streets and partook in the protests along with the working and poor segments in society. This means that the middle class began to be affected by the economic situation. In light of the continued economic pressure, this class is highly likely to lead any coming protests which Iran could witness.

The high participation in the presidential, parliamentary and the Assembly of Experts elections, is one of the criteria used by the regime to prove its legitimacy. The parliamentary elections that will be held on February 21, 2020 are expected to witness a low turnout compared to the elections held in the past years. It seems that the intensive propaganda spread by media outlets to call on citizens to partake in the polls is indicative of the regime's concern that a large segment of the population may shun the polls. This increasing sentiment of frustration towards the Reformists and anger about their silence in the face of the repression inflicted on protesters, in addition to the radical position of the Conservatives who strongly stood against the protesters, may negatively impact the coming elections.

The Iranian regime may also resort to dispersing any protesters gathering in the coming period as it fears the protests growing further and the protesters going beyond limited political and economic demands to more dangerous demands which target the existence of the regime.

Given the fact that the radicals who are holding a tight grip on the regime's trajectory and strongly reject any change beyond the scope they endorse will look upon any call for reforming the regime as a conspiracy interwoven by the enemies of the revolution at home and abroad in order to undermine the regime. In light of the current situation in Iran and the Conservatives' rejection of engagement with the outside world, it can be said that Zarif's departure from the foreign ministry

or remaining in office will not be useful for Rouhani's government. Since the anti-corruption purges led by the Conservatives may be aimed to achieve electoral targets, there will possibly be a surge in the coming period, especially in the lead-up to the elections scheduled in 2021.

Through the previous analysis and conclusions, it can be said that in light of the continuation of the US sanctions, the decline in sales of oil and the huge deficit in the Iranian budget which will be effective as of March 2020, the Iranian regime is likely to face more economic hardships, which makes the outbreak of protests likelier. As the Iranian government has been thrust into a dark economic tunnel given the limited options at hand, the Iranian regime may resort to taking new economic decisions such as increasing taxes, and removing subsidies from some basic and necessary commodities. At this point, the Iranian citizen who is monitoring the situation and will find no way but to take to the streets to denounce the government and the regime alike.

As to the relations between the government and Conservatives, it is expected that the Conservatives will continue pressuring it, especially Rouhani and his Foreign Minister Mohammed Javad Zarif. The two men may shun being involved in new differences with the radicals as their term is about to end and they seek to maintain their political future. As to the judiciary, which faces huge criticisms related to politicizing trials, it is expected that some sham investigations and trials may be carried out against parties close to the supreme leader in order to pave the way for broader trials against government officials and Reformists to prove that the trials are not politicized.

## **Conclusion**

By referring to the nature of the political developments witnessed in Iran throughout 2019, we find that most of their root causes are related to Iran's relations with the outside world. The decision to raise the prices of gasoline came due to economic pressures resulting from US sanctions against Iran. Also, Rouhani's call for a referendum focused this time on figuring out public opinion on Iran's foreign relations, especially with the US. Maybe Rouhani wanted a referendum on negotiations with the US as he believes that this is the only option his government has in the current period to overcome the economic crisis which has become a source of threat for the regime.

Zarif's interrogation in parliament was due to his anger at the intransigence of the radicals who rejected the signing of key FATF regulations (combatting money laundering and financing terrorism), which Europe is exerting pressure on Iran to approve. Even the resignation, turned down by President Rouhani, was because of Zarif being ignored during the meetings between senior Iranian officials and a foreign president, Bashar al Assad during his visit to Tehran in 2019, not as a result of differences between him and President Rouhani and members of his government.



# The Economic File

**The imposition of harsh US sanctions on the Iranian economy in 2018 had a huge impact on economic growth, oil exports, inflation rates, unemployment, Iran's trade with the outside world, the level of foreign exchange reserves and exchange rates. These sanctions did not significantly modify Iranian regional behavior and its expansionist objectives in the region.**

But the economic situation was much more dangerous in 2019, at both the macro economic and livelihood levels. This pushed President Hassan Rouhani to describe the situation as the worst economic crisis the Islamic Republic has ever faced. Therefore, the current file aims to discuss the Iranian economic situation throughout the year and its impact on society. It will also attempt to forecast the future of the economy in 2020 and the ability of the incumbent government to be resilient at home and overseas in light of the current and future challenges.

In order to provide readers with an overview of the Iranian economy and its nature, it can be said that the Iranian economy has several strengths but at the same time suffers from multiple weaknesses. Foremost among its strengths is its geographic location, its natural resources and fertile lands. The Iranian subsoil contains the second-largest gas reserves in the world after Russia and the fourth-largest proven oil reserves. This is in addition to the commercial importance of its location overlooking the Strait of Hormuz.

Before the imposition of sanctions, Iran was one of the major oil exporters in OPEC. It has an industrial sector with some specialized industries such as iron, steel, petrochemicals, and automobiles, as well as an agricultural sector that permits self-sufficiency to a certain extent at times of economic blockade. The country is also famous for some traditional exports such as nuts, saffron, caviar and hand-made carpets. This is in addition to possessing a surplus of low-cost labor.

On the other side, the Iranian economy suffers from dangerous structural weaknesses, including financial and administrative corruption, the state and military establishment's control over economic activities, the quasi-absent role of the private sector, lack of competitiveness and reliance on the unstable hydrocarbon sector to secure development revenues. Another weakness is the conflict between the government's economic interests and its ideological objectives which have resulted in a strained global and regional policy throughout the age of the revolution. This has had a significant impact on the economy and the everyday lives of Iranians over the past 40 years.

The economic file will touch on three main axes: the first axis focuses on discussing Iran's economic performance indicators during 2019, such as economic growth, and productivity, as well as the commercial, financial and monetary situation of the state. The second axis is dedicated to discussing the impacts of this performance on Iranian society such as inflation, employment, unemployment, poverty rates, and levels of popular satisfaction (i.e. public opinion). The third axis will forecast the future of the economy during 2020 and the ability of the Iranian government to remain resilient in the face of economic sanctions in light of more than one future scenario.

# IRAN'S ECONOMY IN

# 2019

GEOGRAPHICAL AREA

1.6  
MILLION KM<sup>2</sup>

OFFICIAL CURRENCY: **TOMAN**

DOLLAR VALUE = **13,130** TOMANS BY THE END OF THE YEAR  
ON THE FREE MARKET

GDP

458.5

\$\$\$\$\$\$\$\$\$

BILLION DOLLAR

ABOR FORCE

27.3

↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓

MILLION PEOPLE

POPULATION

83.3

↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓

MILLION PEOPLE

INFLATION RATE

31.1%

UNEMPLOYMENT  
AMONG UNIVERSITY  
STUDENTS

43.3%

UNEMPLOYMENT  
IN THE AGE GROUP  
(15-24)

25.8%

ECONOMIC  
GROWTH

9.5% ▼

TRADE BALANCE

12.3 -

\$\$

BILLION DOLLAR

BUDGET DEFICIT

% 5.9

FOREIGN DEBT

5.6

\$

BILLION DOLLAR

FOREIGN RESERVES

73

\$\$\$\$\$

BILLION DOLLAR  
(ESTIMATE)



## I- Economic Performance Indicators During 2019

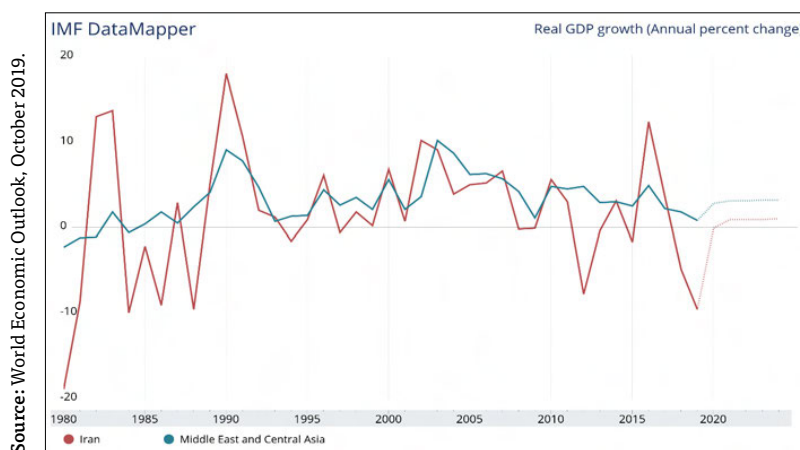
Here we touch on the most important indicators in order to highlight the performance of the economy during 2019. We will analyse Iran's gross domestic production (GDP), and the performance of its economic sectors, as well as economic growth in the country's locomotives. Then we will move on to the situation of Iran's current and trade balances, the financial situation of the state and finally we shall look at Iran's exchange rate, the volume of foreign exchange reserves and debts.

### 1- Growth of Real GDP and the Performance of Economic Sectors

The Iranian economy has been ranked as the second-biggest economy in the Middle East after the Saudi economy in 2019 in terms of GDP.<sup>(68)</sup> According to variable prices, GDP reached \$458 billion, compared to \$780 billion for the Saudi economy.<sup>(69)</sup>

The year 2019 has been the worst for the Iranian economy's growth in the past three decades given that the economic downturn reached its peak this year. The growth in GDP based on fixed prices, according to the estimates of the International Monetary Fund (IMF) reached 9.5 percent. Figure 2 reveals the staggering fluctuations which the Iranian economy experienced since the 1979 revolution while the economies of the Middle East and Central Asia are still posting positive growth rates over the same period of time. This sharp contraction witnessed by the Iranian economy is attributed significantly to the impact of the US sanctions imposed on Iran since May 2018, which targeted in the first place oil exports, foreign trade, and Iran's banking transactions with the world. This is in addition to the Iranian government's insistence on reducing spending on development and pursuing austerity policies in order to cope with the decline in its financial revenues. The government depends on taxes and oil exports.

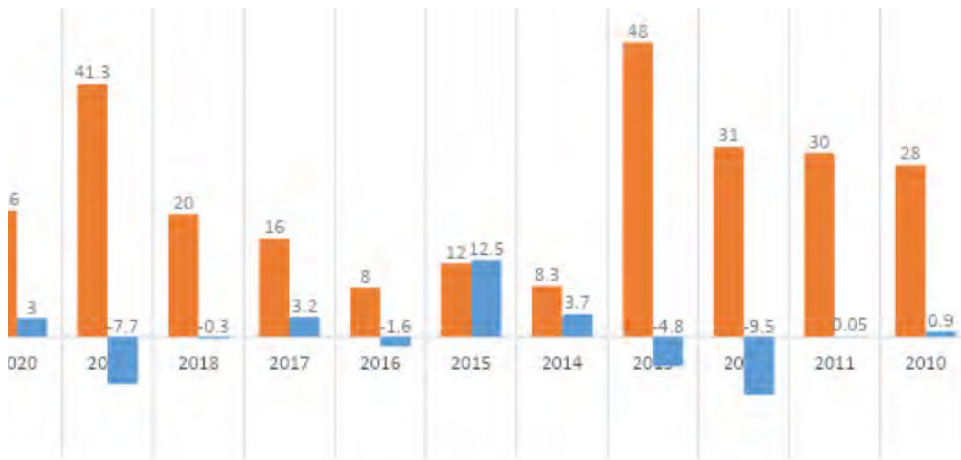
**Figure 2: Real GDP Growth Rates in Iran, the Middle East and Central Asia (1980-2020)**





The situation did not stop at this dangerous economic downturn. Furthermore, the recession was accompanied by sharp inflation or what is known as stagflation during 2019. This year is the focus of this study. It is one of the most difficult economic situations for people and countries alike as it combines economic recession and soaring prices, which leads to a decline in incomes and jobs on the one hand, and a rise in prices on the other. This situation began specifically in 2018 with a recession which reached 5 percent and inflation which reached 48 percent. The situation worsened in 2019, where a major 9.5 percent recession was posted, and an inflation rate of 31 percent which is still tremendous. This stagflation is more severe than that witnessed previously in 2012 and 2013 as Figure 3 shows us. In the near future, expectations persist that inflation will be accompanied by recession throughout 2020, especially following the recent tensions between Washington and Tehran after the assassination of Soleimani.

**Figure (3) Stagflation in Iran (2020-2021)**



Source: Data of the International Monetary Fund: World Economic Outlook Data (October 2019)

Prepared by: The Economic Studies Unit at the International Institute for Iranian Studies.

## **2- The Situation of Production Sectors and Locomotives of Growth in Light of Sanctions:**

Reimposing harsh sanctions impacted the production of most key economic sectors in Iran. Oil production was affected the most by sanctions, which impacted the entire economic situation of the country during the study's period of focus. This is because oil exports make up nearly 40 percent of the Iranian budget's revenues and account for 60 percent of foreign currency

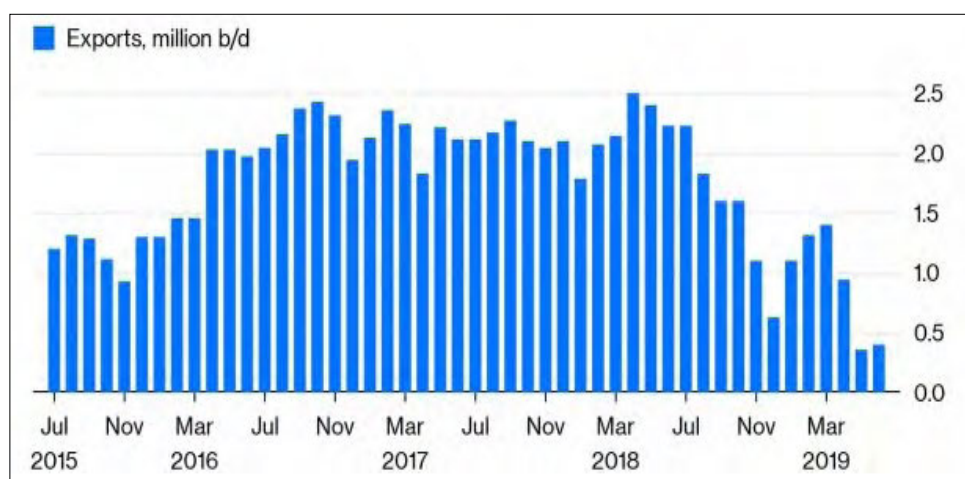


flowing into the country. Oil production has strongly declined in Iran, down from 3.8 million barrels per day in 2017 to 2.1 million barrels per day until November 2019, which is the lowest production rate since 1980.<sup>(70)</sup>

As for the level of the country's oil exports, it decreased from 2.5 million barrels per day during 2016, to less than half a million barrels per day starting in April 2019 (see Figure 4). It declined to an even lower level in November of the same year at 125,000 barrels per day.<sup>(71)</sup>

This is in addition to suspending Iran's ambitious plans to increase gas production and export it from the South Pars field to neighboring countries and Europe via Turkey. On the other side, Iran attempts to reduce the impact of sanctions by increasing investments in the production and export of petrochemicals, which make up about 35 percent of the total non-oil exports of the country and brings in \$17 billion in revenues every year.

**Figure 4: Exports of Iranian Crude Oil in 1 Million Barrels per Day (2015-2019)**



Source: Bloomberg Tanker Tracker

Industry is one of the most important sectors in the Iranian economy, and it absorbs a huge part of the local labor force. It has been severely affected by sanctions which targeted some of its specialist areas, especially the manufacture of car parts and spare parts, which makes up approximately 10 percent of the country's GDP. Auto spare parts were among the areas targeted by the first package of sanctions in August 2018. Therefore, this industry specifically lost about 25 percent of its production capacity during the last eight months of the Solar Iranian year 1398 (March through October 2019, compared to the same period last year). This led thousands of workers in this

industry to lose their jobs. The performance of the iron and steel industry was somehow better off as it posted 6 percent<sup>(72)</sup> growth<sup>(73)</sup> despite being hit by US sanctions. The intensive domestic use of Iron and steel in construction, and military development, boosted growth in this sector. This is in addition to iron and steel exports to some neighboring countries. Iran is considered among the 10 major steel manufacturers in the world.

Agriculture in Iran was impacted by flooding which hit the country in April 2019. This caused devastation to crops and agricultural land. It is known that the irrigation system in Iran heavily relies on rainfall. The agricultural sector posted a negative growth rate of 6 percent throughout the year as it was impacted by both floods and sanctions. The sanctions on the banking system impacted Iran's access to important agricultural imports such as fertilizers and agricultural equipment. Also, the growth of the service sector declined 3 percent according to the estimates of the Economist Intelligence Unit.<sup>(74)</sup>

The service sector plays an important role in the Iranian economy as it contributes the largest share to the country's GDP (51 percent) and employs 50 percent of the total workforce in the country, which is equivalent to 12.2 million workers. It employs Iranians in many fields including retail and wholesale trade, transportation, health, insurance, tourism, real estate and banking and financial services.

The wheels of economic growth in Iran such as local and foreign investment as well as government and private consumption, have been affected due to the economic sanctions. The decline in government resources has impacted government spending in general and spending on development and investment in particular. Meanwhile, rising prices in the country impacted private/family spending in particular. Growth in both of these declined to -3 percent and -6 percent during the year under review.

Fixed total investment also went down by about 7.5 percent, while information was not available on foreign direct investment (FDI) entering Iran during the year. But it has dipped since the beginning of the implementation of the sanctions, and posted a decline of 30 percent in 2018, amounting to \$3.5 billion. It is likely that FDI witnessed a further decline in 2019, though there was a brief statement by the Iranian Minister of Economy Farhad Dejpas in which he mentioned a 32 percent growth in FDI during the first nine months of the Iranian year.<sup>(75)</sup> Such statements are common from the Iranian government in times of crises. They are inconsistent with confirmation of FDI withdrawal from vital sectors in response to US pressures such as the retreat of Chinese firms from investing in Iran's oil and gas fields. This is in addition to the flight of local capital from the country which has been transferred to neighbors such as Turkey as people aimed for safer investments such as in the real estate sector.

### 3- Iranian Foreign Trade

Iranian foreign trade declined during 2019 to a degree which impacted its foreign exchange reserves, social welfare and its ability to meet its import requirements. Sanctions on the banking and oil sectors were behind the decline in Iranian exports, both oil and non-oil, throughout the year. The decline of imports is attributed to the banking sanctions as well as the obligatory ban imposed by the Iranian government on more than 4,000 products which are classified as unnecessary and luxury in order to curb the smuggling of foreign currency outside the country. This is in addition to the failure of the financial mechanism INSTEX to find any commercial channels to enable foreign firms to conduct business with Iran or at least oil the wheels of trade between Iran and Europe, which is the second-biggest trading partner for Iran after China.

Table 1 shows that the total Iranian trade, oil and non-oil, with the outside world declined 30 percent during the period from 2017 to 2019, down from \$174 billion in 2017 to \$122 billion in 2019 amid expectations that this decline will continue until the end of 2020, according to the Economist Intelligence Unit. Perhaps it will see a slight improvement in 2021.

It is worth noting that the International Monetary Fund estimated the current balance for 2019 would post an estimated deficit of \$12.5 billion. The figure contradicts the estimates of the Arabic Information Unit for the same year, which expected a surplus (\$4 billion), albeit small, compared to previous years. In any case, the variation in estimates is understandable, especially with Iran's reservations on publishing many statistics during times of economic sanctions.

**Table of Iran's Trade Balance (2015-2021)<sup>(76)</sup>**

	2015 A	2016 A	2017 A	2018 B	2019 B	2020 C	2021 C
Net trade balance	5.3	21	22.6	22	5.7	4	8.4
Iran's total trade with the outside world	120.6	147	173.7	167	122	113	118
Net current balance	1.2	16.4	15.8	17.1	4.1	2.4	6.4

A- Actual Information

B- The Report of the Economist Intelligence Unit

C- Economic Forecasts Published by the Economist Intelligence Unit

In regards to Iranian non-oil trade, including exports and imports which do not include oil and some of its derivatives such as kerosene, it posted \$64 billion during the first 10 months of the Iranian year until December 2019, a 3 percent decline compared to the same period last year. The most important destinations for Iranian exports during that period of time were China, Iraq, Turkey, the UAE and Afghanistan. China has the lion's share of Iranian exports in terms of weight (25 percent) while Turkey occupied first position as the highest recipient in terms of value (12.4 percent). The main sources of Iranian exports were China, the UAE, Turkey, India and Germany. Iranian non-oil exports included petrochemicals, soda, carpets, agricultural products such as pistachios and caviar. Meanwhile, imports included basic grains such as corn, barley, rice, oils, medicines, spare parts and industrial equipment.

It was noticed during the study that there has been a striking decline in trade between Iran and the EU, by 73 percent, which is the second-biggest trade partner for Iran after China. This decline is due to the fear of European firms in conducting dealings with Iran as they may be hit with US sanctions or denied access to the US market, which is more important to them than the Iranian market. This is in addition to the ineffectiveness of the European financial channel INSTEX.

Also, Iran's non-oil exports to Iraq went down, making Iraq the second-biggest recipient of Iranian exports in 2019 following the popular protests and political tensions that hit Baghdad in 2019. In 2018, Iraq was the top recipient of Iranian non-oil exports. However, Iranian products still make up 25 percent of total Iraqi imports.<sup>(77)</sup>

On the other side, Iran seeks to activate its trade relations with neighboring countries in order to mitigate the impacts of the economic embargo on its exports. Therefore, it signed preferential trade agreements with Asian blocs such as the Eurasian Economic Union, which includes some Iranian neighbors, foremost among them is Russia.

The commercial decline over the past two years will have an adverse impact on the Iranian government and society in the future. This significant decline signals a slowdown in economic growth, a decline in consumer goods, and a dip in foreign exchange reserves available for the government to finance its objectives overseas compared to the pre-sanctions period.

This is in addition to social impacts as a result of welfare cuts and the lack of access to imported goods, resulting in a sense of deprivation after the glut that existed in the two years preceding the imposition of the recent sanctions. This will have an impact on the people and will undermine the government's popularity if this situation remains unchanged.

#### **4- The Financial Situation of the State**

Analyzing the financial performance of the state reveals several important

issues, including its ability to run the affairs of the country in the present or the future, setting spending priorities and the strength or fragility of its financial resources, which are indicative of whether it has the ability to perform its executive duties. In brief, the financial situation of the government was very fragile during 2019, which prompted it to reconsider its budget estimates after the budget was approved which we will review in detail in the lines to come.

The Iranian government mistakenly estimated the level of its oil exports at 1.5 million barrels per day in the 2019/2020 budget. It did not expect that oil exports would decline so severely after the United States cancelled the sanctions exemptions granted to eight countries to continue importing Iranian oil at the end of April 2019. This miscalculation led to the creation of a huge deficit in budgetary resources, forcing the government to reconsider its financial position in July 2019, i.e. just four months after Parliament approved the fiscal plan for the next fiscal year. It reduced its estimates to only 300,000 barrels per day, and began to search for alternatives to fill the budget deficit. Budget revenues are dependent on oil exports and taxes, with the former contributing 40% to the budget.

Lowering the oil revenue forecasts in the current year led to the creation of an unexpected deficit of 140 trillion tomans (\$33 billion according to the official exchange rate where one dollar is equivalent to 4,200 tomans), which makes up nearly 32 percent of the total budget.<sup>(78)</sup>

Therefore, the government is committed to finding a solution to fill this deficit or totally overcome it. The government decided to address this deficit via two simultaneous methods. The first depended on reducing spending as much as possible and the second depended on increasing its resources via non-oil means such as withdrawing funds from the National Fund for Development, borrowing from local banks via selling government bonds (the two methods secured \$15 billion), selling assets owned by the state, and withdrawing from the foreign exchange surplus in the current account.

To reduce expenditure and overturn the financial deficit, the government decided to cancel the approved development allocations for the year while authorizing expenditures to pacify the people, which it had previously approved. These included bonuses to government employees, subsidizing some commodities to contain the people's anger due to the price of food, medicine and basic commodities rising due a shortage in the domestic market as result of a deficit in imported goods.

A quick look at the Iranian financial plan during the year 1398 AH, corresponding to March 21, 2019-March 20, 2020, reveals the government's interests and orientations when it comes to spending (see Table 2). In the first bill introduced to the Iranian Parliament before the reduction in July, the budget was equal to 480 trillion tomans.<sup>(79)</sup>

The government planned to depend on taxes as its main source of revenue



during the year, with taxes estimated to contribute 43 percent of the total budget revenues, and oil revenues 27 percent, on the basis of exporting 1.5 million barrels per day at a price of \$54 a barrel before reducing it to 300,000 barrels later. This is in addition to searching for other sources of budget financing, such as selling government bonds and assets.

We notice the priorities of the Iranian government in terms of spending as follows: the biggest portion of spending allocations is dedicated to operating expenditures which include wages, costs, maintenance and funding government apparatuses and departments. These expenditures are equal to 320 trillion Iranian tomans, or 67 percent of the total spending allocations (Figure No. 1).

The government focuses heavily on dedicating sufficient expenditure for investment or for basic productive sectors such as agriculture and industry compared to the service sector such as security, defense, media and religion.

The government paid attention to several social issues in a bid to contain popular anger due to rising prices and the impact of US sanctions. This included increasing wages of employees in the public sector by 20 percent. It also allocated \$14 billion for importing basic commodities according to the official exchange rate (4,200 tomans per dollar) and delayed the increase in gasoline prices for another year. But the government retracted this decision in November 2019 as the financial crisis exacerbated.

**Table 2: The Distribution of the Iranian Budget's Expenditure in the Budget Bill of 1398 AH (2019-2020)**

Aspects of spending	Value (in trillion tomans)
Current and operating expenditures	300
Security and defense	62
Construction and infrastructure	62
Education	43
Health	35
Subsidies and combating poverty	7
Total budget	480

Source: The International Institute for Iranian Studies (Rasanah)

As for the financial deficit of the Iranian government, it is estimated to be 5.9 percent of the GDP, which is equivalent to \$30 billion.<sup>(80)</sup> This is the highest deficit level posted since 200, clearly revealing the acute financial crisis which the Iranian government is facing. Iranian officials estimated the deficit to be between \$24 billion to \$36 billion<sup>(81)</sup> at a minimum. Iran always resorts to financing its deficit via inflationary tools, which ultimately leads to inflation rates increasing, such as by printing banknotes and increasing liquidity in the economy, before improving production conditions.

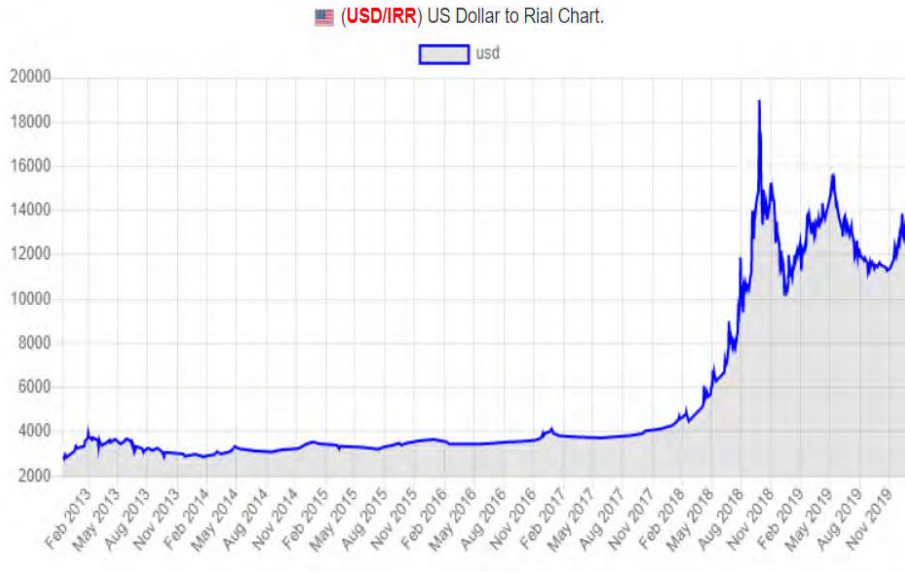
For the second time throughout the year, Iran failed to achieve the level of oil exports targeted in July 2019, equivalent to 300,000 barrels per day, as exports of oil declined to an all-time low in November as we earlier indicated in the part related to oil exports. Officials, most notably President Hassan Rouhani, promised to bring down reliance on oil revenues in the budget of 2020-2021 to zero<sup>(82)</sup> but he could not fulfill his pledge (the decline in tax revenues coincided with the decline in oil exports) and was compelled to introduce the new budget bill to Parliament in December 2019 amid continued dependence on oil by a percentage of 14 percent.

This precarious economic situation will force the government to further reduce expenditures in the future. It will curb the government's ability to run and manage the state's day-to-day affairs including investment in desperately needed public services and facilities. It may also hinder the government from fulfilling all its obligations such as paying wages and pensions without resorting to inflationary tools such as printing banknotes and borrowing.

## **5- The Exchange Rate, Reserves and Debts**

Due to a set of geopolitical variables which were witnessed throughout the year, the Iranian local currency (the toman) was dealt severe blows which impacted its value, reducing it by half. These factors also led to an increase in the exchange rate of foreign currencies, foremost among them the US dollar. This impacted the level of foreign exchange reserves available to the government. The most prominent among these variables was when the United States imposed sanctions for the first time in the history of the Islamic Republic on the Supreme Leader Ali Khamenei himself and his senior advisers. The move was in response to the downing of a US drone over the Strait of Hormuz. Then the United States imposed economic sanctions on financial institutions in Iran, most notably the Iranian Central Bank and the Sovereign Fund following the announcement that Iran was involved in the attacks against the Saudi Aramco oil facilities on September 14. The attacks caused Saudi Arabia to lose 50 percent of its oil production capacity. Last but not least were the protests that broke out in November following the scrapping of gasoline subsidies. After each of these events, the exchange rate for the dollar rose sharply for a certain period of time and then stabilized. But it rose on a cumulative basis as each of these events took place (see Figure 5).

**Figure 5: The Dollar Exchange on the Free Market Against the Iranian Local Currency (2013-2019)**



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

In general, the local currency (toman) lost at least 50 percent of its value against foreign currencies at free market prices during the past year and a half, which means that this occurred following the imposition of US sanctions on the Iranian economy. The average price of the US dollar was 13,500 tomans in early December 2019 (after new popular protests broke out in mid-November of the same year after the rise in gasoline prices).<sup>(83)</sup> The Iranian currency did not see a sharp decline at such rates during any other period of sanctions faced by Iran during the last several decades. The decline in the value of the local currency had serious inflationary impacts which were felt by all Iranians during the year. This will be highlighted in the second part of this analysis.

As to the level of foreign exchange reserves, there is no doubt that there was a decline despite the denial of the Iranian government. Foreign exchange reserves were impacted by the trade deficit as a result of the commercial and banking embargo that has been in place since August 2018. This is in addition to the sharp decline in Iranian oil exports. Iran usually does not disclose the level of its foreign exchange reserves, but estimates by The Institute of International Finance suggest that it declined by \$40 billion over the past two years<sup>(84)</sup> to reach \$73 billion by March 2020. The Institute suggested that the decline will continue until it drops to only \$20 billion in 2023 if the economic recession continues. On the contrary, there were brief remarks by the Governor of the

Central Bank earlier in 2020 when he said that the foreign exchange reserves reached good levels not witnessed in decades.<sup>(85)</sup> He gave no details about the level of the reserves. But his remarks are suspicious given the economic realities of the country.

Iran pursues a conservative policy when it comes to foreign debts. It resorts to debts only on very limited scales. Iranian foreign debts were estimated to be \$5.6 billion in 2019, down from \$6.3 billion in the previous year. On the other hand, it prefers to resort to local borrowing whether from the Iranian Central Bank or local banks. It delays paying off its local debts such as those owed to the health insurance and pension sectors. Hence, the percentage of debts measured against GDP reached 31 percent in 2019 according to the estimates of the International Monetary Fund. Although the level of Iranian debts measured against GDP is not insignificant, it is not dangerous either. This percentage is still under control compared to countries which have the same population such as Egypt whose percentage of debts measured against GDP in the same year (2019) reached 85 percent.

At the end of the first part of this analysis, which discussed the most prominent economic performance indicators in Iran throughout the year such as growth and the reasons behind it, and the performance of productive sectors, as well as the financial, commercial and monetary situation of the state, we can arrive at several facts and conclusions which we can sum up as follows:

**1-** In 2019, the Iranian economy experienced a dangerous recession which the country has not witnessed in the past three decades. It reflected the extent of Iran's economic deterioration. US sanctions were the main reason behind this recession, which measured 9.5 percent. Most production sectors were impacted, most crucially Iran's energy exports which are vital to the Iranian economy. Other affected sectors include the auto industry and the service sector, which is the largest contributor to the GDP and the country's largest employer. This recession coincided with a chronic inflationary spiral which affected living standards, purchasing power, and the state's expenditure on development.

**2-** The revenues of the Iranian state, generated from oil exports, have evaporated in a way that Iran never expected when it was preparing its annual budget. This has significantly impacted its financial status and prompted it to withdraw money from its sovereign wealth fund, borrow and slash spending on development projects in order to merely fulfill its basic commitments such as to pay wages and pensions as well as to keep state facilities operational.

**3-** Iranian foreign exchange reserves declined by nearly \$40 billion over the past two years. The Iranian local currency also lost at least 50 percent of its value against the US dollar over the past year and a half. The Iranian trade balance posted a deficit amid the decline in oil exports and trade in general with major partners such as the European Union and due to the failure of the

European mechanism INSTEX to facilitate trade between European firms and Iran. Therefore, Iran resorted to increasing commercial cooperation with its neighbors such as Iraq, Azerbaijan and others, joining trade blocs in Asia and taking advantage of the position of some of its ports such as Chabahar.

The Iranian president summed up the current situation of the economy in his recent remarks. He said that the Islamic Republic is going through the worst economic crisis in its history since the 1979 revolution. By analyzing the economic situation, we conclude from the general status of most of the Iranian economic performance indicators that there is not only severe deterioration at the level of overall performance but also at the individual level as well, which will be further explained in the second axis.

## **II- Implications of Iran's Economic Performance on the Livelihoods of the Iranian People Throughout 2019**

The economic performance indicators will reveal the knock-on effect of Iran's financial and monetary policies on the lives of the Iranian people, whether positively or negatively. Through these indicators, we can measure how far these general policies have been successful in improving the living standards of the Iranian people, or if these policies have made the situation worse. Below are a set of social and economic indicators including inflation, employment, poverty and public opinion surveys which provide insights into the impact of the government's economic performance and general policies on the livelihoods of the Iranian people throughout the year.

### **1- Inflation**

Throughout 2019, the Iranian people experienced one of the highest inflation rates in the past 23 years. The rate reached its peak in the middle of the year, at 52 percent during the period from April 21 to May 21, 2019. Inflation rates are affected by several factors including currency exchange rates; the easy, or not so easy, access to these currencies; the status of the country's trade balance; and the stability of its financial and monetary system. All these factors have been affected by sanctions as we indicated in the first axis. The Iranian government has done nothing to solve the chronic problem of inflation thus far except for its announcement that it deleted four zeros from its currency and changed its name from rial to toman, a step which has no practical meaning but gives the impression that the currency holds value and reduces the cost of printing banknotes.

To illustrate how a significant part of the Iranian people were affected by the prevailing economic situation, we shall look at the following tables. They reveal a surge in prices, especially in the price of food, drink, housing, and different services, especially in urban and rural areas.

According to the Statistical Center of Iran,<sup>(86)</sup> the prices of food and beverages



saw the biggest rise in the span of 12 months through December 2019, at a percentage which surpassed 52 percent compared to the same period last year among urban dwellers (see Table No. 3) and 51 percent among rural dwellers. Additionally, the cost of housing, electricity and other services increased in both areas. What seemed strange was that the cost of living in rural areas surpassed that of urban areas, especially when it came to food and beverages although rural dwellers live closer to the main sources of food.

**Table No.3: The Inflation Rate of Consumer Goods and Services in Rural and Urban Areas in 2019<sup>(87)</sup>**

**The Rural Areas**

	The Rural Areas	The Urban Areas
Food and beverage	51.4	52.6
Foodstuffs	50.9	52.3
Bread	30.6	34.4
Vegetables	68.3	70.3
Meat	67.9	70.2
Housing and services	21.7	24.3
Housing	19.1	23.4
Rent	18.9	23.3
Water and electricity	27.7	32.6
Transportation	41.3	47.5

Source: The Statistical Center of Iran

Prepared by: The Economic Studies Unit at Rasanah

Table No. 4 gives a clearer picture regarding the change in the price of certain types of foodstuffs by the end of 2019 and the percentage of change compared to the past year. Most of these foodstuffs constitute the main edibles for high-income families such as meat and fruit and low-income families such as cereal, vegetables and rice.

**Table 4: The Average Price of Certain Food Items in November 2019<sup>(88)</sup>**

Name of item	Measurement unit	Average price in cities (in toman)	Annual average percentage
Tomatoes	Kilogram	10,762	106.8
Imported tea Packet	500 grams	58,004	86.1
Cucumber	Kilogram	6,589	54.5
Onion	Kilogram	3,990	52.2

Below is the average price of food items chosen in cities in November 2019 and the rate of change compared to the same month in the previous year.

Iranian rice first rate	Kilogram	23,725	46.2
Lamb	Kilogram	91,774	43.7
Sugar	Kilogram	5,846	40.2
Pasteurized milk	1 liter	6,047	38.5
Potatoes	Kilogram	4,007	37.5
Beef	Kilogram	81,453	29.5
Pasteurized cheese	500 grams	10,975	26.9
Cowpeas	Kilogram	17,011	21.7
Lentil	Kilogram	10,667	20.2
Local orange	Kilogram	5,686	17.7
Farm chicken	Kilogram	12,894	14.6

Iranian rice first rate	Kilogram	23,725	46.2
Liquid oil	900 grams	8,705	13.5
Imported rice first rate	Kilogram	9,692	6.8
Bananas	Kilogram	12,740	0.3
Yellow apples	Kilogram	6,878	-13.5

Source: The Statistical Center of Iran, <https://bit.ly/38s8IV6>

## 2- Unemployment

As is the case with inflation, the prevailing economic situation in the country affected the workforce. Those already engaged in the labor market as well as those who joined recently amid the natural growth in the labor force were affected. Given the depth of the economic recession, rates of unemployment surged especially after several foreign investment firms fled the Iranian market during the past two years as well as due to the commercial restrictions imposed on the country which hindered the import of essential production components, especially industrial components. This also affected the auto industry, which lost nearly 280,000 jobs in 2019 alone, according to estimates by the Car Spare Parts Manufacturers Society in Iran.

However, there are huge variations when it comes to calculating the rates of unemployment among Iranian statistical centers as well as between international organizations and centers. This variation is attributed to the differences between the Iranian criteria and the global criteria in calculating unemployment rates.<sup>(89)</sup> The Iranian Statistical Center, the most important entity in terms of issuing statistics in Iran, estimated the unemployment rate to be 10.6 percent in Q3 of the Iranian year 1398 (September-December 2019) among the age group of 15 years and above, a 1.2 percent decrease compared to the same period last year. The total number of unemployed people reached 2.9 million.<sup>(90)</sup> Meanwhile, the International Monetary Fund estimated the unemployment rate for 2019 at 16.8 percent in its World Economic Outlook report issued in October 2019,<sup>(91)</sup> which means that there were nearly 4.5 million unemployed people in Iran.

The unemployment rates among young men in Iran, especially university students, pose a significant danger to social and political stability in the country. The economic despair felt by this particular segment of Iran's unemployed

was one of the strongest motivations for the popular protests witnessed in the country over the past two years, including the protests in 2018 against the deteriorating economic conditions and the protests in November 2019 against the increase in gasoline prices.

The unemployment rate in the age group 15 years-24 years was 25.8 percent, and in the age group 18 years-35 years was 18 percent (see Table 5). Meanwhile, the proportion of unemployed university students out of the total number of unemployed in the country was 43.3 percent during the third quarter of the Iranian year 1398, an increase of 2.6 percent compared to the previous year, according to the tallies of the Iranian Statistical Center. The International Labor Organization (ILO) classifies any country as facing a unemployment “crisis” if youth unemployment exceeds twice the general unemployment rate in the country. Therefore, these rates sound the alarm bell, which Iranian decision-makers must address before it is too late.

Table 5 Unemployment in Iran

The Size of Manpower	27.3 Million People
Unemployment in the age group (15-24)	25.8%
Unemployment in the age group (18-35)	18%
Unemployment among university students out of the total number of unemployed	43.3%

Source: Statistical Center of Iran

3- Poverty

Poverty rates are directly correlated with inflation rates, especially those related to the price of food, given the fact that food accounts for the biggest percentage of the poor’s spending budget. Higher inflation results in greater poverty. In general, the rise in inflation rates represents one of the problems from which Iranian society has been suffering over the past five years. This comes amid the decline of the currency’s purchasing power and increasing poverty rates as more individuals and classes fall under the absolute poverty line, which is the minimum income necessary to purchase essentials such as food, beverages and housing. This is in addition to the increasing gap between the rich and the poor as time passes by.

The income gap between the rich and the poor (the Gini index) increased by at least 30 percent compared to 1980. The rich in Iran, the 10 percent of the population who have the highest incomes, spend fourteen-fold more than

the poor at present, according to the results of the research paper “Policies of Combating Poverty and Improvement of Redistributing Wealth” written by the Iranian economist Mohammed Hosseini. This research compares Iran’s economic situation from 1980 to 2019, which means the past 40 years. This is a long enough period to improve the livelihoods of the poor and reduce the huge gap in incomes. But this simply did not happen due to the mismanagement of the system of distributing income and taxes.

There is a huge variation in the data related to the number of poor in Iran or those who have fallen below the absolute poverty line. But they have surely increased in 2019 compared to 2018, the poor were estimated to be between 27 million to 40 million Iranians. But given the rise in food prices, the level of poverty in the country has definitely increased. This argument is corroborated by the recent estimates of the Iranian Parliament Research Center in 2019. The Iranian Parliament Research Center raised the absolute poverty line for each family of four living in Tehran from 2.7 million tomans per month in 2018 to 3.4 million tomans per month in the fall of 2019. The minimum daily wage for a worker in 2019 was 50,562 tomans,<sup>(92)</sup> or about 1.5 million tomans per month. If he is the only breadwinner for a family of four, his income is much less than the absolute poverty line. This amount only meets the basic needs of a family for half a month.

In an attempt to mitigate the impact of poverty in the country, the Iranian government announced its decision to maintain the subsidized exchange rate for importing basic commodities and medicine. It also decided last November to scrap the gasoline subsidy, raise its prices 300 percent and allocate the money to provide cash subsidies instead to the limited-income brackets, which the government estimated to be 18 million families, or 60 million people. The subsidy quotas differ according to the number of family members and reach a maximum of 205,000 tomans per month (\$49 per month) for a family of five or more.<sup>(93)</sup> This sum suffices for a family to buy three meals according to the price level in November 2019, which can be calculated using Table No. 4.<sup>(94)</sup> This is in addition to the consequent rise in transportation and food prices as a result of higher gasoline prices which will impact the effectiveness of the cash subsidies meant to reduce the number of poor in the country.

#### *4- Public Opinion Surveys*

The importance of public opinion surveys lies in them highlighting a lot of important facts concerning the beliefs and sentiments of the people towards different political and economic issues at home and overseas, including military issues. We focus in this section on Iranian public opinion about the most urgent economic and social problems they face, and the extent of their satisfaction with their living standards and the performance of the government that represents them.

Therefore, it is useful to acquire results from some opinion polls conducted



by relevant centers concerning these issues. The most important among these polls is the one conducted by the University of Maryland in the United States. This poll has been conducted each year since 2013. The latest poll was conducted in October 2019 and entitled 'Iranian Public Opinion under Maximum Pressure.'

Some of the results of this university's poll<sup>(95)</sup> showed that about seven out of ten Iranians viewed Iran's general economic situation as bad in October 2019. This is almost the same finding as at the beginning of 2018, before the United States began to reimpose sanctions.

However, the focus of attention changed drastically from unemployment to inflation when they were asked about the biggest problems currently facing Iran. About 36 percent of them responded that inflation is their biggest concern followed by unemployment. This may explain the reason why thousands of Iranians took to the streets last November in protest at the raising of gasoline prices.

The poll also surveyed Iranian satisfaction with the economic situation particularly in regards to the wellbeing of their families throughout the year. It concluded that 52 percent of them said that the economic situation had worsened compared to the previous year, while 37 percent said that the situation remained unchanged and 10 percent believed that it had improved. Most of these respondents still felt that mismanagement and corruption have the biggest impact on the economy compared to sanctions, with 54 percent voting for corruption against 37 percent for sanctions. This opinion reveals that these people are suffering from the effects of local corruption, perhaps because they see it closely on a daily basis, especially when it comes to municipalities and government departments. Meanwhile, the impact of sanctions appears at the national level; they significantly affected the Iranian economy and society, as we previously indicated.

**Q1: In your opinion, how far, good or bad, is the general economic situation of the state?**

	2015	2016	2016	2017	2017	2018	2018	2019	2019
Very good	11.1	8.4	3.8	3.4	2.5	2.5	1.9	2.0	2.8
Somewhat good	43.2	40.9	35.7	29.8	33.1	27.6	26.8	23.7	28.2
Somewhat bad	22.5	24.2	29.4	28.4	29.5	28.2	27.9	29.8	27.3

	2015	2016	2016	2017	2017	2018	2018	2019	2019
Very bad	21.2	24.4	29.2	36.6	33.9	40.7	42.9	43.4	40.3
I don't know	2.0	2.1	2.0	1.9	1.1	.0.9	0.4	1.2	1.4

**Q2: In your opinion, what is the biggest problem or challenge facing Iran at the moment?**

	January 2018	May 2019	August 2019
Inflation and the high cost of living	12.5	34.2	36.4
Unemployment	40.1	14.5	15.0
Youth unemployment	9.4	9.3	10.2
Mismanagement of the state's affairs	5.7	7.9	8.7
The bad economic situation of the state	5.2	5.9	4.2
Sanctions	2.7	5.8	3.9
Low income	6.9	4.3	6.1
Poverty	1.7	3.3	2.4
Graft and embezzlements	6.0	2.5	2.5

**Q3: Compared to the past year, has the economic situation of your family improved?**

	May 2019	October 2019
Significantly improved	1.1	1.4
Somewhat improved	6.5	9.1

	May 2019	October 2019
Remained unchanged	35.6	37.0
Somewhat worsened	32.4	28.7
Significantly worsened	24.2	23.5
I don't know	0.2	0.4

**Q4: Which of the following do you think is having the biggest impact on the Iranian economy?**

	May 2015	January 2018	December 2018	May 2019	August 2019	October 2019
Foreign pressure and sanctions	26.3	32.1	36.2	38.4	37.7	37.5
The mismanagement of the local economy and corruption	64.3	63.3	59.1	58.0	55.3	54.5
I don't know	9.4	4.6	4.8	3.6	7.0	8.0

Source: Center for International & Security Studies at Maryland University, A Public Opinion Study "Iranian Public Opinion under Maximum Pressure", October 2019.

At the end of the second axis of this analysis, which touched on the impact of economic performance and policies on several social dimensions such as inflation, unemployment, poverty, and public opinion polls, we can reach a host of facts and conclusions as follows:

**A-** The Iranian general public experienced a degree of deterioration in their economic conditions due to the deterioration of the economy throughout the year. Through 2019, Iranians experienced one of the highest inflation rates in the country in 23 years. These rates reached their peak in the middle of the year, at 52 percent. The cost of living saw a rise with the price of food, drink, housing and services increasing whether in rural or urban areas. This chronic inflation impacted the lives of Iranians, bringing more middle-income segments in society to the boundaries of poverty. Some parliamentary tallies

suggested that 70 percent of the public will possibly face hunger and food insecurity in particular. Inflation has become the biggest concern for Iranians at the present time. The main motivation for Iranians taking to the streets as happened recently in the protests of last November was opposition to the government's decision to increase gasoline prices.

**B-** The economic recession and decline of businesses clearly impacted unemployment. Estimates by international organizations suggested that unemployment rose compared to the past year. The most dangerous estimates are of the high unemployment rates among young people, especially university students. They were the biggest participants in the protests witnessed in the country over the past two years as the unemployment rate exceeded 25 percent within the age group 14 years-25 years and 43 percent among university students. These statistics reflect a serious crisis which Iranian decision-makers should tackle as fast as possible.

**C-** The gap between the rich and the poor widened by nearly 30 percent in 2019 compared to 1980, which means that the government has failed to reduce this gap 40 years after the revolution. Millions of Iranians are living below the poverty line as the cash subsidies offered to them after the rise in gasoline prices were barely enough to purchase food for a few days.

**D-** An opinion poll of thousands of Iranians, showed that they are severely affected by the deteriorating economic conditions. Seven out of 10 Iranians believe that the general economic situation in Iran is bad while 89 percent said that their economic conditions are worse than the previous year or that their economic conditions remained unchanged and did not see any improvement. 10 percent of the respondents said their economic conditions had improved. The largest proportion of respondents stated that inflation is the biggest problem facing their country and is adversely impacting their living standards at present. The government's policies did not succeed in containing inflation.

### **III- The Orientations of the Economy's Future in 2020 and the Degree of Its Resilience in the Face of Sanctions**

The foregoing lines indicate the grave consequences created by the banking, oil and commercial embargo on the financial and economic situation in Iran throughout 2019. This appeared in a deep recession estimated at a 9.5 percent decline, a reduction in the production output in most key sectors, especially industry and energy, a decline in international trade, a trade balance deficit following the collapse of oil exports and the decline of non-oil exports. This led to the depletion of the government's financial resources and an increase in the budget deficit, prompting it to scrap gasoline subsidies and withdraw from its surplus reserves. This in turn reduced the value of its currency, the toman, and increased inflation rates. This situation severely impacted the livelihoods of Iranians. Unemployment rates surged due to the suspension of businesses.

Soaring inflation rates – some of the highest in decades –aggravated the suffering of the poor in particular and triggered protests when the government scrapped its gasoline subsidies last November.

In the near future in 2020, we expect that the economic situation of the government and living conditions will continue to be very harsh if US sanctions remain in place. Economic growth will unlikely be able to post positive rates in light of the oil embargo, the decline in industrial growth, and the fear of foreign firms to conduct trade and investment with Iran.

Additionally, the inflationary atmosphere will continue to prevail as the economic crisis of the government will worsen. It may resort to printing banknotes and withdrawing from savings. On the other hand, the government will attempt to maintain the trade balance and stop the flight of foreign currency by searching for new means to circumvent sanctions, pressuring the Europeans to find a safe mechanism for trade, and joining Asian trade blocs to revitalize trade with them. But these attempts are short-lived and neither society nor the government can endure it for a long time without facing dangerous financial, social and security crises.

Here we are facing an urgent question: For how long will the Iranian government be able to maintain resilience in the face of US sanctions if the situation is so dangerous? We will attempt to answer this difficult question via presenting two scenarios: the ability to maintain resilience amid the partial lifting or reduction of sanctions. The second scenario is the ability to maintain resilience amid the continuation of sanctions in their current form and the tightening of sanctions in the future. From this point, we attempt to infer what is likely to happen.

### **The First Scenario: The Partial Lifting of Sanctions**

Achieving this scenario depends on Iran reaching an agreement with the US administration on one of the contentious files between the two such as the nuclear deal or Iranian foreign policy in the Middle East. In return, the United States may lift some of the economic sanctions imposed on Iran since 2018, especially the US embargo on purchasing Iranian oil or the financial transaction hindrances such as the banking embargo imposed on trade with Iran in the US dollar, or both.

According to this scenario, we could say that the degree of Iranian resilience will be greater and the situation will improve gradually in the financial and economic aspects within one or two years. Also, Iran may gain more time to achieve its nuclear deal or regional policy targets and will be able to adapt itself for years to face any other oil or non-oil sanctions such as those imposed on certain sectors including minerals, automobiles, aircraft, or sanctions on international investments in the Iranian market. This is added to other sanctions that do not include oil and gas exports or merchandise trade between





Iran and the outside world, due to the rapid recovery that the economy will experience again in less than a year, even to a lesser degree than what happened in 2016 after implementing the nuclear agreement.

Lifting the embargo on oil exports or the services related to it will provide the government with the minimum funds necessary for running the basic apparatuses of the state. It will also enable the government to continue to pay wages and pensions, and give some sort of stability to the local currency.

As for the lifting of banking sanctions, it will revive Iran's non-oil trade in the petrochemical, industrial and agricultural products it is famous for, especially in Europe and South and East Asia. A partial lifting of these sanctions will boost the trade balance situation, relatively strengthen the position of Iran's currency, and reduce the chronic inflation affecting food prices. This is in addition to opening the door to imports. This will improve the Iranian government's position on the home front, reduce the chances of repeated protests, and in the

end, prolong the period of the government's steadfastness by Tehran accepting some sanctions, thus allowing it to gain additional time and money to achieve its special objectives, especially in the contentious files with the United States and neighboring countries.

Making this scenario happen does not mean that the situation of the people and the state will become rosy, but it will surely be better than the status quo. It will give a greater opportunity for the Iranian government to continue controlling the crisis-hit home front before any other goals.

### **The Second Scenario: the Continuation of the Current Sanctions**

This scenario supposes the status quo will remain unchanged in the future, which means the continuation of the US maximum pressure campaign throughout 2020 and beyond in case Trump is re-elected at the end of the year. In this case, we could say that the financial, social and security situation will become worse compared to the status quo. It will be very difficult for the government to stick to its policy of resilience in the face of sanctions in the short run; in the coming two years until the end of 2021.

The government will do its best to change this reality before meeting its unpleasant end. Our argument that the government will fail to survive in case US sanctions continue, is attributed to three main factors: the first is related to financial and economic factors, the second is related to social and popular factors and the third is related to the political conflicts at home and the conflicting interests within.

1- At the financial level, the government cannot continue to run the country's financial affairs in case the oil and banking embargos continue, not only because of the increasing budget deficit, but also the foreign exchange reserves and the savings of the sovereign wealth fund are dangerously diminishing as the government was forced to withdraw from these last year. The decline in foreign exchange reserves was estimated to be 30 percent in 2019 and the assets of the sovereign wealth fund were estimated to be \$80 billion. The government has withdrawn tens of billions for military spending and budget financing over the past two years amid the sharp reduction in revenues in order to continue to financing basic operating costs such as the operation of public facilities, paying wages and pensions and similar commitments which make up more than 70 percent of the annual expenditures of the budget. For the first time in years, the accumulation of hard currency in the exchange reserves declined after the deficit in the trade balance, which is estimated to be \$15 billion in 2020 with exports falling short of covering the imports of the country. This, therefore, prompted the government to withdraw from its reserves without replenishing them. In case the state excessively withdraws from these reserves, it risks a further decline in the local currency and places a greater burden on the lives of citizens. The government in Iran needs between \$50 billion to \$60 billion

per year to fulfill the basic import requirements of the country (even after compulsory restrictions on imports).

2- As to the social and popular factors, they are also not supportive of a prolonged period of resilience in case the status quo remains unchanged, even with the government's heavy-handed security grip and violent suppression of protests. There has been a dramatic change in the living conditions of most Iranians. The middle class, the backbone of any society, is eroding and denigrating to lower levels due to the rapid loss of its purchasing power and stagnating incomes. This is in addition to the dangers posed by the disaffected educated population made up of millions of unemployed youth who are adept at using technology and social media platforms despite the government's attempts to place restrictions on the internet.

This increases the likelihood that the protests will gain further momentum, fueled by poverty, destitution, security concerns, health and psychological problems which erodes the security and stability of any society. Therefore, losing control over the home front not only threatens the government's resilience in the face of sanctions, but also threatens the government itself.

As for the political factors, their root cause is domestic divisions between the reformist currents and society on the one hand and divisions between the conservatives and the IRGC on the other. Unlike the Iranian society and economy which incur huge losses due to the economic embargo, the IRGC takes huge advantage of this situation in activating its trade and investments, benefits from the lack of competition on the domestic market, and increases its financial resources in a way that enables it to enhance its military activities in neighboring countries such as Lebanon, Syria, Iraq and Yemen.

The radical current supports this policy and hinders any step which could negatively impact the financial or military status of the IRGC or suspend the expansionist agenda of the government in the region even if this comes at the expense of the social and economic welfare of the people. The most striking example of this situation is the Expediency Discernment Council's refusal to approve legislation required by the Financial Action Task Force (FATF) which was necessary for facilitating international banking transactions, so that its financial arrangements with its proxies in the region would not be exposed.

Conflicting interests and objectives will lead to an increase in popular discontent and a clash between society and the government, particularly if Trump is re-elected and an agreement is not reached with Tehran. This could lead to dangerous chaos and tensions in the short run. Does the Iranian government realize the enormity of the situation? If it realizes the dangerous situation, it defies common sense that the supreme leader or the

Expediency Discernment Council will let things proceed on this course, if they want to preserve the Islamic Republic.

Via analyzing the previous scenarios, the conclusion that the Iranian government's resilience in the face of sanctions in the coming two years in case the current policy of maximum pressure remains unchanged without any mitigation. This tips the scale in favor of the first scenario against the second one, given the many economic, social and security dangers outlined in the second scenario. This could lead Iranian decision-makers, if they realize these dangers, to accelerate or to throw a stone into the stalled water of negotiations with the United States and reach a partial agreement which leads to the lifting of oil sanctions at a minimum in exchange for settling some contentious issues related to the nuclear deal or Iran's regional activities. This effort to ease tensions could happen through 2020 or in early 2021 after assessing the policy of the newly elected US administration.

The Iranians may depend on the element of time to prove their ability to resist for the longest possible period and demonstrate the failure of outside pressures on them. But the element of time is not in favor of the Iranians currently, which requires them to move swiftly if they want to ensure the survival of the government in its entirety or face social divisions and discontent at home. The remarks of President Hassan Rouhani aligned with the reformists that the Islamic Republic is going through the worst economic crisis since the 1979 revolution is sufficient proof that some executive officials are well-aware of the acute situation.

But will this realization be sufficient to prompt decision-makers to change the status quo before it is too late? This will be revealed in the days to come.

Finally, it could be strongly argued that there are only a few steps separating the Iranian government from making progress and joining the ranks of the advanced nations, via attaining self-sufficiency as a result of the country's rich resources. The most important step would entail the abandonment of the government's colonial aspirations, ending all hostilities with the international community in a genuine and practical way and convincing the clerics, who are the real decision-makers in Iran. If this does not happen, the matter will be nothing but a repeat of short-lived attempts by presidents such as Hashemi Rafsanjani, Mohammed Khatami, or even Hassan Rouhani.

## Conclusion

The economic file revealed the deteriorating economic situation in Iran in 2019 which impacted the living conditions of Iranians and triggered protests by the year-end. The government attempted to control the situation at home. Some attempts succeeded, but others came to naught.

The file touched on three main axes. The first axis discussed the most important Iranian economic performance indicators such as economic growth,

the performance of production sectors, the standing of the country's trade balance, and the financial and monetary situation of the state throughout the year. It also showed how all these indicators were affected by the oil and banking embargoes imposed on Iran since 2018.

The second axis measured the impact of the aforesaid performance on social dimensions which impact the everyday lives of Iranians, such as inflation, unemployment and poverty. This is in addition to analyzing public survey results to find out their views on these issues. Finally, we have attempted to forecast the future of the economy in 2020 and how far the government is able to stick to its policy of resilience in the face of the US policy of maximum pressure, putting forward several scenarios. We have given precedence to a scenario in light of the prevailing economic and social factors and in light of the conflict of interests among the political currents on one hand and society on the other hand.



# The Military File

*Despite the severe economic and political crises in Iran that have been ignited since May 2018, its outreach extends to the coasts of the Eastern Mediterranean and the Red Sea alike. Tehran has been desperately but ingeniously trying to create a buffer zone of bordering states by employing legitimate as well as clandestine means. It has met varying degrees of success in Pakistan, Afghanistan, Turkey, Azerbaijan and Armenia.*

The US policy of maximum pressure following UN sanctions for more than a decade has left its armed forces devoid of the latest hardware and training. Its quest for nuclear weapons has incurred her far more costs than its leaders might have imagined. The nuclear deal has almost fallen apart, leading Tehran back to square one: global isolation in the face of revisionist policies, a fatigued nation looking for a better standard of living, and an ambitious set of ideologue zealots lusty for revenge and supremacy.

The military file of 2019 will review several topics concerning the development of Iran's military doctrine and strategic thought through reviewing a set of aspirations and challenges that Iran faces. In addition, it will highlight the changes of command within Iran's military institution and examine the country's nuclear capabilities in light of the maximum pressure strategy as well as highlight Iran's growing naval power in many areas and the use of drones as an alternative option. Finally, developments in Iran's missile program and military maneuvers, especially its arms deals and future agreements Tehran concluded.



## **I- Iran's Military Doctrine**

The Iranian military doctrine has evolved from its dire challenges and ambitions. The doctrine of offensive-defense – a hotchpotch of conventional military power, nuclear ambiguity and hybrid warfare – faced challenges from nearly all directions. Thanks to Russia's Vladimir Putin and Iran's Major General Qasim Soleimani, Syria's Bashar al-Assad regained control of most of Syrian territory. The proxy militias of the al-Quds Force in Iraq were incorporated in the national army. Bitter relations with Turkey largely ended and President

Erdogan appeared more in agreement with his counterparts in Tehran. Pakistan repeatedly reassured her of its neutrality in the wake of any future conflict in the Gulf or beyond. Afghanistan and India struggled to maintain a precarious balance between their strategic ties with the US and geo-economic connectivity with Iran. With its geographical borders largely secured, Tehran could repeatedly flex its muscle in the Gulf, even daring to launch a successful attack on Saudi Arabia's Aramco refinery after shooting down a CIA drone. Along the way, it attempted, though fruitlessly, to dispatch satellites to space. The vast array of pursuits came in the wake of America's crushing diplomatic, technological and economic sanctions.

Now that there is no threat of an US invasion or a land-based attack from neighboring countries, Iran's leadership is investing in offensive arsenal aimed at foreign military bases as well as rival Arab states across the Gulf. The previous doctrine sought strength beyond borders through proxy militant outfits, drones and short-range rockets and missiles. Iran's second-strike capability prevented the US and its allies from directly attacking the country. If there were no militias across Iran's western neighborhood and Yemen could have prompted the US to retaliate when the CIA drone was shot down above Gulf waters. But, this did not happen because of the limited capability of Iran to initiate a second strike.

Iran's evolving military doctrine still depends on the extension of conflicts beyond its sovereign borders but adds lethal, massive and diverse firepower in the battle field along with effectively deploying instruments of hybrid warfare.

Rear Admiral Askhbus Daneh-Kar, one of the architects of Iran's military doctrine, had emphasized on the capability to launch a 'guerilla war' by building layered defenses, strengthening the capability to launch a surprise attacks and inflict psychological victories while avoiding sustained and direct conflict.<sup>(96)</sup> Iran has followed his stratagem to the utmost degree, largely through Iran's Islamic Revolutionary Guard Corps (IRGC).

So far, the navy had been realizing Admiral Askhbus doctrine by taking measures to obstruct rival movements by tactics such as laying mines, using islands as bases to harass "enemy ships," building the capacity to obstruct oil export routes, and deploying speedboats. He had also called for making the Gulf of Oman as the first defensive perimeter and a base for submarines.

Iran continued investing heavily in its missile and drone forces while the lion's share of the defence budget went to the IRGC. The maturity of the missile arsenal has boosted the confidence of the IRGC to prioritize its space programme. The country's air defence came to global prominence after the shooting down of America's RQ-4A Global Hawk drone.

The version of the Global Hawk/Triton unmanned aircraft shot down by a surface-to-air missile (SAM) was an unmanned, high-altitude, long-endurance, unarmed aircraft deployed to conduct intelligence, surveillance,

and reconnaissance (ISR) missions.<sup>(97)</sup> The remotely-piloted plane was equipped with sensors able to detect submarines and listen to chatter on the speedboats, a few of which had allegedly carried out subversive acts against merchant ships in May. The non-stealthy UAV flew at a much lower speed than a fighter jet and was not meant to conduct missions over hostile targets. Thus, even if it did not fly closer than 30 odd kilometers from the Iranian coast, the platform was easy yet valuable prey for the Iranians. Iran and its militias have earlier shot down various American UAVs in the Middle East; one was taken down by the Houthis just days before the Global Hawk was hunted.<sup>(98)</sup>

However, weaknesses in the country's military command and control structure were exposed when multiple rockets shot down a Ukrainian airliner that had taken off minutes ago from Tehran airport.

Though Iran continuously boasted of its capability and willingness to attack foreign and Arab assets in the Gulf as well on the peninsula, it chose to fire missiles at a US base located in friendly Iraq. Tehran's pragmatic approach was the result of its weakness to withstand a full-scale war with affluent and doubtlessly better-equipped Arab rivals. Besides, any suspension in crude oil supply to the world would have not only isolated her more from the world but also led to global anger.

## **II- Changes in Military Command**

The Iranian leadership's approach to developing and diversifying several strategies coincides with its clashes with the US administration and accelerated developments in the political and military arenas. In addition to Iran's view of the necessity of adopting preventive methods and focusing on the use of soft wars [Fourth-Generation Warfare,] led the Iranian leader, Ali Khamenei, to appoint Major General Mohammed Ali Jafari as the head of cultural and social operations at the *Hazrat Baqiyatullah Alazam* headquarters command (mission: confront the so-called soft war against Iran). Khamenei believes that Jafari is the suitable person for this task according to his experience in leading the IRGC. Given the geopolitical environment resulting from Trump's series of sanctions, there will be an urgent need to adopt more effective psychological warfare methods that come in the context of this and the trend towards strategies related to Fourth-Generation Warfare.

In 2019, many senior appointments and changes happened in the IRGC, as Ali Khamenei appointed Major General Hussein Salami as the IRGC Commander in Chief in April to succeed Major General Mohammed Ali Jafari. Salami is affiliated with the hard-line current. He had previously announced that the IRGC incited the Houthis to target two Saudi oil tankers in the Red Sea, as well as hinting of a military response to US pressure. As many observers of Iranian affairs confirmed, Salami's appointment coincided with the US President Donald Trump designating the IRGC as a terrorist organization and is directly

linked, since Major General Mohammed Jafari's tenure ends in 2020. Jafari was appointed as the commander of the *Hazrat Baqiyatullah Alazam* headquarters based on his military experience, although the new position is less senior than his previous one, but apparently Khamenei wanted Jafari's experience to play its role in guiding the future direction of the IRGC and other tasks assigned to it in the future.

Less than a month after the appointment of Salami, Khamenei decided to make changes within the senior IRGC command. He appointed Ali Fadavi as the IRGC Deputy Commander in Chief, in addition to appointing Mohammed Reza Naqdi as the IRGC Assistant Coordinator. Fadavi has hard-liner views towards the United States. He previously supervised the detention of ten American soldiers who had lost their way in Arabian Gulf in 2016, thus, Ali Khamenei honored him with the Order of Courage *Fatah* for his success in detaining the US soldiers. Naqdi began his career as a volunteer in the Iranian Basij forces and had been promoted to several positions within the IRGC. Naqdi is one of the most prominent human rights violators and has led the suppression of protests inside Iran. It is reported that Naqdi was included in the UN Security Council's sanctions list because of his human rights violations, and the European Union also prevented him from entering its territory due to violations against Iranians.<sup>(99)</sup>

These appointments are based on Iran's vision towards the new changes in the region in light of significant data and circumstances, including:

- 1- The US designation of the IRGC as a terrorist organization.
- 2- The IRGC holding controversial Iranian files like the nuclear and missile programs.
- 3- The planning of terrorist acts directly or indirectly through its proxies abroad.

The Iranian Supreme Command, represented by Ali Khamenei, adopts several criteria in selecting IRGC commanders in all sectors. Perhaps the most prominent among them is obedience, loyalty, and complete surrender to the Iranian supreme leader and to the revolutionary principles that are considered to be among the fixed criteria for IRGC positions.<sup>(100)</sup> No IRGC senior official has ever criticized the supreme leader or his decisions. In addition, they are among the most committed to the leader's strategies in regards to Iranian foreign policy and they repeat the phrases he directs to countries considered as "Iran's enemies" or even friendly ones.<sup>(101)</sup> IRGC leaders are appointed according to their positions on suppressing the government's opponents. They show their positions publicly to suppress critics and opponents inside Iran or even abroad. No IRGC official ever supported any demonstrations opposing the policies of the government; they consider them as conspiracies as well as acts of sedition.<sup>(102)</sup> Accordingly, they agree to confront demonstrations with repression, and their views only differ on the methods employed to suppress protests.





### **III- Iran's Nuclear Capabilities Under US Maximum Pressure**

With the fresh, unilateral US sanctions taking effect in November of 2018, Iran's economy started going into a nose-dive. Though exemptions to eight Iranian oil customers provided limited relief, its customers were under heavy pressure to reduce the purchase of oil from Iran, each one submitted to varying degrees. In April 2019, the waivers were revoked and oil export revenues dwindled drastically. Iran's crude oil exports have declined from 2.5 million barrels daily in April 2018 to below 0.5 million barrels per day at the end of 2019.<sup>(103)</sup>

The latest US sanctions included IRGC elements, the metal industry and major petrochemical firms; the Supreme Leader Ali Khamenei, his office and Foreign Minister Javad Zarif, the Central Bank of Iran, the National Development Fund and the Islamic Republic of Iran Shipping Lines.<sup>(104)</sup> A few waivers that remain in effect until February include Iraqi imports of Iranian energy, due to the country's reliance on Iranian natural gas and electricity.<sup>(105)</sup>

#### **1- Nuclear Retaliation**

In response to the US sanctions, Iran has reduced its nuclear obligations in a manner that enables it to acquire nuclear weapons. Suspicions revolve around secret underground nuclear facilities, including storage depots. Iran has taken a coherent path in violating the JCPOA.<sup>(106)</sup> Iran announced that any step back or breach was linked to restoring its normal economic conditions and this was in line with the JCPOA.

In its first pronounced departure from the nuclear deal, Iran announced to violate the cap on its enriched uranium and heavy water stockpiles. The move resulted in a surge in enriched uranium stockpile to 372.3 kg in November instead of the permitted 300 kilograms. Alongside, Iran has in store heavy-water stockpile far beyond the threshold of 130-metric tons.<sup>(107)</sup>

"At this rate and with more advanced machines, Iran will be adding nearly 180kg to the stockpile each month and will reach a critical level [of accumulating enough material for one nuclear weapon] soon," noted an official of the International Atomic Energy Agency (IAEA). On 7 July, Iran took its second step by abandoning the limit on the level of uranium enrichment, which the agreement caps at below 3.67 percent until 2031. The IAEA verified that Iran had started enriching to about 4.5 percent level the following day.<sup>(108)</sup>

The next breach came on September 6 when Iran decided to undo all limits on nuclear research and development.<sup>(109)</sup> The country's nuclear body permitted installation of more advanced and faster centrifuges to increase storage capability.

The fourth breach invoked on November 5 was to resume enrichment in the heavily fortified underground Fordow nuclear plant.<sup>(110)</sup> As per its JCPOA commitment, Tehran was to switch the facility from a nuclear enrichment site to a scientific research institute for the production of stable isotopes with Russian assistance. The nuclear enrichment prohibition for Fordow nuclear plant lasts till 2031.<sup>(111)</sup> As per the nuclear deal, the US had issued a sanctions waiver for Fordow to receive Russia's scientific assistance. Trump, who had not withdrawn the waiver in 2018, slapped sanctions on the facility, forcing Russia's Rosatom, to end its cooperation on December 5.<sup>(112)</sup>

On 5 January came the final step so far, which removes any limit on the number of centrifuges installed in an enrichment plant, practically violating the JCPOA limits.<sup>(113)</sup> By all means, Tehran has freed itself from almost all technical obligations agreed under the deal. There is hardly anything significant left for Iran to breach, except formally announcing its departure from the nuclear deal.

As the nuclear deal is almost suspended, the Rouhani government can use this time to restore the heavy-water reactor in Arak to its pre-JCPOA status.<sup>(114)</sup> It can enable Tehran to produce plutonium for one nuclear device in one calendar year. Reports suggest that Iran has a spare set of calandria tubes, which are vital in the enrichment process.<sup>(115)</sup> Other tubes were destroyed by pouring cement.

## 2- The way forward

Now that the European Troika have invoked the Dispute Resolution Mechanism (DRM), the uncertainty about the JCPOA has reached its climax. Since January 14, Iran has turned bitter towards the three European states party to the JCPOA for triggering the DRM. The Iranian nuclear deal stakeholders must convene with two weeks of the notice but they can agree to extend the timeline multiple times.<sup>(116)</sup> Then, the matter will be referred to the UN Security Council within 35 days after failure to resolve the outstanding matters. The path will then be clear for the imposition of UNSC sanctions as they used to be as prior to signing the JCPOA. Iran will be listed as a threat to international peace and security under the UN charter's Chapter XII. Russia and China remain on the cautious side so far. Both have spoken against the re-imposition of UN sanctions on Iran.<sup>(117)</sup>

It is yet to be known if Iran respects the IAEA privilege to inspect its sites as is mandatory for every signatory of the Nuclear Proliferation Treaty (NPT). So far, there has been no mention of denying access to the global nuclear watchdog. Though the last visit did spark controversy when Iran detained and questioned

one of the agency's officials who was later allowed to leave the country in November. Given Tehran's measured approach in violating the JCPOA, it seems implausible and unpragmatic for the IAEA to be denied access. Such action will open a Pandora's box of assumptions and suspicions. Already, the IAEA has confirmed the discovery of anthropogenic, or man-made, uranium particles in Turqzabad, south of Tehran, a place identified by Israel as the storage location of radioactive material. There has been no word about the origins of the fabricated uranium particles found.<sup>(118)</sup>

Though Iran's ally Russia has continued development work on a new nuclear power reactor in Bushehr, which is to go online in 2025, its future also remains uncertain with fears of the snap-back clause being activated after the EU-3 sought the DRM.

On the permissible dual-use materials and equipment, Iran has not been much successful either due to the US sanctions. There is no progress on its two proposals for the acquisition of dual-use equipment as per the JCPOA concessions.<sup>(119)</sup>

#### **IV- Growing Iranian Maritime Power**

It is worth noting before demonstrating Iran's military achievements in 2019, that there are no neutral sources confirming the accuracy of information about Iran's new military capabilities. So it is not sure whether the data is correct or propaganda and psychological warfare against Iran's opponents.

The country's leadership has also realized, though lately, that the IRGC alone cannot be an answer for the country's strategic and tactical challenges. Thus, the ambition to create a blue-water navy was pursued further in the year 2019. The year began with the announcement of IRIN skirting along the US maritime frontier by launching a five-month-long mission, including wargames in Cuban and Venezuelan waters.<sup>(120)</sup> It was too good to materialize. The same year ended with plans to build large warships and submarines domestically to equip the force with the requisite assets before showing it off to the world.

##### **1- Restructuring Iran's Naval forces**

Tehran now eyes strategic and tactical dividends by placing the IRIN and the IRGCN in close proximity with each other at the strategically located military city of Bandar Abbas. While the IRIN is a strategic force, the IRGCN is a tactical one.<sup>(121)</sup>

On November 21, Navy Commander Rear Admiral Hossein Khanzadi inaugurated the navy's new headquarters in the southern Iranian city of Bandar Abbas where construction work continues but the office will continue to be relocated from Tehran in phases.

Admiral Khanzadi said, "A significant part of Navy HQ elements will be transferred [to Bandar Abbas] and the naval forces will be led with an increased

focus.” Three campuses spread over 26,432 square meters will house the headquarters. The Bandar Abbas naval facility perched on the Arabian Gulf along the Strait of Hormuz is not new for it served as the headquarters of the Imperial Iranian Navy during the 1970s.

“We are building two naval zones and three naval bases on the Makran coasts,” Rear Admiral Habibollah Sayyari, commander of the Iranian navy, told media in Tehran. “This is in line with our policy of making a return to the sea.”<sup>(122)</sup> Tehran not only is building military infrastructure on its side of the Makran coast but also has handed over Chabahar port to Delhi, Washington’s ally.

Two decades after Admiral Askhbus, the Army’s Chief of Staff, Major General Mohammad Hossein Baqeri, has been seeking a major shift in the country’s conventional military doctrine and posturing. Soon after assuming office, he stated that the deterrent effect of naval bases abroad “could be ten times more efficient than nuclear power.”<sup>(123)</sup> Ever since the idea of establishing naval bases in Syria and Yemen became more pronounced. Earlier, Iran had tried warming up relations with Atlantic Ocean rim states, Nigeria and Senegal. The plan to build military bases abroad seems fraught with challenges. While the prospects of setting up a military base in Yemen is out of the question, the survival of Bashar al-Assad in office is anything but a determinant for such a consequential stratagem.

The Iranian navy giving greater significance to the Makran coast also indicates the emergence of its Indian Ocean policy which is becoming a theatre for global powers to display their naval force such as China, the US, Australia and India.

## 2- Iran’s Navy Deployment in High Seas

The shifting of the naval headquarters, induction of newer and larger vessels, and expeditions in the Atlantic Ocean are sufficient indicators of Iran’s leadership reposing greater confidence in the otherwise neglected arm of its military. For over three decades, in particular, the IRIN has been a green-water navy operating to fight in regional waters. The IRIN’s submarine fleet is dated despite various upgrades while its destroyers, which are mostly of western origin, are rusted due to lack of overhaul facilities. Iran’s navy, like its air force, could have received a significant upgrade had the Islamic revolution not interrupted the plans of the Shah’s government.<sup>(124)</sup>

Since the time when Iranian mines had inflicted significant damage to a USS Samuel B. Roberts near Qatar’s coast in 1988 and US Navy sinking six Iranian warships,<sup>(125)</sup> the navy has struggled to revive its ability to ferry beyond the gulf without compromising national security. Any successful expedition to the doorstep of the United States would not only raise the morale of Iran’s sailors but also formant nationalistic pride within the people during testing times.

The farthest Iran navy has been able to ferry is the South African coast of

Durban in September 2016, which sits on the Indian Ocean.<sup>(126)</sup> The mission was anything but a projection of its power. At best, the Iranian navy can engage in an active mission in the Gulf of Aden.

Even though Iran plans to induct the planned vessels, it will still not be able to launch a mission to South America. Iran had to abandon its plan for a cross-Atlantic mission in 2014 as well, primarily due to a lack of logistical capability and refusal by other states to refuel its ships. The extreme conditions of the Atlantic require meticulous planning and availability of a technical and logical backup. By canceling its ambitious missions to ferry close to the US maritime frontiers, Tehran has been avoiding global embarrassment.

Nonetheless, Iran is gradually moving to advance its naval diplomacy and that is where naval power projection through joint naval exercises with its allies away from home ports matter. Tehran is part of multilateral arrangements against terrorism, piracy, as well as participating in environmental monitoring. Such engagements bring Iran some much-needed goodwill and clout.

### **3- Local Manufacturing of Maritime Pieces and Arms**

Over the decades, Iran has attempted to bridge the capacity and numbers' gap. Now while planning for a sharp counter-attack, the US might have seen Iran's submarine-launched Nasr-1 anti-ship missile as a threat to its fleet. With its 30 km range, the missile is claimed to be capable of sinking a vessel weighing about 1,500 tons.<sup>(127)</sup> So far, Iran has only harassed US military vessels in the Gulf. Thus, firing an anti-ship missile does not seem commensurate with the country's calculated tactical moves. Attacking a US Navy ship or blockading the Strait of Hormuz will be a strategic move, outrightly triggering a full-scale multilateral response.

Iran announced at IRINMEX,<sup>(128)</sup> in November to build the destroyer "Naghin" displacing as much as 7,000 tons of water, potentially placing it roughly in the same class as its American and European surface rivals. Iran's preceding ambitious plans have been marred not only by resource constraints resulting from sanctions but also technological gap. Yet the 'mega-ton' destroyer as reported by the Iranian media is a bid at preparing for the post-sanctions period starting from October 2020,<sup>(129)</sup> if the JCPOA holds and the snapback clause is not activated by the UNSC.

Iran also unveiled plans to invest in a 300-foot-long, helicopter-carrying Safineh ship. Iran's Navy seeks the flat-top to for use "in asymmetric coastal warfare and rapid-reaction operations."<sup>(130)</sup> The vessel won't have the capability of long, test voyages at the high seas.

Iran has also stated that it is building three more Fateh-class submarines while it has one such 'advanced attack submarine' in service. The newer submersibles are said to be equipped with air-independent propulsion (AIP), allowing it to stay stealthy while operating underwater without access to



atmospheric oxygen (by surfacing or deploying a snorkel). Iran also released a recent video clip of one of the submarines launching a Jask 2 cruise missile, also claimed to be locally manufactured.<sup>(131)</sup>

Iran is also making three other *Alvand* class cruisers based on UK reverse engineering, in an attempt to raise the number to eight. So far, the most costly *Sahand* is the second advanced homemade destroyer with torpedo launchers, anti-aircraft guns, anti-ship guns, surface-to-surface missiles, surface-to-air missiles, and electronic warfare systems. Then Iran produced the destroyer *Jamaran* in 2010. Contrary to official allegations, the destroyer *Sahand* is a reversed engineered design of the British frigate “Wave.”<sup>(132)</sup> These destroyers may be effective only for the Iranian navy in the Gulf, but they will not be appropriate for their ambition to show their strength in the open seas.

#### 4- Development of Speed Missile Boats

Iran considers speedboats as one of most prominent expressions of naval power in the Arabian Gulf region and the Strait of Hormuz, and the most important military option if Iran decides to close the strait. Even if the techniques used by these boats are primitive, they are classified as the most important weapon on which their navy depends. Rather, Iran has considered it as a tactical challenge to the US Navy fleet in the Arabian Gulf. Especially the “collective attack tactic” against targets that are described as the US Navy’s weakness.

#### Iranian Speedboats in the Arabian Gulf



Accordingly, Iran’s maritime institution is keen on developing marine boats of all kinds, and speed as well as suicidal ones. The IRGC commander-in-chief, Major General Hussein Salami, had stressed during the National Speed boats Forum at Khamenei University of Marine Sciences the need to move towards the production of unmanned boats, indicating that reaching such an advanced

target was possible according to the knowledge Iranians possess.<sup>(133)</sup>

In conclusion, Iran is trying to proceed towards developing naval boats, or suicidal unmanned boats, especially *Ya Mahdi* boats equipped with three missile launchers. It can also operate as a mobile bomb and hit “enemy ships” through explosive materials.<sup>(134)</sup> Iran is also trying to convert its boats into anti-radar boats. The commander of the IRGC naval forces, Admiral Tingsiri, confirms that anti-radar technology will be the next step, stressing the need to go beyond the stage of manufacturing the structure of boats and proceed to installing anti-radar technology into smart boats.<sup>(135)</sup>

## V- Drones as an Alternative

Iran realizes the weakness of its military air assets with old fighters and lack of spare parts and accessories. Thus, Iran focused on the drones sector, arming and moving forward in issuing new models claimed to contain systems that major industrialized countries lack. Tehran’s claims should make us realize that the course of drones manufacturing has gone through several fruitful stages, and has resulted in the significant development of technologies and parts that are easily accessible compared to spare parts for fighters and air weapons. Perhaps the downing of the US drone “RQ-170” benefited Iran, in addition to obtaining some technologies from other countries, such as China. As a result, Iran announced the supply of these drones and weapon systems with sophisticated electronic technology. Moreover, the Iranian military institution did not stop declaring that its capabilities in the field of drones manufacturing are unpredictable and cannot be contested especially by regional countries. It has always announced on its military occasions the latest military developments. The following reading consists a review of the most prominent Iranian military declarations during 2019:

### 1- A double-engine drone



During the visit of Iranian Leader Ali Khamenei on October 8, 2019, Iran demonstrated a model of a double-engine drone as the first one manufactured in the Iranian private sector. It mentioned that the new drone is equipped with two engines, one in the front and one in the back.

Iran's announcement of developing such drone types indicates its capability to develop unmanned vehicles and compete with other drone manufacturing countries, such as the US RQ-5 Hunter and the Italian P.1HH Hammerhead.

The Iranian news agency *Tasnim* showed some specifications for a double-engine drone and stated that its structure was made of composite carbon materials to have the optimum weight and have a double-shaped tail. The agency estimated the drone wing length to be almost 8 meters with two engines, so it can fly to 7000-8000 meters, which is a suitable height for an aerial reconnaissance mission. It is likely that the new drone will be able to fly for at least 10 continuous hours.<sup>(136)</sup>

## 2- The new model of the *Ferbad* drone



The commander of the Iranian Army's ground forces Brigadier-General Keumars Haidari announced the manufacture of a new model of the manual *Ferbad* drone, and its delivery to ground forces units. He added that the new drone is capable of conducting patrols, monitoring and inspection operations, as well as border control, adding that it is used in particular to equip mobile attack units, rapid response units and intelligence units. Haidari continued that the new model is equipped with an autopilot system and a portable ground

station in the field of electronic warfare, and imaging specific targets.<sup>(137)</sup>

### 3- The *Sejjil* Drone



The commander of the Iranian army's navy, Hossein Khanzadi announced the new design of the *Sejjil* drone with a jet engine belonging to the Iranian navy. He indicated during a meeting conducted with the Tasnim News Agency that the new drone will use two jet engines at a speed up to 1000 km/h. The new drone is able to carry bombs with a range of up to 100 km. Khanzadi also announced the success of the drone's test and that it is still going through other tests and experiments. He also added that the new drone will be able to take off from boats and can use the parachute to land.<sup>(138)</sup>

### 4- The *Kayan* drone





In conjunction with the Khatam al-Anbiya Air Defense Base inauguration anniversary, on September 1, 2019, Iran revealed the offence-defense *Kayan* drone. The commander of the Iranian Air Defense Forces, Brigadier Ali Reza Sabahi Fard said that this drone is a high-speed one for interception and monitoring tasks and continuous high fly levels. Sabahi indicated that the new drone is able to strike faraway-targets through its ability to fly at very high altitudes, and it carries out defensive operations in the “enemy territory.”<sup>(139)</sup>

## 5- Smart bombs

Qaim Smart bomb



Balaban Smart bomb



The Iranian Minister of Defense, Amir Hatimi has revealed a plan to arm Iranian drones with smart guided bombs. He also announced that the Iranian Defense Industries Corporation produced *Balaban*, *Yassin* and *Qaim-5* guided bombs. He indicated that the *Balaban* bomb had foldable wings to increase its range, and possesses INS and GPS guidance systems to increase its accuracy. It has been installed easily to the *Karrar* drones. The target coordinates have to be determined before flying and transferred to C2, after launching the wings will open, and heads to the target via the steering systems.<sup>(140)</sup>

Hatami added that the long-range guided *Yassin* smart bomb could be launched from 50 km away, steer and hit the target directly. Among the most important characteristics of the new bomb: it can be used in various weather conditions, day and night, and can be installed on drones and regular aircraft. It can also increase the safety measures of the system, and has the ability to implement short and long-range operations.<sup>(141)</sup>

On the latest generation of vision-guided bombs *Qaim*, the Iranian Minister of Defense said that the advanced bombs of *Qaim* are equipped with a variety of visual, thermal and cylindrical engines, with accuracy of more than half a meter, they can be installed on drones, helicopters and fighters to destroy fortifications, groupings, and moving targets.<sup>(142)</sup>



## VI- The Developments of the Missile Program

Successive missile tests in 2019 were not just attempts to diversify, modernize and enlarge its disruptive, offensive military capabilities, but also to gain some time against any threat to come. Brigadier General Mohammad Pakpour explicitly stated that the IRGC Ground Force is operationalizing a “deep-attack doctrine”, which was first put to action in ‘Payambar-e Azam 12’ wargames in December 2018. Iran’s indigenous missile program is one of the key components of its military doctrine. Given its outdated and small air force, the deep attack doctrine can only be realized by relying heavily on ballistic and cruise missiles as well as long-range drones.

Iran’s leadership and strategists believe that the effective missiles of the diverse range offer the most cost-effective way to counter its foes in the Gulf.

Iran’s officials have consistently and repeatedly stated that it is continuing the development of its missiles as an integral part of its military ideology and they have categorically refused to negotiate on them. The commander of the IRGC announced during one of Iran’s military occasions held on February, 7, 2019 that there was a focus on light weight missiles, speed and mass production, so that previous missiles would be converted into smart missiles, in a manner that enables Iran to build new capacities for all purposes.<sup>[143]</sup>

### 1- The Dezful missile



The new smart surface-to-surface ballistic missile, *Dezful* has been announced at an underground IRGC plant for ballistic missiles. The commander of the IRGC Air Force, Brigadier Amir Ali Hajizadeh said that Iran continues to develop its surface-to-surface missiles. He talked about the most prominent characteristics of the smart *Dezful* missile, including that it is close to the design of the *Zulfiqar* missile in terms of dimensions and size. *Zulfiqar* has a range of 700 km, but *Dezful* has a range of 1,000 km. The increase in its range, which reaches 300 km, is due to the use of new technologies as a defensive product. The missile is twice as destructive as *Zulfiqar* because of the different types of material used in its warhead.<sup>[144]</sup>

## 2- The Hoveyzeh Cruise Missile



*Hoveyzeh* is a homemade surface-to-surface cruise missile announced on Iranian TV on February 2, 2019, after the success of its experiment. The Iranian Ministry of Defense conducted a missile test over a distance of 1200 km and announced that it was ready for delivery to the IRGC ground forces. Amir Hatami has stated that the missile's range reaches 1350 km, and succeeded in accurately hitting predetermined targets.<sup>[145]</sup>

## 3- The Qasid-3 Missile



Several Iranian media outlets revealed in January 2019 the new homemade missile *Qasid-3* at the Tehran's Military Exhibition. They stated that the new missile can be installed on an F-4 bomber, and can receive target specifications by image finder, and dispatch necessary information to the pilot's cabin. The sources indicated that the new missile is in its final test stages.<sup>[146]</sup>

## VII- Military Exercises and Maneuvers

The regional events and transformations were reflected in Iran's military exercises during 2019. This was evident after conducting land and naval military exercises with several brigades and units of the Iranian IRGC and Artesh military branches and other security sectors. These exercises included showing Iran's latest military systems including its heavy weapons, electronic systems and expected war assumptions, and capabilities of engagement. The Iranian military institution focused on conducting many maneuvers to deliver many strategic messages to the world, namely its ability to bypass the military and defense sanctions imposed on it, which can limit its military development. Iran can achieve this end by reviewing its combat capabilities and inaugurating the military systems that it has developed in accordance with its self-sufficiency strategy. Moreover, Iran tried to demonstrate its ability to implement strategic change through its military force, which can face any potential circumstances in the future.

Iran started 2019 with three-days maneuvers carried out by the Iranian army's navy on February 22, which was conducted in an area of two million square kilometers covering the Strait of Hormuz, the coast of Makran, the Sea of Oman, and the northern Indian Ocean. The *Fateh* submarine and the locally developed *Sahand* destroyer participated in the exercise for the first time. The commander of the Iranian navy, Admiral Hussain Khanzadi, announced the launching of missiles from Iranian submarines for the first time during the exercise.<sup>(147)</sup>

Perhaps the tripartite naval maneuvers that Iran conducted with China and Russia are a real turning point for it and a very important historical event, especially in light of its current situation under US sanctions and Washington's maximum pressure strategy. On December 27, 2019, Iran announced the holding of triple naval exercises called "Maritime Security Belt," in the Indian Ocean near the entrance of the Arabian Gulf. The maneuver aimed to strengthen and develop defense capabilities in this region. The army's spokesperson, Brigadier Abufazl Shukarji, indicated that the maneuver is to exchange experiences between the armed forces of Iran, China and Russia, as well as counter terrorism and maritime piracy. As a member of the National Security and Foreign Policy Committee of the Iranian Parliament, Heshmatullah Falahat Bisha said, "These maneuvers are a special strategic event, and they are a fundamental change in the military balance with the presence of the best military balance in the world." This is the first time that Iran has participated with two permanent members of the UN Security Council and they are considered as the second and third ranked military forces globally. This was a sign of serious strategic change and official recognition of Iran's strength in regional and global developments today.<sup>(148)</sup> Many of the main Iranian naval

and air units participated in these maneuvers, the most prominent of which are the *Alborz* and *Sahand* destroyers, the *Kanark* ship and the amphibious *Tanb* ship. Also, the AB-212 and SH-3 helicopters participated. Russia participated with three ships, a towing ship and a refueling tanker. China participated in these exercises with its D52 destroyer.<sup>(149)</sup> It is noteworthy that the number of participants in this maneuver reached 1400 soldiers, including 700 Iranians and 700 others from Russia and China.<sup>(150)</sup>

On November 18, Iranian ground forces conducted military exercises during two phases: day and night, with the participation of several brigades, rapid intervention units, special forces, engineering units, artillery support, and military aircraft helicopters, as well as drones units, over two days in the northwestern part of Iran.

A few days later, on November 22, air defense units carried out joint military exercises called “Defenders of *Velayat* Sky” in the Semnan region, in eastern Iran, on an area of about 416 thousand square kilometers. Several exercises were conducted during the maneuvers by drones and other military aircraft, and various tactical plans were implemented. Moreover, destroying hypothetical air targets by drones and cruise missiles through the Iranian defense systems of *Talash*, *Mersad* and *Khordad-15*.<sup>(151)</sup>





With regard to military exercises, on March 1, 2019, a marine exercise for sustainable security-98 was launched in a special region of Iran in the Caspian Sea, on an area of 25 thousand and 800 miles. The exercise aimed to upgrade Iran's capabilities and military readiness in the sea with all surface and air units belonging to the navy, including warships, launchers, helicopters, and drones such as Yassir involved, in addition to infantry units and army commandos.<sup>(152)</sup>

### **VIII- Arms Deals and Understandings on Future Deals**

Besides Tehran's close cooperation with Beijing and the frequent mutual visits of their officials, it is expected that it has concluded several secret armament deals with China as a strategic ally. Iran is seeking to develop its missile and naval systems, most of which are Chinese in origin. Tehran can also obtain offensive patrol boats (which will increase the navy's kamikaze strength), and anti-ship and anti-mine missiles. Moreover, China had previously provided Iran with the required military equipment.<sup>(153)</sup>

The possibility of Iran possessing weapons by October 2020 can be noted, not only through the visits of senior Iranian military officials to China and Russia, but also by looking at the outcome of negotiations and financial transactions before signing the agreement. Iran has sought advanced cruise missiles or their sensitive parts from China, such an acquisition would have a direct impact on the balance of power in the Gulf in the short term, and would help Iran improve and develop long-range cruise missiles and ballistic missiles, to reach US military bases such as Diego Garcia.<sup>(154)</sup> Among the purchases Iran has obtained from Beijing are low-radar tracking boats that are difficult to detect, such as the "Hobby" missile boats. Media reports bear speculation that Iran has shown great interest in buying Chinese J-10 fighter jets.<sup>(155)</sup> For its part, the list of weapons that Tehran wants to possess from the Asian superpower may include advanced drones systems, defense missile systems, electronic warfare platforms and systems, and a remotely operable submarine.

Although most weapon systems of medium or high tactical value will not be acquired by Iran except with the approval of the United Nations Security Council, Washington can politically pressure Beijing and the veto-exporting countries except for Moscow to ban arms sales to Iran. Washington will have to bargain with Beijing in order to prevent Tehran from obtaining weapons of "Area Denial" and "Anti Access 2," which are short-range defensive weapons used in coastal areas.

For Russia, Tehran has a list of weapons that it desperately wants to obtain from Moscow. It wants to obtain a license to produce the main T-90S battle tank,<sup>(156)</sup> and the Sukhoi SU-30 SM advanced fighters.<sup>(157)</sup> Russia has already delivered an unknown number of S-300 missile defense systems, and recent reports have pointed to Russian-Iranian negotiations to conclude weapon deals worth \$10 billion.<sup>(158)</sup>



## IX- Military Perspectives for 2020

For the year 2020, Iran's preference will be to focus on enhancing inter-service coordination for the time of high tension and actual conflict, re-aligning and re-organizing militias after repeated and deadly attacks against their leadership and weapons stockpiles by the United States, Israel and other parties.

Iran resorted to avenge General Qassem Soleimani's killing by firing missiles at two Iraqi bases housing US troops but diplomatic notification prevented any fatalities instead of attacking the US navy and marines directly in the Arabian Gulf. These strikes exposed the colossal difference between Tehran's actions and rhetoric. The reality of severe retaliation or extreme revenge exposed vulnerabilities in Iran's doctrine, its military strength and the degree to which it can go to retaliate directly. After symbolic twin attacks from Iran on bases in Iraq, the Rouhani government and the IRGC stood down, and announced this through Foreign Minister Javad Zarif's tweet.

While Tehran's missile systems have performed to satisfaction, with the exception of a few falling short of intended targets in Iraq, the focus turns to air defence batteries, one of which fatally shot down a civilian airliner killing 176 onboard. For any military facing imminent threats, situation awareness, as well as smooth and effective coordination during conflict, are vital. The downing of flight PS 752 proves that neither was the military ready to take the fundamental decision of closing its airspace nor its staff had clear instructions while lacking a reliable communication system. It has been and will remain a massive embarrassment for the IRGC and Artesh, requiring an exhaustive review of strategic and operational readiness and standard operating procedures.

After losing its best militia commanders to attacks in Iraq and conflict in Syria, the year 2020 appears to be a time for reorganizing hierarchy, resources and manpower. In the absence of General Soleimani, the militias and the Quds Force leadership both need re-assimilation and synergy. Interestingly, Iran will have to rely more on its mercenaries raised over the years due to its limitation of engaging in direct conflict with the US, Israel or Arabian Gulf rivals. Amidst unprecedentedly heightened tensions, plausible deniability will remain Iran's persistent refuge. For continuation of Iran's defense and foreign policy, not only will the al-Quds Force have to keep militias in Iraq, Syria, Lebanon, Yemen, Afghanistan and Pakistan disciplined but also well-trained and well-equipped. In the times to come, Iran's mercenaries are likely to face intense attacks against their leadership and weapons' depots. Tehran's foes won't like its militias to be spared from the conflict in Syria and be deployed elsewhere to the IRGC's advantage.

Nonetheless, the buildup of multilayered missile and drone capabilities is most likely to continue despite soaring economic woes and likely referral of

its JCPOA violations to the United Nations' Security Council. Iran's missile and drone programs have reached maturity already. It has achieved the desired range and lethality required to match Iran's foreign and security policies. The budget may well be spent acquiring launch systems as well as drones.

This year again, the Iranian navy will see greater action and visibility in the high seas. Though it falls way short of the desired capabilities, which is extremely cost-intensive to acquire, the push for reverse-engineering and improvising the existing obsolete vessels will continue. The ongoing protests in Lebanon and Iraq pose another unique challenge for Iran's mercenaries, for which they never prepared themselves. Evidently, it is going to be a uniquely challenging year for Iran's elite IRGC as well as for its regular army.

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The Iranian expansionist agenda in the region did not change in 2019. Mediation efforts to ease tensions between Saudi Arabia and Iran failed. Tehran continued to support its proxies deployed across the Arab countries, in particular those in Yemen, Syria, Iraq, and Lebanon.

It also continued to entrench its extensive presence in Syria to protect its gains and to continue with the implementation of its plans and projects in post-conflict Syria.

However, it was not a good year for Iran in Iraq. Iran has received several blows this year after its longstanding presence and strong influence in the Iraqi political arena. Iranian ambitions were undermined by a massive popular outrage. The Iraqi people took to the streets protesting against the Iranian role in their country. Moreover, the Trump administration realized the pivotal role of Iraq in Iran's regional strategy, therefore the US assassinated the Quds Force Commander Qassem Soleimani, the architect of Iran's expansionist project in Iraq.

Iranian support to the Houthis made the crisis more complicated in Yemen at the political, security and economic levels. The comprehensive political process and all the Yemeni peace agreements were thwarted because they conflict with Iranian interests there.

# ARAB AFFAIRS





# Iran and the Arabian Gulf

*By the end of 2018, Iran was able to create divisions among the Gulf countries and maintain good bilateral relations with several states of the Gulf Cooperation Council (GCC). In spite of the unified Gulf position within the GCC, and bilateral relations between Iran and individual Gulf states, there were complex developments between Iran and the Gulf states.*

2019 witnessed a mutual escalation between Iran and the United States, which risked the region's security and stability as well as the security and interests of the Gulf states. The Gulf states exercised the utmost restraint in order to prevent the region sliding into military conflict. Meanwhile, the Gulf countries stressed the need for Iran to change its destabilizing behavior which compromised the region's security and stability and to pursue negotiating methods and peaceful solutions in all issues and conflicts of the Middle East which Iran plays a role in fueling. This report evaluates Iranian-Gulf relations through examining two topics: firstly, *International and Regional Impacts in Iranian-Gulf Relations*; secondly, *Iranian-Gulf Interactions* in an attempt to identify their tracks and assess their future prospects.



## I- International and Regional Impacts in Iranian-Gulf Relations

The roles played by several international and regional powers within the Iranian-Gulf scene varied during the year 2019. These roles include the American role which moved between intensification and partial withdrawal of its force in the region, the escalating Russian role on the Iran-Gulf scene, and the militarization of the Chinese role. All of these roles contributed greatly to interactions between Iran and the Gulf states and reflected the strategic importance of the region. During the term of former President Barack Obama, American foreign policy focused on reducing American presence in the Middle East on the premise that the biggest challenge facing the United States was the rise and growth of China. However, the escalation of events and the strategic importance of the Middle East prevented the full implementation of this policy. In this context, we will attempt to analyze these roles and their impact on bilateral relations between the Gulf states and Iran as follows:

### 1- International Inputs:

International inputs and their effects on Iran-Gulf interactions multiplied during 2019, the most prominent among them being:

### A- American Variance and its Dual Approach

2019 was an eventful year or what can be described as a year of outcomes that confirmed the approach of the Trump administration towards Iran in the region. We can say that the 2019 policies of the American administration towards the region and Iran were the result of steps taken in 2018 after the United States withdrew from the nuclear agreement with Iran signed in 2015.

The American role in the Arab Gulf region fluctuated, between having an effective military presence and quiet withdrawal. The United States had acted quickly to dispatch massive military equipment in the middle of last year when the Iranian threat to navigation in the Arabian Gulf became clearer. It also announced the deployment of B-52 bombers, the aircraft carrier USS Abraham Lincoln and the warship USS Arlington.

These moves were undertaken simultaneously with repeated attacks and provocations by Tehran or its allies on oil facilities in the Arab Gulf countries such as Saudi Arabia and the UAE. This led to a sort of strategic balance, maintaining security, and ultimately deterring the Iranian government or its allies from carrying out further hostilities. Although these actions curbed Iran's threat to the region, its provocations continued until late last year with attacks and seizure of ships, but it fell short of the comprehensive threat that necessitated a decisive response. In general, it can be said that the American presence to maintain security in the Arab Gulf region was firm and decisive from the very beginning. However, the United States quickly withdrew and did not incur additional costs to remain indefinitely in the

Arab Gulf region. The American president announced his displeasure at the continuous presence of American forces in the Gulf to protect it from the Iranian threat, stating, "China gets 91% of its oil from the straight, Japan 62%, & many other countries likewise. So why are we protecting the shipping lanes for other countries...Why does the US protect shipping corridors for other countries over the years against Zero compensation?" The rhetoric, despite its logic, sent a message to Iran that the United States will not escalate against it due to its repetitive attacks on oil tankers, or at the very least it will not seek a military confrontation with it because it poses a threat to maritime navigation. Therefore, Iran continued to threaten the security of international shipping lanes.



On the other hand, the United States has taken a dual approach in dealing with the Iranian threat in the region. On January 3, 2020 the United States targeted the Iranian Quds Force commander Qassem Soleimani after pro-Iranian protesters in Iraq attacked the American embassy in Baghdad in late December 2019. Although Iran posed a real threat to US allies in the region, such as Saudi Arabia and the UAE, the United States did not carry out a similar response when they faced Iranian hostilities.

### **B-The Growing Russian Role:**

The Russian role in the Arab Gulf region escalated during 2019 and Russia seemed more robust and capable of supporting its ally, Iran. Russia's increased

engagement was facilitated by its adoption of a solid position towards the American withdrawal from the nuclear agreement and its role as a coordinating mediator in a number of conflicts such as the Syrian crisis. It also carried out broader initiatives to resolve the crisis that erupted in the first half of 2019, when it put forward in the Security Council a proposal to establish a maritime security system in the Gulf region. However, through its mediating role, Russia's primary aim was to help Iran rather than to actually resolve the crisis. Perhaps it can be said here, that the secret of the relationship between Moscow and Tehran at the present time is their common interests against the United States, if the Gulf countries have more common interests with the United States, then Iran has the same understanding with Russia.

The Russian role in Iranian-Gulf relations in 2019 witnessed a remarkable development based on the ties that link Iran and Russia. On June 21, 2019, Russia refused to use military force against Iran, and at the time, Kremlin Spokesman Dmitry Peskov announced that President Vladimir Putin discussed with members of the Russian Security Council the situation in the Gulf region, warning of the "repercussions of the ill-considered steps."

Therefore, politically, we will see further Iranian-Russian coordination in the region with regard to the ongoing crisis. Militarily, relations have expanded, including Iranian military visits such as the visit of the commander of the naval forces of the Iranian Army to Russia on July 27, 2019. The two countries signed a military agreement following which Iran stated that some of its provisions





were classified and that the agreement as a whole aims to develop military cooperation between the two countries.

The Russian role in Iranian-Gulf relations was prominently highlighted through Moscow's proposal for resolving the Gulf crisis. On September 2, 2019, Iranian Foreign Minister Mohammad Javad Zarif said during a visit to Russia that his country welcomes the Russian proposal to ensure the security of the Gulf region. Zarif added that cooperation between Moscow and Tehran would be in the interest of all countries of the region.

In December, Russia-Iran relations culminated in the conducting of a naval exercise with China which included naval military maneuvers in the northern Indian Ocean and the Gulf of Oman over several days, which were described by the commander of the Iranian fleet, Ghulam Reza Tahan, as a message of "peace, friendship and sustainable security under unity and cooperation."

### **C- The Militarization of the Chinese Role and the Commercial Interests of Beijing**

China carefully considers its commercial interests in most regions of the world, including the Middle East. In the midst of the Iranian-Gulf crisis last year, Beijing sought to protect and ensure its commercial interests in the Arabian Gulf region, and at the same time its interests inside Iran, since it is one of Tehran's largest trading partners.

In the midst of the Iranian-Gulf crisis last year, China called for caution with regard to the tensions that erupted last year between the United States and Iran and the Arab Gulf region in general, calling on everyone to exercise restraint. However, it refused to carry out a military strike against Iran, and warned that such action would open Pandora's box, meaning that it would affect everyone.

However, on August 7, China, through its ambassador to the UAE, warned that it might dispatch military forces to the Arabian Gulf to accompany and protect its merchant ships due to the repeated attacks on oil tankers in the Arabian Gulf, which meant it had joined an alliance with the United States to secure trade in the Gulf. Accordingly, it can be said that China's role has been limited to attempting to protect its merchant ships rather than protecting Iran itself. Thus, the Chinese objective was limited to protecting its commercial interests. Therefore, we find that China has started to establish military bases in the Middle East to protect its trade, such as its military base in Djibouti.

Generally, China seeks to improve its political relations with Iran to serve its economic interests. However, we should not ignore the common factor between Tehran's relationship with Moscow and Tehran's relationship with Beijing: hostility against the United States. This is one of the primary motivations of Beijing and Moscow for enhancing relations with Iran. Therefore, we witnessed joint military exercises between Tehran, Beijing and Moscow in the Gulf of Oman in December last year, coinciding with the ongoing tensions between

Washington and Tehran in the region.

#### **D- The European Union and the Nuclear Deal Dilemma**

Since the United States' withdrawal from the nuclear agreement with Iran in May 2018, the European Union (EU) has tried to maintain its economic and political relations with Iran, and has further sought to stabilize the Arabian Gulf region in order to maintain trade. The volume of EU trade with the Arab Gulf states in addition to Iran exceeds billions of dollars, which makes the EU very interested in maintaining security and stability in the region.

During the past year, the European Union practiced the push and pull policy in the region. Despite its desire for stability, it stood up against Iranian provocations in the region and has always called on Iran to desist from creating tensions in the region and to comply with the terms of the nuclear agreement. The EU also supported the positions of the Arab Gulf states that call for the cessation of hostilities by Iran.

For example, on June 13, 2019, Federica Mogherini, High Representative of the Union for Foreign Affairs and Security Policy called for avoiding further provocations in the region after several attacks were carried out against oil tankers, adding that, "The region doesn't need further escalation, it doesn't need further tension," and called on the EU to commit to the utmost restraint. Accordingly, the EU's efforts focused on the necessity of preserving the nuclear agreement and to prevent the outbreak of war in the region which would risk its economic interests.

However, the EU took a resolute stance against the Iranian threat to navigation in the Arabian Gulf. Therefore, some EU countries dispatched warships to protect their trade in the region, including Britain, after a British vessel was seized by Iran. On July 12, 2019, London announced its intention to dispatch warships to the waters of the Arabian Gulf in response to the Iranian threat. Indeed, the EU often seemed to support the position of the United States, but it generally tried not to escalate further tensions in the region in order to preserve its commercial interests.

## **2- Regional Inputs**

This is concerned with the role played by regional actors, and its impact on developments in Iran-Gulf relations in 2019. Here we address the following:

### **A- Turkey and Cautious Support**

Despite the historical dispute that lingers between Iran and Turkey, the two parties seemed to temporarily forget these differences during the year 2019 in particular, due to several factors, including the desire of both parties to further their expansion in the Arab region since 2011, the desire of Ankara to become a destination for Iranian investors fleeing the economic collapse of their country, and Iran's desire to have Turkey as an access point through which its goods and





oil are exported as a means of evading US sanctions, in addition to the tensions in American-Turkish relations witnessed in the same year. All this led to a rare and cautious rapprochement between Iran and Turkey.

For its part, the Arab Gulf states reject such ambitions, whether from Iran or Turkey. Accordingly, we witnessed an attachment or “fragile alignment” in relations between Ankara and Tehran during 2019. Turkey, under President Recep Tayyip Erdogan, since the outbreak of the Gulf crisis last year, has expressed its rejection of US sanctions on Iran. This in fact reflected Turkey’s concerns about curbing its commercial interests with Iran, which peaked in 2014. The volume of trade between them reached \$14 billion. However, in May 2019 Ankara announced full compliance with US sanctions on Iran and the closure of its ports to Iranian oil.

Later, at the height of the tripartite crisis between Iran, the Gulf states and the United States, Turkey tried to call for de-escalation or to play an intermediary role, even though it knew in advance that its role would not be accepted by anyone. However, Turkey believes, in fact, that Iran’s continuous economic deterioration works in its favor, because it would lead to a continuous flow of Iranian capital to Turkey, as we continue to witness the massive Iranian turnout to buy real estate in Turkey. However, things didn’t work out the way Ankara planned as the end of 2019 saw the lowest rate of trade exchange between Turkey and Iran in recent years, a decrease of 39 percent. The Turkish Statistical Institute stated that the volume of trade with Iran recorded \$4.470 billion during the first eight months of last year.

During the end of 2019, bilateral relations were relatively strained over

disagreements in some other regional files, including the crisis in Syria. Tehran warned Ankara against establishing military bases on Syrian territory.

On the other hand, Turkish relations with the rest of the Arab Gulf states, with the exception of Qatar, remained strained over Turkish ambitions, President Recep Tayyip Erdogan's policies, and his support for terrorists in the region. Therefore, it can be said that the "fragile alliance" between Turkey and Iran during 2019 was temporary, influenced by various developments.

### **B - Pakistan: An Acceptable but Unsuccessful Mediator**

Over the past year, Pakistan has played an active mediating role on the Iranian-Gulf scene. This was welcomed and appreciated by all Gulf countries, given the regional status this country has. In September, Pakistani Prime Minister Imran Khan announced that both Saudi Crown Prince Mohammad bin Salman and US President Donald Trump asked him to mediate in the ongoing crisis between the Gulf states and Iran. Indeed, Khan visited Saudi Arabia four times in one year, most recently in December. He also visited Iran in October of the same year.

Pakistan has truly managed to gain a new role on the international stage through these serious diplomatic initiatives, which contributed to the increase of Imran Khan's popularity locally, although these endeavors did not significantly bring about tangible results. The failure of these endeavors is related to the complexity of the issue, or the fact that Iran believes that Islamabad is closer to Riyadh than to Tehran. Iran sees Pakistan as a Sunni country like Saudi Arabia. It probably believes that the crisis has not yet reached the stage of maturity that can be resolved through mediation. Pakistani mediation has not provided a comprehensive solution to the crisis that would guarantee a fundamental change in Iranian behavior. Nevertheless, it can be said that the Pakistani diplomatic initiative was the most likely to succeed during this period.

### **C- Israel, the Close Observer**

Israel has attempted to move significantly away from the simmering Iranian-Gulf crisis which escalated in 2019, seeking to resolve the interactions related to its national security, including the growing interactions of the Iranian role, and the active and intensive military presence of Iran in Syrian territories, which in turn boosted the capabilities of the Lebanese Hezbollah.

In conjunction with the Iranian-Gulf crisis, Israel has focused on shelling Iranian sites in Syria, perhaps in coordination with Russia, which no longer welcomes the extensive Iranian presence in Syria, and perceives Iran as a strong competitor to it there. Israel has targeted Iranian sites inside Syria and has been closely monitoring the situation there. Thus Israel launched pre-emptive attacks not only in Syria but also in Iraqi territory. Although the

United States gave prior warning to Israel to not carry out attacks against pro-Iran militias in Iraq, this warning seems to have been withdrawn. The attack on the oil installations in the Kingdom of Saudi Arabia has given further acceptance to Israel's right to carry out pre-emptive strikes as it deems them necessary to ensure its security, because Israel was concerned about a wider Iranian attack against it in which weapons of mass destruction such as chemical weapons could be used.

Here, the Israeli role in the midst of the developments of the Iranian-Gulf crisis can be described as the “close observer,” because it undoubtedly would have sided with the United States in the event of a conflict with Iran. However, it prefers to stay away from the scene “geographically” and to secure its vicinity by shelling pro-Tehran targets.

#### **D- Regional Actors and Proxy War**

In 2019, Iran used a number of its militias in the region to serve its goals regarding issues of dispute with the Arabian Gulf states. In order to enable the Iranian government to evade responsibility for the attacks against Arab countries, it instructed its militias in the region to carry out such attacks, whether in the Arabian Gulf, or in Syria and Lebanon. In fact, these militias were tools for Tehran to achieve its political goals.

For example, at the height of the Gulf crisis with Iran, the Houthi militia in Yemen claimed responsibility for the attack on two Saudi Aramco installations last September, stating that it was carried out with 10 drones, in addition to other attacks, including a Houthi terrorist attack that occurred in May of the same year. Through such operations, Tehran wanted to influence the course of the crisis in its favor in order to enter political negotiations with more pressure cards than the American side. Iran also believes that these attacks will terrorize neighboring countries, and force them to comply with what it wants.

Iran has also used the Lebanese Hezbollah militia in attempting to change the course of the Iranian-Gulf crisis by instructing the party to carry out attacks against Israel, to pressure the United States on one side and demonstrating Tehran's attempt to turn the conflict into an Arab-Israeli crisis par excellence, on the other.

The Iranian approach did not differ in dealing with militias loyal to Tehran on Iraqi territory. These militias attacked American interests on Iraqi territory late last year in an attempt to pressure Washington politically. This was followed by an American response targeting the Hezbollah Brigades inside Syria and Iraq. The latter and those loyal to the Iranian government responded by trying to storm the American embassy in Baghdad's Green Zone on December 31, 2019. The United States warned that these attacks would be followed up by a serious response. This is what happened on January 3, 2020 when Washington targeted the Iranian Quds Force commander, Qassem Soleimani, near Baghdad International Airport in Iraq.

## II- The Interactions of Iranian-Gulf Relations

With Iranian-American confrontations escalating and within the framework of the Iranian response to the strategy of maximum pressure, during 2019 Iran made a number of political decisions and tactical moves, posing a threat to the security and territorial integrity of the Gulf states and affecting the nature of Iranian- Gulf relations. These decisions also led to further developments in the crisis since Iranian incursions into the Arab region following the so-called Arab Spring revolutions.

### 1- Iranian Policies Towards the Gulf States in Light of the Iranian-American Conflict

After the United States cancelled the sanction exemptions granted to eight countries which were imposed on Iranian oil importers in May 2019, Iran made a number of political decisions and implemented military actions that risked the region and threatened the economic interests of regional countries. These moves also motivated major countries to intensify their military presence in the region to ensure the flow of oil to global markets. Iran's provocative behavior led to the heightened possibility of war on more than one occasion. Undoubtedly, these measures carried out by Iran affected its relationship with the Gulf states, despite Rouhani's repeated statements that "Tehran wants to



establish close relations with all the countries of the Middle East,” where Iran and Saudi Arabia have been fighting proxy wars for decades. “Iran is ready to work with countries in the region to maintain security in the Middle East,” said Rouhani in a speech in southern Iran which was broadcast on national television.

These measures were as follows:

#### A- The Reduction of Iran’s Nuclear Obligations

Iran adopted a policy of gradually reducing its nuclear obligations, according to what Iranian President Hassan Rouhani announced, stressing that this reduction can be undone if the European countries commit to continue importing Iranian oil and activate the financial mechanism INSTEX to ensure the continuation of trade between Iran and Europe, as was the case before the American withdrawal from the nuclear agreement. This policy included five stages, the first of which was implemented on May 8, 2019, as follows:

Date	Measure	Stage
May ,8 2019	Increasing the size of its stockpile of uranium to 3.67 percent	First
July ,7 2019	Exceeding the 3.67 percent limit placed on uranium enrichment	Second
September 2019 ,5	Developing centrifuge machines and lifting all restrictions on nuclear research	Third
November 2019 ,5	Resuming uranium enrichment at the Fordow facility and inserting uranium gas into centrifuges	Fourth
January ,5 2020	Abandoning all limits on the quantities and proportions of uranium enrichment and the number of centrifuges	Fifth

These steps taken by Iran posed a threat to the Gulf states with the resurgence of the risk of Iran’s transformation into a nuclear state with the possession of weapons of mass destruction, which would result in a change in the balance of power and instigate a nuclear arms race in the region. This may pose a threat to



global peace and security in a region of global strategic influence.

#### **B- Targeting the Safety and Security of Maritime Navigation:**

Under a systematic plan, Iran carried out sabotage attacks against a number of oil tankers in the Arabian Gulf and the Gulf of Oman to implement what had previously been stated by Iranian President Hassan Rouhani: that if Iran was prevented from exporting its oil, it would prevent the other countries in the region from exporting oil as well. Although the countries of the region were not responsible for the imposition of sanctions on Iran, nor did they ban Iranian oil exports, Iran decided to harm the interests of the Gulf states. Despite the continuation of diplomatic and trade relations between Iran and a number of Gulf countries, it has not refrained from targeting oil tankers in the region and carrying out hostile acts in UAE economic waters. Through undermining maritime security, Iran seeks to influence the positions of major countries with the risk of oil supplies being cut off, testing the American response regarding limited military operations, and threatening the region's security and economic stability as a pressure tool.

**Table 2: Iran's Targeting of Oil Tankers**

Date	Incident
May 12	Four commercial ships were targeted off Fujairah's coast in the Gulf of Oman and Iran has been held responsible by the United States with evidence
June 13	Two oil tankers were attacked in the Gulf of Oman
July 10	Three Iranian vessels attempted to impede the British Heritage commercial vessel through the Strait of Hormuz before the frigate Montrose intervened and repelled Iranian forces
July 15	US intelligence agencies announced that the Panama-flagged tanker M/I RIAH was seized by the IRGC and it was believed that the vessel belonged to the UAE, but the UAE denied this
July 19	The British-flagged tanker Stena Impero was seized along with its crew by the IRGC

Date	Incident
July 20	The IRGC forced the oil tanker Masdar owned by an Algerian company to change its direction towards Iranian territorial waters as it was passing through the Strait of Hormuz

In spite of the evidence confirming Iranian culpability, Iran has consistently pursued a policy of denial with regard to these attacks in order to escape punishment for these criminal acts. In the case of its seizure of the tanker which could not be denied, Iran was quick to justify its actions because it aims to stop the oil embargo and place and pressure on European countries and the United States. With regard to the seizure of the British tanker Stena Impero, Iran claimed that the tanker’s seizure was due to its deviation from the path typically used by tankers in the Strait of Hormuz, and thus was detained and its crew interrogated.

**C- Attacks on Saudi Oil Installations**

The most important and largest Saudi oil facilities of Aramco, which produces 10 percent of the global oil production in the Abqaiq and Khurais regions, were attacked in mid-September 2019, which led to the suspension of oil production at both installations and reduced the volume of the Kingdom’s oil production by 50 percent. These attacks led to a 20 percent increase in the price of oil. Following the swift repair of the damage caused by these attacks, the price began to decline, but remained elevated by 11 percent compared to before the attacks. Iran has continued to pursue a policy of denial and has claimed that it was not responsible for the attacks. At the same time, the Houthi militia claimed responsibility, but the United States declared the impossibility of the Houthis carrying out such attacks. It announced that the attacks originated from the north, not the south. The evidence started to mount confirming Iran’s involvement in the attacks, even though Iran refused to admit this. The leaders of France, Germany and Britain issued a statement condemning the Iranian government and referred to Iran’s direct involvement in the terrorist attacks, as the text of the joint statement stated: “The time has come for Iran to accept a long-term negotiation framework for its nuclear program.” Russia stressed that there was no evidence of Iran’s involvement in the attacks. Still the investigations have not identified the source of the attack. The Houthis, according to many regional and international powers, are excluded from being the protagonist and are awaiting for hard evidence for holding Iran responsible for the attack.

#### **D- The Hormuz Peace Initiative**

After Iran intensified hostilities from May 2019 to September 2019, and as we indicated in the aforementioned points, Iranian President Hassan Rouhani announced what was called the Hormuz Peace Initiative while attending the United Nations Assembly in September 2019. He did this in order to inform the leaders of the GCC countries and Iraq about the details of this Iranian initiative. Although this initiative contradicts repeated Iranian attacks and its destabilizing activities against the security and stability of the region, Iran has used it efficiently as a card to improve its image before the international community after it received widespread international condemnation for threatening the security of maritime navigation and the attacks on Saudi oil installations.

The initiative in its theoretical proposition is based on establishing “objective alliances,” meaning that understandings are made on a number of specific points of cooperation. It includes broader issues than collective security issues, such as respecting sovereignty and international borders, the peaceful resolution of disputes, the non-use of force and arms control, and security building measures and making the region free of weapons of mass destruction.

In contrast to Iran’s usual actions, the Rouhani government has made a number of proposals and projects to de-escalate tensions in the region, such as the proposal for signing a non-aggression treaty, the Alliance of Hope, and the Hormuz Peace Initiative. Iran believes and asserts that the response of the Gulf states has always been tepid and unwelcoming, while it ignores the irrationality of presenting such proposals in light of ongoing Iranian escalation and its violation of international law that obliges states to respect the sovereignty of other states and not to interfere in their internal affairs.

#### **2- Gulf Policies Towards Iran**

During 2019, the policy of the Kingdom of Saudi Arabia consistently focused on uniting the Gulf, Arab and Islamic ranks in order to face the security challenges and threats aimed at destabilizing regional stability. This demonstrates the Saudi leadership’s concern about ensuring security in the region, avoiding the scourge of regional wars, and achieving peace and prosperity for its people. However, Iran’s interference in the internal affairs of the Gulf and Arab states, its violations of international law and its sponsorship of attacks against Saudi oil installations and merchant ships off the UAE coast prompted the GCC countries to adopt policies aimed at limiting Iranian behaviour through a single platform or through the interactions of individual Gulf states with Iran.

### A-Joint Work

Following the terrorist attacks by the Iranian-backed Houthi militia that targeted two oil pumping stations in the provinces of Dawadmi and Afif, in addition to the four civilian commercial ships that were sabotaged in UAE territorial waters which involved an Emirati oil tanker, two Saudi tankers and a Norwegian oil tanker, the leaders of the GCC countries accepted King Salman's invitation on May 30 to hold an emergency Gulf summit condemning the terrorist attacks and denouncing the dangerous developments that undermined regional and international peace and security and disrupted energy supplies.

The Gulf summit was followed by an emergency Arab summit and the 14<sup>th</sup> session of the Islamic Summit Conference. In their closing statements, the two summits stressed the necessity for the Iranian government to display wisdom and distance itself from fuelling sectarian conflicts. For its part, the final statement of the Gulf Summit called on the international community to take firm measures against the Iranian government's excesses.

During 40th session of the Supreme Council of the Gulf Cooperation Council held on December 10, the Supreme Council called on the international community to assume its responsibilities in condemning those behind the attacks against Saudi oil installations in September, after it pointed out the continued targeting of Saudi Aramco oil pumping stations with Iranian weapons, while reaffirming that the Council stands by the measures taken by the Kingdom of Saudi Arabia based on the outcome of investigations in order to ensure its security and stability.

### B-Bilateral Interactions

Iran has continued its provocations and aggressions on Saudi territory either through its Houthi allies or militia deployed in the region or through drone attacks. Although Iran has consistently denied its involvement, on September 18 Saudi Arabia released evidence proving Iranian complicity in the attacks on Saudi oil installations. During 2019, in addition to the terrorist attacks against the two oil installations in Dawadmi and Afif, as well as the attacks against the oil installations in Abqaiq and Khurais, the Houthi militia launched more than 225 ballistic missiles





towards Saudi Arabia, and more than 155 drone attacks.

On the other hand, Saudi Arabia was keen to maintain regional security and peace and strengthened the unity and the decision-making of the Gulf, Arab and Islamic world against Iranian excesses in the three summits held in Mecca. These summits galvanized support for the Saudi position in taking the necessary steps in accordance with its interests and the results of its investigations, calling on the international community to participate in the investigations and examine the proven facts showing Iranian involvement in the aforementioned attacks.

At the Bahraini-Iranian relationship level, and after the escalation of tension between Iran and the United States in the Gulf region in May 2019, Bahrain warned its citizens against traveling to Iran and Iraq due to safety concerns in light of the unstable conditions in the region. On October 21 and 22, 2019 Bahrain hosted a maritime security conference to ensure freedom of navigation, which was a follow-up to the Warsaw conference initiated by the United States and through which it was keen to shed light on Iranian subversive roles and ways to limit its expansion which undermines security and stability in Middle East.

The Iranian side criticized Bahrain for hosting the conference, which it considered as provocative in its content and hostile in its rhetoric to Iran. The Bahraini side continued to denounce Iran's role and interventions in the region, receiving Gulf support from its counterparts in the GCC in addition to international support represented by the maritime military alliance formed in





the beginning of November. This alliance aims at securing navigation in the Arabian Gulf led by the United States and with the membership of Britain, Australia and Albania, Saudi Arabia, the UAE and Bahrain.

### III- The Prospects for Iranian-Gulf Relations in 2020

The interactions of Iranian-Gulf relations in 2019 showed that the relations between Iran and the Gulf states are closely related to the course of the Iran-US crisis, and that Iran has targeted the security of the region and the interests of regional countries through tactical moves to create a low-intensity conflict in order to improve its negotiating position, whether with the United States or the European countries. In spite of the adherence of the Kingdom of Saudi Arabia and the Arabian Gulf states to the policies of restraint, Iran continued its escalations and remained undeterred except by the intense military moves of the major powers that sent specific military reinforcements. Iran introduced unrealistic peace initiatives to improve its international reputation.

In parallel with these hostilities, Iran has maintained effective bilateral relations with a number of Gulf countries, taking advantage of the desire of some countries to play a mediating role in order to de-escalate the tense situation without suggesting fundamental solutions to the crisis regarding Iran's destabilizing behavior in the region. Iran took advantage of the Qatari crisis to commence close cooperation with Qatar and to prevent it from implementing the demands of the Arab Quartet and to encourage Qatar to maintain policies that run counter to collective Gulf security which would push the Middle East towards further violence and provoke unrest in a number of countries.

With the escalation of US economic sanctions against Iran, it is expected that the indicators of trade exchange and economic cooperation between Iran and the Gulf countries with which it maintains bilateral relations will decline given the nature of their free market economies in which the private sector is an essential component, especially with the US imposition of sanctions on Gulf companies that deal with Iran.

The convergence of Gulf views around establishing collective security systems to protect maritime security and to ensure the continuation of international oil supplies will increase by relying on the individual capabilities of the Gulf states and cooperating with international powers after the attacks carried out by Iran against oil tankers in the Arabian Gulf and the Gulf of Oman.

It is expected that the Gulf states which initially preferred to play the role of mediator will agree to the project of confronting Iranian schemes in the region because their interests are also compromised due to Iran risking the safety of maritime navigation. The Gulf position will also be strengthened by the escalation of the international position against Iran and the possibility of bringing the Iranian nuclear file to the Security Council, after the three

European countries, Britain, France and Germany, filed a case regarding Iran's reduction of its nuclear obligations to the Dispute Resolution Mechanism emanating from the nuclear agreement.

Iran will also lose much of its ability to instigate upheavals in the Gulf states as a result of the condemnation of the Iranian role in the region which was reinforced by the outbreak of popular protests in both Iraq and Lebanon against Iran's presence and domination, originating from within Iraqi Shiite and Lebanese territories. Iran will not have the ability to continue to enlist and mobilize in the countries of the region as it did before. Undoubtedly, the deterioration of economic and living conditions in Iran and the countries Iran has dominated provides a clear vision of the prospects for the Iranian project and every party involved in it.

However, the resolution of the crisis in Iranian- Gulf relations depends on Iran adopting an inclusive approach to its foreign policies away from fueling conflicts and destabilizing security and stability. At the same time, it must end its policy of infiltration in the politically unstable countries of the region by replicating the Hezbollah model and controlling the political will of states through Iranian proxies which undermines the sovereignty of countries in the region.

# Iran and Iraq

**Through its militias in Iraq, Iran made political gains in 2018. The Fatah Alliance led by Hadi Alameri emerged as the second largest parliamentary party after the Sairoon Alliance in the 2018 Iraqi parliamentary elections. The Iranian-backed political factions gained ministerial portfolios in the Abdul-Mahdi government. Nevertheless, Iran faced its biggest challenge in Iraq in the late months of 2018; public outrage against Iranian intervention in Iraq was increasing due to Tehran's interference leading to deteriorating living conditions. The protesters in Shiite cities demanded Iran's expulsion from Iraq and set fire to the Iranian consulate and the headquarters of its militias.**

In 2019, Iraq had become a battleground and a field of competition between the United States of America – a world power dominating the core of the unipolar international system since the collapse of the bipolar international system in the early nineties of the 20<sup>th</sup> century – and Iran – an average, expansionist and revisionist power unsatisfied with its regional position seeking to dominate the region. Therefore, both sides realize Iraq's centrality in their strategies to maximize their strategic gains and achieve their political interests in the politically troubled Middle East which also suffers from poor security and economic hardship. Both these countries formulated their strategies and policy-making to control Iraq.



Therefore, Washington has given the Iraqi arena top priority to limit Iranian regional influence. This strategy is considered one of the most important dimensions of the maximum pressure strategy to modify the behaviour of the Iranian government which could force Iran towards the negotiating table in order to amend the nuclear agreement and limit its missile capabilities. Israel targeted armed pro-Iranian militias in the Iraqi arena. On the other hand, Iran sought to control Iraq in order to preserve its gains and implement its plans. It escalated its attacks against the United States and targeted US allies in Iraq. Iran also forced its proxies to pass a bill calling for the expulsion of foreign forces from Iraq. This leads to several questions: Why did Iraq become a US-Iranian battlefield in 2019? What are the policies of each party for controlling Iraq? What are the implications of the Iranian role in Iraq given the evolution of the US-Iranian conflict and the developments in the Iraqi arena?

### **I- Iranian Policies to Control Iraq**

The centrality of Iraq in the Iranian strategic perception stems from the fact that it represents a vast geographical extension to western Iran and a central arena of influence in the Iranian strategy because it is a major and central link within the Iranian corridor that connects Iran to the Mediterranean through Iraq, Syria and Lebanon. This corridor is considered the conduit for achieving what is described by Iran as the Shiite Crescent. Iraq is one of the most important strategic links in the Iranian corridor, and a central transit point to transfer and smuggle weapons to pro-Iranian armed militias in Syria and Lebanon.

The importance of Iraq has grown in Iran's strategy after economic sanctions imposed on Tehran were tightened particularly after the cancellation of import exemptions for eight countries that were unable to continue purchasing Iranian oil from April 2019. Iran perceived the Iraqi arena as a lifeline and an area of economic importance to confront pressures and circumvent the sanctions by controlling Iraq, turning it into a central gateway for exporting oil abroad, and ensuring its continuity as an environment conducive to Iranian interference since it is a strategic field of influence.

Therefore, Iran intensified its moves in Iraq to ensure its permanence within the Iranian sphere of influence, to maintain its gains, to implement the rest of its plans, and to work on reducing the American and Gulf pressure cards. Therefore, Iran adopted economic policies to raise its trade exchange with Iraq from \$12 billion to \$20 billion, to encourage the Iraqi government not to respond to American pressure regarding the import of Iranian gas and electricity, and to dominate the relatively broad Iraqi market. These moves coincided with Iraqi reconstruction in Sunni cities and governorates liberated from ISIS, and the agreement between the two sides to build a railway that will connect the Port of Imam Khomeini on the Iranian side of the Gulf coast to the Iraqi city of Basra and to the Syrian port of Latakia, which will serve the interests of the Iranian project.



The US administration has realized that Iraq is a vital and strategic arena to confront the threat of Iran and limit its power within the framework of its strategy which aims to modify the behaviour of the Iranian government. The United States recognizes the geopolitical advantages of Iraq, its importance to the Iranian strategy and its role in alleviating the impact of sanctions on Iran by Tehran using Iraqi territories to re-export oil abroad to circumvent US sanctions. Therefore, the US administration continues to strongly pressure the Iraqi government to ensure compliance with the sanctions imposed on Iran, and to guarantee the effectiveness of the American maximum pressure strategy. This pressure was imposed through using different methods and tools to reduce the influence of pro-Iran armed militias in Iraq, affecting the scale of Iran's regional influence, which is considered one of the most important goals of the American maximum pressure strategy.

Given the centrality of Iraq in the Iranian strategy, and the importance of controlling and using it as a tool to circumvent sanctions to alleviate their adverse impact on Iran, Iranian leaders and officials intensified their visits to keep Iraq away from US policies against Iran. On the instigation of Iran, armed militias and pro-Iranian political arms in Iraq pressured the members of the Iraqi Parliament to issue a law to expel foreign forces from Iraq; and the main target was American forces. Iran sought to maximize the size of its economic influence. A few days before the end of 2019, Iran - represented by its armed militias - escalated its attacks against American, Western and Arab targets both inside and outside the Iraqi arena, as follows:

### **1- Intensifying Presidential Visits to Enhance its Sphere of Influence**

In a historical and pivotal juncture by all standards, the Iranian President Hassan Rouhani visited Iraq from March 11 to March 13, 2019. This was the second Iranian presidential visit to Iraq since the victory of the Iranian revolution. The first Iranian presidential visit to Iraq was carried out by the former President Ahmadinejad almost 11 years ago in 2008.

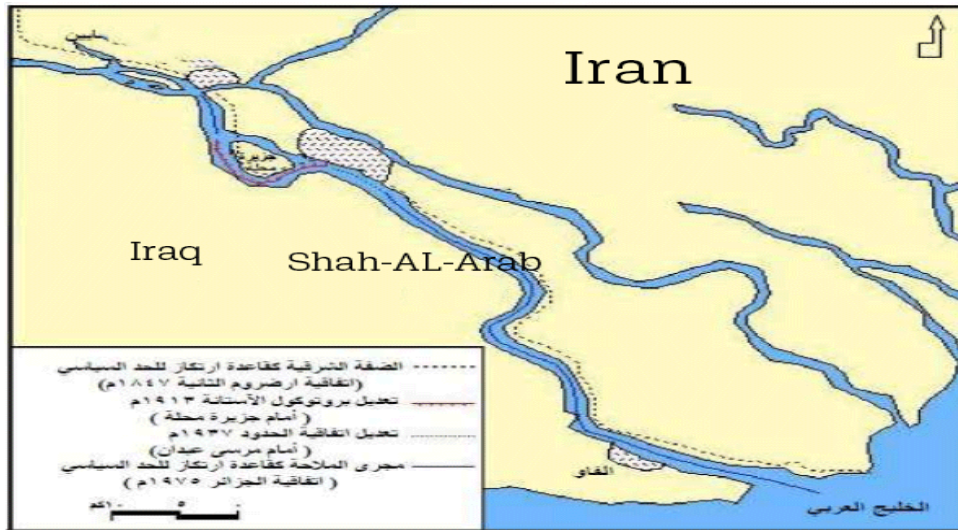
Rouhani's visit, which followed two ministerial visits to Iraq during 2019 conducted by the Minister of Energy Begin Zangana on January 10, 2019, and the second by Foreign Minister Mohammad Javad Zarif from January 13 to January 18, 2019, achieved an unprecedented historical outcome for Iran. The visits increased Iranian influence and expanded Iran's presence on the Iraqi scene. Among the most important of these gains are:

#### **A- A-Sharing Sovereignty With Iraq Over the Shatt al-Arab**

One of the most important gains achieved by Rouhani's visit was the agreement to divide sovereignty over the Shatt al-Arab equally between Iraq and Iran by agreeing with the Baghdad government to implement the Algiers Agreement of 1975, which provides for "determining the international river

boundaries between Iraq and Iran in the Shatt al-Arab in accordance with the talweg line” which divides the Shatt al-Arab equally between Iraq and Iran. By implementing the Algiers Agreement, Iraq relinquished its sovereign rights over the Shatt al-Arab by ceding the borders determined by the 1937 treaty which endowed Iraq with full sovereignty over the Shatt al-Arab.

**Map (1): The Talweg Line Divides Shatt Al-Arab Into Two Parts**



Source: Mohammed Mounis Almansi, "The Problem of Shatt Al-Arab and Its Impact on the River Borders Between Iran and Iran in Geographical Politics," (Basra: College of Geography, University of Basra), 163, <https://bit.ly/2RYDitk>

Due to Iran controlling over half of the Shatt Al-Arab waterway longitudinally up to its entrance towards the Arabian Gulf as shown in Map (1), it now has further influence over Iraq's sovereignty.

#### **A- B – The Cancellation of Visa Fees for Iranian and Iraqi Visitors**

The second gain achieved by Rouhani's visit to Iraq was the agreement reached between the two sides to cancel visas for Iranian and Iraqi visitors as of April 1, 2019. This represents an economic gain that benefits Iran more than Iraq if we consider the big difference in the number of Iranian visitors to Iraq compared to Iraqi visitors to Iran. In addition, this agreement deprives Iraq of Iranian visa fees as a large number of Iranians visit Shiite shrines in Karbala and Najaf annually.

#### **2- Pressing to Issue a Law to Expel Foreign Forces From Iraq**

Since the beginning of 2019, Iran, represented by its political arms in Iraq, has been exerting efforts to create a parliamentary majority in the Iraqi Parliament

to approve the bill drafted by a joint committee dominated by the Fatah Alliance and the Sairoon Alliance to expel foreign forces from the Iraqi arena.

The number of foreign forces in Iraq amounts to approximately 9,200 soldiers. Iran realizes that the largest percentage is made up of American forces estimated at 5,200 soldiers, and that the issuance of such a law would lead to the cancellation of the US-Iraqi security agreement signed in 2011. According to the Iranian understanding, this would eventually result in the pull out of American soldiers from Iraq, and free the Iraqi arena for Iran-backed sectarian groups to implement the rest of Iran's sectarian plans and expansionist projects. Iran's decision-makers in particular realize that the clauses of the bill are not applicable to its proxy militia, the Popular Mobilization Forces (PMF), after it was integrated officially within the Iraqi army before the end of 2017.

Therefore, Tehran tried throughout 2019 to exploit Iraqi dissatisfaction by what it described as American violation of Iraqi sovereignty and independence when President Donald Trump visited the Ayn al Asad Air Base at the end of December 2018, and his statement on February 2, 2019 that "the United States will remain in Iraq to monitor Iran's actions." These developments strengthened Iranian endeavours to expel American forces from Iraq.

Iranian pressure increased to pass the law in order to expel foreign forces against the backdrop of American-Iranian escalation in the Iraqi arena a few days before the end of 2019. It reached a point where Iran's military arms (PMF militia groups) threatened to eliminate Iraqi lawmakers if they did not vote in favour of the resolution to expel foreign forces from Iraq at a parliamentary session on January 5, 2010. This strategy intended to create a representative majority in the Iraqi Parliament to pass the law to expel American forces from the Iraqi arena.

Iranian moves failed to achieve the passing of the bill during 2019. It is expected that its success would be difficult during 2020, because it faces several significant obstacles, the most important being the lack of Iraqi consensus among the components of the Iraqi equation regarding the withdrawal of foreign forces. For example, the Kurdish and Sunni components object to the withdrawal of American forces from Iraq, fearing the absolute influence of the Shiites in Iraq. There is Iraqi concern that Washington may impose sanctions on it if American forces are pressured to pull out, and that the United States may ask Iraq to pay back its debts, estimated at billions of dollars, for American efforts in training and advising the Iraqi army. In addition, Iraq is concerned that the US administration may refuse to exempt Iraq from sanctions on Iran.

### **3- Enhancing Iranian Hegemony Over Iraqi Economic Activities**

Iranian policies towards Iraq were not only limited to the political dimension, but also extended to the economy to maximize its influence over economic activity, thereby increasing Iranian hegemony over commercial activities and

helping Iran to circumvent economic sanctions.

Firstly, the Iranian side and its Iraqi counterpart signed an agreement on February 5, 2019 to launch a mechanism facilitating financial and commercial exchanges and the payment of Iraqi debts owed to Iran for importing Iranian gas and electricity. Based on this agreement, Iraq will pay its debts to Iran (estimated at \$2 billion) either through its oil exports to Iran, barter exchange, or by opening two accounts in dinars, one at the Central Bank of Iran and the other at the Central

Bank of Iraq, to conduct Iranian-Iraqi commercial transactions including trade, oil and gas.

Secondly, Iran renewed its power supply contract with Iraq. Iran supplies Iraq with about 40 percent of its electrical needs, as the latter imports about 1,300 megawatts of electricity from Iran as well as 28 million cubic meters of gas per day from Iran to produce electricity.

On June 10, 2019, the Iranian Parliament passed a bill to stimulate and support investment with Iraq. The two sides agreed on the need to accelerate the signing of a memorandum of understanding to boost cooperation in the field of tourism between the two countries, and to discuss the allocation of a piece of land in Ardabil governorate in north western Iran to set up Iraqi exhibitions and tourist markets in exchange for allocating a piece of land in Najaf province to set up Iranian exhibitions and tourist, heritage and cultural markets.

Iraq, until the end of 2019, ranked first on the list of countries importing from Iran. These imports included industrial, medical, and electrical devices, as well as edibles, agricultural products, iron, steel, cars and their spare parts. Thus, Iran topped the list of exporting countries to Iraq during the year 2019. The proportion of Iranian exports to Iraq from March 21 to August 22, 2019, according to the Iranian commercial attaché in Iraq, Nasser Behzad, was about 22 percent of the total volume of Iranian exports.

By signing economic contracts with Iraq during 2019, Iran aims to raise the value of commercial transactions with Iraq from \$12 billion to \$20 billion dollars in 2020, which serves the Iranian interest of ensuring Iraq's continuity within the Iranian sphere of influence since it is a central state in the Iranian expansion project. This is consistent with the statement of the adviser of the Iranian supreme leader, Major General Yahya Safavi, who in June 2019 stated: "Iraq and Syria strategically complement Iran." However, Iranian exports face rejection due to Iraqi media reports that the majority of Iranian goods exported



to Iraq are spoiled on entering Iraq under the watchful eye of the PMF which is stationed near the Iraq-Iran border in the southern provinces.

#### 4- Military Escalation Against American, Western and Arab targets in the Iraqi Arena

International intelligence reports indicate that Iran, represented by its armed militias in Iraq, was responsible for limited military attacks inflicted on Arab, Western and American targets in the Iraqi arena, and was also responsible for turning Iraq into a central platform to strike strategic targets outside the Iraqi arena during 2019 (see Table 1).

**Table 1: Strikes Carried out by Iran-backed Militias in Iraq in 2019**

Date	Details of the Acts of Aggression
14/ 6/ 2019	-Targeting Balad Air Base in Saladin governorate north of Baghdad with three mortar shells, resulting in minor damage to the air base perimeter, without causing casualties.
18/ 6/ 2019	-Shelling the Taji military camp, where US forces are concentrated north of Baghdad, with Katyusha rockets, causing material damage without casualties. -The attack on the complex of the presidential palaces in Mosul by Katyusha rockets causing material damage without casualties. -The attack on Al-Bargisia complex west of Basra province with a short-range missile. It includes international oil companies, including: Royal Dutch-British Shell, the Italian company Eni, and the US energy corporation ExxonMobil.
19/ 6/ 2019	-The attack on the Green Zone perimeter, which includes foreign embassies and government buildings in Baghdad by Katyusha rockets without causing casualties. -The attack on a residential camp of the US energy corporation ExxonMobil in Iraq, and the oil well drilling company in Al Bargesia in Basra province with Katyusha rockets.



Date	Details of the Acts of Aggression
27/ 6/ 2019	- Protesters in Baghdad stormed and vandalized the Bahraini embassy.
28/ 6/ 2019	US officials familiar with the intelligence reports confirmed that the attacks on Saudi oil pipelines in May 2019 were carried out by Iranian-backed militias in Iraq, not the Houthi militia in Yemen, the Wall Street Journal reported.
27/12/2019	Pro-Iran militias fired 30 missiles at the Iraqi-American military base K-1, which hosts the US-led international coalition against ISIS in Kirkuk as requested by Iraqi officials as part of the international coalition to fight ISIS. The attack killed an American civilian contractor, and injured four American service members and two members of the Iraqi Security Forces.

Source: ©2019 Rasanah IIIS

The timing of these strikes as well as the nature, area, and the weapons used, as shown in the above table, reveal Iran's involvement in these attacks through its proxy militias in Iraq which carried out limited strikes against American, Western and Arab targets throughout 2019. The following evidence is proof of Iranian involvement:

#### A- Timing

Excluding the recent attack before the end of 2019, all previous attacks occurred at a time when American pressure and sanctions escalated against Iran following the Trump administration's cancellation of the import exemptions previously granted to eight countries, the designation of the Islamic Revolutionary Guard Corps (IRGC) as a terrorist organization, and the deployment of the aircraft carrier USS Abraham Lincoln and air bombers to the Middle East by the US administration, after it obtained intelligence reports of Iranian plots to carry out military attacks against American targets in the Middle East.

#### B- Weapons Used

The weapons used in the attacks were short-range Katyusha rockets. This type of missile is owned by pro-Iran armed militias in some Arab countries,

especially the Lebanese Hezbollah, one of its most important military arms in the region. The ease of concealing, moving and transporting Katyusha rockets across the border indicate Iranian involvement. Militias loyal to Iran depend on these weapons for striking short-range targets. The use of these missiles also corresponds with Iran's technique which is based on limited confrontation to respond to the United States' strategy which aims to besiege and stifle Iran's economy in order to modify its political system.

### **C- The Nature of the Attacks**

Most of the attacks targeted diplomatic and government headquarters and oil facilities. This reflects a common Iranian tactic used whenever Tehran wants to send political messages to specific countries in the Middle East or outside the region. Iran has a long history of attacks against diplomatic headquarters since 1979 including storming the American embassy in 1979, bombing the US embassies in Beirut and Kuwait in 1983, and attacking the Russian embassy in 1988. Iran was also involved in the assassination of Saudi diplomats in Thailand in 1989, and the attacks on Saudi diplomatic headquarters in Tehran and Mashhad in 2016.

### **D- The Field**

Iran has identified the Iraqi arena to settle scores and to carry out attacks due to the ease of striking opponents in Iraq, either due to its geographical proximity or because of the deployment of pro-Iranian militias. This makes the issue of striking US targets including diplomatic headquarters, around 16 military bases and barracks, about 5,200 US soldiers and other Western and Arab soldiers in Iraq possible and inexpensive for Iran.

Through these attacks, Iran's objective is to send a message to regional and international actors that Iraq falls within the Iranian sphere of influence, and that it possesses strong cards to respond to the US policy of encirclement, and Gulf efforts to bring Iraq back into the Arab fold, especially Saudi moves, due to the increase in reciprocal visits between Saudi Arabia and Iraq during 2019.

## **II- American Policies and the Israeli Position on Blockading and Encircling Iran in the Iraqi Arena**

Under its strategy to change Iran's behaviour, the US administration believes that Iraq is vitally strategic to confront Iran and curb its influence. Washington realizes the significance of Iraqi geopolitics for the Iranian strategy and in circumventing the US sanctions through using Iraqi territory to re-export Iranian crude oil to the world. Therefore, the US administration continues to place more pressure on the Iraqi government in order for it to comply with its maximum pressure strategy. The US aims to curb the influence of Iran-backed militias in Iraq and consequently achieve the main goal of its strategy which is to undermine Iranian influence in the region.

### 1- Pressuring the Baghdad Government to Comply With Sanctions Against Iran

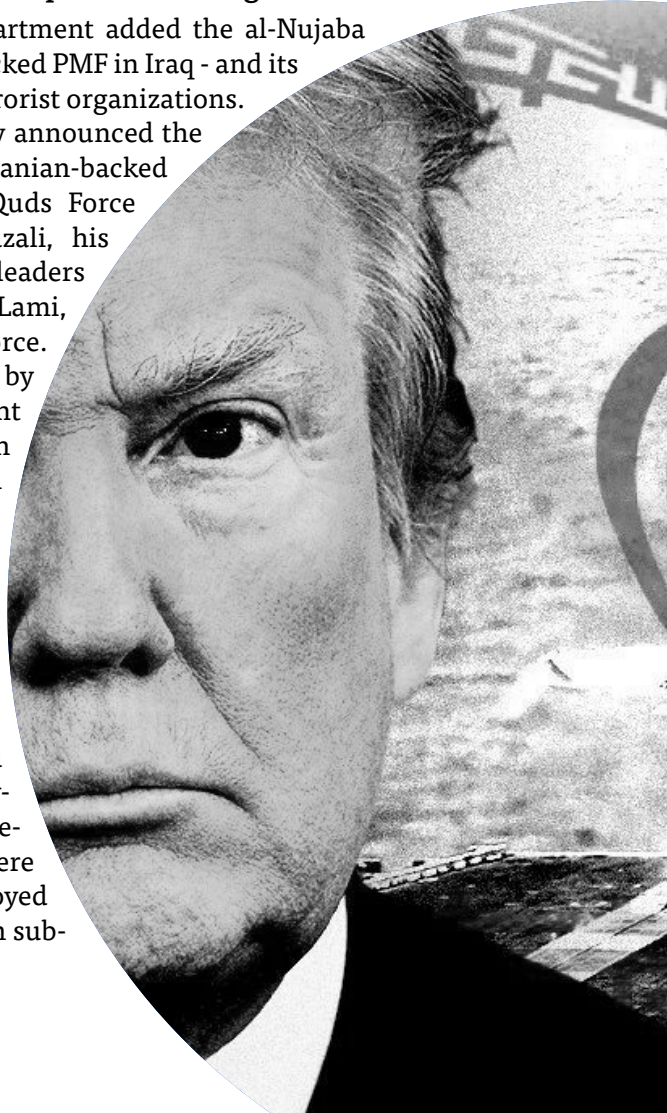
The US administration adopted a diplomatic policy to keep Iraq away from Iran to isolate Tehran. On January 9, 2019, Washington dispatched Secretary of State Mike Pompeo to Iraq within the context of US policy to pressure the Baghdad government to comply with US sanctions since the United States realizes the importance of Iraq as an outlet for Iran. Observers indicated the possibility for Iran to transport oil to Iraq, allowing the Iraqi government to re-export Iranian oil to the outside world as a means to circumvent the sanctions, which explains Pompeo's emphasis on Iraq's commitment to its responsibility to blockade Iran by saying, "A confrontation with Iran is an important matter that must be shared by all partners." Therefore, Pompeo wanted Iraq not only to dispense with Iranian electricity and gas, but also to play a role in isolating Iran by complying with US sanctions.

### 2- Classifying pro-Iranian Militias in Iraq as Terrorist Organizations

On March 5, 2019, the US State Department added the al-Nujaba movement, affiliated with the Iran-backed PMF in Iraq - and its leader Akram Al-Kaabi to its list of terrorist organizations.

On December 6, 2019, the US Treasury announced the imposition of sanctions on three Iranian-backed militia leaders: the leader of the Quds Force backed Asa'ib Ahl al-Haq Qais Khazali, his brother Laith Khazali, and one of the leaders of the group, Hussein Faleh Aziz Al-Lami, who is also affiliated to the Quds Force. These three leaders had been indicted by America for their alleged involvement in human rights violations and in the suppression and killing of Iraqi protesters during the eruption of Iraqi protests in early October 2019.

Despite the classification of the al-Nujaba movement as a terrorist organization and the imposition of US sanctions on the leaders of the Asaib al-Haq militia to limit Iran's influence in Iraq, since the militia is affiliated with the PMF which is completely loyal to Iran and fully committed to implementing the Iranian project in Iraq, there are still about 65 armed militias deployed throughout Iraq that have not yet been sub-



ject to US sanctions, especially in the oil-rich southern regions. The largest percentage of these armed militias follow the Qom marjaya, and the guardian jurist in Iran. They work hard to implement Iranian expansionist plans and projects in Iraq.

### 3- Military Escalation Against Iranian Militias on the Iraqi Scene

After two days of attacks by pro-Iranian Shiite militias against the American base in northern Kirkuk, on December 29, 2019, the US military bombed five battalions of the Iraqi Hezbollah, three battalions in al-Qaim, Anbar province near the Iraqi-Syrian border, and two battalions in Syria in the triangular border region with Iraq. These attacks killed about 28 fighters, including the leader of the Hezbollah Brigades, the First Regiment of the 45th Brigade Commander, Abu Ali Khazali, one of the closest associates of Qassem Soleimani, and wounded 48 PMF members.

The American strikes were in response to the escalation by armed Shiite militias in Iraq, including the Iraqi Hezbollah Brigades' attack against American targets in Iraq. On December 27, an Iran-backed militia bombed the Iraqi-American military base K-1. This base hosts American soldiers in northern Kirkuk on the official request of Iraq as part of the international coalition to fight ISIS in Iraq's Sunni governorates. About 30 rockets were fired in the attack which resulted in the killing of an American civilian contractor, and the wounding of four US service personnel, and two Iraqi security personnel. The death of the American civilian contractor pushed the United States to retaliate fiercely and is considered a strategic miscalculation by Iran according to Trump who is on the threshold of a presidential election.

Iran betted on embarrassing President Trump and influencing his electoral chances in the run-up to the 2020 US presidential elections by striking US bases in Iraq. The Iranian belief that striking US bases would hasten the downfall of the US administration was a miscalculation. These strikes incited American public opinion against Iran and mobilized public support for American strikes against Iran and its proxy militias. These strikes by Iran were used by the Trump administration to raise the level of military escalation against Iranian targets. Furthermore, Trump is under



internal pressure at this time due to the Democrats voting to impeach him. Therefore, the American response against Iranian targets would possibly carry a deterrence message.

In what is considered to be an early Iraqi move to prevent turning Iraq into an arena for US-Iran conflicts, the head of the caretaker government, Adel Abdul-Mahdi, issued on July 1, 2019 a decision to integrate the armed factions into the Iraqi military, while giving the factions the flexibility to choose between a political or military path. It also stipulated that the factions that choose a political path will not be allowed to carry weapons and that they must abandon all the names which they used during the fight against ISIS. The names of militias are to be replaced with military names (division, brigade, regiment, etc.), and their members to be given military ranks, and all headquarters that have the name of PMF factions must be closed down.

In addition to the goal of the Iraqi government to prevent Iraq from turning into a US-Iranian confrontation arena in the midst of US-Iranian mutual escalation in the Middle East, Abdul-Mahdi wanted to placate Washington to ensure the continuation of US exemptions to Iraq in order for it to continue receiving Iranian gas and electricity, and to clear Iraq of regional accusations that it is still stuck at the non-state stage due to the presence of military formations parallel to the Iraqi army. Meanwhile, the PMF ended its central mission of combating ISIS. Abdul-Mahdi also sought to prevent further Israeli and American strikes on Iraqi soil under the pretext of striking militias.

Up until the end of 2019, the decision has not been implemented since it faces obstacles including: the proliferation of headquarters and offices of PMF militias throughout the Iraqi state, especially economic headquarters, the widespread presence of PMF weapons depots inside residential neighbourhoods and densely populated cities, the desire of militias to control more areas of influence, the militias' refusal to withdraw from the areas liberated from ISIS or from the Sunni Waqf lands that they controlled in the Sunni provinces, and the difficulty in controlling the relationship between the Iraqi army and the PMF under its banner, as is the case with the IRGC's domination of the Syrian army. This may limit decision-making to the leaders of the PMF brigades, rather than to the Iraqi army.

#### **4- Israel's Attacks Against Iranian Proxies Extend to Iraq**

Iraq is a new battleground between Israel and Iran in the Middle East.

Tel Aviv targeted the headquarters of PMF militias in Iraq four times during the year 2019, as shown in Table 2.



**Table 2: Israeli Strikes Against Iranian-backed Militias in Iraq in 2019**

Date	The Operational Details
July 19, 2019	On July 19, 2019, Israel targeted rocket launchers inside PMF positions in Amreli and the Brigade 52 headquarters in Salah al-Din governorate. A senior commander of Iran's Quds Force, Abu Alfazl Sarabian, was killed as well as several other fighters affiliated to Hezbollah and the Badr Organization.
July 28, 2019	On July 28, 2019, Israel targeted the PMF at Camp Ashraf which is located about 80 kilometers west of the Iranian border which resulted in the killing of 40 fighters, the majority of whom were Iranians.
August 12, 2019	On August 12, 2019, weapons and missiles depots of militias at Base Falcon south of Baghdad were targeted. It was reported that the military base was used by the IRGC to smuggle and transport weapons to Syria and Hezbollah.
August 20, 2019	On August 20, 2019, the Israeli Air Force bombed the Balad base of the PMF in Salah al-Din, the headquarters of Brigade 52 of the Shiite Badr Organization and the Iraqi Hezbollah in the provinces of Baghdad, Salah al-Din and Al-Qa'im, near the Syrian border.

Although the Israelis did not confess to having committed these strikes against the pro-Iranian militias in Iraq, Tel Aviv's leaders did not hesitate to make statements with regard to carrying out strikes against Iranian targets in all arenas from Lebanon to Syria to Iraq, in order to reduce Iranian regional influence. Netanyahu confirmed on August 23, 2019 that "Iran has no immunity anywhere. Our forces operate in every sector against the Iranian aggression," adding "We will continue to act firmly against Iran and its proxies to defend the security of Israel." This is an indication that the military attacks against militia headquarters in Iraq were carried out by Israeli forces.

There are several motives for Israel's targeting of Iranian arms in Iraq, notably, the Israeli desire to bomb weapons depots and factories of pro-Iranian militias in order to pre-empt the accumulation of these weapons by Tehran in a new arena that can be used along with its arms in Syria and Lebanon

to undermine Israel's security and stability. Israel possesses the necessary capabilities to launch attacks against these militias, and exploited the strikes to boost Netanyahu's electoral fortunes in the September 2019 parliamentary elections. Israel enjoys the broadest American support ever throughout its history in the era of Trump.

Moreover, Israel has become more concerned about the approaching Iranian threat toward its vital spheres, areas of influence and borders since Iran crossed Israeli redlines in Syria. These attacks coincided with media reports that Iran has transferred ballistic missiles to its proxy militias in Iraq to launch attacks against Israel, the strategic ally of the United States. From the Israeli perspective, Iranian expansionism undermines Israeli plans in the region and enhances the power of Iran. The Israeli authorities also realize that the arena from Iraq to Syria and Lebanon is one arena where Iran's power should be limited.

### **III- The Implications of the Outbreak of the Iraqi Popular Protests on Iran's Role in Iraq**

Iran and its militias on the Iraqi scene not only faced the challenge of American military escalation during the year 2019, but also faced a new and unprecedented challenge represented by the escalation of popular protests in the heart of the Shiite incubators in the southern provinces. The protesters rejected Iranian influence in Iraq because it has led to a deterioration in economic conditions, the fragmentation of political life, the spread of political corruption, the loss of Iraqi sovereignty, and the dependence of the Iraqi state on an Iranian sectarian expansionist project that only benefits the ruling elite in Iran and its armed militias in Iraq.

The Iraqi protesters' rejection of Iranian influence is evident from the list of their demands, chants and slogans, the geographical distribution of the protests in the Iraqi provinces, the groups participating in the protests, and the reasons for the protests against Iranian presence. The repercussions of the protests on the scale of Iranian influence in Iraq can be outlined as follows:

#### **1- Protest Demands**

Since the protests began on October 1, 2019, protesters have adhered to their demand for the resignation of the Abdul-Mahdi government that represents the Iranian-backed Shiite component, and the formation of a new cross-sectarian government that works for the benefit of Iraq and Iraqi citizens. The pressure of protests prompted Abdul-Mahdi to submit his resignation on November 30, 2019, nearly 60 days after the protests erupted, despite Iran's relentless efforts made by Qassem Soleimani to undermine the implementation of this demand, as revealed by 700 leaked Iranian intelligence documents. These documents were published by The New York Times on November 9, 2019. After this demand



of the protesters was realized, there were a number of further demands that if implemented would reduce the scale of Iranian influence in Iraq. The other protester demands included:

**A-** Rather than nominating the Iraqi prime minister from among a narrow sectarian group, the election law should be amended to take into account the national, not sectarian, dimension of the elections, and ensure the independence of the Independent High Electoral Commission.

**B-** The early holding of parliamentary elections under international supervision after amending the election law.

**C-** Bringing a comprehensive change to the Iraqi system of government to eliminate quotas and sectarianism in the formation of the new Iraqi government.

**D-** Dismantling the ruling political elite and combating rampant corruption in the country.

The protesters' demands - if realized - with their communal diversity and association to different geographical regions united in calling for the overthrow of the government, the removal of the ruling elite, and the old political figures – can decrease Iranian influence, given the domination of the pro-Iranian Shiite component over the reins of government in Iraq since 2003.

## **2- Protests and anti-Iranian Slogans and Chants**

The slogans of the Iraqi protesters revealed their rejection of Iran, its sectarian project and its armed militias in Iraq. The demonstrators with their different sects and religious affiliations chanted hostile slogans against the Iranian project, such as “Iran out, out, out...Iraq remains free,” and “Iran, Iran out, out, out...Basra remains free, free.” And “Khamenei collect your dogs” in reference to the attacks that were executed by militias against protesters. Protesters

activated many hashtags against Iranian influence on social media sites such as the hashtag “expelling Iran is an Iraqi demand,” “let it rot” to boycott Iranian goods and cars. The images of the Supreme Leader Ali Khamenei and Qassem Soleimani in many southern provinces were defaced by protesters (see Photo 1).

**Photo 1: Protesters Stepping on a Photo of the Supreme Leader Ali Khamenei and Qassem Soleimani**



Source: Abdullah Alhadi's blog, November 2019, <https://bit.ly/2RXz5Ye>.

In addition to the anti-Iran slogans and chants in Iraq, protesters set fire to the Iranian flag in many Iraqi provinces, especially those with a high Shiite population (see Photo 2), Khamenei's pictures were scattered over poles and walls in Basra, and the Iranian consulate in Najaf was set on fire three times since the protests erupted on October 1, 2019 as well as the Iranian consulate in Karbala. The protesters also targeted militia headquarters in many southern governorates such as the headquarters of the Badr Organization and Saraya al-Khursani. The protesters also accused Iran and its armed militias of using

excessive force against the protesters. The Iraqi government's accusation that "saboteurs" (unidentified snipers) targeted the protesters and the Iraqi police alike is proof of Iran's involvement as it seeks to preserve the gains achieved in Iraq in 2018, because the Shiite component in Iraq obtained more than half of the seats in Parliament and several pro-Iran figures were members of the Abdul-Mahdi government. This is in addition to Iran's deployment of militias in Iraq.

**Photo 2: A Protester Setting Fire to the Iranian Flag**



Source: Alarab, October 8, 2019, <https://bit.ly/33978zC/>

In the same context, Iranian intelligence documents – referred to above – revealed that “no Iraqi politician can become prime minister without Iran’s blessing” and that “the Revolutionary Guard, especially the Quds Force, is the primary body that determines Tehran’s policies in Iraq, Lebanon and Syria, ambassadors to those countries are appointed from the senior ranks of the Guards, not the Foreign Ministry.”

The protesters and their chants against Iran and the targeting of Iranian consulates and militia headquarters, highlighted not only the popular demand to remove all figures belonging to the political elite in Iraq, but also the volume of widespread grumbling and dissatisfaction in Iraq about the growing size of Iranian influence represented by the expanded role of loyal Iranian armed militias implementing the Iranian agenda within the Iraqi system at the expense of the citizens of the Iraqi state. They also reveal the Iraqi people’s willingness to expel Iran, its militias, and arms from Iraq.

The scope of the protest movement in Iraq had expanded from the capital, Baghdad, to most of the southern provinces - with a high Shiite density - Basra, Najaf, Dhi Qar, Maysan, Nasiriyah, Samawah, Wasit, which are considered the Shiite backbone for the Iranian project. Therefore, the eruption of protests in the heart of the Shiites incubators reveals the complete



loss of confidence in the Iranian principle of *supporting the oppressed*. This is considered one of the most important principles of the Iranian revolution.

### 3- The Reasons for Protesting Against the Iranian Presence

In order to extend its influence inside Iraq and implement its plans, Iran relied on elements under its command to loot the wealth and resources of the country after it excluded national figures from decision-making circles in Iraq in order to achieve its expansionist goals in Iraq. As a result of Iranian interference, Iraq has become a weak state, dependent on Iran and fraught with many crises, as follows:

#### A-Prevalence of Corruption

Iraq ranked 168th in Transparency International's 2018 report. Maliki's tenure is considered the most corrupt period in Iraq's history. During his term, the value of misspent public funds from the post-Saddam Hussein era amounted to about \$450 billion.

#### B- Economic Downturn

The figures reveal the tragic reality of the Iraqi and Lebanese economies. The Iranian budget estimated at \$112 billion hit a deficit of up to \$23 billion. The deficit increased twofold from 2018 when it was \$11 billion. The volume of foreign debt exceeded \$125 billion in 2018. In addition, 22.6 percent of young males are unemployed according to the Iraqi Central Statistical Organization while male unemployment in 2018 was estimated at 40 percent according to the International Monetary Fund. More than one quarter of the population lives in extreme poverty. 6.7 million Iraqis depend on humanitarian aid, although the country is the second largest oil producer in OPEC after Saudi Arabia and its oil reserves are considered to be the fourth largest in the world.

#### C- Lack of Services

Iraq has suffered from chronic power cuts and a shortage of drinking water for years which twice triggered 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.

Therefore, Iraqi citizens realized that they had paid the price through deteriorating economic conditions due to the domination of pro-Iran militias on the Iraqi scene, because some Arab and Gulf institutions refuse to provide aid to a government dominated by an armed Shiite component and militias working for the Iranian agenda. All of this created a tragic living situation, and fuelled the protest movement in Iraq.

#### IV- The Future of the Iranian Role in Iraq

Previous data reveals an upward curve of Iranian influence in Iraq until the end of 2019, military gains represented by the widespread proliferation of militias across Iraq, economic gains since Iran ranked top on the list of exporters to Iraq and political gains due to a large number of parliamentary seats obtained by pro-Iranian alliances in the Iraqi Parliament and ministerial portfolios held by pro-Iran figures in the Abdul-Mahdi government. Iran has won historic gains in Iraq by agreeing on sharing sovereignty equally with Iraq over the Shatt al-Arab waterway based on the 1975 Algiers Agreement. Iran also benefited from the abolition of visa fees for Iranian visitors to Iraq, and developed financial exchange mechanisms to circumvent economic sanctions, and to maximize control over commercial activity in Iraq in order to ease the impact of US sanctions. Iran also pushed its political allies to pass the bill to expel foreign forces from Iraq, thereby enabling Iran to solely dominate the Iraqi arena.

Out of 67 pro-Iran armed militias in Iraq, the United States imposed sanctions only on the leaders of the Asa'ib Ahl al-Haq and al-Nujaba movements, and did not even impose sanctions on all of Iran's economic entities in Iraq. However, when the United States resorted to military escalation against pro-Iran militias in Iraq, it was only within the framework of the "escalation versus escalation" policy, in response to militia attacks on the American base in Kirkuk and the killing of an American civilian contractor which prompted a US military response. The United States failed to create a strong political, economic and military impact that could influence Iraqi decision-making.

Moreover, American military escalation against the pro-Iranian militias in Iraq at the end of 2019 was not the most important challenge against Iranian influence in Iraq. However, Iran realizes that the American escalation at the end of 2019 was a reaction and not a shift in the American position towards Iranian influence in Iraq. The most serious and unexpected challenge facing Iran in Iraq was the eruption of popular protests in Iraq in October 2019 in conjunction with the Lebanese protests against sectarianism – which were ongoing until the end of December 2019. This is coupled with the challenge of nominating a prime minister who is acceptable to the protesters as they reject the appointment of a sectarian head of government or a figure from the ruling elite. They demanded the right to choose a technocratic figure in a coalition government to ensure a non-sectarian system.

The seriousness of the Iraqi protest movement against Iran stems from the fact that it reflects the awareness of the Iraqi citizen about what Iran's militias are doing in favor of Iran and how Iranian interference is depleting Iraqi capabilities. The Iraqis are also aware that these militias are pulling them into sectarian struggles serving the Iranian agenda. This awareness was evident in the participation of all Iraqi communities in the protests and the outbreak

of demonstrations in the southern provinces with a Shiite majority and the absence of a leader that could be bought off by Iran to end the protests. The young protesters are also less inclined to use sectarian slogans.

Accordingly, the participation of the youth from the new generation and the poor segment of society revealed that there is a national Iraqi cross-sectarian majority against Iranian infiltration into all components of the Iraqi state. In addition, it revealed the crisis facing pro-Iranian Shiite supporters in Iraq, and a crisis within the Shiite house itself. While some pro-Iran armed militias resorted to the use of force against the protest movement, the Najaf marjaya confirmed the legality of the protesters' demands and it sided with them until their demands were fulfilled. The Iranian project lacks legitimacy abroad and this limits its ability to create a model that can be applied to the rest of the countries in the vital fields targeted by Iranian expansion and increases the financial cost to recalibrate and address these challenges. If we link this to the outbreak of protests at home due to the government's internal and external policies resulting in socio-economic deterioration in Iran, we witness an Iranian failure at home and abroad which could undermine Iranian moves to complete its cross-border project due to the protests against it.

In light of the aforementioned facts and results, as well as taking into consideration developments in Iran's internal affairs and in its regional and international conflicts, several trends can be forecasted in relation to Iran's role in Iraq during 2002:

1- The rise of the Iranian role is expected due to several indicators. The first indicator is related to the widespread proliferation of militias throughout the Iraqi state through which Iran can extend the scope of its influence in the vital and strategic areas of the Iraqi state by virtue of their extensive deployment in all Iraqi provinces, especially the southern provinces. They also control the Sunni provinces liberated from ISIS which may



enable Iran's companies to control all reconstruction operations, promote investment and trade, and control the Iraqi market. The second indicator is the domination of the pro-Iranian Shiite component over the equation of governance in Iraq both through controlling the government in terms of ministerial portfolios and obtaining a majority of parliamentary seats. This may enable Iran to extend its influence and penetration into the components of the Iraqi state and influence Iraqi decisions in the interests of the Iranian expansionist project in the Middle East region. The third indicator is the absence of strong Arab and American roles and projects that would create an area of influence and provide strong pressure cards against Iranian expansion in the Iraqi state.



2- The Iranian role in Iraq may decline given the increase in the obstacles facing the Iranian regional project in general and the Iranian role in Iraq in particular. The most important obstacles are the growing awareness of Iraqis of the Arabism and civilization of Iraq since voters chose Sairoon, the cross-sectarian alliance in the 2018 parliamentary elections, and the outbreak of mass popular protests against Iranian influence in Iraq since the beginning of October 2019 which continued until the end of December 2019. These protests followed two popular waves of protests in the southern Iraqi Shiite provinces during July and December 2018. They rejected Iranian influence and called for a different political system which is not based on sectarianism or sectarian quotas that serve the Iranian agenda. Instead they called for a technocratic government serving the Iraqi national agenda. In addition, they were in favour of empowering the Iraqi state, rather than the Iranian state that supports the ruling Shiite community.

If that were to happen – although it is difficult for this to be realized in the foreseeable future - as a result of the strength of the protest movement, we could be looking at a new Iraqi equation that poses a challenge to Iranian influence in Iraq. In addition, the Americans are aware of the need to confront Iranian influence in Iraq to render successful its maximum pressure strategy which aims to modify the behaviour of the Iranian government. This coupled with American military escalation against pro-Iranian militias in Iraq, and the economic conditions resulting in extreme pressure on the Iranian economy due to the US sanctions, the scale of Iranian protests rejecting Iran's external role has increased.

3- The Iranian role may fluctuate upwards and downwards. In other words, there is neither a permanent rise in the Iranian role in Iraq nor a permanent decline. These fluctuations will continue to be the hallmark of the Iranian role in Iraq during the year 2020, according to internal developments in Iran and Iraq and the nature of regional and international circumstances. This is a likely scenario, given the awareness of the Iranian government about timing and the prevailing situation in the region in light of the absence of strategies capable of countering Iranian influence. Iran realizes that the US strategy of maximum pressure and the escalation of sanctions strangled the Iranian economy and adversely impacted economic and living conditions. Therefore, it is expected that the Iranian role in Iraq will rise and fall again without being eliminated completely. The scale of regional and international challenges facing Iranian plans is increasing since Trump took office who imposed tough sanctions on the Iranian government, and the continuation of the protest movements in Iraq and Lebanon, the two central Arab countries of the Iranian expansionist project. Meanwhile, the Iranian government is skilful in manoeuvring and realizes well the nature of the regional and international circumstances.



Therefore, it can determine the timing of its expansion and proliferation as well as the timing of postponing its projects to accommodate internal, regional and international conditions while it remains committed to the implementation of its expansionist project.

# Iran and Syria

Since the changes that took place in the balance of power inside Syrian when President Bashar al-Assad took control of Aleppo at the beginning of 2017 given Russian-Iranian support, Iran seeks to maximize its gains within the context of the power struggle between regional and international parties to the crisis. During 2018, Iranian influence has increased militarily, economically and politically. However, the Iranian role in Syria faced during 2018 difficult challenges the rupturing of its relations with its closest partner, the Russians, in the Syrian crisis, the intensification of Israel airstrikes against Iranian militias in Syria, and the growing Turkish mobilization in the northern Syrian.



In 2019, the Syrian scene witnessed an intensive Iranian movement to maximize its scope of influence and hegemony among regional and international parties to the Syrian crisis in order to obtain its interests.

Iran strived during 2019 to obtain the largest share in the new Syrian equation enabling it to preserve its gains and implement the rest of its expansionist plans and projects that are considered as a major link among other geographical links through which they connect Iran to the Mediterranean.

Iran used a set of economic, and military tools as well as demographic policies to bring about a demographic change in favor of Shiites, ensuring that make Syria a vassal state to Tehran under the Iranian leadership's influence and control.

However, there are several factors that influenced the Iranian role in Syria during 2019, including the ongoing Israeli attacks. For example, Israel intensified its airstrikes against Iranian headquarters and concentrations in Syria. The Russian-Iranian differences in Syria widened. They had escalated into armed confrontations due to the absence of common interests between the Russians and Iranians and the continuity of Turkey mobilization in northern Syria to secure Turkish influence. Those events raised several questions: What are Iran's tools and policies to maximize its influence in Syria during 2019? What are the most prominent obstacles against Iranian influence in Syria? What are the implications of the Iranian role in Syria given all the developments on the Syrian, regional and international arena during 2019?

## **I- Iranian Policies and Tools to Maximize Influence and Domination in Syria**

In the context of the ongoing power struggle waged between regional parties (Iran, Turkey, Israel) and international parties (Russia, and the United States) in Syria since the balance of power shifted in Syria when Assad regained Aleppo in early 2017, Iran adopted several policies and tools to maintain its gains and to implement the rest of its expansion projects in the Syrian arena on the one hand, and maximize its regional influence on the other hand, as follows:

### **1- Summoning Assad to Assert Iranian Hegemony Over the Syrian Equation**

Without arranging for an official presidential visit, the Iranian leadership summoned al-Assad on February 25, 2019. During the meeting that brought al-Assad and his Iranian counterpart Hassan Rouhani, the Syrian flag that symbolizes the independence and sovereignty of the state was missing. Qassem Soleimani was holding al-Assad's hand in the meeting with the Iranian Supreme Leader Ali Khamenei. Al-Assad attended the meeting alone without a delegation of his own similar to the Iranian delegation.

During the visit, Khamenei mentioned Iranian presence in Syria by saying, "We will continue to stand alongside Syria until it is fully recovered and eliminate terrorism finally," adding that "Syria and Iran are the strategic depth for each other." This indicates that Iran considers Syria as an Iranian state or province and its president, al-Assad, as a Syrian official in charge of an Iranian province. It also reveals that Iran no longer needs Syrian permission to stay in or to go to or from Syria, and that it does not need to renew Syria's prior permission to stay in its territory, which is in the interest of Iran's domination over the Syrian equation that benefits its expansionist agenda.

### **2- Iran's growing Control Over Syrian Economic Activities**

#### **A- Indicators of Iranian Moves to Control the Syrian Economy**

There are several indicators revealing Tehran's endeavors, which aim to legalize Iranian control over various economic, commercial and investment activities in Syria, including the signing of about 11 agreements between Iran and its Syrian counterpart, a memorandum of understanding and an executive program on January 28, 2019, and most prominently "the long-term strategic economic cooperation agreement". There are other 10 agreements in the cultural, scientific, banking, infrastructure, railway, housing, and anti-terrorism fields.

The second indicator is related to the announcement of the two sides on January 29, 2019, of the establishment of the "Iranian-Syrian Joint Chamber of Commerce", the inauguration of offices and exhibitions of Iranian companies in Syria to promote Iranian products, the establishment of a commercial centre for Iranians in the free zone in Damascus, and the establishment of a

joint transportation company between Iran, Iraq and Syria aiming to transfer Iranian goods from Iraq to Syria as well as the agreement to issue licenses to establish an Iranian-Syrian joint bank in Damascus.

The third indicator is the signing of three projects in early August 2019 to be implemented by Iran in Syria: a children's milk plant, a drug factory for cancer treatment, and a car factory. Also, Iran's leadership announced on August 28 of reviving the Iranian oil export project to Baniyas, the Syrian port, on the Mediterranean through Iraq via an oil pipeline, through two routes: first pipeline is constructed on 1000 km, half of it runs across Iraq and the other half through Syria that is connected with the Kirkuk-Banias pipeline, which has been out of operation since 1982, with a capacity of 1.25 million barrels per day and second pipeline starts from northern Iraq through the Nineveh Plain and then runs across Syria through Deir ez-Zor down to the Syrian coast on the Mediterranean Sea.

The fourth indicator is Iran's companies participating in Syrian infrastructure and reconstruction projects. 90 Iranian companies out of 390 companies participated in "Syria's Fifth Reconstruction Exhibition" held in Damascus in September 2019. Some of those companies signed contracts with the Syrian government on September 26, 2019, to implement projects for power generation in Latakia. The Iranian telecommunications company - the first monopoly of Iranian telecommunications - signed with its Syrian counterpart in September 2019, an agreement to operate the third mobile company in Syria.





### **B- Russian-Iranian Competition to Control Syrian Economic Activities:**

Iran was not alone in seeking to control Syrian investment and commercial contracts during 2019, but there was strong Russian competition, for the price that each party has paid to ensure the survival of the Syrian regime. The head of National Security and Foreign Policy Committee of the Iranian Parliament, Hashmatullah Fallah Bishah, during his meeting with the Syrian Prime Minister, Imad Khamis in Damascus on January 16, 2019, said: "The assistance Iran provided to Syria is from the sustenance and money of the Iranian people, and it must be settled through the relations between the two countries."

However, the Russians are working hard to control significant investments related to major projects. The Iranians sought to control investment in projects that are of high labor intensity, directly influencing the lives of the people or investment in projects that would strengthen relations between the two countries via Iraq. The goal of these projects are to obtain pressure cards that could serve it in the future in order to create Syrian incubators and loyalists from Syrian citizens, who can be a pressure card on al-Assad to serve the Iranian strategy in the future.

However, the Syrian government signed these contracts with the Russians and the Iranians as a gift while Syria needs all available resources to rebuild itself, for their financial and military support that prevented the overthrow of al-Assad. Therefore, al-Assad did not mind having Syrian facilities under Russian and Iranian management for decades. These contracts were described as contracts of occupation according to observers, because al-Assad had no choice but to accept those contracts and he depends on pro-Iranian militias and the Russian Air Force to maintain his areas of influence and to suppress any new opposition uprisings against him.

### **C- The Goals of Iran in Controlling the Syrian Economy**

Iran's goal of strengthening its hegemony over the Syrian economy is to consolidate its permanent presence in Syria, and to obtain financial returns in order to reduce the impact of its economic crisis at home because of US sanctions. Therefore, Iran controlled the Syrian big market and the reconstruction contracts to provide financial resources that could help it address its financial crisis. International institutions estimated the amount of damage in Syria resulting from the crisis to be 350 to 400 billion dollars. Those contracts legalize Iranian control over Syrian trade and ensure the country's official survival, while at the same time ensuring that the Syrian economic arena is not handed to regional and international competitors.

In addition, those contracts provide the IRGC with an opportunity to extend the scope of its control and influence in Syria because these companies are owned or mostly owned by the IRGC, thus enabling it in the future to control the Syrian electricity sector, and to monitor the Syrian telecommunications

sector. This is the most important sector influencing public opinion through social media and the press. They also complete Iranian control over Syrian vital sectors after Iran had controlled for about two years railways, education, and culture. In addition it had access to phosphate resources and led counter-terrorism.

### 3- Strengthening Iranian Influence on the Syrian Coast

By 2019, the implementation of the Iranian corridor linking Tehran to the Mediterranean (see Map No. 1) has witnessed remarkable progress, as Iran obtained contracts and concessions enabling it to get a real foothold on the coast of the most important international sea (the Mediterranean), which was met with Russian and Israeli anger.

**Map 1: Corridor from Tehran to the Mediterranean Sea**



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

Under the first contract, the IRGC 's engineering economic arm (Khatam al-Anbiya Company) obtained a concession from Assad on September 2, 2019, to establish, manage, and operate a new multi-purpose port of 2.5-km waterfront in the Hamidiya region, southern Tartus, on the Mediterranean, for a time period ranging from 30 to 40 years.

In the second contract, Iran, according to many media outlets, will administer the most important commercial port and the most prominent economic lifeline of Syria (the port of Latakia) on the Mediterranean Sea after the current management contract in partnership with Syria and France expired on November 1, 2019.

The third contract, in partnership with Baghdad and Damascus, includes Iran implementing a project linking Khomeini Port, Khuzestan Province, at the head of the Arabian Gulf, the Iraqi port of Basra, and the Syrian port of Latakia on the Mediterranean, through a railway network between Iran, Iraq,

and Syria (see map No. 2), funded and implemented by Bonyad Company, which is affiliated with the IRGC. Iran already started the project by constructing a 1041 km railway line within its territory as a part preceded the first stage that connects Kermanshah with the Khomeini Port.

**Map 2: Project Linking the Imam Khomeini Port to Latakia Port via Basra Port**



Source: <https://bit.ly/37clizQ>

Under these contracts, the IRGC represented by the Quds force will play a central role in implementing them because the Iranian companies are affiliated to the IRGC. Khatam al-Anbiya and Bonyad, are the Iranian firms involved in implementing the Iranian expansionist agenda. The Quds Force was able to finance freely the implementation of Iranian projects in the region because of the following factors:

- The Quds Force succeeded in achieving strategic gains for Iran in Syria, Iraq and Lebanon;
- Its fundamental role in keeping the Syrian regime in power through its participation in all battles shoulder to shoulder with al-Assad;
- it has elements a large number of militias deployed in Syria and Iraq, especially in the border areas between the Syrian and Iraqi states, and the almost complete control over the main international roads between Baghdad and Damascus;
- And finally it has an independent financial centre, away from any government or parliamentary oversight,

The three contracts are a serious loss for Syria because the port is one of its most important sources of income. Meanwhile, they have provided Iran with many gains which are in the interest of maximizing its regional influence:

#### **A- On the Economic Level**

These contracts enhance Iran's position and importance in the new Chinese Silk Road as they create an Iranian, Iraqi and Syrian trade bloc led by Iran which prioritizes Iran's security for the world's second economic power; China. This would lead to a possible emergence of a new geopolitical axis led by China in the 21st century in which Iran may have a special weight and position. In addition, they would grant Iran an additional pressure card on the movement of international trade because of the IRGC's concentration on the Mediterranean. Those contracts are perceived as a tool to circumvent the stifling US sanctions on Iran given the trade and investment expected following the implementation of these contracts .

#### **B- On the Political Level**

These contracts keep Iran at the verge of achieving the goal of obtaining an actual foothold on the most important international sea, the Mediterranean, on the one hand. They provide access to the countries bordering the Mediterranean Sea that includes Western Europe and North Africa, which ensures Iranian pressure cards against Washington and Tel Aviv in these two influential geographical areas on the other hand. The presence on the Mediterranean creates a geographical extension that enables Iran to implement the so-called Iranian Shia Crescent, and also provides it with an alternative sea port on the Mediterranean Sea for Iranian ports located in the Arab Gulf region.

#### **C- On the Military Level:**

These contracts enable Iran to establish bases on the Syrian coast, and provides it with an opportunity to use the land corridors and train networks to transfer weapons, military equipment and ammunition to pro-Iranian militia in Syria and Lebanon, at a lower cost than transferring via air. This can be in the interest of Iran's balance of power in Syria. Also its presence in the Eastern Mediterranean coast is a military advantage for Iran because of Mediterranean proximity to Israel, enabling Iran to wage a multi-front war from Lebanon, Syria, and other countries away from Iranian strategic regions. This poses a challenge to Israel, especially as Iran has great military influence in Syria, and explains at the same time Israeli consecutive military strikes against pro-Iranian militias in Syria.

These economic, political, and military gains Iran will obtain for its concentration on the Syrian coast will maximize its power and influence, that are inevitably incompatible with the power and influence of the Russians in Syria. The divergence of these countries positions would explain the Russian tolerance of successive Israeli air strikes against Iranian concentrations in Syria in order to curb growing Iranian influence. Israeli strikes against pro-Iranian militia concentrations in Syria are likely to increase during 2020 with Russia giving a green light to reduce future Iranian influence.

#### 4- Consolidating Iranian Military presence in Syria

##### A- Attempt to Create an Iranian-Syrian-Iraqi Military Front

Under the pretext of strengthening Iranian-Iraqi-Syrian military cooperation to counter terrorist organizations in the three countries, on March 13, 2019, the capital, Damascus, witnessed a military meeting that included the Chief of Staff of the Iranian Armed Forces, Major General Mohammad Bagheri, the Syrian Minister of Defense, General Ayoub, and the Iraqi Chief of Staff General Othman al-Ghanimi.

The Iranian-Syrian-Iraqi troika meeting was important due to its decisions and results particularly the agreement of Al-Ghanmi and Ayoub to open the Abu Kamal al-Qa'im and Al-Yaarubiyah border crossing between Syria and Iraq, and the Bagheri-Al-Ghanmi-Ayoub agreement on the need to pull out foreign forces from Syria and Iraq in reference to American forces. Ayoub also confirmed al-Assad's intention to control Syria completely including Idlib, whether through reconciliations or by armed force. This indicates that the year 2020 will witness a major Iranian-Syrian escalation for regaining the areas that are out of al-Assad's control, in particular Idlib.

The timing of the meeting, and developments in the Syrian crisis, as well as in regional and international affairs against the background of economic sanctions against Iran reveal that the aim of the meeting was not to counter terrorism as Iran had declared, because Iraq and Syria have already succeeded in eliminating most of their terrorist pockets, but rather to stress Iran's ability to launch and lead military alliances against the military alliance which Arab and western countries are wanting to create in order to protect oil supply routes and international shipping routes, especially in the Arab Gulf.

These meetings aim to send messages to Washington and Tel Aviv that Tehran is the decision-maker in Syria and Iraq, and that the Iranian presence is at the request of the Syrian government, while American forces in Syria are present unofficially. Bagheri said, "Iran has sent military advisers to Syria and Iraq at the request of both countries, with permission from their governments," adding, "The foreign forces present in Idlib and east of the Euphrates are there illegally." Iran also sent a message that Iran will control the Iraqi-Syrian border crossings, enabling it to extend its influence and formally implement its expansionist plans.

Iran sent a message to Moscow that the Russian-Israeli rapprochement will not undermine the implementation of Iranian plans in Syria thanks to the Iranian ability of forming military alliances with Iraq and Syria. This is an indication of Iranian-Russian divergence because the Iranians did not invite Russia, which has the upper hand and the final say in the crisis Syrian, to attend this meeting. It is important to note that this meeting happened a



few weeks after al-Assad's visit to Iran, which reflects the extent of Assad's perception of the importance of pro-Iranian militias in keeping him and his regime in power, and protecting the liberated areas from opposition factions after 8 years of armed conflict.

#### **B- Inauguration of military bases in Syrian strategic areas: -**

On September 3, 2019, America's Fox News revealed a new Iranian base allegedly being constructed called "Imam Ali Complex," and analysts at the Israeli satellite company, Image Sat International ISI, confirmed the precision and authenticity of the satellite imagery (see Figure No. 1) of a military base being constructed on the Syrian-Iraqi border. These photos show construction of the base verging on completion. The pictures reveal that there are also 10 buildings that contain missile storage depots.



Source: <https://fxn.ws/2lw4brX>

Iranian moves to build a new military base in Syrian territories reveals an Iranian desire to consolidate its military presence in Syria along with endeavours to dominate Syrian commercial activities and reconstruction projects. They also highlight Iran's continuation of its demographic change plans in favor of Shiites, thereby enabling Iran in the future to control the Syrian equation, which is in the interest of its expansionist agenda. These moves create new military fronts near the Israeli border within the Iranian strategy of encircling Israel.

## II- The Continuation of Israeli Escalation Against Iranian Concentrations in Syria

Israel is one of the most important regional factors affecting the Iranian role in Syria. The Israeli air force has continued its intense air strikes against the concentrations and headquarters of pro-Iranian militias in Syria since Aleppo fell in the hands of Assad in early 2017, because Israeli leaders realize that Iran crossed Israeli red lines by sending its armed militias near Israel and refusing to keep them from the south of Syria. Therefore, 2019 witnessed intensive strikes against pro-Iranian militias in Syria (see Table No. 1).

Date	Detail
January 13	On January 11, 2019, Netanyahu admitted that, Israeli's air force carried out airstrikes on Iranian weapons depots near Damascus airport
January 21	Israel launched more than 30 winged missiles against several Iranian concentrations in a number of Syrian governorates (Damascus, its countryside; the countryside of Quneitra, and As-Suwayda), killing 21 people, including 12 of personnel of the Iranian Revolutionary Guard, according to the Syrian Organization for Human Rights. They bombed several targets of the Quds Force, according to the IDF Spokesperson Avichai Adraei. A depot for combat means, a storage site at Damascus International Airport, an Iranian intelligence site, and an Iranian training camp.
March 28	Israel targeted ammunition depots of pro- Iranian militias and forces in the industrial area on the outskirts of Aleppo, killing at least 7.
April 30	Israel bombed the headquarters of Brigade 47 in the central province of Hama , killing 26 people, including 4 Syrians, and 22 Iranians.

Date	Detail
May 19	The Israeli aircraft targeted the headquarters of Iranian militias in addition to weapons and ammunition depots in the countryside of Damascus, as well as the headquarters of the 91st Brigade controlled by the militias. This site is one of the most important Iranian arms and ammunition depots in Syria.
June 26	Israel targeted two depots of the Lebanese Hezbollah militia, near Damascus International Airport.
June 1	Israel bombed a scientific research centre and a military airport in Homs, where Iranian fighters and the Lebanese Hezbollah are deployed. It also targeted several military sites in the countryside of Damascus, including concentrations of Iranian fighters killing at least 10 fighters, including 7 Pakistani and Afghan fighters of the Fatemiyoun and Zainabiyoun brigades.
July 24	Israel attacked the positions of Iranian armed factions in Tell al-Hara, southern Daraa Governorate, which overlooks the Golan Heights, in southern Syria.
August 25	Israel targeted concentrations of the Quds Force and Hezbollah and pro-Iranian militias southeast of Damascus, killing two Hezbollah fighters and an Iranian.
September 17	Israeli aircraft attacked three sites of the IRGC and an pro-Iranian group in Abu Kamal eastern Syria near the border of Iraq, killing 10 pro-Iranian fighters in Syria.
November 20	The Israeli Air Force targeted sites and concentrations of pro-Iranian militias in Damascus and its countryside, killing 21 fighters, including 16 foreign fighters .

Date	Detail
December 23	Israel launched missiles against the sites of the regime's forces and Iranian militias in the vicinity and south of the capital, Damascus, killing at least 3 fighters, who were suspected to be Iranian. They were killed by one of the rockets in the area between Sayyidah Zaynab and Aqraba, south of the capital, Damascus.
December 25	There was shelling against the headquarters of Iranian militias and the Lebanese Hezbollah in Abu Kamal in Deir ez-Zor Governorate near the Iraqi border . An Explosion ripped through the Al-Jalaa desert in Abu Kamal. The media reported that Israel was behind the operation.

Source: ©2019 Rasanah

The above table reveals the upward scale in Israeli military strikes against pro-Iranian militias and forces during 2019 compared to the strikes during 2018. The number of Israeli strikes against militias during 2018 reached about 11 military strikes, and in 2019 reached about 13 strikes. The intensity of the strikes and the types and number of missiles were greater than those in 2018.

The table also reveals that Iran has continued to cross Israeli red lines, by constantly sending fighters of the IRGC and others being brought from unstable countries to Syria. The IRGC Major General Mohammad Ali Jafari announced in March 2019 "The formation of Iran's armed forces comprising 100,000 fighters in Iraq and 100,000 fighters in Syria." Iran also constantly provides financial and military support to militias in Syria. Tehran also has been striving to launch military bases in Syria. The Israelis are also concerned that the Iranians will take advantage of the vacuum resulting from the American military withdrawal to consolidate its influence. This matter prompted the US administration to keep 400 soldiers in Syria out of a total of 2000 American soldiers; 200 soldiers will also participate in the multinational forces to maintain the safe zone in north eastern Syria, and the other 200 are likely to be transferred to the Al-Tanf border base between Iraq and Syria.

In regard to the Israeli attacks, Iranian reactions have been predominantly verbal without Tehran militarily responding to successive Israeli strikes. The Iranian regime wants to preserve its dignity in front of its supporters without resorting to military escalation which may lead to a war with Israel.

Iran has not resorted to any military escalation after the IDF Chief of Staff Gadi Eisenkot confirmed in February 2019 that Israel had fired thousands of missiles and bombs against Iranian headquarters in Syria 2018. Iran is aware that the differences in military capabilities between the two countries is in favor of Israel, especially the superiority of the Israel Air Force, which ranks fifth among the most powerful air forces in the world. Iran also prioritizes the implementation of its expansionist projects, especially the Iranian Corridor, which links Iran to the Mediterranean Sea rather than entering into a very expensive war, especially in light of deteriorating economic conditions since the tightening of US economic sanctions.

Iran recognizes the Russian position against the outbreak of an Iranian-Israeli war in the region to safeguard Russian influence and interests in Syria and the Russians prioritizing a peaceful settlement to the Syrian crisis. The Iranians also realize that the Israelis are not only the ones who want to destroy their proxies in the region but also the Americans and some Arab and Gulf neighbors want to participate in any arrangements that limit Iran's appetite for expanding its influence, and therefore it is difficult for Iranians to risk entering into open war with Israel.

### **III- The Widening Gap in Russian-Iranian Differences in Syria**

During 2019, the Iranian role in Syria was under intensive Russian pressure in order to curb it. This was considered as Russia's second goal, after the Russians achieved their first goal of keeping al-Assad as president of Syria to preserve its economic, political and military interests in the eastern Mediterranean. The following are the developments of Russian-Iranian relations in Syria during 2019:

#### **1- Russian-Iranian Political Divergence**

The gap between Russia and Iran in the Syrian arena widened during 2019, against the background of Iranian accusations of the Russians colluding with Israel by disrupting the S-300 system. The Chairman of the Iranian Parliament's National Security and Foreign Policy Commission Heshmatollah Falahatpisheh stated: "If the S-300 system operated correctly, Israel will not be able to successfully carry out the attacks on Syria." An Iranian report also stated that "Russia sold Syria a spoiled S-300 system." This would question the capability and effectiveness of this Russian missile defence system, which in turn would decrease its global sales.

These statements infuriated the Russians, which was reflected in a shocking Russian response to the Iranians, when the Deputy Russian Foreign Minister Sergey Ryabkov on January 24, 2019, one day after Heshmatollah's statements expressed his reservations about describing Russian-Iranian relations as reaching the level of an "alliance." He said: "I will not use this word to describe



where we are with Iran,” adding “We in no way underestimate the importance of measures that would ensure the very strong security of the state of Israel.” “The Israelis know this, the US knows this, everyone else, including the Iranians, the Turks, the government in Damascus [know this]. This is one of the top priorities of Russia.”

These statements reflected the absence of interests between the Russians and the Iranians, especially after they both managed to keep Assad in power, put the opposition in one geographical spot, and eliminated many terrorist enclaves in Syrian territories. That is in addition to the growing Russian-Iranian differences over the form of the new Syrian state, and competition for controlling the phosphate areas, reconstruction contracts, and spheres of influence on the Syrian coast and border crossings. These statements also show the growing level of Russian-Israeli coordination in Syria because of the Russians agreeing to Israel’s vision on the need to remove foreign forces from Syria, and to keep Iranian-backed militias 85 kilometers away from the Golan Heights. Russian have agreed to pull out Iranian militias from Syria, and overlook Israeli airstrikes against the concentration points of pro-Iranian militias in Syria.

## **2- Intensifying Russian Pressure on Assad to Exclude pro-Iranian Militias**

Moscow pressured Damascus to agree on some of its demands during the process of restructuring Syrian security and sovereign institutions in order to exclude pro-Iranian forces in Syria. The Russians realized that all their accomplishments in Syria would be in Iran’s interests unless it excluded as soon as possible pro-Iranian militias during the formation of new Syrian institutions. Therefore, the issue of pulling Iran’s militias in Syria is firmly on the Russian agenda, in conformity with Israeli demands.

Further to the above, the Russians pressured Assad to restructure the pro-Iranian 4<sup>th</sup> Armoured Division, led by al Assad’s brother Maher al-Assad, and its affiliated institutions including the General Staff, the Military Security Command, Military Intelligence and the Republican Guard, to limit its power, and reorient the loyalty of Syrian Army members to Russia. The fourth division is considered the most powerful and closest Syrian group to Iran because of its sectarian formation and the possession of modern as well as sophisticated weapons.

The Russians exert even more pressure on al-Assad to demobilize many officers associated with Maher al-Assad, such as the manager of Maher al-Assad’s office, Brigadier Ghassan Bilal, the former commander of the Republican Guard Talal Shafiq Makhoul, and the head of the Military Intelligence Division, Major General Muhammad Mahala. In addition, more than 600 officers loyal to Maher al-Assad were investigated after being arrested on corruption charges. Loyal officers to Russia were appointed instead to prepare a new Syrian army under Russian command.

### 3- Armed Clashes Between Pro-Russian and Iranian Forces in Syria

The Russian-Iranian differences were not only limited to political divergences, but they also escalated to armed clashes that erupted between the pro-Iranian 4<sup>th</sup> Armoured Division and the Syrian pro-Russian Fifth Division, led by the commander of the Tiger Forces, Major General Suheil al-Hassan, with heavy machine guns in the al-Ghab plain of Hama Governorate on January 19, 2019, following the division of the spheres of influence, resulting in deaths and injuries to both sides.

Military confrontations renewed in mid-April 2019, heavy weapons were used again in different regions of Syria, resulting in deaths and injuries to both sides, including elements of the IRGC.

Accordingly, during the year 2019, Moscow moved in two tracks to limit Iranian influence in Syria. The first track was to establish a strong military army loyal to securing Russian spheres of influence in the strategic areas where Russia lacks strong ground forces on Syrian territory to consolidate, secure, and expand its spheres of influence. The second track was to weaken the militias and pro-Iranian corps in Syria by intensifying pressure on the Syrian president to dismantle the militias which are not under the Syrian army, and to expel them from the areas of concentration of pro-Russian forces such as when the Fifth Division expelled forces of the pro-Iranian 4th Armored Division from the al-Ghab plain.

There are several motives behind the Russian escalation against pro-Iranian militias in Syria during the year 2019, in particular the Russian awareness of the importance of seizing the moment while Iran is experiencing stifling sanctions. The Trump administration's designation of the IRGC as a terrorist organization has been an important motive for the Russians to siege militias in Syria in the midst of Russian-Iranian competition to share influence in Syria. In addition, the Russians were unhappy that al-Assad leased the port of Latakia on the Syrian coast to Iran from November 2019, which limits the Russian monopoly of being on the Syrian coast, and provides Iran a foothold and influence similar to that of Russia in the Eastern Mediterranean.

In addition, the Russians realize that the proliferation of the Revolutionary Guards in Syria poses a real threat to Russian influence in Syria and an ever-increasing burden on the Russians if the Iranians in Syria wage against the Israelis, while Russians seek to achieve a political settlement in Syria. The Iranian strategy for long-term presence in Syria contradicts with Russian interests in Syria because Tehran is working to reposition its militias in all areas restored from ISIS and opposition factions enabling it to expand and secure its sphere of influence, especially in the phosphates and gas rich territories that Moscow seeks to control. Therefore, the best words to describe "Russian-Iranian cooperation" in Syria is "coordination and consultation," not "alliance".

#### IV- Turkey's Adherence to the Safe Area in Northern Syria

Turkey is also among the most important factors affecting the Iranian role in Syria. Although Turkey and Iran coordinated their positions in regards to the Kurdish file, American sanctions, and trade relations, they diverged in the Syrian file due to conflicting interests and each party endeavouring to maximize its own influence inside Syria. Iran believes that Turkey's safe area will curb its influence in Syria. Therefore, Iran refused during 2019 the establishment of this area in northern Syria separating the areas under the Kurdish People's Protection Units control, which Ankara classifies as a terrorist group, and the Turkish border, at a depth of at least 30 km inside the Syrian territory. It starts from Jarabulus to the Iraqi border Faysh Khabur with a length of 450 km (see map No. 3). Ankara aims to prevent the establishment of a Kurdish entity similar to the Kurdistan region of Iraq on the Turkish border on the one hand, and to create a stable security situation that allows the return of Syrian refugees from Turkey to a safe area on the other.

Map No. 3: Turkey's Plans for The So-Called Safe-Zone In Northern Syria



Source: Observatoire de la Turquie Contemporaine, <http://bit.ly/2wUV6P2>.

Iran refuses the establishment of safe areas in Syria that would enable Ankara or other regional and international actors to maximize their spheres of influence at the expense of Iranian spheres of influence. Iran strives to obtain the lion's share from the new Syrian equation for the material and human prices it has

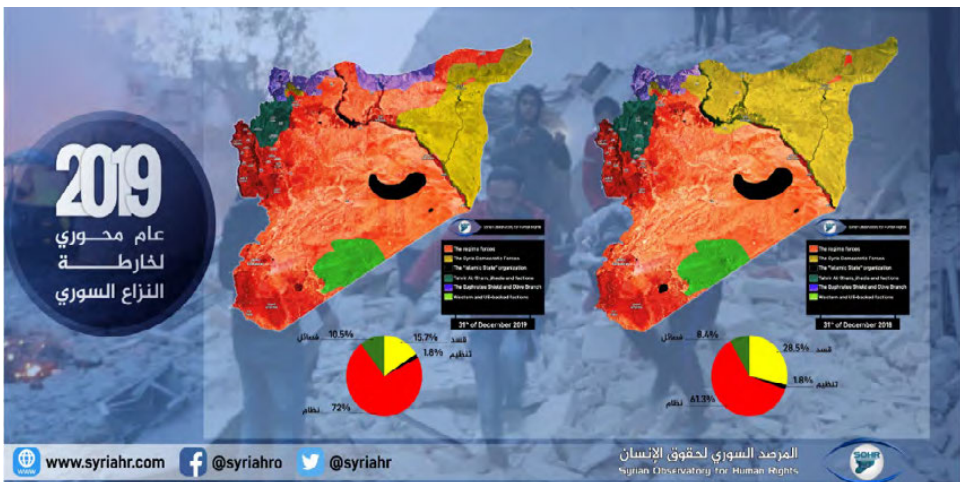
paid throughout Syrian crisis. This would explain its position that rejects the Turkish proposal to establish a safe area in northern Syria.

### V- The Future of the Iranian Role in Syria During 2020

While Iran mainly relied on military tools to expand its influence in Syria during 2018, it depended mainly during 2019 on economic tools, and demographic change policies that aim to displace the Sunni component in order to strengthen Shiites. This is to maximize Iran's influence, domination and control over the new Syrian equation.

In comparing the size of Iranian influence during 2018 and 2019, it increased in 2019. In December 2018, the Syrian regime supported by Iran controlled geographically 61.3 percent of the total area of Syria, while the Syrian opposition factions controlled Idlib, which constituted about 8.4% of Syrian territory. The Kurdish component controlled 28.5 percent of Syrian territory. The Iranian influence increased by the end of December 2019, with an increase of al-Assad's control to about 72 percent of Syria's total area. The Kurdish components control diminished to 15 percent, according to the Syrian Observatory for Human Rights (see map No. 4). Thus, Idlib remained outside of al-Assad's control and about 1.8 percent of Al-Mayadin and an area near the Syrian-Iraqi border which was under ISIS control.

Map No. 4: Spheres of Influence Between December 2018- December 2019



Source: Syrian Observatory for Human Rights, <https://bit.ly/36Z9mm5>

In addition to the expansion of influence geographically, the scope of Iranian influence increased commercially and economically with the signing of several economic and commercial contracts between Iran and al-Assad in

order to dominate Syria economically. The scope of Iranian political influence also expanded in Syria, as evidenced by Khamenei's statements during the summoning of al-Assad in early 2019. Militarily, the influence of Iranian military also grew by deploying armed militias and inaugurating new military bases in Syria, according to what has been reported by the media. This expansion at the expense of the Syrian state is parallel to a greater expansion of Russian influence. The expansion of Iranian influence did not eat away at Russian influence, but rather weakened further the Syrian regimes' control over its sovereignty and territory.

The failure of the political track represented by peace talks at Astana and Sochi continued to undermine progress in five files of the crisis: the release of detainees, the return of refugees, brokering a ceasefire, the formation of a constitutional committee, and the reconstruction of Syria. All parties continued to use armed force to extend their influence because they had failed to reach a resolution satisfactory to all of them. Each party is seeking to obtain the largest share in the new equation, regardless of the party's strength and regional and international standing. With inability to coordinate and harmonize positions regarding the issue of "militias and pro-Iranian legions in Syria", Tel Aviv, in common with Washington, insists on pulling out the militias from Syria. Russia is still adhering to the Iranian position because it perceives the importance of Iranian militias to keeping Assad's regime in power and what it has restored from opposition factions. In addition, the militias play a role in protecting Russian interests.

Nevertheless, the Iranian role in Syria faces several challenges. Internally, the economic situation is extremely precarious since the tightening of US sanctions because of the cancellation of exemptions to the eight countries from US sanctions, the growing protest movement against catastrophic living conditions at home and Iranian adventures abroad, and the difficulty of funding expansionist projects. Externally, Iran is facing an Israeli military escalation that intensified in 2019 compared to 2018, Turkish mobilization in northern Syria, regaining Idlib from the opposition, growing Russian-Iranian differences that escalated to armed clashes between forces loyal to the Russians and the Iranians over their spheres of influence, as well as deteriorating relations with some Arab Gulf states.

In light of the previous data, it is expected that the Iranian role in Syria will take several directions during 2020, including:

**First:** The trend of declining influence: In the context of the power struggle in Syria this trend is a possibility for several reasons: the pressures of international isolation; the very suffocating US sanctions on the Iranian economy limiting Iran's regional influence, which led to internal Iranian protests rejecting Iranian external activities in Syria Iraq, Yemen and Lebanon; the poor economic and living conditions that the Iranian leadership has

caused due to its foreign interventions; and the armed confrontations between its militia and pro-Russian forces in some areas in Syria. However, this trend is unlikely as a result of Iran's desire to reap the benefit of human and financial costs provided by Iran throughout the Syrian crisis and its moves to complete the rest of its expansionist plans.

**Second:** The freezing of influence: In other words, Iran will resort to freezing its sphere of influence by controlling the growing influence of its militia and legions geographically in the new Syrian regions, to avoid intense Israeli military strikes and Russian anger over the widespread proliferation of its militias transgressing Russian and Israeli lines, and to mitigate US sanctions and pressures. Practically, this is difficult to realize because of the dynamism of the Iranian mentality. The experience of Iranian expansion in the targeted countries reflects the Iranian inability for expansion by depending on its great ability to take advantage of void areas. What is going on in Iraq, Yemen and Lebanon is nothing but vivid examples of the dynamic Iranian role in the region.

**Third:** the slow upward trend of growing influence: This is related to the continuity of Iran's expansion and proliferation process in Syria institutionally, geographically, politically, economically, militarily and culturally to maximize the scope of influence in the midst of the power struggle for in Syria, but with a slower pace compared to the level of expansion during 2018. This is due to the presence of an enabling environment in Syria for further expansion as a result of the collapse of the Syrian military and security institutions because of the civil war that has raged on Syrian territory for 8 consecutive years, the urgent need of the regime for militia fighters to maintain areas restored from the opposition factions and to deter them from re-igniting a civil war again against the regime, the existence of void spaces in front of pro-Iranian forces in different Syrian region because of the American withdrawal from Syria, the Russian strategic dependence on the Iranian card to preserve Russian interests in Syria, and the Russian unwillingness to pay the price of sending forces as an alternative to Iranian militia fighters due to the pragmatic perspective of the Russian approach towards Syria, the pro-Iranian militia deployment throughout Syria, and Iran's desire to reap the benefits of its enormous human and material costs to keep al-Assad in power, at a time when it is in need to raise revenues to ease the impact of the US sanctions by obtaining the largest share in the reconstruction phase in Syria, and pushing ahead with its demographic change policy as a strategic option to implement Iranian expansionist projects.



# Iran and Lebanon

*A severe political crisis has been evolving in Lebanon for about nine years; the government has been unable to conduct parliamentary elections due to ongoing political disagreements among political parties and demands to issue a new parliamentary law which would mitigate the ramifications of sectarian quotas. Despite the 2018 parliamentary elections, carried out after an amendment to the electoral law, political disagreements, due to sectarianism, were not resolved.*

The Lebanese government exerted all possible efforts to form a national unity government, but it failed. For months, Lebanon lived without a government. The economic crisis showed no signs of being resolved. Amid the political stalemate, deeply worsened and prolonged by Hezbollah and Iranian intervention in 2019, protests broke out across Lebanon.

A series of events dominated the Lebanese scene during 2019. These events were a direct result of Iranian interference in Lebanon as Iran pursued policies of intervention, infiltration, and domination over the Lebanese homeland. This created a domestic crisis in Lebanon, and Iranian intervention was a core cause of this. The confrontation between the Iranian government and the Lebanese people resulted in protests against the political and economic conditions in the country caused by Iranian presence. This internal crisis was further exacerbated by the substantial change in the balance of power in the areas surrounding Lebanon. By tracking the the Lebanese crisis and its interactions, it becomes clear to us that Iranian interference in Lebanon is impacting all aspects of political, economic, security, social and cultural life. This crisis has a direct influence on Iran's domestic and external arenas as it impacts the agenda of Iran's expansionist policy.

This file will discuss several main points, including Iran's strategy for strengthening its presence in Lebanon, Iran's role and its interactions in Lebanon, and the consequences of Iranian intervention in Lebanon. Finally this file will discuss future scenarios and outcomes in the context of Iran's role in Lebanon.



## I- Strategies for Enhancing Iran's Role in Lebanon

During 2019, signs of Iran's enhanced role in Lebanon emerged on the Lebanese scene via the use of multiple strategies. Iran implemented military, economic, cultural and media strategies. The evolution of Iranian influence in Lebanon was aided by the country's level of instability. Iran exploited Hezbollah via these strategies to achieve its objectives in Lebanon.

### 1- The Military Strategy

Iran has attempted to strengthen the Iranian domestic front through the use of its military to confer some sort of legitimacy on the Iranian government, especially in light of the recent crises it faces post US withdrawal from the nuclear deal. Iran has supported Hezbollah, the Shiite movement which is one of Iran's most important military arms in the region. Also, Hezbollah has continued to be Iran's main tool in the ongoing war in Syria as it participated in the fighting alongside the forces of President Bashar al-Assad.

Iran continued to train Hezbollah militias and provide them with weapons through coordination between the IRGC and the Syrian government. These weapons were intended to fulfill Iranian objectives in the region. In February 2019, Iran offered military assistance to the Lebanese army - which is backed by the United States - through its Foreign Minister Mohammed Javad Zarif, who visited Beirut at the time. But the Lebanese government did not respond. Zarif's visit came after the Secretary-General of Hezbollah, Hassan Nasrallah, proposed upgrading Lebanon's air defense systems with Iranian money to fend off Israeli warplanes which violate Lebanese airspace in order to target Iran's military positions in Syria.

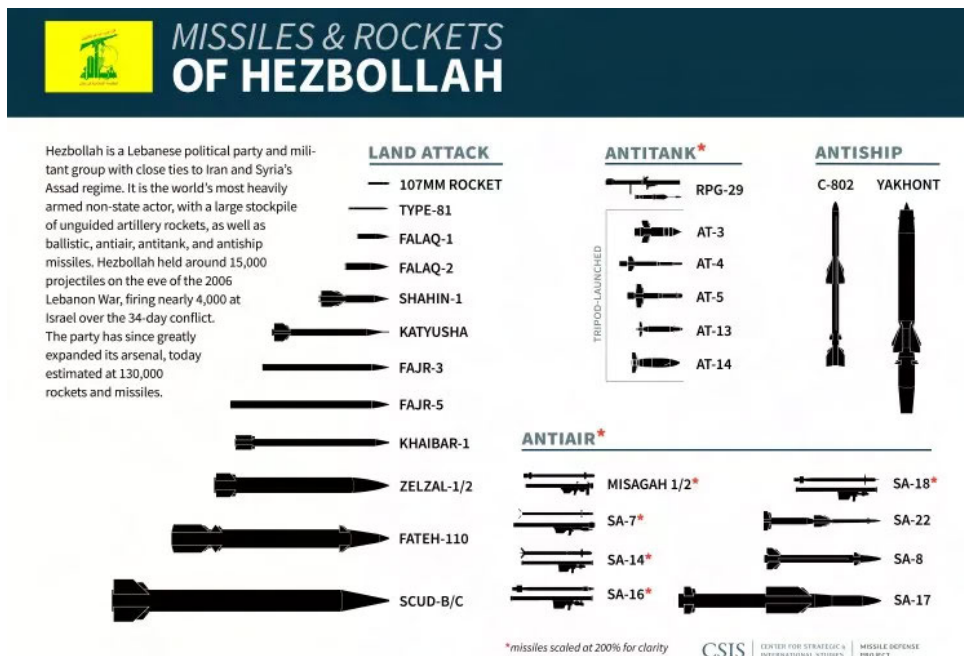
Hezbollah's Secretary-General Hassan Nasrallah announced that he is ready to provide anti aircraft defense systems to the Lebanese army in order to face Israel. This came as Iran supplied Hezbollah with rocket projectiles, anti-tank missiles, and advanced missiles. Hezbollah has 25,000 fighters in reserve.

### Growth of Hezbollah's Arsenal



The political and military force of Hezbollah has expanded excessively since its establishment in 1985. But this new might and Hezbollah's expansion into the Levant placed its activities under the spotlight of the United States and Israel. An Israeli military strike has become a possible scenario for the first time since the 2006 war. Hezbollah desires to engage in another major conflict, but its activities have forced it into a tight corner and made it susceptible to an Israeli attack.

### Hezbollah's Missiles



The abovementioned figures reflect the military arsenal of Hezbollah, which includes ground attack missiles such as the Katyusha 107-122 mm, Chinese-made Fajr-1, 107 mm, Falaq 1/2, Shahin-1, 333mm, 122mm, Fajr 3, Fajr 5, Zelzal 1, Zelzal 2, Fateh 110-600mm, and Scud B and C missiles. This is in addition to anti-ship ASM missiles, Yingji 2/C 802, anti-aircraft AAM missiles and ATM anti-tank missiles.

## 2- The Economic Strategy

It is expected that the Iranian Foreign Minister Mohammed Javad Zarif shall renew the offer put forward by his country to provide Lebanon with assistance in the field of economic development and reconstruction, which includes establishing power plants and opening the door for importing Iranian medicine. Iran has economic ties to Lebanon via Hezbollah. Reports indicate



that Iran doubled its financial support to the party to reach \$800 million annually. Several diplomatic sources, including the Foundation for Defense of Democracies, said that Hezbollah is facing financial hardship which could prompt it to commit more crimes and create more crises in order to get more money. Iran's level of funding for Hezbollah during 2019 reached between \$700 million and \$800 million. It is believed that this figure accounts for 70 percent to 80 percent of the party's budget. This figure fluctuated due to the sanctions imposed by the United States and the UN on Iran due to its nuclear program. This financial support is likely to go down even further in light of continued Iranian domestic protests and public demands for the Iranian government to increase investment at home and stop its regional interventions.

Iran has dumped steel in the Lebanese market in order to circumvent US sanctions and to sell its products in the Lebanese market illegally in exchange for obtaining hard currency. This defies US sanctions which forbid economic dealings with Iran. The Lebanese Central Bank issued several circulated notes since the United States imposed sanctions on Iran, reiterating that Lebanese banks and financial institutions shall abide by international laws. The Iranian intervention caused the Lebanese economy to collapse. As a result, an emergency plan to save the economy was announced as experts and officials believe that Hezbollah is one of the main reasons for this deterioration, in addition to the rampant corruption in the country, to which Hezbollah contributes.

### 3- Media and Cultural Strategy

The cultural element is an important part of Iran's strategy to achieve its long-term objectives. For this, the Iranian government allocates a huge budget for boosting its political and military efforts. Reading into the cultural role of Iran in Lebanon, clearly indicates the extent to which Iran seeks to influence the Lebanese case in its entirety and impose Iranian cultural aspects on it, culminating in cultural and social indoctrination which serves the Iranian project in Lebanon and the region. This is in addition to the Iranian objective to hybridize the Lebanese cultural reality.

Tehran is offering financial and moral support to newspaper and television channels that seek to spread Iranian culture, the principles of Imam Khomeini, promote Shiism in Lebanon and support Hezbollah. There are several Lebanese channels closely associated with Iran due to its helping hand in their creation. In addition, it has provided all kinds of financial and moral support to them, such as *Al-Manar* channel (affiliated with Hezbollah), *NBN* channel (affiliated with the Amal Movement), and the *Al-Alam* channel. Iranian-sponsored newspapers inside Lebanon include *Baitollah* newspaper (affiliated with the Islamic Knowledge Society), and the *Hayah Taibah* newspaper (affiliated with the Al-Rassoul Al-Akram Institute), as well as the *Al-Safir* and *Al-Akhbar*

newspapers. Also, Iran has financed several satellite channels airing in Lebanon under the sponsorship of Hezbollah to support Shiite factions across the Arab world, such as *Al-Masirah* of the Houthis, *Al-Itijah* which supports the Popular Mobilization Units in Iraq, *Al-Thabat*, *Al-Qods*, *Palestine Today*, *Al-Mayadeen* and others.

The Iranian government is keen to maintain its cultural presence in Lebanon and to engage in joint celebrations with its Lebanese proxies, such as celebrating Quds Day, which is always sponsored by the Iranian cultural attaché in Lebanon. This Iranian celebration is always held in coordination with Hezbollah's celebration. Hezbollah used to hold a military parade on this occasion. The party paraded several of its battalions, a display which highlighted their fighting skills in addition to sham raids against Israeli targets. But such parades stopped after the 2006 war due to their sensitive nature and because of the security battle between the party and Israel, especially after Israeli reports stated that Israel was planning to carry out a military strike against the party during the Quds Day celebrations in 2006.

Several Iranian cultural institutions are active inside Lebanon such as the Imam Khomeini Center Cultural Society, which has branches in Beirut and its suburbs, in the south and in Beqa with a total of 15 branches inside Lebanon. Iran has also established several research and cultural centers overseen by Hezbollah, including the Advisory Council for Studies and Documentation, as well as the Qeyam Association and Amen Association International.

## II- Iran's Role and its Interactions in Lebanon

Iran's influence within the Lebanese state has impacted the country's domestic scene in its entirety. This influence is visible across different spheres in Lebanon which is reflective of the political and security instability in the country.

The political situation in Lebanon is fragile due to different political alliances and internal divisions. In the midst of this fragility, Iran is providing support to Hezbollah on the premise that it is a resistance movement which aims to liberate Palestine and confront Zionism. This has led to:

### 1- Political instability

The Lebanese House of Representatives is divided between the March 14 Alliance opposed to Hezbollah and Syria, and the March 8 Alliance backed by Damascus and Tehran. This political crisis is still unresolved. The accelerating developments in the country led the government headed by former Prime Minister Saad al-Hariri to resign. Hariri withdrew his name from consideration for the prime ministerial post as some political forces did not agree to his re-appointment. Michel Aoun announced Hossam Diab, a former education minister, as prime minister in place of Hariri. Diab received support from most of the political alliances as he won 69 votes during the parliamentary



consultations held by Aoun. Among the factions which supported Diab were the Loyalty to the Resistance Bloc affiliated with Hezbollah, the Development and Liberation bloc affiliated with the Amal Movement, and the Strong Lebanon bloc affiliated with the Free National Current. But Diab was not supported by the Lebanese people and protesters chanted slogans against him.

## 2- Security Instability

The Syrian conflict spilling over into Lebanon is not considered a new phenomenon. The civil war which began in 2011 in neighboring Syria did not happen until political, ideological, economic and geographical issues, from which Lebanon has suffered for decades, were stirred up. Lebanon is exposed



to severe threats due to the Syrian conflict spilling over and this is in addition to other issues the country faces such as delays in forming a new government, internal divisions between the country's security forces and Iran's ongoing support for Hezbollah. This party is still one of the main participants in the fighting which prevents Lebanon from isolating itself from the ongoing conflict in Syria. Hezbollah's history is linked to stirring up sectarian tensions in the country. It relied on support from Iran and Syria in order to be an influential party in the polarized Lebanese political scene. Lebanon is also facing a delicate security dilemma as Hezbollah is involved in the Syrian war, which has incited terrorist militia groups against Lebanon. This provided an

opportunity for a group of Syrian Army officers to infiltrate Lebanese territory several times throughout 2019.

### **3- The Influence of Hezbollah on Lebanese Policy**

Hezbollah's ability to influence the Lebanese political medium is due to its seats in the Lebanese Parliament and its extensive military arm which acts as a pressure card against the opposition. According to the Lebanese Constitution, a two-thirds majority is needed for approval of government decisions. Based on the proportion of Hezbollah's involvement in the government, it can veto all decisions. This reality has enabled Hezbollah to vote against government decisions which defy its interests. Hezbollah has been known for stirring up political crises when government policies and decisions are not consistent with its interests. Moreover, the party's use of violence as a means to achieve its political objectives is part of its strategic plan to gain control over the political system.

### **4- Rampant Ideology**

Iran is focusing heavily on Lebanon in order for it to rival Iraq. The latter is a focal point for Shiites across the world due to Najaf's central seminary, while Iran has a subsidiary seminary. The protests in Iraq curbed Iranian interference and limited its geo-ideological project by depleting its capacity to continue its quest to become the leader of Shiites across the world. To distract attention from the special position of Iraq in Iranian regional strategy and to show concern for other Shiite communities, Iran strengthened Lebanese Shiites at the military level by supplying them with weapons to compensate for their political and constitutional deficit although they do not make up the majority in a multi-ethnic Lebanon. As Hezbollah realized its actual strength, it managed to maneuver among the different political actors in order to hinder the political transition process by either adapting within the Lebanese political system or by inciting tensions, leading to direct conflict between the party and the government. The tensions between the two resulted in multiple waves of violence that hindered political life throughout 2019 up to the present day.

### **5- Hindering the Political Transition**

Iran's support for Hezbollah is based on its desire to strengthen the party's control over the top hierarchy of power in Lebanon. Iran seeks to align the domestic front in Lebanon with its regional policies. The effects of Iranian interference emerged in 2019 following the parliamentary elections held on May 6, 2018. Iran backed a coalition made up of Hezbollah and the Amal Movement which aligned with other forces. They won the elections by capturing at least 67 seats, which is more than half of the 128 parliamentary seats. Previously just a military resistance movement, Hezbollah has emerged as a party seeking to become the main actor in Lebanese political life.

### III- Consequences of Iranian Intervention in Lebanon

The consequences of Iranian intervention in Lebanon can be divided into domestic and external. The domestic consequences include the popular protests against Iranian interference, and the external consequences, include US sanctions resulting from Hezbollah's obedience to Iranian will.

#### 1- Popular Protests Against Iranian Interference

The Lebanese protests highlighted the extent to which Iran has infiltrated the Lebanese government. Perhaps the sectarian similarity between Iran and Hezbollah led the protesters to reject Iranian infiltration in its soft and hard aspects. The popular protests in Lebanon brought new and unprecedented challenges for Iranian decision-makers in terms of implementing Iran's trans-border sectarian project. This was illustrated through the Lebanese popular protests. The decision of the former Lebanese government on October 16, 2019 to impose taxes on communications via WhatsApp, which was later revoked, sparked the protests on October 17, 2019. After a speech in which the Secretary General of Hezbollah Hassan Nasrallah threatened the protesters, the protests changed their demands. Initially they presented socio-economic demands to improve their living conditions but added political demands in the aftermath of Nasrallah's threats. They called for the ouster of the government and the dismantling of the entire political class, including Hezbollah, which prompted Prime Minister Hariri to submit his resignation on October 19, 2019.

The chants and slogans of the Lebanese protesters revealed their rejection of the Iranian sectarian project. The protesters from different persuasions, religions, affiliations and regions held up banners against Iran and its proxies on October 17, 2019, and rejected the threats of the Secretary General of Hezbollah. Nasrallah on October 19 announced his total rejection of the government's resignation and the holding of snap elections. He threatened to push his supporters onto the streets to achieve the objectives of the party, saying, "We do not accept the fall of the presidency nor do we accept the government's resignation and we do not accept, amid these conditions, holding early parliamentary elections." The protesters chanted, "all means all...Nasrallah is one of them," in reference to deposing the political class in its entirety including the senior officials, ministers and lawmakers associated with Hezbollah that makes up the majority in the Lebanese parliament and government. The protests expanded and spilled across Lebanon to include the southern suburbs, the hotbeds of support for both Hezbollah and the Amal Movement, and their headquarters in Sidon, Tyre, Nabatieh, Srifa, Mashouq, Qana and Tabnin.

With the help and support of Iran, Hezbollah is now controlling the Lebanese equation. Therefore, rampant corruption, deteriorating living conditions and difficult economic circumstances are attributed to Iranian intervention.

Lebanon has become a weak and shattered country shackled with crises and obstacles.

**The spread of corruption: Lebanon is ranked 138 out of 180 countries in the Transparency International Report of 2018.**

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

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

**Economic downturn:** The figures paint a bleak economic reality. Lebanon is among the world's biggest indebted countries, with total debts of \$86 billion through 2019. Nearly 28 percent of the Lebanese people live below the poverty line. The unemployment rate hit 36 percent and the country hosts nearly 1.5 million Syrian refugees.

**The absence of public services:** Lebanon suffers from an electricity crisis that led citizens to rely on expensive generators. In the capital, the rate of power outage is three hours per day. This rate reaches nearly 20 hours per day in other parts of the country.

The Lebanese people are aware about the dangers posed by sectarian projects. This awareness was apparent in their chants, and slogans, as well as in the demands they put forward for the future of their country in order to improve their living conditions. With the participation of youth from the new generation and the poor against Iranian projects and schemes in the country, we are now seeing a national majority transcending sectarianism, which has stripped the Iranian project of its legitimacy overseas and has resulted in something that can be replicated in the countries targeted by Iran due to:

- The awareness of the Lebanese people in rejecting sectarianism. The younger anti-sectarian generation dominating the protests in the country. The poor having a strong presence in the protests despite their marginalization and

economic deprivation. .

Key political figures in the Iranian government made several remarks denouncing the Lebanese protests, foremost among them the remarks of the Supreme Leader Ali Khamenei in October 2019. He said that Western countries employ the funds of some regional countries to fuel tensions and chaos in the region. He called on those supportive of Iraq and Lebanon as well as those possessing the voice of reason to address the lack of security in these countries.

The protests revealed that Iran has lost the Lebanese people even if it gained clout. The people are no longer accepting the reforms of the Lebanese government. The people realize that the government is interested only in receiving support from outside parties in order to maintain power. This is a new challenge to the Iranian project, which makes it costlier in case Iran wants to go ahead with its expansionist project.

## 2- US Sanctions due to Hezbollah's Total Submission to Iran's Will

US sanctions were not confined to the Iranian government, they were extended to include regional parties close to Iran, such as Hezbollah. The US sanctions were linked to a package of sanctions imposed on Hezbollah's leaders in the past period. In January 2019, the US Department of the Treasury announced sanctions on 18 firms and individuals inside and outside Lebanon for supporting Hezbollah. These sanctions had some consequences. For example, the US Department of the Treasury intended via these sanctions to dismantle Hezbollah's illegal financial network and it continued with its past decision to place 80 of Hezbollah's affiliates and individuals on its sanctions list in 2017.

President Donald Trump's administration imposed sanctions in July of the same year on two lawmakers affiliated with Hezbollah as part of its maximum pressure policy exercised against Iran and its allies. The US Department of the Treasury accused the lawmaker Amin Sharri, and the head of Hezbollah's parliamentary bloc, Mohammed Raad, of exploiting the Lebanese political and financial system in order to benefit Hezbollah and its backer Iran. The sanctions also included the official in charge of liaison and coordination with Hezbollah, Wafiq Safa. In September, the US Department of the Treasury announced the imposition of new sanctions on four Lebanese nationals affiliated with Hezbollah. They are effectively cut off from the US financial system and any dealings with US citizens. Due to these measures, it is expected that all the assets and interests of these entities in the United States, or those possessed or managed by US nationals, shall be frozen.

The Office of Foreign Assets Control has closely coordinated with the Department of Homeland Security and the Drug Enforcement Administration as part of a project targeting Hezbollah's criminal support network. The network operates as an arm that handles the party's logistics, procurement, and financing operations. But the sanctions have affected the Lebanese economy

because there are no clear lines separating the interests of Hezbollah and those of the Lebanese state as the party leverages its political and economic interests to expand its influence and gain more control in the country.



# Iran and Yemen

*Yemen went through many political, military and economic transitions during 2019. Those transitions have been greatly influenced by the developments on the Yemeni arena in the preceding year. The most prominent development in 2018 was the exclusively Houthis-led insurgency against Yemen's legitimate government. The division of the General People's Congress party has enabled Yemen's Houthis to solely lead the rebellion in the aftermath of the assassination of former President Ali Abdullah Saleh.*



In addition, the re-imposition of US sanctions was an important factor in this regard. The current US-Iran tensions have overshadowed the Yemeni crisis as Iran used the Houthis as a proxy group to implement its strategies. Iran, in return, provided the group with political support and military assets thus fueling the military operations managed and coordinated by Iranian experts.

As the events unfolded in Yemen in 2019, it was unprecedentedly obvious that the continuation of the country's crisis was directly linked to Iran's support for the Houthis. The relationship between the Iranian government and the Houthi militia was denied since the beginning of the crisis in Yemen five years ago until it was eventually publicized in 2019.

The domestic developments in Yemen at the time have complicated the crisis. Tensions among Yemeni political parties created a strategic power vacuum strengthening the position of the Houthis.

The Iranian role in Yemen has been the main reason behind the failed comprehensive peace process. It also has further complicated the Yemeni conflict as it served Iran's expansionist project in the region. In addition, Iran has been using its alignment with the Houthis as a tool to confront the US sanctions, to put pressure on neighboring countries, to threaten international maritime navigation and to gain a foothold in the Arabian Peninsula and the strategic Strait of Bab al-Mandeb.

## I- The Iranian support for the Houthis:

The Houthi militia has launched many terrorist operations and increased military escalations in 2019, both in Yemen and abroad. Inside Yemen, the militia sought to implement Iran's strategic goals and interests in the country including establishing Iranian influence areas in strategic locations such as the Strait of Bab al-Mandeb. Outside Yemen, military escalations by the Houthis, such as the attacks on energy supplies and vital areas in Saudi Arabia and other countries participating in the Saudi-led coalition, aimed to serve the Iranian interests.

### 1- The Iranian Role in Developing Houthi Military Capabilities

The reports issued by the United Nations and the Arab coalition in Yemen have pointed to Iran's role in developing the Houthis' military capabilities. The reports also addressed continuous smuggling of Iranian weapons in Yemen including drones, mines and missiles such as cruise, ballistic, and anti-ship missiles. As mentioned by the reports, experts from Iran's Revolutionary Guards and members of Lebanon's Hezbollah hold Yemeni passports and wear traditional Yemeni outfits as well as they move around Yemeni cities with Yemeni aliases provided by the Houthis. The Iranian and Lebanese experts were responsible for supplying the Houthi rebels with weapons, providing firearms training and illegally sending some Houthi fighters outside the country to receive training from the IRGC in Iran. In order to pass through the areas controlled by the legitimate forces, they were smuggled in batches via cargo trucks or by sea in boats used for arms smuggling.

The Iranian development of drones and cruise missiles used by the Houthis in Yemen and abroad was obvious in 2019: a year declared by the Houthis as the





“year of drones”. The militia claimed those drones were domestically designed. Nevertheless, the claim was merely a display of power. Evidence showed that all drones used by the Houthis were Iranian-designed variants of Ababil, Shahed, Mohajer 1, Mohajer 2 and Fotros. Those Iranian-made drones were smuggled to Yemen through Al-Hodeidah port following the implementation of the Stockholm ceasefire deal and were renamed by the Houthis as Hodhod, Hodhod 1, Raqeeb, Rased, Qasef 1 and Qasef 2.

Houthi military spokesman Yahya Saria said that the Houthi forces have fired advanced drones and missiles with a range of more than 800 km, that even the US-built air missile defense systems could not intercept.

Yet, the Houthis would not be able to acquire such technologies short of Iran’s support. Reports showed that serial numbers found on the drones used by the Houthis were also evidence of their Persian origin. The drones’ internal components were imported from Iran to the Houthi militia.



The Arab coalition in Yemen has announced that Iran supplied the Houthis with Shahed-129; a combat UAV capable of carrying eight bombs with a range around 2000 km. All Houthi drones that were shot down had engines attributed to the Chinese company (DLE) which has distributors in more than a country including Iran.

According to Yemeni sources, the Yemeni security services coordinated their efforts with the Saudi-led coalition in 2019 to stop arms smuggling to the Houthis. They seized a wide range of conventional arms and ammunition bound for the Houthis including a shipment of Katyusha missiles in March 2019. It should be noted here that Iran's Lebanese ally, Hezbollah has large numbers of Katyusha missiles amounting to 13 thousands or more.

According to Yemeni sources, Iran has constantly smuggled weapons to the Houthis using many ways including small boats and fishing vessels passing through the coasts of the Horn of Africa. The Yemeni sources indicated that Iranian experts, residing in Al-Hodeidah for years, have illicitly provided the Houthis with surveillance technology capable of tracking targeted mobile phone users and trained the militia to use the technology.

The UN Panel of Experts confirmed, in a report issued on 25 January 2019, the Iranian support for the Houthis; a role already pointed out by the Arab-led coalition and the Yemeni legitimate government and denied by both Iran and the Houthis.

The report has yielded evidence of Iran's financial and military support for the Yemeni militia reflecting its desire to keep the Yemeni war raging in order to achieve its strategic interests. The UN report directly condemned Iran's destabilizing role in Yemen as it stated that:

**A-** The Panel took note of a video alleging that Fadhi Ba'Oum, the head of the Political Office of Yemeni Southern Movement, received financial support from Iran in order to build non-violent opposition capacity against the legitimate government and to destabilize Yemen.

**B-** The Houthi forces continue to deploy small- and medium-sized unmanned aerial vehicles in different Yemeni cities including the Qasef-1, which showed characteristics similar to the Iranian made Ababil-2/T

**C-** In 2017, Saudi Arabia had confiscated a ship carrying oil and using falsified documents to escape checking points. The ship had loaded fuel from Iran's Bandar Abbas heading to Yemen's Ra's Isa port. The revenue from the sale of this fuel was used to finance the Houthi war effort. Data available to the Panel revealed that more than 4.73 million metric tons of fuel was imported through the Yemeni Hodeidah Port between September 2016 and October 2018 at an average volume of 169,019 metric tons per month.

D- The Panel noted the suspected murder, on 20 December 2016, of Mohamed Abdo al-Absi, a Sana'a-based journalist who was investigating the involvement of Houthi leaders in the import of fuel to finance the conflict. Mr. Al-Absi had mentioned three companies involved in such activities: Yemen Life, owned by the Houthi Spokesman Mohammed Abdusalam Salah Fletah, Oil Primer, owned by Daghsan Mohamed Daghsan; and Black Gold, owned by Ali Qarsha. The Panel traced the supply to the Houthis of unmanned aerial vehicles and a mixing machine for rocket fuel and found that individuals and entities of Iranian origin funded the purchase.

## 2- The Houthi Military Operations Amid Developments of The Iranian Crisis

Following the US decision in May 2019 not to renew its sanctions waiver program allowing eight countries to temporarily import limited quantities of crude oil from Iran, terrorist operations accelerated in the region. "The goal remains simply: To deprive the outlaw regime of the funds that it has used to destabilize the Middle East for decades and incentivize Iran to behave like a normal country," Pompeo told reporters at the State Department.

Used as a tool to advance Iranian agenda in the region, the Houthi militia has repeatedly claimed responsibility for several terrorist attacks after May 2019. Those attacks targeted oil tankers and energy supplies in the region and reflected the ideology of Iranian officials. "America should know that if Iran cannot export oil then no country will export oil from the Gulf," Iran's President Hassan Rouhani stated. Many Iranian military commanders repeated similar





statements and threatened to cut off oil supply from the Strait of Hormuz including the assassinated Gen. Qasem Soleimani who was known as the mastermind behind Iran's vast network of proxies throughout the region.

The Houthi terrorist acts were directly related to the militia's relationship with the Iranian Revolutionary Guards which has long ordered the militias to carry out terrorist attacks and assists the militias in targeting oil tankers and energy supplies in the region. The IRGC Commander Nasser Shabani made a direct statement in this regard saying "We told the Yemenis to hit the two Saudi tankers and they did".

The Houthi militia also targeted two Saudi oil tankers in the Strait of Bab al-Mandeb, four commercial ships in the territorial waters of the United Arab Emirates and two oil tankers in the Gulf of Oman. Prior to that, two oil pumping stations of Saudi Aramco in Dawadmi and Afif were targeted in drone attacks along with Khurais oil field and Abqaiq crude-processing plant. The latter impelled extensive international condemnation and highlighted the Houthis' link to the attacks in light of findings and evidence proving that Iran was directly involved in targeting the two facilities.

Listed below are the most important Iran-backed Houthi attacks on energy supplies and vital regional areas in 2019:

Date	Weapons Used	Targeted Location
April 3, 2019	Two drones (intercepted)	Khamis Mushait
May 12, 2019	Acts of sabotage	Four commercial, civilian trading vessels of various nationalities (within the UAE's territorial waters)
May 14, 2019	Drones	Oil pumping stations (Afif - Dawadmi)
May 20, 2019	Two ballistic missiles (intercepted)	Jeddah - Makkah
June 12, 2019	A cruise missile	Abha International Airport

Date	Weapons Used	Targeted Location
June 13, 2019	Naval mines	Two oil tankers coming from Saudi Arabia and the UAE
June 17, 2019	Drones	Abha International Airport
June 20, 2019	A cruise missile	A desalination plant in Jizan
July 2, 2019	Drones	Abha International Airport
August 17, 2019	Drones	Shaybah oil field
August 25, 2019	Iranian-made ballistic missiles and drones	Jizan Airport

All investigations confirmed the involvement of Iran and its agents in the terrorist attacks on oil infrastructure.

Those attacks made headlines around the world including in the Iranian press which praised the terrorist attacks launched by the Houthis. IRGC- affiliated news agencies repeated that the so-called “people of resistance” stood behind those attacks. Such announcements from news agencies affiliated to the IRGC clearly reflect the desire and aim of Iran’s political system. Before May 2019, the assassinated Commander of the Quds Force, Qassem Soleimani had explicitly threatened he would launch attacks if the United States carried out its policy of lowering Iranian oil exports to zero. Those threats were made real after May 2019.

### 3- The Most Extreme Steps of Iranian Escalation Are Adopted by the Houthis

Yemen’s Iran-aligned Houthi group said it launched strikes on two plants at the heart of Saudi Arabia’s oil industry on September 14, 2019. The pre-dawn bold attacks targeted oil facilities in Abqaiq and Khurais. The drone attacks clearly expressed the Iranian desire to target energy supplies in the region as already stated by Iranian officials. However, many Arab, Muslim and non-Muslim countries along with regional and international organizations condemned those attacks. The leaders of Germany, France and Britain issued a joint statement in this respect blaming Iran directly over the recent attacks

on Saudi Arabia's Aramco oil facilities. "It is essential that Iran return to full compliance with its commitments under the agreement," the joint statement read. "We must address — through diplomacy and in a meaningful way — shared concerns about Iran's destabilizing regional activities, including those linked to its missile programme. We reiterate our readiness to continue our engagement for de-escalation and stability in the region".

The Spokesman of the Saudi-led military coalition Colonel Turki Al-Maliki said the attack was "unquestionably sponsored by Iran". "Satellite images show that storage tanks at Abqaiq were struck from a northwest direction". Al-Maliki said the debris was "undeniable evidence" of Iran's involvement. He also emphasized "the attack could not have originated from Yemen."

While some reports showed photos of the wreckage of a missile used in the attack identified as the Quds 1, the missile lacked the range to get from northern Yemen to the oil facilities in Saudi Arabia.

Given the nature and timing of the attacks, many observers argued that the Aramco attacks were an attempt by Iran to cause confusion in the region and a step towards more aggressive behaviour as retribution for U.S. sanctions. Iran's escalatory moves revealed its intention to provoke the United States into a limited war. In such a scenario, the US administration would face international pressure especially from major powers like China and Russia that would stand up for a victimized Iran. Tehran would also continue to deny any involvement in the attacks in an attempt to find a way to ease the pain of the US economic sanctions. "The regime likely hopes for the attack to exact an economic toll on Europe and spur a more concerted European effort to save the nuclear deal," a report published by Critical Threats stated. "Iran aims to extract economic concessions from Europe. Iran has violated the Iran nuclear deal following the US withdrawal from that pact to pressure the UK, France, and Germany to offer Iran economic incentives to remain in the international accord."

A senior US official said that Iran had unconvincingly tried to pressure the Houthis into claiming responsibility for the attack, while the rebels do not have such high technology to carry out the attack. He added that the Houthi alliance with Iran would lead them to a vague end, calling on the Houthis to look at events in Lebanon, Iraq and Syria so as to make sure if this what they want in the future.

Yet, Houthi Military Spokesman Yahya Saria claimed responsibility for drone attacks on two Saudi Aramco plants in the kingdom's Eastern Province saying 10 drones had been deployed in the attack. This was, according to many analysts, an evasive attempt to distract the international attention away from Iran.

"Before we attribute responsibility I want to be absolutely crystal clear, because that will mean the action that we take can be as robust and as widely supported as possible," British Foreign Minister Dominic Raab stated. "I

find it, from the information I have seen, I find it entirely implausible and lacking in credibility to suggest that those attacks came from Houthi rebels.” Iran has maintained a degree of plausible deniability of involvement in the attacks on Saudi Aramco’s facilities. The Houthis claimed responsibility for the strikes on Saudi oil facilities indicating a joint coordination and shared interests between the group and Iran. On the one hand, Iran has achieved its goal of targeting energy supplies, whether directly or indirectly through its proxies in the region. On the other hand, the Houthis’ political position was strengthened and they appeared victorious by claiming responsibility.

## **II- The Iranian-Houthi Political Manoeuvres**

### **1- Exploiting The Strategic Void Among Yemeni Political Parties**

Since the United Arab Emirates announced in July 2019 that it would be withdrawing most of its military contingent from Yemen, Yemeni political parties have had fluctuating relations. This has been reflected positively on the Iran-Houthi relationship. The militia pushed its military advance towards the south where Iran aims to gain control over the Strait of Bab al-Mandab. At the political level, the Houthis appointed their first ambassador to Iran publicly unveiling the Iran-Houthi relationship.

For the first time Iran’s rhetoric towards Yemen addressed the lack of unity among Yemenis as Iran’s Supreme Leader Ali Khamenei affirmed his solidarity with the Yemeni leadership and people as well as his support for the unity of Yemen against attempts to fragment it. Those comments came during a meeting with a visiting delegation from Yemen’s Houthi Ansarullah movement, led by its spokesman Mohammed Abdul-Salam.

For some Yemeni analysts, Khamenei’s loaded words were an indirect call for Yemeni political factions to weaken the legitimate government and to support the Houthis especially when such a possibility is more likely now than ever before. The analysts indicated that Abdul-Salam provided the Iranian leadership with the Houthis’ financial and technical needs for their military operations.

The Houthis’ military escalation has only served Iran’s project and strategic interests inside and outside Yemen including their attacks on key areas in Saudi Arabia.

The Houthis took a pragmatic approach towards the vacuum left by the UAE in Yemen and tried to impose a fait accompli by force. The group took advantage of the unrest in the south and the differences among Yemen’s factions by increasing their military operations. The move helped the militia to widen the rift among Yemeni parties and to enhance their position in the Yemeni arena with direct support from Iran. An example of the Houthis’ escalation after UAE troop withdrawal was their attack on Al-Galaa camp that took the life of the

commander of the 1st Brigade in the Security Belt, Munir al-Yafei, known as Abu al-Yamamah. The attack was preceded with several operations carried out by the Houthis including an attack in January 2019 on Al Anad camp base killing the military commander Maj. Gen. Mohammad Saleh Tammah. Following those attacks, pro-secession Yemeni voices rose. Southern separatist fighters tried to use those events to their own advantage politically and militarily by engaging in armed clashes with the legitimate government to limit its influence. Such moves necessitated a political settlement under the auspices of Saudi Arabia known as the “Riyadh Agreement”.

## 2- Accepting the Credentials of The Houthi Ambassador to Iran

In a move reflecting its opportunistic foreign policy, Iran accepted the credentials of Ibrahim Al-Dulaimi as the first Houthi ambassador to Tehran. The move was a flagrant violation of international laws and

norms and an endorsement of the Iranian support for the group. The Iran-Houthi relationship were previously denied by both parties, however, it had been highlighted by the legitimate Yemeni government and the Saudi-led coalition. In 2015 the Yemeni President Abdrabbuh Mansur Hadi had severed diplomatic relations with Iran due to alleged Iranian support for the Houthis.

The Iran-Houthi relationship was made public two days after a written letter from the leader of the Houthi militia Abdul-Malik al-Houthi to Iran’s supreme leader. According to the official website of Iran’s supreme leader, the Houthis consider Iran’s Supreme Leader Ali Khamenei’s leadership to be the continuation of that of the Prophet Muhammad and his son-in-law Ali ibn Abi Talib, said the spokesman of the Iranian-backed Houthi militia during a meeting with Khamenei. The Houthi-affiliated media outlets have remained silent on the letter. Yet, observers believe the letter reflects how inculcated the Houthis are in Iran’s political ideology. Tehran has always used its religious







doctrine to serve its political and strategic interests. The newly-appointed Yemeni ambassador to Tehran Ibrahim Al-Dulaimi is a follower of the Houthi militia's ideology. He received his doctrinal education in Iran and Beirut's southern suburbs. He also runs a TV channel adopting the principles of the Iranian expansionist revolution called Al-Masirah whose chairman is the speaker of the Houthi group, Mohamed Abdul Salam.

The Yemeni Minister of Information Muammar Al-Iryani criticized the recent appointment of a Houthi ambassador to Iran describing the move as an Iranian attempt to break its isolation. "The step was no surprise and has exposed the hidden relationship between the Houthis and Iran," Al-Iryani said. The British ambassador to Yemen Michael Aron showed his support for the legitimate Yemeni government in a Twitter post saying "only legitimate Government of Yemen

can appoint ambassadors. Houthis no right to make such an appointment. This person has no official position- we will not meet him. I reiterated UK support for Gov of Yemen when I met Prime Minister @Yemen\_PM yesterday."

Iran handed over premises in Tehran to the Houthi diplomatic mission after the new Yemeni ambassador to Iran met with the Iranian Foreign Minister Mohammad Javad Zarif in Tehran to submit a copy of his credentials to him.

The Secretary-General of the Arab League Ahmed Aboul Gheit described the move as "a flagrant violation of diplomatic norms and blatant violation of the United Nations Charter, Vienna Convention and relevant Security Council resolutions." "The Arab League fully supports all legal and political measures the Yemeni government will take to counter Iran's behavior and preserve its sovereignty and independence."

In an attempt to strengthen the Houthis' political position, Iran organized meetings for Ibrahim Al-Dulaimi with other ambassadors to Iran including the Iraqi ambassador to Iran, the Libyan charge d'affaires to Iran Ali Al Obaidi,

and the Swiss ambassador to Iran Markus Leitner whose country represents US interests in Iran.

The Yemeni government condemned Iran's actions in this regard. The Yemeni minister of information denounced the meetings held with Ibrahim al-Dulaimi emphasizing that such Houthi-Iranian coordination is in line with Iranian financial, media and military support for the militia and it highlights Iran's hostile policies towards the Yemeni government and people.

### 3- The Houthi Peace Initiative: Timing and Indications

A week after the terrorist attacks on Aramco's oil facilities in Abqaiq and Khurais, the so-called President of the Supreme Political Council Mahdi al-Mashat announced an initiative which he claimed was a call to stop attacks against Saudi Arabia. "We declare ceasing to target the Saudi Arabian territory with military drones, ballistic missiles and all other forms of weapons, and we wait for a reciprocal move from them," Al-Masirah TV quoted him as saying. The international community's reaction to the attacks put political pressure on Iran and the Houthis.

The Houthis' claiming responsibility for the attacks and announcing a peace initiative a week later clearly indicated that the Houthis were acting on Iranian orders possibly at the expense of their own interests or the Yemeni people. The Houthis have not implemented previous peace agreements. The Minister for Foreign Affairs Mohammed Abdullah Al-Hadhrami said that "legitimate government does not expect from those who haven't abided by previous agreements to comply with subsequent deals." The Commander-in-chief of Iran's IRGC Hossein Salami made a statement reflecting the Houthis' complete loyalty to Iran, he said "Ansarullah is a mutated branch of the (Islamic) Revolution," he said, adding, "Today, they are an accumulated source of power that, if released, will change the whole battlefield and the enemy knows this reality."

### III- The Repercussions of the Iranian Role on the Peace Process

The Houthi militia's compliance with the peace process based on three terms of references goes against Iranian geopolitical interests in Yemen. To implement its expansionist project in the Arab region, Iran seeks to use the Houthis as a pressure card against the United States and its allies and keep its spheres of influence over vital Yemeni areas including the Strait of Bab al-Mandeb under the control of the Houthis. Thus, Iran sees a strategic interest in the ongoing Yemeni armed conflict and tries to undermine all peace processes in the country. Evidence showed that Iran has instructed the Houthis not to implement any peace process and to increase their political and military escalation. As a result, the militia has been a big obstacle to finding a political solution for the conflict they first ignited. The militia has been duplicitous in

violating six peace agreements including the National Dialogue Conference held in Sana'a in 2013. The Houthis continued to derail the political process until they eventually carried out a coup against the legitimate government on September 21, 2014. All peace talks have not been respected by the Houthis including the Geneva 1, Geneva 2, and Kuwait Talks, and the Stockholm agreement. The group also took a stance against the Riyadh Agreement to which they are not a party.

### 1- The Stockholm Agreement

The Stockholm Agreement was reached between the Yemeni government and the Houthis on December 13, 2018 in the capital of Sweden. The agreement was promoted by regional and international efforts with an aim to end the conflict in Yemen. Under the agreement, the Houthis agreed to withdraw from the ports of Al-Hodeidah, Salif and Ras Issa within 14 days of the agreement and to withdraw fully from the city of Al-Hodeidah during the second phase of redeployments. The agreement was seen by regional and international countries as a starting point towards an inclusive political solution in Yemen. Iran, however, actively tried to impede the peace process in Yemen as it realized that the Houthi withdrawal from the three ports would be a game-changer. Such a withdrawal would prevent Iran from militarily supporting the Houthis and enable the legitimate government to recapture other provinces from the Houthis' control. Therefore, the non-implementation of the Stockholm Agreement had Iranian fingerprints all over it. "Today, Iran is inciting the coup side to mobilise its forces in the Red Sea province of Hodeidah and backtrack on commitments under the agreement," Yemen's Foreign Minister Khalid AlYamani said on the sidelines of February 2019 Warsaw Conference. "Iran has supported Yemen to continue its path," Iranian President Hassan Rouhani said during the 40th anniversary of the Iranian revolution. Rouhani's statement could be taken as evidence proving AlYamani's words.

### 2- The Riyadh Agreement

Within the framework of the support provided by the Arab coalition in Yemen for all compromise agreements that directly call for the end of the bloodshed and the peaceful transfer of power in the country, Riyadh brokered an agreement between the Yemeni government and the southern council. The agreement has been a major turning point in the course of the Yemeni crisis. It gave priority to the interests of Yemen and the Yemeni people and paved the way to end the crisis. "We want this agreement to establish a good ground to move towards a more comprehensive solution, despite the carelessness of the Houthis concerning the humanitarian situation and their use of this file as a pressure card and political blackmail," the Yemeni President Abd Rabbuh Mansour Hadi stated.

Here are the most prominent provisions of the Riyadh agreement:

#### **A- Political Arrangements**

The Riyadh Agreement calls for the formation of a technocratic government with no more than 24 ministers. The president will appoint its members after deliberation with the prime minister and political components. The ministerial portfolios must be equally distributed between the southern and northern municipalities.

#### **B- Security and Military Arrangements**

- All forces that moved from their original locations and camps towards Aden, Abyan and Shabwa since the beginning of August 2019 will return to their former positions. They will be replaced by the Security Forces of the local authority in every municipality within 15 days of signing this Agreement.
- Collecting and moving medium and heavy artillery weapons from all military and Security Forces in Aden within 15 days of signing this Agreement to camps inside Aden, determined and supervised by the leadership of the Coalition to Support Legitimacy in Yemen.
- Moving all government military forces and STC military formations in Aden municipality to the camps outside of Aden.

#### **3- Economic Arrangements**

- State resources, including collecting and depositing all state revenues, including oil, tax and customs revenues, in the Central Bank in Aden.
- Activating the central agency for audit and accountability, supplying it



with honest and professional individuals and re-forming the national anti-corruption body and activating its monitoring role.

■ Re-forming and activating the Supreme Economic Committee.

The UN Security Council welcomed the implementation of the Riyadh Agreement and expressed its full support for the efforts made by Saudi Arabia and the Yemeni government. In a press statement, the members of the Security Council considered that this agreement represents a positive and important step toward a comprehensive and inclusive political solution for Yemen. They reiterated their full support for a negotiated political settlement that engages all parties in an inclusive dialogue to resolve differences and addresses the legitimate concerns of all Yemenis, including those in the south, as well as women and youth, in accordance with relevant Security Council resolutions, including resolution 2216 (2015), the Gulf Cooperation Council Initiative and its Implementation Mechanism, and the outcomes of the comprehensive National Dialogue Conference. It was also worth recalling that the UN Security Council Resolution 2216 called for an arms embargo against the Houthis.

The European Union praised the Riyadh Agreement as illustrated by the statement of the spokesman for the European External Action Service, "The conclusion of the agreement between the Government of Yemen and the Southern Transitional Council reached in Riyadh under the auspices of Saudi Arabia is an important step towards de-escalation and peace for Yemen and for the region. Today the country is closer to reaching a negotiated and inclusive peace settlement that puts an end to the ongoing conflict, which has led Yemen to become the world's worst humanitarian crisis." The United Kingdom





has also supported the Riyadh Agreement and expressed its appreciation of the efforts made by Saudi Arabia and the Arab coalition in Yemen to restore security and stability of Yemen.

“Diplomats and UN officials say they are hopeful that the agreement will clear a path to a national-level political settlement. By signing, the two parties to the agreement – the internationally recognised government of Yemen, led by President Abed Rabbo Mansour Hadi, and the secessionist Southern Transitional Council (STC) – have ended a three-month standoff that threatened to split the anti-Houthi bloc,” a report issued by the International Crisis Group indicated.

#### **4- Iran and the Houthis Before the International Community**

Following up on its previous positions on the compromise agreements that serve Yemeni interests, Iran took a position against the Riyadh Agreement. When compared to the supportive positions of international organizations and countries in the Middle East and beyond for the Riyadh Agreement, Iran's displeasure with the Agreement indicates its desire to keep the Yemeni conflict going. Tensions in the region generally and in Yemen specifically help Iran achieve its interests and implement its expansionist project.

“The Riyadh Agreement between (Abd Rabbo Mansour) Hadi's government and the STC is incomplete and will not solve the Yemen crisis and its problems,” the Iranian Ministry of Foreign Affairs said in a statement.

The Houthis told the UN envoy to Yemen Martin Griffiths during a meeting in Sanaa that they do not accept the Riyadh Agreement. The Houthis' rejection of the Riyadh Agreement was clear prior to its implementation. According to military sources, Yemeni Coastguard forces blocked the smuggling of explosives-making materials en route to the Iranian-backed Houthi rebel militia in late October, days before the Riyadh Agreement.

The Houthis' use of force at a time when the Agreement was being negotiated strongly demonstrates the group's unwillingness to be part of any peace process. The Houthis fired four missiles and an Iranian-made drone at the Red Sea port city of al-Mokha. The Arab coalition in Yemen intercepted three missiles but the fourth killed seven people and wounded others.

#### **5- The Prospects of the Iranian Role in Yemen in 2020**

The Iranian role in the Yemeni crisis had been more visible in 2019 than any previous year. To achieve their own strategic interests, the Iranians have been using Yemen's Houthis in their showdown with the United States and its allies. The Yemeni conflict can not be solved unless the Houthis are willing to reconsider their affiliation to Iran and honor their commitments to the previously signed peace agreements.

Iran, on the other hand, is now facing political isolation and international

pressure as a result of its terrorist acts and attacks on global energy supplies. The country is also strangled by US economic sanctions and is weakened by the killing of the mastermind of Iran's military operations across the Middle East, Qassem Soleimani. Therefore, Iran should support efforts made to reach a political settlement in Yemen. If Iran chooses otherwise, it will push its proxy groups to escalate their military operations across the region. In such a scenario, the UN envoy to Yemen, Martin Griffiths along with UN committees should effectively exert further pressure on both Iran and the Houthis to accept the fact that only a political solution can solve the Yemeni conflict as efforts towards implementing the Stockholm agreement stalled. The internationally recognized Yemeni government welcomes all peace initiatives in Yemen and supports the federalization of Yemen despite the fact that it has the right to resort to the military option.

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*The US withdrawal from the nuclear deal and the re-imposition of sanctions have placed the greatest amount of pressure on the Iranian ruling system.*

*In 2019, Washington-Tehran tensions reached their peak as neither party altered, in any way, their positions. The United States continued with its maximum pressure campaign, placing further sanctions on Iran. The latter continued its longstanding refusal to talk to Washington.*

*Iran resorted to strengthening its relations with influential regional and international powers such as the European Union, China, Russia, and India, hoping that they would play an integral role in easing the US escalation or mitigate its economic crisis.*

**INTERNATIONAL AFFAIRS**



# Iran-US Relations

*In 2018, the United States' unilateral withdrawal from the JCPOA and the re-imposition of sanctions on Iran resulted in an increase of mutual tension. Within the US maximum pressure strategy, Trump's administration sought to modify Iran's behavior through a new deal with the United States, a matter that the Iranian government rejected and instead adopted a counter strategy.*



In 2019, US-Iran relations became more complicated due to the persistence of contradictory and divergent positions and the lack of positive engagement in regards to mediation and pacification efforts.

The internal situation in Iran was impacted as the United States intensified its pressure through tightening economic sanctions that targeted vital exports of oil, petrochemicals and minerals, as well as financial dealings with other countries. The maximum pressure campaign also included intensifying US military power in the region to counter Iran's regional influence, as well as working to create an international consensus on the Iranian issue.

On the other hand, Iran has gambled on its extra-challenges and established a strategy to overcome the sanctions, address the economic crisis it is facing at home and unify the national front, while adopting a policy of escalation with calculated confrontation in the Gulf region to reduce US pressure. Iran has also sought to reduce its nuclear obligations to put more pressure on EU countries to fulfil their JCPOA-role towards Iran in a way that frustrates the US strategy.

The mutual escalation, which raised the possibility of an open confrontation, has led regional and international parties to engage, call for appeasement and halt the escalation. These parties have put forward several initiatives and mediation scenarios to address the crisis.

This section of the report will address the following points:

- 1- The Dimensions of US Maximum Pressure Campaign and Escalations Towards Iran.
- 2- The Iranian Policy to Confront US Pressure.
- 3- Prospects for US-Iranian Relations in 2020.

## **I- The Dimensions of US Maximum Pressure and Escalation Towards Iran.**

While the United States ruled out the option of direct military confrontation against Iran, it considered that the continuation of its maximum pressure policy would be more fruitful. American pressures included the following:

### **1- Placing Pressure on Iran at Home to Impact the Legitimacy of the Iranian Political System**

In 2019, the US administration imposed a series of economic sanctions targeting crucial sectors such as transportation, aviation, oil, trade and industry, in addition to political sanctions imposed by designation the IRGC as a terrorist organization. On April 22, 2019, the White House announced President Trump's decision not to renew the oil waivers as of May 3, 2019. It was the toughest US decision since the Iranian revolution in 1979, as Iran considers oil the most important resource which it relies on to finance the method of exporting the revolution and achieving its expansionist ambitions to impose its hegemony across the region and the globe. In the same context, the US Treasury undersecretary for Counterterrorism and US Financial Intelligence

clarified that the United States is keen to inform countries of the prohibited Iranian oil shipments and the “means the Iranian political system takes to deceive the international community regarding oil shipments.”

**Table (1): US Economic Sanctions on Iran in 2019**

Date	Sanctions
January 24 <sup>th</sup>	Designated four IRGC-related entities including the Fatemiyoun and Zainabiyoun brigades which support Assad in Syria. In addition, two airline companies including <i>Fars Qeshm</i> and <i>Travel Flight</i> .
March 26 <sup>th</sup>	Sanctioning 25 operators of companies located in Iran, UAE and Turkey.
June 7 <sup>th</sup>	Sanctioned <i>Persian Gulf Petrochemical Industries Company</i> and its network of 39 subsidiaries and foreign sales agents. It owns 40 percent of the petrochemical production capacity in Iran, and is responsible for 50 percent of Tehran's total petrochemical exports.
June 12 <sup>th</sup>	Sanctioned the <i>Iraqi South Wealth Resources Company</i> which has close, large-scale engagement with Iran.
July 22 <sup>nd</sup>	Sanctioned the Chinese company <i>Zhuhai Zhenrong</i> and one of its directors <i>Yo Min Li</i> for transporting Iranian oil and deliberately violating US sanctions.
August 29 <sup>th</sup>	Sanctioned four financial intermediaries responsible for transferring millions of dollars from the IRGC-Quds Force to the Hamas-led <i>Izz ad-Din al-Qassam</i> Brigades in the Gaza Strip.
September 20 <sup>th</sup>	Sanctioned the Central Bank of Iran, the National Development Fund of Iran, and the <i>Etemad Trading Company</i> , for activities relating to terrorism.

Date	Sanctions
September 25 <sup>th</sup>	Listed five Chinese figures and six entities for their links to Iran: COSCO Shipping Tanker, COSCO Shipping Tanker Seaman, Ship Management, Kunlun Holdings, and Pegasus 88 Limited for oil transportation from Iran.

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**Table (2): US Sanctions on Iranian Personalities and Entities in 2019**

Date	Sanction
February 13 <sup>th</sup>	OFAC sanctioned an Iranian entity and four Iran-related personalities that organize international forums supporting IRGC efforts to recruit agents and collect intelligence information. It also sanctioned another entity and six personalities for targeting governmental and military personnel in cyber-attacks to access PC programs and input espionage software.
March 3 <sup>th</sup>	The United States sanctioned Iran-affiliated <i>Hezbollah al-Nujaba</i> in Syria and Iraq and its chief Akram Ka'bi.
June 4 <sup>th</sup>	The United States sanctioned the Iranian Supreme Leader Ayatollah Ali Khamenei and eight other senior IRGC commanders that oversee the IRGC's regional activities.
July 9 <sup>th</sup>	Sanctioned Lebanese political leaders who use their positions to facilitate Hezbollah's agenda in support of Iran.

Date	Sanction
July 18 <sup>th</sup>	Sanctioned four Iraqis over human rights violations and corruption: the militiamen Rayan Kildani and Wa'd Kadu and governors Noufal Hamadi Sultan and Ahmad Jabbouri.
July 31 <sup>st</sup>	Sanctioned Iranian Foreign Minister Mohammed Javad Zarif, froze his assets and limited his international trips.
September 29 <sup>th</sup>	The White House announced a halt in US visas to senior Iranian officials and their families for human rights violations in Iran, cyberattacks and threatening neighboring countries and international maritime navigation.
December 6 <sup>th</sup>	Sanctioned three Iran-affiliated militia commanders in Iraq for their involvement in the brutal suppression of Iraqi protesters: Qais Khazali, Leith Khazali and Hussein Faleh Abdulaziz Lami.
December 19 <sup>th</sup>	The US Department of the Treasury sanctioned two Iranian judges for issuing unfair sentences against Iranians who gathered to exercise their freedom of expression.

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All these acts of pressure led to an unprecedented economic crisis in Iran and a state of instability and popular discontent, the most prominent of which was the outbreak of violent protests caused by the increase in gasoline prices in November 2019. The outbreak of demonstrations due to price increases extended to at least 100 cities and towns across the country and continued to the end of the year. Many protesters chanted slogans against senior political

and religious leaders in Iran, due to poverty, state corruption, amid the ongoing US pressure campaign.

On November 21, 2019, President Trump tweeted, "Iran has become so unstable that the regime has shut down their entire Internet System so that the Great Iranian people cannot talk about the tremendous violence taking place within the country. They want ZERO transparency, thinking the world will not find out the death and tragedy that the Iranian Regime is causing!"

On November 16, 2019, US Secretary of State Mike Pompeo reiterated his country's support for the Iranian demonstrators, "As I said to the people of Iran almost a year and a half ago: The United States is with you...I want the Iranian people to know we are listening to them and stand with them." Meanwhile, Washington condemned the Iranian government's attempt to limit access to the internet and the US State Department Spokesperson Morgan Ortagus tweeted on November 17, 2019, "The US stands with the long-suffering Iranian people as they protest the latest injustice by the corrupt regime in power. We condemn the attempted shutdown of the internet. Let them speak!"

In April 2019, the United States designated the IRGC as a terrorist organization for its role in destabilizing the security and stability of the region in the context of the ongoing escalation between Washington and Tehran. By classifying the IRGC as a foreign terrorist organization, Washington has succeeded in conveying the message that it intends to raise the pace of pressure on the Iranian political system by expanding the scope of the sanctions. Moreover, this signals a move to exert more efforts to cut Iran's sources of funding, as the IRGC plays a fundamental role in securing resources from the region and across the globe. It is worth noting that this decision was issued one month before the first anniversary of President Trump's decision to withdraw from the JCPOA, and weeks before the US exemptions deadline provided to eight countries importing Iranian oil. Washington is seeking to reduce all options available to both the Iranian political entity and other countries, especially those that insist on continuing financial and commercial transactions even after the US withdrawal from the JCPOA. As President Trump pointed out, there will be consequences for countries which continue transacting with Iran. Any international party involved in commercial activities with Iran may face accusations of supporting terrorism, especially since the Iranian party that participates in these dealings may be affiliated with the IRGC which engages in extensive economic activity inside Iran and abroad. Perhaps one of the advantages of this decision is the withdrawal of the oil company Total from the Iranian market to avoid US sanctions. As President Trump indicated in a statement, "It makes crystal clear the risks of conducting business with, or providing support to, the IRGC. If you are doing business with the IRGC, you will be bankrolling terrorism."

**Table (3): US Imposition of Nuclear-Related Sanctions on Iranian Personalities and Entities in 2019**

Date	Sanctions
March 22 <sup>nd</sup>	Sanctioned 14 individuals and 17 Iranian entities related to the <i>Organization of Defensive Innovation and Research SPND</i> as they played a major role in the Iranian political system's efforts to obtain weapons of mass destruction. <sup>(1)</sup>
June 24 <sup>th</sup>	Sanctioned eight IRGC commanders who head an organization that leads the IRGC's sabotage activities in the region, including the sabotage of merchant ships in international waters, and destabilization activities in Syria as well as employing Iran's ballistic missile program to interfere in regional countries.
July 18 <sup>th</sup>	Sanctioned five individuals and seven companies on the pretext of facilitating the Iranian nuclear program and buying sensitive supplies for Iran. According to the list announced by Washington, the people who were banned are Iranians, and two of the seven prohibited companies are Iranian, along with four Chinese companies and one Belgian company.
August 30 <sup>th</sup>	Sanctioned nine entities and individuals in Iran and another in Hong Kong for their support in the proliferation of Iranian nuclear weapons.
October 31 <sup>st</sup>	The US State Department announced new sanctions on the construction sector in Iran and the trade in four materials Tehran uses in its military and nuclear programs. It also imposed permanent restrictions to prevent Iran from acquiring a nuclear weapon with all diplomatic and economic tools.



Date	Sanctions
December 11 <sup>th</sup>	The US Treasury Department's OFAC announced the suspension of an Iranian shipping network involved in smuggling lethal arms from Iran to Yemen on behalf of the IRGC-Quds Force. The US government confiscated it during the shipping networks journey to Yemen to deliver weapons to the Houthis. <sup>(2)</sup>

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## 2- Confronting Iranian Regional Influence

In addition to internal pressures, the United States moved to activate collective cooperation to confront the Iranian threat, and there have been US efforts to form an Arab NATO since early 2019. The Trump administration attempted to establish a new security and political alliance that includes the Gulf states in addition to Egypt and Jordan, partly to counter the Iranian regional expansionist project, but it has not yet been implemented.<sup>(3)</sup>

At the beginning of May 2019, the United States strengthened its military presence in the Gulf region through a series of measures. The United States sent a group of military ships led by the aircraft carrier USS Abraham Lincoln, in addition to sending five warships to the Gulf, deploying strategic B-52 bombers at the Qatari base and at another base in southwestern Asia. Then, the Pentagon announced the deployment of Patriot Missiles in the region, the strengthening of US forces in the Gulf with the amphibious USS Arlington warship, and the redeployment of US forces in the Gulf countries.<sup>(4)</sup> The climax of strained relations and military escalation between Iran and the United States culminated in several incidents in the Gulf region. Tehran has been held responsible for bombing oil tankers in the Arabian Gulf. The US military also accused Iran of shooting down a US drone which was flying in international airspace.

In order to counter Iran's destabilization in the region and in response to its military attacks, the United States sought to form an international coalition to protect shipping in the Arabian Gulf. The United States has also called on EU countries to join it to build an international force to protect the movement of oil tankers in the Gulf. The United States faced a challenge with regard to the alliance as some EU countries oppose this approach as part of their policy to maintain the JCPOA with Iran.

The escalation coincided with the decision to dismiss National Security

Adviser John Bolton, as announced by US President Donald Trump on September 10, 2019 on his Twitter account. For some analysts, this decision was a sign of the desire to push forward efforts to settle the crisis between the United States and Iran. Bolton was believed to be the most important proponent of the use of force against the Iranian political entity. He played a significant role in pushing US strategy through European and Asian countries and some regional countries, in order to ensure the full impact of the maximum pressure strategy on Iran. Contrary to expectations, the absence of John Bolton did not affect President Trump's decision regarding his desire to negotiate with Iran and move forward with maximum pressure and military escalation if he did not achieve the first goal. It was clear that Bolton was not an obstacle in starting the negotiation process, despite his opposition to possible talks between Trump and Iranian leaders, and his departure did not represent an opportunity to start such negotiations.

Despite the United States' far-reaching military presence in the Gulf region, it did not succeed in deterring Iran from undertaking acts of sabotage. In September 2019, an unprecedented wave of escalation emerged after the attack on Aramco's oil facilities in Abqaiq and Khurais in Saudi Arabia. Trump threatened to directly target the party involved in the Aramco attack, while US Secretary of State Mike Pompeo held Iran directly responsible for the attack. In response to the Aramco attack, the United States sent several military forces to the Kingdom of Saudi Arabia. In October 2019, the United States increased its military presence in the Gulf region, and the Pentagon sent 3,000 soldiers to the Kingdom.

In late 2019, Katyusha missiles attacked the K-1 Air Force Base in Kirkuk Governorate, killing several members of the Iraqi security forces, four US soldiers, and a US civilian contractor. The US Secretary of State Mike Pompeo condemned the attacks and blamed Iranian-backed Shiite militias. In response, US air strikes targeted the facilities of the Hezbollah Brigades in Iraq and Syria, killing 25 militants and wounding at least 55 others. The US Department of Defense indicated that *Operation Inherent Resolve* was in response to the repeated attacks on Iraqi military bases hosting coalition forces.

In light of this ongoing regional escalation, Iranian-backed militias stormed the US Embassy in Baghdad on December 31, 2019, forcing US diplomats to





evacuate to safe rooms. An additional 100 US Marines were sent to reinforce the embassy's security.

### **3- Efforts to Create an International Consensus Against Iran**

The United States and Poland participated in organizing the 'Ministerial To Promote a Future of Peace and Security in the Middle East,' an international conference held in Warsaw on February 13 and 14, 2019 to confront the Iranian threat. Foreign ministers and representatives of 62 countries attended.<sup>(5)</sup> The Bahraini capital, Manama hosted an international conference in which more than 60 countries participated to discuss appropriate security arrangements to deal with Tehran. Moreover, there were discussions on coordinating efforts to confront repeated attacks against ships and oil installations in the Gulf, which hinted at the culpability of Iran, and attempts to formulate a joint plan to address these threats.

As part of efforts to extend the arms embargo imposed on Iran, Washington called on the UN Security Council on August 20, 2019 to proceed with the related protocols. The previous embargo is supposed to end with another series of sanctions on October 18, 2020, according to the UN Resolution No. 2231, which followed the conclusion of the 2015 JCPOA.<sup>(6)</sup>

The United States also made intense efforts to undermine the nuclear deal, as the US administration canceled some waivers related to the JCPOA, which included canceling waivers on exporting heavy water produced in Iran, exchanging enriched uranium, and stopping all sensitive activities.<sup>(7)</sup>

In order to influence the international position towards Iran, specifically the EU's position on maintaining the JCPOA, the United States put pressure on EU countries to withdraw and address the threat of Iran. The US Vice President Mike Pence indicated in a speech on the sidelines of the Middle East Security Conference that the EU was exhibiting a "lack of wisdom" and must stop its efforts to circumvent US sanctions against Iran.

The US delegate sent a letter to the members of the UN Security Council to deal with the threat of Iranian missile tests as they violated UN Security Council Resolution 2231. The United States has not yet proposed any concrete action to the UN Security Council in order to tighten restrictions on Iranian missiles. Any proposed action is likely to result in Russian and Chinese vetoes.<sup>(8)</sup>

#### **4- The US Position on the Negotiation Process**

Despite the US escalation towards Iran, negotiations remained a strategic goal for the Trump administration. Trump stated that he was very interested in reaching an agreement with Iran. At the same time, he assured that he would not allow Iran to possess nuclear weapons.<sup>(9)</sup> The US Secretary of State Mike Pompeo said that the United States is ready to negotiate with Iran without conditions.<sup>(10)</sup>

## **II- The Iranian Policy to Confront US Pressure**

In order to confront the US challenges during 2019, Iran took the option of resistance, calculated confrontation, and the balancing of pressures, to reduce the impact of pressure at the national level, and impose a costly burden on regional and international parties that aim to isolate Iran at the global level.

### **1- Iran's Position of Resistance and Resilience to Contain the Crisis**

In 2019, Iran's policy towards the United States was influenced by the increasing role of Khamenei-led hardliners in directing Iranian policy after the intensification of sanctions on Iran following the US withdrawal from the JCPOA.<sup>(11)</sup> Iran rejected the US policy towards it and criticized the successive sanctions aimed at weakening the political entity and affecting its legitimacy on the domestic front.





The Iranian government succeeded in exploiting US pressure to recalibrate the internal situation and curb the protest movement through highlighting the need for national unity, and resistance, as well as emphasizing the external conspiracies hatched against Iran. The government also leveraged Iran's position to enhance the legitimacy of its political system as a symbol to confront the United States.<sup>(13)</sup> Nevertheless, it wasn't long before the effects of the sanctions took a toll on internal stability and erupted in the most violent demonstrations in Iran since the revolution between November 16 and 21, 2019. Iran considered the position of the US administration regarding the protests as interference in Iranian internal affairs,<sup>(14)</sup> but the government succeeded in containing the protests after a violent operation of oppression in Qom, for which Iran attracted widespread international criticism.

Iran did not abandon the JCPOA and resisted US attempts to block and undermine it. Iran is able to withstand pressures and sanctions for the maximum possible time range, perhaps to test its resilience to thwart US sanctions and pressures. Iran has maintained its position in the JCPOA in accordance with the P4+1, hoping that the rest of the parties will implement their commitments over time, and move away from US efforts to isolate Iran, or gain time until the US presidential elections, which may lead to a possible change in US policy towards Iran.<sup>(15)</sup>

## 2- The Calculated Escalation Policy and the Balancing of Pressure

Iran was not satisfied with just testing its ability to withstand and resist, but it headed towards a calculated escalation to undermine the ongoing US policy. In addition, it sought to create a stressful environment and multiple threats, to either put pressure on the United States to change its policies, or to demonstrate that the targeting of Iran will result in tension as well as regional and international instability.

In this context, Iran has developed a missile program in the framework of its deterrence policy. The Iranian political entity is keen to develop its military capabilities within the framework of its resistance strategy. The Iranian Supreme Leader Ali Khamenei sent a message to the IRGC, "The military guard machine must be developed. Get what you need in all fields of military and intelligence."<sup>(16)</sup>

Iran has continued to develop its ballistic missile program and conducted several experiments to launch satellites in early 2019. Through its missile tests, and the transportation of missiles to its militias in regional countries, Iran aims to achieve the following objectives:

- A- Raise US concerns if it thought to target Iran by military force.
- B- Raise the concerns of regional countries regarding any escalation towards Iran.
- C- Raise EU concerns about regional security and stability if pressures are



increased on Iran.

Iran has also indicated its ability to threaten regional security and stability through implicit messages and without taking direct responsibility.<sup>(17)</sup> In response to intensified US military and economic pressures, Iran threatened to destabilize the regional security.<sup>(18)</sup>

**Table (4): Iranian Escalation After Removing Oil Waivers in May 2019**

Date	Incident
May 12 <sup>th</sup>	The United States and regional countries accused Iran of targeting four commercial ships at the port of Fujairah, UAE.
May 14 <sup>th</sup>	A Houthi drone bombed two oil-pumping stations in Saudi Arabia, which sparked a controlled fire and caused minor damage to one of the stations, but the attack did not disrupt oil production or exports. The Saudi oil company Aramco said it had temporarily closed an east-west pipeline (Petroline) to assess the situation.
June 13 <sup>th</sup>	Iran was accused of attacking two oil tankers in the Gulf of Oman.
June 20 <sup>th</sup>	Iran shot down a US drone.
July 10 <sup>th</sup>	Three Iranian ships attempted to block the British merchant ship British Heritage in the Strait of Hormuz, but the frigate Montrose intervened and expelled the Iranian maritime forces.
July 15 <sup>th</sup>	The Iranian Ministry of Intelligence announced that the IRGC blocked the Panama-flagged tanker M/I RIAH, which was believed to be UAE-owned but this was denied by the UAE.
July 18 <sup>th</sup>	The United States said that the US destroyer Boxer destroyed an Iranian drone in the Strait of Hormuz after threatening the US ship. Iran denied losing any drones.

July 19 <sup>th</sup>	The IRGC seized the British-run oil tankers Stena Impero and Mesdar, then allowed the latter to leave after receiving an ultimatum from the British authorities.
July 20 <sup>th</sup>	The IRGC forced the Algerian oil tanker Masdar to change its direction towards Iranian territorial waters as it was crossing the Strait of Hormuz.
September 14 <sup>th</sup>	Houthis claimed responsibility for a drone attack on two Saudi oil facilities in Abqaiq and Khurais. Both facilities are at the heart of the Saudi oil industry and one of them is the largest oil processing plant in the world.

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In the context of the calculated escalation, Iranian government officials hinted at Iran's ability to target US forces in the region. Consistent with that, the Iranian Ministry of Defense confirmed that it was continuously monitoring the movements of the United States in the Gulf, threatening to target US regional interests if Iran was targeted. Iranian Deputy Defense Minister Qassem Taghi Zadeh said, "Most US interests are 220 km away from Iran, if they [the United States forces] have launched a strike, we will target their interests."

For the balancing of pressure, Iran launched cyberattacks against the United States and its allies. Microsoft announced that Iranian hackers, with the explicit support of their government, have made more than 2,700 attempts to hack into the email accounts of current and former government officials. In addition, they have made attempts to hack email accounts of journalists covering political campaigns and accounts associated with the 2020 US presidential election campaigns.<sup>(19)</sup>

The most important step that Iran's political entity took in the framework of its calculated escalation policy in order to balance pressure was to reduce its nuclear obligations. In a statement of the Iranian National Security Council, Iran held the United States and the rest of the JCPOA members responsible for the collapse of the agreement and any repercussions that followed. Iran considered that the only option available was to reduce its obligations to restore the agreed demands with the US<sup>(20)</sup>

Iran has resorted to reducing its nuclear obligations to pressure the EU parties and the rest of the partners to take effective steps in order to preserve the JCPOA, especially with regard to removing restrictions on its oil exports and banking facilities.<sup>(21)</sup> To know more about the reduction of Iranian nuclear obligations see page no. (...)



### 3- Enhancing Relations With Neighboring Countries and Influential International Powers

The Iranian government has tried to limit the impact of US pressure through a regional policy of circumventing sanctions, using influence to reduce pressures and deal with the escalation of threats, especially in Turkey, Iraq,<sup>(22)</sup> and Armenia.<sup>(23)</sup> No doubt that the neighboring countries provide Iran with other regional windows to enhance Iran's efforts to confront US sanctions, especially with regard to exporting oil and facilitating financial transactions.

To assert its regional position, Iran hosted the 'International Conference for Defense and Security in West Asia' in Tehran. Iran placed special importance on confronting the US policy that is trying to block and isolate Iran internationally.<sup>(24)</sup> On September 25, 2019, Rouhani presented the "Alliance of Hope" initiative for the Strait of Hormuz before the United Nations General Assembly. He said the initiative is based on mutual understanding, non-aggression and respect for the sovereignty of states, and aims to establish an alliance that includes Iran and the Gulf states, as an alternative to the US initiative to form an international coalition to protect Gulf security.

In addition, most Iranian interactions are carried out internationally in response to US policy. Iran wants to ensure that the United States does not create an international consensus against it. Thus, the Iranian political entity is still keen to maintain relations with EU parties as well as with China, Russia, India, South Africa and neighboring countries in particular. Iran wants to deprive the United States of any advantage that may arise due to the gap between the European and Iranian positions.<sup>(25)</sup>

### 4- The Iranian Position on the Negotiations

Although the Supreme Leader Ali Khamenei said, "We will not negotiate and the war will not happen," and despite the IRGC's categorical rejection of

negotiations,<sup>(26)</sup> Iranian President Hassan Rouhani said, “the door has not yet been closed to negotiations with the United States, but on the condition of lifting sanctions and implementing its obligations under the JCPOA.”<sup>(27)</sup> While the government is under internal pressure to accept negotiations, 225 political and civil activists inside and outside Iran called for unconditional negotiations between Iran and the United States, through a statement in which a wide cross-section of the Iranian people called for the easing of tensions with the world and the region.<sup>(28)</sup> There have also been many regional and international mediation efforts in this regard.<sup>(29)</sup>

**Table 5: Regional and International Mediation to Ease Tensions Between the United States and Iran**

Date	Mediation	Result
June	Japanese	Japan confidently entered the international mediation efforts, when Prime Minister <i>Shinzo Abe</i> made a visit to Iran, during which Supreme Leader Khamenei refused to receive a written letter from Trump on the pretext of not trusting Trump’s personality and positions.
June-July	Omani	Omani Foreign Minister Yusuf Ibn Alawi held talks on mediation and de-escalation after the igniting of tensions in the Gulf region.
July	Iraqi	Iraq was one of the diplomatic channels for mediation between Washington and London on the one hand and Tehran on the other hand, as its Prime Minister Adel Abdul-Mahdi made a surprise visit to Tehran on July 22, 2019 to reduce the level of tensions and work to avoid escalation in the Arabian Gulf region.

Date	Mediation	Result
June-September	French	<p>France sent the architect of the nuclear agreement between Iran and the West, Chancellor Emmanuel Bonn, the highest diplomatic adviser to French President Emmanuel Macron, to Iran to stop escalations. Bonn suggested mutual mediation through minimum steps for “Freeze for Freeze” de-escalation which included allowing Iran to export 1 million barrels of oil per day, in exchange for Iran’s retreat from violation of its nuclear obligations. Besides Macron, EU efforts continued to prevent the complete collapse of the JCPOA and escalation in the Gulf, which could slip into a military confrontation. French President Emmanuel Macron was unable to make progress in the mediation between Iran and the United States, especially after Trump denied that Macron had previously been authorized to play this role, he said, “No one but the United States speaks in its name.” France rejected this, as it does not need a mandate in order to maintain the JCPOA.</p> <p>Although French President Macron continued to mediate between Trump and Rouhani and to organize a meeting between the two presidents on the sidelines of the United Nations General Assembly meetings in New York, his efforts were unsuccessful, as Iran stuck to its position calling for the abolition of sanctions. Moreover, Iran demanded that the meeting must be within the framework of the P5+1, not a bilateral meeting between Trump and Rouhani.</p>

Date	Mediation	Result
Dec. 20	2 <sup>nd</sup> Japanese	After a meeting with Japanese Prime Minister <i>Shinzo Abe</i> in Tokyo, Rouhani stated, "Iran welcomes any plan that would enhance economic exchanges, especially in the energy sector, and increase oil exports and sales." He added, "We do not mind any negotiations or agreements for the sake of our national interest." <sup>(30)</sup>

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### III- The Prospects for US-Iranian Relations in 2020

US-Iranian interactions in 2019 suggest that the US strategy has had multiple economic effects at the domestic level and on the daily lives of Iranian citizens. The severe economic conditions have affected the levels and trends of government spending, so Iranian military spending has decreased by 29 percent, and Tehran's funding for its militias in the region has declined. In recent months, after the US sanctions imposed on Iranian petrochemical and mineral industries, Iran lost \$10 billion and its economy contracted by 6 percent. The International Monetary Fund indicated in a report in October 2019 that Iran's economy in 2019-2020 would be the worst since 1983 during the Iran-Iraq war. The protests that broke out in November 2019 were a manifestation of the challenges that the United States imposed on the Iranian government inside the country. Moreover, the targeting of militias in Iraq and the decline in the support provided to them by Iran shows the scale of the challenges that the United States imposed on Iran abroad.

On the international level, evidence indicates that the margin of flexibility for Iranian external policy is narrowing over time. The EU position, which has changed significantly, is among the most prominent signs of this and some EU countries are now closely coordinating with the United States regarding confronting the Iranian threat, especially after the strikes on Saudi Aramco facilities in September 2019 which represented an unprecedented international security and economic threat. Additionally, the United States is pressuring China and Russia to change their positions. The Financial Action Task Force (FATF) is also continuously putting pressure on Iran and failure to comply with its conditions will lead to additional international challenges regarding financial dealings with banks around the world, especially as Iran is already facing major difficulties in this area thanks to US sanctions on financial



transactions. In addition, the repercussions of Iranian attacks on navigation in the Arabian Gulf and against regional countries and their oil installations have led to US-sponsored security arrangements in coordination with some international powers that have effectively curtailed the ability of Iranian forces to harm and continue with its policy of escalation.

On the regional level, the increasing pressure in Syria, Lebanon, and Iraq led to massive protests breaking out in some of these countries where Shiites participated as well, creating a harsh reality for Iran and threatening its regional project and influence. Moreover, Iranian escalation in context of the nuclear file by Tehran reducing its obligations will perhaps be a shortcoming instead of a pressure card because it may create an unexpected international consensus against Iran and may not be considered as a legitimate action against US sanctions given the risks. The United States did not waver on regional escalation such as it did in Iraq, and this resulted in a decisive blow to the Iranian political entity through targeting Qassem Soleimani which



significantly shocked Iran on both internal and external aspects of its policy.

In 2020, the United States is expected to increase its bet on imposing internal challenges on the Iranian government in order to push it to renegotiate and accept its conditions especially after the recent outbreak of popular protests, the killing of Qassem Soleimani, the targeting of Iranian Shiite militias in Iraq, and Gulf and regional messages to Iran of military escalation if militias were to carry out attacks.

The United States will continue its pressure through imposing more sanctions and depriving Iran's budget of revenues from its exports, in addition to cutting off Iran's financial dealings with the world except for food and drugs as well as exerting more pressure on any international parties that provide assistance to Iran, including the EU, China and Russia.

It is difficult for the United States to provide concessions to Iran because the US government is confident of its ability to continue its strategy and goals. On the other hand, Iran's ability to influence has eroded over time, especially since the EU parties and other partners in the JCPOA are unable to create a third course for the crisis to be resolved, which is worsening day by day and impacting the political system in Iran.

Iran is aware of its inability to adopt the option of escalation as a fixed strategy because it is unable to bear the consequences of this option. Despite the current climate of escalation and the fact that military confrontation is expected to break under an uncalculated step; as happened with the killing of the Quds Force Commander Soleimani, the continuation of the status quo of confrontation and tension is possible. Nevertheless, negotiations remain a viable option given that it is the least costly option for both parties and given the state of inequality in power between the United States and Iran. The United States asserts that the primary objective of its unprecedented pressure is to negotiate a new agreement. President Rouhani has talked almost eight times about US offers to negotiate. He has spoken about the mediation efforts of four presidents between the United States and Iran. Some of this mediation may succeed in calming the mutual relationship in the coming period, especially as Iran has begun to rethink its policies toward the Gulf and offers ideas about restoring its relationship with Gulf countries and reducing regional tensions.

For Iran, 2019 was the year of crises after the United States tightened its policies towards it, especially since Iran has exhausted many of its pressure cards. Therefore, the year 2020 is likely to witness significant developments regarding the Iranian issue on both internal and external aspects while the US policy continues to seek to impose a new agreement, especially when maximum pressure has begun to bear fruit. The political system's survival is a top priority for the ruling elite in Iran. Therefore, the option of negotiations may be the most desirable option especially if Trump is re-elected and Iran can no longer bear more pressure and sanctions. However, it must be noted that

Iran will not resort to this option until exhausting all its efforts in resisting US pressure. Iran can use secondary elements during 2020 that could determine the EU position on maintaining the JCPOA, the results of the US elections at the end of 2020, and the results of the parliamentary and presidential elections in Iran. These elements will determine either the continuation of a policy of confrontation or Iran's acceptance of sitting at the negotiating table under increasing pressure and its eroding ability to pursue confrontation.

# Iran-Russia Relations

*At the level of Iranian-Russian relations, 2019 witnessed the signing of several bilateral agreements and an intensification of what Russia and Iran had already started in 2018 when the two countries signed the Caspian Sea agreement, under which Iran ceded many of its historical claims in the waters and wealth of the Caspian Sea. However, the bilateral agreements, which were concluded in 2019, assumed a detailed nature after signing the most comprehensive strategic agreements in 2018.*



Both countries' relations ,despite the intensification of bilateral cooperation and the participation of their armed forces in fighting inside the Syrian territories side by side and the adoption of concurring positions related to the nuclear file and regional security in the Gulf, and the Middle East in general, did not lead to a strategic alliance, due to the firm conviction of both Tehran and Moscow that their rapprochement is a tactical rather than of a strategic one because the ideology and general goals of the two countries conflict, in addition to their inherent hostility. They deliberately signed a lot of bilateral agreements to enhance the current cooperation they are engaged in.

The Russian vision sees a need for gradually building strategic alliances through bilateral or collective agreements in order to establish cooperation in all fields along the lines of the European cooperation system that eventually resulted in the European Union. Establishing strategic alliances is what Russia seeks to implement with its allies in the European Union and the Shanghai Cooperation Organisation, and this influences the Iranian-Russian relationship.

Iran stands at a crossroads in a regional Middle East Gulf environment that resists expansionist Iranian policies, and a regional environment in Central Asia that doubts Iranian intentions and believes that Iran is an ideological threat to its secular and democratic nature. In those two environments where Iranian geopolitical trends evolve , Iranian-Russian cooperation is highlighted



as one of the mechanisms that Tehran depends on to adjust these environments to achieve its regional and international goals.

What Iran hoped to obtain from Russia is much greater than what it can offer in return to Moscow. Probably, this difficult equation that brings the two countries together is what prompted Iran to conclude bilateral agreements for mutual gains and test the ability of the two parties to negotiate, so the relationship between the two parties ultimately rests on a realistic basis.

In 2019, Russia and Iran embarked on broad-based discussions to coordinate and enforce a series of agreements in the security, military, nuclear, strategic, economic and trade fields. The Iranian-American escalation in the Gulf further strengthens Russia's power as a negotiating party wanting calm and de-escalation in the region. Therefore, Russia hastily exploited and used this to enhance its international position when it presented itself as one of the guarantors of navigation in the Gulf through the initiative it submitted to the Security Council. The officials from the two capitals frequently met each other to devise mutually agreeable policies in response to the escalation of tensions between the United States and Iran in the Gulf region. Russia observed the escalation with concern, and explored the opportunities it presented to advance Moscow's foreign policy goal of building up the Gulf region's balance of power among its various actors including Iran and its Arab neighbors. Russia advanced policies to enhance the interconnectivity of the Gulf region with Eurasia as well, via Iran. Iran welcomed both policies in the hope that they would help it better integrate into the Gulf and Eurasian sub-regional systems in the longer-haul. We can address the course of the Iranian-Russian relationship during 2019 as follows :

### **I- Russian Position on Iran's Reduction of Its Nuclear Obligations**

The Russian position on the American withdrawal from the nuclear agreement evolved throughout 2019 when compared to 2018. Russia was limited to declaring its commitment to the nuclear agreement, and rejecting the American withdrawal as well as continuing with its commercial relations with Iran at governmental levels, without entering into discussions to persuade other parties to work on maintaining the nuclear agreement. Iran reducing its nuclear obligations prompted Russia to play a supportive role to maintain the nuclear agreement. The Russian motive behind changing its position regarding the nuclear agreement is its awareness of the risks of the Iranian steps in maintaining the nuclear agreement, and its rejection of Iran's growing nuclear capabilities .Russia does not want to give justification for the United States to engage in an armed confrontation with Iran directly that may eradicate an effective partner for Russia in the region.

Therefore, Russian President Vladimir Putin conducted discussions with the United States and the European Union to ensure the maintenance of



the nuclear agreement.<sup>(31)</sup> The Russian Foreign Minister Sergey Lavrov also criticized the three European countries that signed the agreement owing to their delay in activating the INSTAX financial mechanism that is supposed to facilitate European-Iranian trade but it is limited to provide commercial credit for humanitarian goods that were not under US sanctions in the first place.<sup>(32)</sup> This is reflected in the Russian position, as it believes that Europe is one that can maintain or end the nuclear agreement.

Iran has gradually reduced its nuclear obligations since May 2019. It had gone beyond what was stipulated in the nuclear agreement in regard to the amount of heavy water stored on its territory, and the amount of allowed stockpiles of low-

enriched uranium. Exceeding the number of centrifuges as stipulated in the agreement, increasing uranium enrichment, and restarting centrifuges in the Fordow nuclear facility resulted in the Iranian escalation reaching its peak.<sup>(33)</sup>

As a result of Iran reducing its commitments to the nuclear deal in May, Moscow subsequently suspended its nuclear research projects with Iran due to uranium enrichment in the heavily fortified Fordow nuclear facility in violation of the nuclear deal.<sup>(34)</sup> After Iran's Foreign Minister Mohammad Javad Zarif traveled to Moscow in September and December, Tehran informed Moscow of its final decision on the nuclear deal. By the end of the year, Iran withdrew all its commitments to the nuclear deal but it promised to return to it if all parties complied with its provisions. Russia was aware of the Iranian position, and attempted to reassure the international community that Iranian non-compliance did not mean the death of the nuclear deal. It subsequently encouraged other parties to return to the deal. When Germany, France and the United Kingdom decided to activate the Dispute Resolution Mechanism (DRM) that is stipulated in the nuclear agreement in order to raise the Iranian nuclear file to the Security Council in December 2019, Russia blamed the United States



for withdrawing from nuclear deal because it believes that the nuclear deal curbs Iran's nuclear power.<sup>(35)</sup>

## **II- The Russian Project to Ensure the Safety of Navigation in the Arabian Gulf**

After a series of oil tanker attacks in the Gulf waterway in the summer, which Tehran was believed to have masterminded, Russia and Iran promoted multilateral and collective Gulf security mechanisms to secure safe shipping

The delegate of the Russian Federation to the United Nations handed over to the Secretary-General a copy of the Collective Security Initiative of the Arab Gulf in July 2019. During the same month, the Special Envoy of the Russian President for the Middle East and Africa, Deputy Foreign Minister Mikhail Bogdanov met with the heads of diplomatic missions of Arab countries, Iran and Turkey and the five permanent members of the Security Council in Moscow, in addition to representatives of the BRICS countries, in order to publicize and promote the initiative.<sup>(36)</sup>

Along with the difficulty of implementing this initiative and even the impossibility to do so, it assumes a high level of coordination between the countries that are supposed to be implementing it, and it is also inspired by a European cooperation model, while neglecting the Gulf Cooperation Council, and the state of hostility between Iran and the Gulf states.<sup>(37)</sup> This initiative was proposed at the same time that the United States proposed the “Guardian” project which is a multinational operation to ensure the safety of navigation in the Arabian Gulf. The Russian initiative coincided with the European initiative that was issued by France after Iran seized the British oil tanker, *Stena Impero*. At the same time of Europe announcing its initiative, Britain confirmed its refusal to consider this initiative as part of the American strategy of maximum pressure on Iran, but the European project was soon integrated into the American project. However, the “Guardian” project has not been activated.

With all of the above, Russia has continued to present its project through intense deliberations, which aimed probably to legalize Russian presence in the waters of the Arabian Gulf and to carry out intense marine activities in the region. After five months of presenting the initiative, the “Maritime Security Belt” maneuver was carried out in December 2019. The two sides along with Iran and China held their first joint naval exercise since Iran's 1979 revolution in the northern Indian Ocean.<sup>(38)</sup> The three-day drills were designed to address joint threats, ensure safe sea trade, fight piracy in the high seas, and exchange naval operational experience. Initiated by Iran, the hybrid drills brought together Chinese and Russian naval vessels which left from the Iranian Chabahar Port on the Gulf of Oman to the Indian Ocean.<sup>(39)</sup> Covering 17,000 km of naval shipping lanes, the drills also involved routine tactical practices such as emergency rescues.<sup>(40)</sup> The drill's success in projecting Gulf power

subsequently led to an agreement between Moscow and Tehran to increase their annual joint military commission meetings. Since 2017, the two capitals have held 12 joint military commissions.<sup>(41)</sup>

### **III- Iran and the Growing Russian Presence in Syria**

There were clashes and disputes between Russia and Iran in Syria during 2019. They differed on whether to eliminate opposition forces in Idlib, and held different positions on Turkish incursions in northern Syria, and on Israeli raids on Iranian sites in Syrian territories. The peak of the clash between Russia-Iran in Syria was when some Iranian and Russian groups fought each other, and each one of them allied with factions of the Syrian government forces. In spite of these differences and clashes, cooperation and coordination has marked Iranian-Russian relations in regard to the Syrian file. Russia and Iran aim to assert their power as negotiators through creating an alternative negotiating path to the international track. They engaged with Turkey in the Astana Peace Process to facilitate a constitutional process in Syria, but also emphasized the need to support Bashar al-Assad until an agreement for a transition of power emerged with the consensus of the Syrian opposition. Through the Astana Peace Process Moscow and Tehran influenced the Syrian government and opposition group talks held under the supervision of the United Nations (UN).

The most intense competition between Russia and Iran was around concentration on the Syrian coast and administration of the country's ports. Iran aspires to link its lands with the Mediterranean coast by railway through Baghdad and the acquisition of the container port in Latakia to enhance Iranian naval presence in the region and create an Iranian trade route away from the Arab Gulf and its crises.<sup>(42)</sup> Russia continued to control the Syrian coast, particularly the Syrian "Banias Port", which is located between the Russian Khmeimim Air Base and Tartous, at which the oil pipeline from Iraq to the Mediterranean ends. Iran seeks to use this port to sell its oil through the pipeline.

Iran hopes to have its fair share of the Syrian reconstruction contracts, estimated at \$600 billion, some \$150 billion of which will go to rebuilding damaged Syrian homes.<sup>(43)</sup> As a result, Iran will triple its trade with Syria in 2020.<sup>(44)</sup>

However, Syria could give its major reconstruction contracts to Russia.<sup>(45)</sup> The influx of foreign investment into Syria means that rivalry for economic opportunities would inevitably emerge between Russia and Iran. Russia has an additional advantage over Iran when it comes to helping Syria out. Iran's isolation prevents it from reaching out to other global actors to jointly invest, whereas Russia has lobbied other governments across the world to invest with it in the Syrian economy. Though many countries such as the United States and the EU states are unwilling to grant Russia large investment sums, Moscow is

still hoping to work with other states in the Middle East to rebuild Syria. Russia has drafted preferential contracts in major Syrian economic sectors that will grant Russian businesses ‘first priority’ in the allotment of reconstruction funds that Syria receives. In January 2018, Russia also signed an agreement with Syria giving it exclusive rights to extract oil and gas. Russia is already preventing Iran from leading the housing reconstruction projects in Syria, and the IRGC and President Rouhani are at odds on the issue, with the former indirectly blaming Moscow for Iran’s struggles on the ground in Syria.<sup>(46)</sup>

Despite promising to prioritize Russia in economic deals, Assad shifted to grant Iran key access to many industries including the telecommunications sector and access to large phosphate reserves. Syria and Iran have plans to set up a multi-purpose port in the south of Tartus near the Lebanese border. Iran will use Lebanese businessmen to expand its access in Syria. In July, Syria approved setting up 297 new private companies, including Lebanese firms.<sup>(47)</sup> Still, by the end of the year, Syria granted Russia oil exploration and production contracts, and Moscow said it will spend \$500 million to modernize the Tartus port. Russia has oil contracts including an agreement to develop a gas field north of Damascus, and has eyes on oil deposits that might be potentially available in the Golan Heights.<sup>(48)</sup> Oil exploration in Syria will also allow Russia to assert its policies in the Eastern Mediterranean for which control over Homs is vital as a major connecting route.<sup>(49)</sup> By monitoring the contracts concluded between the regime of Bashar al-Assad and both Russia and Iran, it is clear that there has been an amendment to the distribution of reconstruction contracts that are in the interest of Iran in September 2019. They are not equally distributed between Iran and Russia. Therefore, Russia still has the largest share of reconstruction contracts, especially in the highly profit sectors such as oil and gas.

Russia’s ability to control the conflict between Israel and Iran over Syrian territories strengthen its chances to seize the largest share of the economic





gains in Syria. The Russian air defense cover protects Iranian forces present in Syria from Israeli strikes. Russia withdraws its air cover to Iranian forces whenever Iran blocks or impedes Russian goals in Syria.

Iran also remained concerned by Russia's actions to engage in negotiations over Syria with Israel, and its alleged deactivation of the Russian S-300 missile defense systems during frequent Israeli aerial operations against Iranian targets inside Syria. In response, Tehran continued to invest in building up its manpower in Syria with help from the Lebanese Hezbollah and through the

Fatemiyoun Division and Liwa Zeinabiyoun brigades that include Shia Afghan and Pakistani militia recruits.<sup>(50)</sup>

When US-SDF forces declared victory over IS in March 2019, the territorial clashes between Russian and Iranian forces simply aimed to assert their competition for influence in Syria.

Still, Iran's fears of Moscow forcing it out of Syria subsided when it was clear that Russia was more interested in making deals in an effort to ensure Russian preponderant power and economic clout in Syria. If threatened, Iran could also galvanize Hezbollah forces in Syria, unlike Russia which has a weaker manpower presence on the ground. As Moscow expanded its contacts with Washington and Tel Aviv over Syria, Soleimani secretly flew Assad to Tehran on February 25, 2019, to showcase Iran's clout over Syria.<sup>(51)</sup>

#### **IV- Economic Cooperation and Trade**

Iran's commercial exchanges with Russia stood at \$1.33 billion in the first seven months of the year, showing a 24.6 percent rise compared to the same period in 2018, according to the Federal Customs Service of Russia. Iran's exports to Russia dropped by 6.2 percent, but Russia's exports to Iran

increased by 39.9 percent. Still, Iran's share in Russia's foreign trade rose to 0.4 percent from only 0.3 percent. Undoubtedly, the trade exchange between Iran and Russia does not make up a significant percentage of Russia's trade dealings with the countries of the world. But for Iran, trade with Russia is one of its



entry points to address the contraction of its trade with the world due to the US sanctions. Therefore, we found that the growth of trade exchange between Russia and Iran contradicts Iran trade indicators with the rest of the world. The Iranian trade exchange with the European Union, India and Turkey decreased ranging from 50% to 70%. It is true that the trade balance between Russia and Iran is more in favor of Russia, but the total trade increased by almost one quarter, meaning that Russia has obtained an additional percentage of Iranian imports designated for the European Union countries. Russia and Iran agreed to barter trade in June. Under the terms of the agreement, Iran imports Russian equipment and agricultural products in exchange for crude oil it had previously sold to Moscow. The agreement is the culmination of a similar deal signed in 2017 that allowed Iran to export crude oil to Russia in exchange for the delivery of future products. It allowed selling 100,000 barrels of oil per day to procure food and goods estimated at \$2 billion. Once the sanctions on Iran lifted in 2016, the deal was no longer necessary, but with the resumption of sanctions in 2018, the deal was on the table again. Russia and Iran did not reveal how the oil would be delivered, but Tehran continued talks to build a strategic trilateral trade cooperation with Russia and China. Iran and Russia will hold annual trade talks to continue to cooperate under sanctions.

Through the mechanism of the joint committee for economic and trade cooperation between Iran and Russia, Iran signed on June 18, 2019 12 economic and trade agreements with the Russian Federation. The Russian-Iranian Joint Committee attaches great importance to cooperation between the regions of the Russian North Caucasus with the Iranian northern regions, in addition Isfahan since it is the largest industrial city in Iran. Four decades ago until now in this city the Armenian Christian minority has played a commercial broker role between the two countries.

The most prominent economic agreements signed by the two parties are: the electricity interconnection agreement, and the electrification of the railway linking Garmsar and Incheh Borun. There is also another project for constructing a railway linking Sarakhs, Bandar Abbas, Chabahar and Zahedan and then linking it with Bafak and Mashhad. There will be another railway linking between Rasht and Astara. Finally, through these railways, Iran, Kazakhstan, Russia and Azerbaijan will be connected to each other. Under these agreements, a tourist navigation line in the Caspian Sea will be established linking North Russian Caucasian with Iranian ports on the Caspian Sea and the establishment of four stations of electrical energy production in Hormozgan province on the Arabian Gulf with a 1400 MW.<sup>[52]</sup>

Notably, these projects are focusing on the areas linking Iran to Russia and the Caucasus in order to integrate it economically with the Eurasian Union, which is dominated by the Russian Federation. These projects exceed their real cost, which provoke Iranian public opinion against economic cooperation with



Russia. The majority of Iranians believe that these economic agreements are a means for the Iranian government to pay the Russians back for their supportive positions against the American maximum pressure strategy and its military alliance with Iran in Syria. The most prominent example in this regard is the project of the Garmsar and Incheh Borun railway, which was estimated to cost 1.2 billion euros. 85% of the cost was financed with a loan from the Russian government, while the German company Siemens had offered to implement the project for only 125 million dollars. This vision reinforces the uselessness of the project according to the opinion of many Iranian economists.<sup>(53)</sup>

## **V- Russian Support for Iran Joining Regional Organizations**

Within Iran's endeavors to find solutions to its economic crisis caused by the strategy of maximum pressure and sanctions imposed by the United States since May 2018, Iran strived to join regional economic blocs which are operated and led by the Russian Federation. It includes the independent states of the Soviet Union. Despite the relative weakness of these countries' economies and their inability to fully meet Iran's needs, however, Iran considers them as a reliable partner to some extent that can stand up against American pressure.

### **1- Eurasian Economic Union (EAEU)**

The EAEU currently includes Belarus, the Russian Federation, Kazakhstan, Kyrgyzstan and Tajikistan

The hegemonic tendency of Russia will make the unions with China or partnership agreements with the European Union more attractive for Central Asian and Eastern European countries. Russia aims to make those countries join its Eurasian Union

With all of the above, Iran is seeking to join the EAEU and all regional economic organizations located within its geographical scope in order to provide a wider area of movement for the Iranian economy under the sanctions imposed by the United States on Iran.

President Hassan Rouhani's visit to Armenia in September laid the foundations for preferential trade with the Union on September 30 2019 . The preferential trade agreement was reached on 26 November 2019 between Iran and the Union. It included 862 commodities; some 360 Eurasia Union products will receive preferential treatment by Iran and some 502 Iranian products will receive preferential treatment by the latter.<sup>(54)</sup> Tariffs will be lowered compared to the same goods imported from countries outside the Union, which grants them greater competitiveness.

Iran sees a \$100 billion market potential with the EAEU, but it expects to cancel agreements if tariff negotiations fail. Tariffs are financial mechanisms that allow Iran to circumvent the sanctions regime.<sup>(55)</sup>

Iran's accession to the EAEU will offer it a number of economic opportunities,

including a reduction in trade tariffs with the countries of the Union, and reducing the use of the dollar in foreign trade. One of the rules of intra-union trade is dealing in national currencies at 70% of the value of the exchanged deals, which facilitates trade for Iran, as it is banned from trading in the US dollar. Through the free zone that it established with Iran, the Union can exchange all goods without customs after three years.

According to official statistics, the total Iranian exports to the states of the EAEU in 2018 totaled 918.2 million dollars. On the other side, its imports from the EAEU in the same year totaled 1.775 billion dollars. Iranian imports from Russia reached \$ 1.207 billion. Iran mostly exported gold to Russia worth 533 million dollars.<sup>(56)</sup>

Iran expects that the volume of trade exchange will reach 10 billion dollars in one year. Obviously, the number is greatly exaggerated, especially in the absence of reliable banking channels in Iran, even though Iran is seeking to use the new Russian banking correspondence system “SBFS” to replace (SWIFT). However, the EAEU’s use of Harmonized System (HS) of 10 digits contradicts Iran’s 8-digit banking system, which will require forming new regulatory bodies to build strong banking and investment channels.<sup>(57)</sup>

## 2- Shanghai Cooperation Organization (SCO)

Iran and the SCO expanded talks for Tehran’s membership, in light of Iran’s ongoing commitments to the nuclear deal at the time, which was seen as a positive step to expand trade with Tehran. Furthermore, Iran worked hard to expand bilateral trade agreements with individual SCO member states.<sup>(58)</sup>

However, US-Iran frictions meant that Tehran could not join the SCO as a full member for the foreseeable future. Iran also has economic rivals to contend with in the SCO, including Caucasian countries such as Tajikistan that previously stalled Iranian efforts to join the organization. Though Tehran and Dushanbe took steps to resolve their tensions last year, Iran has yet to harmonize its economic policies with other rival SCO members such as India and Pakistan. Iran has accepted these realities, but continues to view the potential of the SCO to be promising if it helps Tehran ease the pressure of some of the sanctions and its political isolation through regionalism.

Iran had the support of other major SCO states such as Russia, to advance a regional foreign policy that would defy US efforts to contain Tehran. Russia has expressed hope and support for Iran’s SCO membership, but has not offered any concrete steps to help Tehran achieve the goal. In November, Iran urged the SCO states to promote multilateralism as it faced increased US sanctions, and continued to proactively participate in the organizations frequent regional meetings.<sup>(59)</sup> In spite of Iran’s persistent efforts over the years to join the Shanghai Cooperation Organization, US economic sanctions on Iran contribute greatly to the organization’s hesitation to grant Iran membership.



## **VI- Russian Arms Sales to Iran**

Iran provided Russia with a long list of weapons it wanted to buy three years ago. Due to the UN sanctions imposed on Iran and the terms of the nuclear agreement signed in 2015, which stipulates that the export of any offensive weapons to Iran requires the approval of the Security Council, Russia has so far refrained from supplying offensive weapons to Iran for many considerations other than UN resolutions, including Russia's desire to keep Iran with limited military capabilities that would not enable it to engage in a long-term systemic war, and to maintain the relative balance that exists in the Middle East, especially with the aggressive behavior of Iran's leadership, as well as compliance with Russian-Israeli agreements for Israel not selling advanced weapons to Georgia and Ukraine in exchange for Russia not selling offensive weapons to Iran.<sup>(60)</sup>

However, developments in the Middle East and the sanctions imposed by Europe and the United States on Russia could push the latter to ease restrictions on selling arms to Iran, especially as lifting of the embargo imposed on Iran in arms sales in October 2020 approaches under the nuclear agreement.

Iran has intensified its efforts to persuade Russia to supply the weapons it requested. It also sent Mohammad Hossein Bagheri, the Commander of the Armed Forces to Moscow on January 20, 2019. During the visit, Russia and Iran signed a long-term military cooperation agreement, the first in 15 years. In the following months, Tehran held secret talks with Moscow to specify the type of military arms which it needed while recognizing that it should not entirely rely on Moscow for protection in the event of an escalating military conflict.

between the United States and Iran due to concerns about potentially being betrayed by Russia if US-Iran military clashes made it boost its negotiations to convince Moscow that it is in need for military arms sales.<sup>(61)</sup>

In December 2019, Russia rejected extending the Iran arms embargo, defying a UN mandated ban through October 2020. Moscow said it was not ready to comply with US sanctions on the issue of arms sales to Iran either, because Iran was the world's largest untapped weapons market. Iran needed Russian Su-30 fighters, Yak-130 trainers and T-90 tanks, and showed interest in acquiring the S-400 air-defense and Bastion coastal defense systems.<sup>(62)</sup> In addition, Tehran aimed to buy naval vessels, coastal missile batteries, aircraft engines, armored vehicles, submarines, spare parts for existing military equipment, fighter jets, helicopters, and remained open to spending \$8 billion to \$10 billion to make the purchases.<sup>(63)</sup>

With Iran's largest arsenal of short to medium range ballistic missiles in the Middle East, and its previous acquisition of the S-300 at a steep price of \$800 million, the negotiations suggested that Russia's arms sales to Tehran would increase.<sup>(64)</sup> The sales were driven by a shared vision between Moscow and Tehran, to reject the US-led security architecture for the Gulf region. Russia gained from Iran's isolation by winning its military markets, and held frequent high-level military and intelligence meetings with Tehran to work on measures to fight threats, terrorist networks, and emphasize military coordination. Still, Tehran understood that Moscow would not provide it with advanced military needs for surveillance and reconnaissance (SR).<sup>(65)</sup> In December, Russia and Israel coordinated arms sales to prevent certain deals with Iran. In exchange for not selling arms to Georgia, Israel requested Russia not to sell advanced weapons to Iran.

## VII- The Prospects of Russian-Iranian Relations in 2020

The trajectory of Russian-Iranian relations last year revealed several important trends. From a security perspective, Russia and Iran are determined to unify some of their visions for the Gulf region and the Middle East to expand regional cooperation and reduce US involvement. This implies that Russia's and Iran's extended cooperation to bring peace to Syria should be expected to continue. The next Astana Peace Talks are scheduled to take place in March 2020, toward building an agreement for a new constitution and containing on-the-ground battles between pro-government and opposition forces. In the event of an escalation in US-Iran ties, however, Russia will aim to keep Syria stable by asserting its role there through diplomacy with the United States, Israel and Arab countries. Following the US killing of Qassem Soleimani in early January 2020, President Putin traveled to Syria to reaffirm Moscow's commitment to the country regardless of growing international tensions with Iran.

Russia will play a critical role in handling the Iran nuclear file. Moscow has



urged Tehran to be cautious about its latest threats of leaving the Nuclear Non-Proliferation Treaty (NPT) in order to resume a rapid nuclear program. Furthermore, Moscow asserts along with the EU countries that Iran should return to its commitments under the nuclear deal rather than face the prospects of crushing UNSC sanctions that will be multilateral and much harder to ignore compared to the unilateral US-led sanctions regime. But as a UNSC member state with veto power, Russia could thwart US pressures to further isolate Iran through UN-led sanctions. The sanctions, if put in place, will roll back the achievements made to date by Moscow and Tehran to expand trade in the Eurasian markets, in the Caspian Sea and with the SCO member states. While Iran needs this trade more than Russia does, Moscow is fundamentally opposed to sanctions because it also suffers from sanctions led by the United States to contain Russian power and influence in the region. If tight sanctions are passed by the UNSC against Iran, Moscow and Tehran will be able to trade secretly if they so decide, aided by an extensive financial and banking system that they have put in place.

Russia will play an equally important role keeping US military threats against Iran at bay, especially if Moscow proceeds with selling arms to Tehran, and expands joint Iranian-Russian naval drills. Given Russia's interests in a stable Iraq and Syria, it will support Iranian measures to contribute to the stability of these regional states through diplomacy and economic integration, regardless of US military threats against Tehran. This Russian policy will enable Iran to thwart US pressures and avoid a US-Iran war. But the prospects of Iran's increased dependency on Russia for its military and human security will mean that Iranian power in the Gulf region and in Syria will be overshadowed by larger Russian interests. When Russian and Iranian interests converge to enhance regional security, this will allow Iran to operate as a normal state despite sanctions. However, those interests are expected to collide when Iran decides to lead its own military and security policies irrespective of Russian interests.



# Iran-Europe Relations

*Following the Trump administration's withdrawal from the nuclear deal with Iran and re-imposition of sanctions in two phases in 2018, the European Union (EU) members displayed enthusiasm to confront the US position which they deemed to be a unilateral breach of the deal which, according to international criteria, succeeded in curbing the Iranian nuclear program.*



The differences that surfaced between the United States and the European countries over financial contributions to NATO and The Transatlantic Trade and Investment Partnership (TTIP) contributed to shaping the European position on the US withdrawal from the nuclear deal.

The European countries deemed it necessary to maintain the nuclear deal given its strategic importance according to the EU's viewpoint. From the security perspective, the deal is an effective model for addressing issues related to nuclear proliferation at the international level and provides the EU protection against the threat that could result from instability in the Middle East, including immigration and asylum on European soil as was the case with the Syrian crisis.

This is in addition to the series of terror attacks which hit several European countries. US firms are also seizing most of the investment opportunities in the Arab and Gulf nations. On the political front, it highlights both the position and effectiveness of European diplomacy within the international community in addition to being a prelude to a process of political openness which could mitigate the hostile and radical approach of the Iranian government.

Iranian-European relations witnessed varied interactions, starting from the shift in the European position from only offering guarantees to adopting a carrot and stick approach, using both promises and pressures to prolong the nuclear deal, which occurred in parallel with the tightening of the noose around the destructive policies of Iran that threatened the security of the region and Europe.

As tensions continued to intensify and the European Troika countries urged Iran to keep calm and defuse those tensions, the Iranian government launched attacks endangering the stability of maritime security in the Arabian Gulf. Then the government began to implement the plan to reduce its commitments under the nuclear deal, which undermined the nuclear accord and its provisions. This threw Iranian-European relations into an utterly complicated turn.

This piece attempts to shed light on these interactions through focusing on three axes: European policies towards relations with Iran, Iranian reactions



to the European policy and the variables of trade exchange between the two parties. Conclusions are presented from analyzing these interactions and possible future scenarios are outlined based on the available motives for them to occur.

## **I- European Policies Towards Relations With Iran**

The beginning of 2019 saw an escalation between Europe and Iran. The Iranian government expected a swift response from its European counterparts when it came to implementing the plan to salvage the nuclear accord agreed upon by the two sides. Meanwhile, the EU pursued policies of 'giving and taking' in order to achieve satisfying results for the EU. The outlines of these European policies towards Iran in 2019 were observed and categorized under two main headings: offering guarantees to maintain the nuclear deal and on the other hand exerting pressure on Iran in issues related to its missile program, the nuclear file, regional security in the Middle East, terrorism and human rights.

### **1- The European Efforts and Guarantees to Maintain the Nuclear Deal**

#### **A- The Channels of Understanding and Efforts of Coordination to Maintain the Deal**

Given that the nuclear deal is a technical document with a certain objective in order to address the Iranian nuclear program, the European parties betted that the deal would remain alive given its international legitimacy and based on the testimony of the International Atomic Energy Agency (IAEA) that the nuclear deal fulfills its purpose when it comes to curbing the nuclear ambitions of Iran and lowering Tehran's chances of transforming the Iranian nuclear program into one with military purposes.

Based on these premises and taking into account the outcomes of a previous meeting in 2018 at the ministerial level<sup>(66)</sup> which included representatives of the EU, European troika countries and Iran, the European troika countries and the EU pledged to work to protect European interests with Iran at the national and collective levels and to take measures and implement mechanisms to protect European economic firms working in Iran. This is in addition to offering sufficient guarantees for Iran to remain committed to the nuclear deal. These guarantees included: protecting the sales of Iranian oil against US sanctions, continuing to purchase Iranian oil and the commitment of European banks to protecting trade with Iran.

The European enthusiasm represented in the guarantees and pledges did not last long. A new European position emerged when the new year began, especially in the statement issued by the EU on February 4, 2019<sup>(67)</sup> which mentioned European concerns in relation to the Iranian ballistic missiles program, Iranian regional interference and the honoring of commitments

under the nuclear deal as well as Iran's hostile activities in some European countries.

Although the statement asserted at the same time support for the nuclear deal and lauded Iran's commitment to its terms, it has become clear that a new European position emerged from the context of the statement, which struck a position in the middle. Implementing the guarantees to maintain the nuclear deal is now dependent on Iran agreeing to several conditions, such as approving the Financial Action Task Force (FATF) bills and reaching an agreement on its ballistic missiles program, as well as dealing with concerns regarding its regional role and issues relating to terrorism and human rights.

Between the shift of the European position and the Iranian threat to violate the obligations of the nuclear agreement and return to uranium enrichment, the European Union countries, especially the European troika countries (Britain - France - Germany) who were signatories to the agreement, were keen to continue cooperation with the Iranian government in order to keep the channels of understanding open.

The aspects of this cooperation appeared in the meetings of the JCPOA joint commission, which were held at various periods during 2019, especially in the wake of Tehran's retreat from its obligations and the intensification of its uranium enrichment. This came as representatives of the European Union and the European troika, as well as Russia and China, sought to maintain the nuclear agreement.

#### **B- The Financial Transaction Mechanism (INSTEX)**

In September 2018, European Union foreign policy chief Federica Mogherini announced a legal mechanism called the Special Purpose Vehicle (SPV),<sup>(68)</sup> or what may be called a financial channel aimed at keeping trade exchanges in place with Iran in accordance with European law and without being subject to US sanctions. However, the European Union, at its Council meeting on 28 January 2018<sup>(69)</sup>, failed to reach a consensus on the announcement of the SPV mechanism.

Therefore, the European troika countries found themselves having no option but to announce the trade exchange mechanism known as INSTEX.

On the sidelines of the meeting of foreign ministers of European countries in Bucharest<sup>(70)</sup> on January 31, 2019, Germany, France and Britain announced the launch of the European financial mechanism to continue trade with Iran, with the mechanism limited in the beginning to financial transactions in the food and medicine sectors. The French capital Paris was chosen as the seat of the mechanism, which shall be managed by a German banking expert with the UK presiding over the supervisory board.

For this proposal to come to light, the European troika sought to get an official approval from all 28 EU member states for this mechanism. Despite the lack

of a supportive response for this mechanism since its launch, six European countries - Denmark, Finland, Sweden, Norway, the Netherlands and Belgium - announced in a joint statement on November 29<sup>(71)</sup> that they shall join the mechanism, enhancing the position of the founding countries.

The troika countries welcomed the six countries' joining of the mechanism, expressing the commitment and seriousness of the European Union in its position on the nuclear deal with Iran. They called on Iran to resume honoring its commitments under the deal, asserting that Iran should abide by the provisions of the agreement and reduce tensions in the Arabian Gulf and Middle East.

The year 2019 came to an end with the European financial mechanism INSTEX not yet implemented due to several reasons that prevented the two sides from moving ahead with its measures. As for Iran, it does not accept the conditions set by FATF and does not see in the financial mechanism an outlet that could prevent its economy from total collapse.

On the other side, the Europeans cannot force the firms working under the umbrella of the EU to conduct dealings with Iran via the mechanism exposing them to US sanctions. They also do not have the ability to undermine the decisions of the US administration by including the Iranian oil sector in INSTEX.

### **C- Activating the French Mechanism to Salvage the Nuclear Deal**

In the aftermath of the escalating tensions in the Arabian Gulf and Iran's announcement of reducing commitments under the nuclear deal, France dispatched Emmanuel Bonne, the political adviser of the French President Emanuel Macron, to Tehran for the second time. He proposed the mutual backpedal proposal<sup>(72)</sup>, which means the US backpedals on its sanctions in return for Iran stopping the reduction of its commitments under the nuclear deal. The French proposal was aimed at a temporary cessation, which the Iranian factions at home did not accept reiterating the unshakeable position of the government demanding the lifting of sanctions in their entirety and ensuring they would never be reimposed again.

While taking into account the Iranian rejection of the French proposal, they sought to keep the door open to it as a gateway for engaging in negotiations with the United States if the need arises. When the French president attempted by the end of August<sup>(73)</sup> to bring together the Iranian foreign minister and the representatives of the US President Donald Trump, the Iranian foreign minister boarded his jet from Tehran to France but the attempt did not result in the two sides sitting down together as it seems that the Americans rejected this initiative.

The French president did not stop there. He tried again, and the aim this time was bringing together the heads of the American and Iranian governments in



an unofficial meeting away from the media during the meetings of the UN General Assembly held in New York in September.<sup>(74)</sup> But this attempt, too, did not succeed due to different reasons on both sides.

## **2- European Pressures on Iran and Its Trajectories**

In implementing a carrot and stick approach, the European Union countries reconsidered their positions on Iran via exerting pressure during 2019. Inasmuch as they displayed keenness to offer guarantees to salvage the nuclear deal and keep open the path of understanding with the Iranian government, the European countries attempted to change the behavior of the Iranian government by imposing sanctions and tightening the noose on the five priority files for the EU: the nuclear deal, the ballistic missile program, terrorism, regional security and navigation in the Arabian Gulf and human rights.

### **A- The Nuclear File**

Since the establishment of INSTEX and the statement released by the foreign ministers of the European troika on January 31, the decision to implement the new financial mechanism has been linked to the Iranian government's commitment to the criteria of combating money laundering and financing terrorism (AML-CTF), taking into account the sanctions of the UN and EU in this respect. This is in addition to the speedy approval of all the internal statutes of FATF.<sup>(75)</sup> The approval of international treaties such as FATF has been a bone of contention inside Iran. The pressures exercised by the IRGC on the Expediency Discernment Council had a major role in obstructing this approval.

On the other side, the European troika tried to stand up to Iranian steps to gradually reduce its commitments under the nuclear deal of which Iran implemented four steps through the end of 2019. France, the UK and Germany called for holding an emergency meeting of the JCPOA joint commission after Iran implemented the second step in the presence of Russia and China, in a bid to prevent Iran from continuing to breach its nuclear commitments. The

meeting was held on July 28, 2019 at the level of assistant foreign ministers in the Austrian capital Vienna. But it did not result in any Iranian pledges to cease reducing its commitments under the nuclear deal.<sup>(76)</sup>

As the European efforts continued via the EU or member states representatives, Iran continued escalating by announcing the third step earlier in September and the fourth step in November, which prompted the representatives of the troika countries to hint that they may implement the dispute settlement mechanism, which shall lead to imposing European and UN sanctions on Iran.

### B- Reducing the European-Iranian Trade Exchanges

The European-Iranian trade exchanges decreased to very low levels. The volume of trade exchange between the two sides during the period from January 2019 to the end of October 2019 reached € 4.3 billion, which represents a 75 percent decrease compared to the same period during 2018. This decrease was accompanied by a decline in the rate of European exports to Iran by 53 percent. The volume of these exports amounted to only €3.7 billion. As for Iranian exports to Europe, they decreased to 584 million euros, which constitutes a 94 percent decrease compared to the same period last year.<sup>(77)</sup>

According to the data of the European Statistical Office, the volume of trade exchange between Iran and the three largest economic partners within the European bloc -Germany, Italy and the Netherlands - decreased. Meanwhile, the Iranian trade exchange with Cyprus and Bulgaria increased slightly. The following table includes an explanation of the numbers and statistics for the portions and volumes of the values indicated.

**Table 1: The Trade Volume Between Iran and Some European Countries**

Country	Value in Euros in 2019	The Rate of Decrease-Increase Compared to the Same Period in 2018
Trade exchange volume (Europe-Iran)	4.3 billion	75%
European exports to Iran	3.7 billion	53%
Iranian exports to Europe	584 million	94%



Country	Value in Euros in 2019	The Rate of Decrease-Increase Compared to the Same Period in 2018
Trade exchange (Germany-Iran)	1.52 billion	-
Trade exchange (Italy-Iran)	889.15 million	-
Trade exchange (The Netherlands-Iran)	468.13 million	-
Trade exchange (Cyprus-Iran)	7.62 million	65.18%
Trade exchange (Iran-Bulgaria)	86.88 million	34.67 %

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### C- The File of the Iranian Ballistic Missiles Program

The European Union statement issued on February 4, 2019 stressed European concerns regarding Iran's ballistic missile program.<sup>(78)</sup> European envoys from France, Britain, Germany, Denmark, the Netherlands and Belgium conveyed to their Iranian counterparts at a meeting in the Iranian Foreign Ministry the European concern that Europe could no longer display patience towards the ballistic missile tests in Iran.

For its part, France made statements via its foreign minister that it was open to negotiations with the Iranians on the missile program. It appeared that Iran had not responded to it, which prompted French Foreign Minister Jean-Yves Le Drian to threaten to “impose new sanctions on Iran, unless progress is made in Iran’s ballistic missile program talks.”

In the same context, Britain, France and Germany on April 2, 2019 called on the UN Secretary-General Antonio Guterres to submit a full UN report on Iran's missile program, accusing Iran of developing technologies that go against UN resolutions in this regard. The three countries referred to Iran launching spacecraft and its unveiling of two new ballistic missiles in February that run counter to Security Council Resolution 2231 of 2015.<sup>(79)</sup>

In addition to the foregoing, the Dutch government announced on March 14,

2019 that Iranian students and researchers working in the Netherlands would be closely monitored to prevent Iran from obtaining “dangerous technologies” that may be useful in developing its missile program. The move came in the framework of a comprehensive program aimed at “increasing supervision over students and researchers from very dangerous countries.”

#### **D- The Terrorism File**

On January 9, 2019, the European Union approved sanctions against Iran, claiming that Iranian diplomats were involved in plotting terrorist operations in the Netherlands, Denmark and France. These sanctions included the freezing of funds and other financial assets belonging to the Iranian Ministry of Intelligence and individuals affiliated with it.<sup>(80)</sup>

As part of the pressure from some European parties on Iran with regard to the terrorism file, the German government revoked the operating permit for the Iranian airliner “Mahan Air” in the capital Berlin on January 22, 2019 for security concerns and on suspicion that the company is being used for military purposes.<sup>(81)</sup> On March 20, France canceled Mahan Air flights as of April 1, 2019.<sup>(82)</sup>

Among the most important manifestations of the continuation of European pressure on Iran was the tracking of Shiite centers in Europe. Several European countries have monitored and tracked the activities of these centers on their soil. During March 2019, the French authorities began taking steps towards suspending the activities of four Shiite centers close to Iran. The Danish authorities also revealed documents through which the Imam Ali Mosque Foundation, affiliated with the Ahl al-Bayt Association in Copenhagen, was implicated in forging links between the Iranian government and Muslim citizens. With regard to the same institution, German intelligence revealed links between this mosque and Iran and it being under the authority of the Iranian Supreme Leader Ali Khamenei.<sup>(83)</sup>

European anger at these centers is attributed to several reasons, including the expansion of the role of these centers, the increase in their scope and exceeding their role of representing the minority they represent. They also bypassed the legal frameworks regulating their activities in these countries and embraced policies and objectives which could undermine domestic security and stability. For example, when the authorities raided some of these centers they found unlicensed weapons.

#### **E- The File of Regional Security and Navigation in the Arabian Gulf**

One of the indications that the European policy towards Iran has changed was the conference called for by the United States and Poland, which was held in the Polish capital Warsaw on February 13-14, 2019<sup>(84)</sup> with the participation of more than 60 countries.

Iranian regional interference and the danger it poses to regional security were among the main themes of the conference. The US shared with Europe its fears about the dangerous Iranian role and ways to confront this danger.<sup>(85)</sup> On the other hand, in pursuit of fending off a series of Iranian hostile and provocative acts targeting the security and safety of navigation in the Arabian Gulf as of May 2019, which included the abduction of the British-flagged *Stena Impero*, several countries were quick to denounce and condemn the attack.

British Foreign Secretary Jeremy Hunt called for the formation of a maritime alliance to ensure freedom of navigation in the Arabian Gulf. This call was initially welcomed by France, Italy and Denmark, but some countries, such as Poland, rejected the British proposal and others, such as Germany, had reservations about it.

The idea of an international coalition to secure navigation in the Arabian Gulf emerged in July 2019 from the Chairman of the US Joint Chiefs of Staff, General Joseph Dunford, following a series of attacks carried out by Iran on oil tankers and the downing of a US drone by Iran's air defenses. But the European countries believed that the US leading this alliance would undermine diplomatic efforts and further escalate tensions in the region. They also feared a possible provocative response from the Iranians. This undermined efforts to form the alliance and prompted European countries such as France and Germany not to join the 'US Coalition To Secure Navigation.'

Earlier in November, the UK unilaterally joined a maritime military alliance led by the US and tasked with securing navigation in the Arabian Gulf. There are five members in this alliance in addition to the UK, including Saudi Arabia, the UAE, Bahrain, Australia and Albania. This alliance was formed due to Iranian encroachments against oil tankers in the Arabian Gulf and the following incidents such as the downing of an Iranian reconnaissance drone and attacks on oil facilities on Saudi soil.

#### **F- The Human Rights File**

The European Parliament has leveled its criticism of Iran on human rights violations. Members of the European Parliament on March 14, 2019 called on the Iranian authorities to immediately release those who are called human rights defenders and journalists who have been imprisoned and convicted for exercising the right to expression and assembly. A number of European countries, including France and Norway, have criticized the ruling issued against the lawyer and human rights activist Nasrin Sotoudeh.<sup>(86)</sup> The human rights file is one of the most important files that Europe uses to exert pressure on Iran and represents a major point of contention between the two sides.

On the other hand, the EU on April 13, 2019 extended the sanctions related to human rights in Iran for one year.<sup>(87)</sup> These sanctions include imposing a travel ban and freezing the assets of 82 individuals and entities in addition to

preventing EU member states from exporting equipment which could be used in any domestic crackdown to monitor communications. These sanctions were imposed in 2011, and they are extended on an annual basis. They target senior military officials, judges, attorneys, officials in the police, intelligence, and armed forces as well as commanders and prison directors.

Human rights sanctions are among the non-nuclear sanctions not covered by the nuclear agreement. The European Union enacted these sanctions in the wake of the killings of dozens of people and the repression and detentions inflicted on thousands of Iranians protesting the results of the tenth presidential elections in the Iranian Republic in 2009.

## II- Iranian Reactions to European Policy

Despite the Iranian government's keenness to maintain ties with the European parties and to laud European efforts aimed at maintaining the nuclear deal, the change in the European position since earlier in 2019 and the imposition of restrictions and pressures on the Iranian government prompted the Iranian government to search for ways to use some cards and denounce the imposed pressures in order to push the Europeans to take a more positive position towards Iran. The Iranian position can be highlighted via the following points:

### 1- Rejecting European Pressures and Accusations

In response to the statement released by the EU on February 4, 2019, the Iranian foreign ministry issued a statement in which it rejected several issues, including:<sup>(88)</sup> accusations of Iran targeting some European countries through terrorist operations, conducting negotiations on its ballistic missiles program,



the position of the EU on Iranian interference in the affairs of its neighbors and rejecting the politicization of the human rights file by the EU to achieve political ends. The Iranian statement also expressed resentment at the final outcome of the financial mechanism as it was less than was expected and denounced linking the implementation of the mechanism to accepting the terms and regulations of FATF.

## **2- Calling Into question the Feasibility of the Financial Mechanism INSTEX**

Despite the importance of European efforts to enact the financial mechanism aimed to curb the damage caused by US sanctions on Iran, Tehran calls into question the feasibility of this mechanism for several reasons, such as: this mechanism is not a subject of consensus among the European countries although six European countries joined it plus the European troika, the mechanism's founding countries. The second reason is that the mechanism is confined to trade exchanges related to the humanitarian and medical sectors. The mechanism also does not include Iranian oil export revenues, which have gone down due to the imposition of US sanctions and the ending of the US exemption granted to the eight biggest buyers of Iranian oil.

What further complicated the matter for the Iranians is, first, linking the mechanism to approving and joining FATF, which could lead to amending Iranian laws related to money laundering and the financing of terrorism. This is in addition to committing Iran to making progress on other files related to the missiles program, human rights, regional interference and terrorism. On account of this complication, the Expediency Discernment Council impeded the approval of the FATF bills and did not take any steps forward in this direction as it feared the external role of the IRGC would be shackled and that European desires would be achieved without getting tangible results that could salvage the Iranian economy from the clutches of US sanctions and pressure.

## **3- Losing Confidence in European Intentions**

The carrot and stick approach pursued by the European side contributed to raising the suspicion of some parties within the ruling elite in Iran towards the sincerity of European intentions. The European position through 2019 has moved closer towards agreeing with and supporting the US position. It has been floated on the Iranian scene that there is a US-European coordination in order to tighten pressure on Iran to make it yield and accept conditions which are more consistent with the US approach. According to the viewpoint of the Iranians, Europe uses the nuclear deal to make bargains to get special concessions related to its ballistic missiles program and the regional role of Iran. The Supreme Leader Ali Khamenei himself was among those questioning the sincerity of European intentions. He warned Iranian President Hassan Rouhani against relying on European support on more than one occasion.

#### 4- Reducing the Nuclear Commitments

Since the beginning of the year, given the policy of push and shove pursued by the Europeans, Iranian officials have made remarks threatening to breach the nuclear deal and resume enriching uranium as a sort of pressure on the Europeans to push them to accelerate their diplomatic efforts and implement their promises. As the US and European policies of tightening the noose around Iran and its economy mounted, Iran implemented several mechanisms and measures on an increasing scale in order to pressure the European countries. A plan was announced to reduce Iran's nuclear commitments in phases, which seeks in the end to practically abandon all the restrictions placed by the nuclear deal on Iranian nuclear activities.

Within its policy to pressure the European countries, Iran is taking aim specifically at the European troika countries - France, the UK and Germany - because they signed the nuclear deal and because Iran realizes that the Europeans want to maintain the nuclear deal. But Iran is also aware of the fact that the Europeans are leaning towards the US position calling for amending the nuclear deal in a way that prevents Iran from possessing a nuclear weapon. Although it is heading towards abandoning its nuclear commitments, Iran, via remarks by President Hassan Rouhani and Foreign Minister Mohammad Javad Zarif, asserted that it is ready to fully resume honoring its commitments if the European countries fulfilled the promises and guarantees put forward by them.

#### 5- Conducting Ballistic Missile Tests

One of the mechanisms of Iranian pressure on European countries is that it conducts tests of its ballistic missiles. These missiles constitute a military threat to European countries. At the beginning of February 2019, the Iranian government released a short video showing a test-fire of a missile called Hoveyzeh.<sup>(89)</sup> It claimed that this display of missile capabilities was for security and defense reasons. In another escalation, Iran conducted a test of the Shahab-3 medium-range ballistic missile on July 24, 2019.<sup>(90)</sup>

By conducting these ballistic missile tests, Iran aims to pressure European countries in order to take steps against US sanctions and change its policies in favor of Iran. Iran is showing a degree of defiance to the international community by continuing its long-range missile program despite the issuance of Security Council Resolution No. 2231 of 2015. Iran believes, and Russia shares the same belief, that the tests that it conducts on long-range missiles do not violate the Security Council resolution because the Shahab missiles that it tests do not carry nuclear warheads. Meanwhile, the United States and Europe see the resolution as stipulating the prohibition of missile tests that could carry nuclear warheads, whether or not the country carrying out the tests already has nuclear warheads.





The desire to prevent Iran from conducting long-range ballistic missile tests may be among the most prominent commonalities that bring the United States and Europe together when it comes to the objectives of the maximum pressure strategy. Europe is the party that shall be harmed the most due to Iran's possession of such missiles because the progress that Iran has made in this field makes it capable of targeting several cities in EU and NATO member states such as Greece, the Balkans and Austria. The Iranians are well aware of European concerns about the missile capabilities that Iran possesses. The European troika warned against Iran's possession of capabilities and technologies which could enable and double its missiles arsenal. It is worth noting that Iran, via its militias deployed across several Middle Eastern countries, can increase the range of its missiles to cover bigger areas of the European continent if these missiles are launched by these militias.

## **6- Threatening Navigation in the Gulf**

Iranian-European relations witnessed consecutive interactions in the first half of 2019. The divergence in the European position between showing a sort of commitment to the nuclear deal and stepping up pressure on the Iranians on several files at the same time, in addition to other reasons related to the Trump administration's revocation of exemptions granted to buyers of Iranian oil in May, led to a substantial transformation in Iranian policies to pressure Europe and the international community. Iran shifted from the phase of political and diplomatic pressure to the phase of confrontation and hostility through mounting attacks on oil tankers and threatening navigation in the Arabian Gulf and the Strait of Hormuz through which one-fifth of the world's consumption of oil passes every day.

The following table provides an explanation of what we could call the second tanker war.

Table 2: The Second Tanker War

History	Incident
12 May	The US and regional countries accused Iran of targeting four commercial ships off Fujairah port in the UAE
13 June	Two oil tankers attacked in the Sea of Oman
10 July	Iranian ships attempted to block the passage of the British Heritage ship in the Strait of Hormuz before the frigate Montrose intervened and drove away Iranian forces
15 July	The CIA announced that the IRGC seized a Panama-flagged RIAH M/I which is believed to be owned by the UAE, which denied the reports.
20 July 2019	The IRGC forces the oil tanker Masdar, affiliated with an Algerian firm, to change course towards Iranian territorial waters as it was heading towards the Strait of Hormuz.
19 July 2019	The IRGC abducts the British-flagged oil tanker Stena Impero and its crew members

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### III- The Future of European-Iranian Relations in 2020

Through reviewing of the Iranian-Turkish interactions in 2019, we conclude that the European Union countries embraced the carrot and stick approach as an unchanged position towards Iran. On the one hand, they have been keen to exert efforts to maintain the nuclear deal. Yet, they exerted pressures on Iran in different files of importance for the security and interests of the European continent. On the other hand, one of the most important efforts of the European troika is the INSTEX financial mechanism. It has not yet come into force. The reason lies in the massive complications surrounding this mechanism in several aspects. The Iranians did not accept the approval of FATF bills and the other terms imposed by the European troika. The US government will not turn a blind eye to imposing sanctions on firms conducting dealings with Iran, except those related to food and medicine.

In the same context, it is impossible for the European troika countries to embrace policies that could undermine the policies of its US ally. They are also unable to force the firms working under its auspices to disobey the US

sanctions. Therefore, Iran does not rely on this mechanism for several reasons, especially since it is confined to the food and medicine sectors. According to the Iranian theory, the countries that were signatory to the nuclear deal should enable Iran to continue its export of oil.

Thus, the European troika's position on Iran by the end of 2019 was closer to the US position and more divergent from the position it embraced following the US withdrawal from the nuclear deal. The European concerns reached their peak when Iran conducted a test on the Shahab-3 ballistic missile in July 2019, which the European ambassadors included in a letter addressed to the UN Secretary General pointing to the development of Iran's missile technological capabilities and the possible swelling of its missile arsenal in a way that makes it impossible to curb the Iranian threat. From this perspective, the European position began to move towards the American position aimed at undermining the nuclear deal in the hope of addressing concerns about the Iranian ballistic missile program in any future agreement.

According to Iran, the European-American rapprochement constitutes a huge political and diplomatic loss for the Iranian government. The gap between the United States and its European allies was the winning Iranian card whose disappearance has led to Iran's isolation from the international community. Moreover, the Iranian activities, jeopardizing the freedom of maritime navigation in the Arabian Gulf triggered foreign forces to boost its military presence in the Gulf to secure the oil shipping operations. The military presence definitely curbs Iran's strategic goals.

According to the nuclear deal issue, the Iranians do not seek to end the nuclear deal in its entirety and do not have the desire to lose European allies. But they seek to prompt them to adopt more positive policies in a way consistent with the considerations of the Iranian government. Therefore, when the Iranian annoyance reached its peak and the Iranians lost confidence in the Europeans as the latter became inclined to use a carrot and stick approach involving promises and pressures, the Iranians rushed to take provocative steps in order to agitate the Europeans and in a bid to force the international community to enable them to confront US sanctions.

In the context of the ballistic missile program, the Shahab-3 ballistic missile test conducted in July proved that the Iranian ballistic missile capabilities have developed and the danger Iran poses to the region and the European countries within the range of these missiles has mounted. The troika states, in their analysis of the techniques used in the Iranian tests, noted the remarkable complexity and advancement of Iranian missile devices and equipment, indicating the ability of these missiles to carry nuclear warheads.

Finally, in light of the current circumstances, it has become difficult to expect that the nuclear deal will survive. Iran's announcement of the fifth and last step which stipulates the revocation of all the main operating restrictions signed

under the nuclear deal prompted the troika countries to enact the dispute settlement mechanism provided for in the nuclear deal and refer it to the joint commission under the nuclear deal to resolve. They at the same time asserted the desire to keep the nuclear deal alive and reach a political settlement within its framework. It is worth mentioning that enacting the dispute settlement mechanism could lead to the re-imposition of UN sanctions on Iran.

According to the above mentioned facts, the Iranian-European relations depend on the final outcome of the circumstances surrounding the nuclear deal. On the one hand, there is a reduction of nuclear commitments by Iran. On the other hand, the European troika enacted the dispute settlement mechanism included in the agreement. The future of the relationship between the two sides will be shaped based on the developments in this file and the extent to which all parties are ready to commit themselves to its terms. In this context, we can speak of possible scenarios:

### 1- Improving Relations and Keeping the Nuclear Deal Alive

This scenario argues that the two sides will give precedence to a diplomatic resolution which will lead to maintaining the nuclear deal, leading relations between the two sides to develop departing from the stalemate and mistrust that prevailed between the two sides through 2019 to make advances on the ground when it comes to the terms of the nuclear deal and the financial mechanism. The following points enhance this scenario:



A- Iran's readiness to resume honoring commitments under the nuclear deal and taking advanced steps in order to render the financial exchange mechanism with Europe successful by approving agreements and treaties related to combating money laundering and the financing of terror such as the FATF. This is in addition to providing political and security guarantees to Europe when it comes to its ballistic missiles program and stopping its destabilizing activities whether on European soil or in the Middle East.

B- The strategic importance of the nuclear deal and its role in maintaining security in the region which also impacts the security of Europe. Enabling Iran to continue to honor the terms of the nuclear deal and shunning Iranian steps aimed to undermining it positively correlates with the European aspirations for cooperation and opening up horizons for political and economic partnerships with Iran.

C- The desire of the European troika to implement the financial mechanism INSTEX to create a commercial communication channel with Iran and help it overcome the consequences of US sanctions as the Iranian government makes some sort of effort to raise the level of transparency in financial transactions.

D- The possible forging of consensus among the European countries and joining the efforts of the European troika to include sectors other than food and medicine sectors in the INSTEX mechanism. This is in addition to encouraging the EU countries and the firms working under their umbrella to activate the Blocking Statute of 1996 which gives European firms and courts the power not to abide by sanctions imposed by a third party.

## **2- The Agreement's Survival Amid a Stalled Relationship**

This scenario points to maintaining relations between the two sides at the level of preserving the nuclear deal and Iran's suspension of its reduction of commitments without improving relations compared to what they were in 2019 or worsening to the level of hostility and a breakoff of relations. This scenario is enhanced by:

A- The continuation of the agreement is considered a political and diplomatic gain for Iran because it prevents the Americans and Europeans from collaborating positions on Iran which leads to intensifying pressures on it. Therefore, Iran is well aware of the importance of winning a European position in favor of maintaining the nuclear deal even if the agreed guarantees are not enacted.

B- The Iranian government's refusal to approve the FATF bills since it places legal, international and UN restrictions on the state and its senior officials. The government refuses to pass these regulations and treaties since the state and IRGC leaders are involved in money laundering and illegal activities such as supporting militias in neighboring countries, smuggling oil and helping in circumventing US sanctions.

**C-** The huge pressure put on the Europeans for standing up to the US unilateral sanctions on Iran as well as their inability to force companies not to abide by US sanctions. This is in addition to their hesitation between maintaining the nuclear deal and attempting to settle the outstanding issues with Iran such as the ballistic missile program and Iran's regional interference.

**D-** The continued European-European divergence when it comes to enacting the European guarantees, including the INSTEX mechanism as well as the packages of adopted policies regarding the outstanding points with Iran.

**E-** Keeping the channels of dialogue open for the two parties enhances the chances of making desirable future progress and takes into account the element of time and the possibility of changing the US position in light of the differences and contradictions related to the Iranian file at the international level.

### **3- Collapse of Relations and the Undermining of the Nuclear Deal**

This scenario argues that there is a rift in Iranian-European relations which is deepening due to the steps taken by Iran to reduce its nuclear commitments in addition to the widening gap among the European countries regarding the way to address the Iranian file in light of Iran's radical positions on several files such as the ballistic missiles program, terrorism, human rights and regional interference. In light of the tangible facts during the ongoing circumstances, this scenario is the likeliest to happen in the short and medium run. The following reasons enhance the chances this scenario will occur:

**A-** The mounting tough and extremist approach by Iran based on reducing nuclear commitments, which reached the fifth step on January 5, 2020 under which Iran is not committed to any restrictions on its nuclear program, the number of the centrifuges or the amount of enriched material.

**B-** In the aftermath of the US strike which targeted Qods Force commander Qassem Soleimani, the radical current could exploit the situation to force the government to come under its control, which would contribute to deepening the gap between the Europeans and Iranians who lost confidence in the EU and troika efforts in particular. Iran would not accept negotiations over moot points and might conduct missile tests which would increase European concerns.

**C-** The Europeans' activation of the dispute settlement mechanism stipulated in the nuclear deal after the Iranian violations and referring them to the joint commission, could lead to undermining the agreement entirely and the re-imposition of UN sanctions which were imposed on Iran before the conclusion of the nuclear deal in 2015.

**D-** The US-European rapprochement has been speedily getting stronger since the start of the new US administration led by President Donald Trump. The Europeans believe that Iran's unwillingness to implement its commitment in the nuclear deal is a pretext Tehran exploits to abandon the deal and reconsider



the framework of negotiations on outstanding files such as the ballistic missiles program or including comprehensive conditions in any future agreement in cooperation with the Americans, taking advantage of the UN consensus to achieve this.

### **Conclusion**

As the margin for maneuver for the European parties has been limited in the face of the pressures exerted by the US administration against Iran, the troika countries attempted to make good on its pledges and set up the financial exchange mechanism INSTEX. But the proposed ceiling of trade exchange via this mechanism does not go beyond financial exchange for humanitarian goods, which the Iranian government will not rely on. Following the tightening of the noose around Iran in files which included its missiles program, human rights and terrorism, it responded by threatening navigation and reducing its nuclear commitments in five phases. This is likely to push the troika to enact the dispute settlement mechanism stipulated by the nuclear deal. Therefore, the European-American viewpoints have converged more than ever before since the new US administration came to power. The nuclear deal has come to the verge of collapse although it stood nearly a year and a half after the US withdrawal from it.

# Iran-China Relations

*The rising crisis between Iran and the West is a golden economic opportunity for China, which it can use as a bargaining chip to place pressure on the United States and plan political maneuvers whenever needed for their thorny issues such as the ongoing trade war; US support for Taiwan; as well as how to tip the balance of power in the Indian Ocean. The latter has been of great significance since China has given up on, albeit partially, rejecting military deployment abroad since 2017.*



When the United States withdrew from the nuclear deal in 2018, China disapproved of the US decision. In addition, China criticized the US sanctions against Iran and refused to participate in the sanctions regime against Tehran. However, gradually, China decreased its trade exchange with Iran leading to a great number of Chinese firms leaving Iran — especially oil and gas firms. The US waivers granted to China from November 2018 to May 2019 enabled Beijing to import Iranian oil. To compensate for the decrease in its economic cooperation with Iran, China boosted its military cooperation with Iran and activated Iran's membership in regional and economic organizations headed by China such as the Shanghai Cooperation Organization (SCO). Developments in Iran-China cooperation were clearly noticeable in 2019. This report addresses the most significant developments in Iran-China cooperation by discussing the following:

**First:** China and the Nuclear Deal

**Second:** Iran-China Trade Cooperation to Address US Sanctions

**Third:** Iran-China Cooperation in Regional Organizations

**Fourth:** The Future of Iran-China Relations in 2020

## I- China and the Nuclear Deal

China's position on the nuclear deal is based on the fact that all countries have the right to acquire nuclear weapons and the UN has not directly condemned Iran's nuclear program. It also supports negotiations to solve the nuclear crisis under the umbrella of the International Atomic Energy Agency and believes that unilateral sanctions only escalate the crisis, therefore, it rejects the US maximum pressure strategy against Iran. The Chinese Foreign Minister Wang Yi said when his Iranian counterpart asked him about his country's position on the nuclear deal and the US-re-imposition of sanctions, "China clearly expressed its rejection of the US sanctions imposed on Iran [...] We have always rejected the unilateral imposition of sanctions."<sup>(91)</sup> He indicated that the United States aims to force countries to comply with non-UN decisions.

Iran announced in 2019 that it would gradually decrease its commitments under the nuclear deal. In July 2019, Iran stated that it had crossed the enriched uranium threshold as stipulated in the nuclear deal. Prior to this announcement, Iran had exceeded the limit on its stockpile of heavy water. These Iranian actions were clear violations of the nuclear agreement, provoking an international reaction. The European countries, in particular France, urged Iran not to violate the deal while China believed that the United States' behavior had prompted Iran's non-compliance with the terms of the nuclear deal. The Chinese Foreign Ministry Spokesperson Hua Chunying said, "The US strategy of maximum pressure against Iran is the key reason behind the nuclear crisis."<sup>(92)</sup> China has continued to support Iran's refusal to make any amendments to the nuclear deal. In December 2019, the Chinese foreign minister at a meeting with his Iranian counterpart stressed the importance of maintaining the nuclear deal, working with the parties to the agreement and abiding by the principles of international relations.<sup>(93)</sup>

Apparently, China is keen to maintain its economic benefits regardless of Iran's breach of the nuclear deal despite the fact that Chinese cooperation with Iran conflicts with its mega cooperation programs with the Arabian Gulf states. The Iranian nuclear program — along with the safety concerns surrounding Iranian nuclear plants due to the absence of nuclear-related technology — threatens the region militarily. China's need to continue importing Iranian oil, even at a lower level, made it resist from condemning Iran's non-compliance with its commitments under the nuclear deal. Moreover, the trade war between the United States and China played an integral role in China's position on Iran's violation of the nuclear deal.

## II- Repeated Visits of Iranian Officials to China

Iranian and Chinese officials made several diplomatic visits and concluded mutual military and trade agreements. At the diplomatic level, Iranian

Foreign Minister Javad Zarif paid four visits to Beijing in 2019.<sup>(94)</sup> The first visit was in February when Zarif met with his Chinese counterpart. They did not discuss any new developments other than the nuclear deal and ways to boost mutual strategic cooperation between the two countries. The second visit was in May where they addressed the same topics. In August, Zarif paid his third visit to China where he discussed important developments. He presented a 25-year roadmap for Iran-China strategic relations, including military and trade cooperation. On September 11, Iran announced it would take part in joint military drills with China and Russia – the first of its kind to take place in international waters since the 1979 revolution. Iran was sending a message that it can still build alliances with other regional countries despite US attempts to isolate it. Through these drills, Russia and China indirectly stated that they can protect the regional security of the Arabian Gulf and compete with the United States in this objective.

**Table 1: The Most Significant Visits Between Iran and China**

Date	Official(s)
February 2 <sup>nd</sup>	The Iranian foreign minister visited China to boost bilateral relations and discuss US sanctions imposed on Tehran.
February 20 <sup>th</sup>	The Spokesman of the Iranian Parliament Ali Larijani.
May 17 <sup>th</sup>	The Iranian foreign minister visited Beijing following the US deployment of aircraft carriers and Boeing B52- fighters in the Arabian Gulf.
June 14 <sup>th</sup>	The Iranian president attended the 2019 SCO Summit.
August 25 <sup>th</sup>	The Iranian foreign minister visited China following the G7- Summit.
December 31 <sup>st</sup>	The Iranian foreign minister visited Beijing following rising tensions in the aftermath of the US killing the Quds Force Commander Qassem Soleimani.



### III- Iran-China Economic Cooperation to Confront US Sanctions

Despite the fact that China is Iran's top trade partner, the volume of trade declined in 2019, particularly in oil and gas exports which had experienced fluctuations in 2019. Moreover, non-oil exports and infrastructure investments declined in comparison to 2018.

Iranian exports to China reached \$8.8 billion – a decline of 35.6 percent in comparison to 2018. Iranian imports from China were estimated at \$12.6 billion – a decline of 36.3 percent from 2018. The total China-Iran trade volume reached \$21.3 billion in comparison to approximately \$35 billion in 2018.<sup>(95)</sup>

China-Iran trade can be reviewed as follows:

#### 1- Oil and Gas Sector

The oil and gas sector is integral to the mutual cooperation between the two countries. China used to import about 650,000 bpd of Iranian crude oil. However, following US sanctions, Iranian exports shrunk significantly to 140,000 bpd.<sup>(96)</sup> According to some statistics, China had imported about 12 million tons of crude oil since 2019; 10 million tons were delivered to Chinese terminals and the rest was stored in Chinese bonded tanks owned by the National Iranian Oil Company on Chinese territory.<sup>(97)</sup> Moreover, Chinese oil tankers carried a capacity of over 20 million barrels, according to Bloomberg.<sup>(98)</sup> To pay Iran for its oil, China implemented development projects in Iran such as railway and transportation projects; concluded a \$40 billion investment to develop the transportation network for the new Silk Road; exported goods to Tehran; and paid Iran in Chinese yuan to circumvent US sanctions. In June 2019, Vice Chairman of Iran's Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA) Pedram Soltani said, "China's Bank of Kunlun in Iran will continue its banking transactions with Iran by the end of the current year in 2019 only using Chinese 'yuan' [...] Kunlun is the only bank that cooperates with Iran." It is worth mentioning here that the United States imposed sanctions on the bank in 2012.<sup>(99)</sup>

#### 2- Infrastructure Investment

As part of the 2016 agreement between the two countries, Iran and China concluded investments in developing oil and gas fields as well as infrastructure.<sup>(100)</sup> The Iranian market represents a golden economic opportunity for China. Tehran has facilitated trade exchange with Beijing by opening its free zones — located on the Iranian borders with Iraq, Pakistan and Turkey and on the Sea of Oman and the Arabian Gulf —





to the Chinese to build tax-free factories and directly export from these free zones.<sup>(101)</sup>

#### IV- Regional-Economic Cooperation

##### 1- Iran and the Belt and Road Initiative

The Belt and Road Initiative aims to improve the land and sea routes of the *Old Silk Road* which connected the East with the West through establishing oil and gas pipelines, railways, roads, power grids, and internet networks. Iran is vitally strategic for China, given its geographical location and oil fields. Iran believes this initiative will help her circumvent US sanctions through gaining access to international markets. China is keen to maintain cooperation with Iran for several reasons: Iran's geostrategic location paves the way for China to access the Gulf region and provides a shortcut to European markets. However, Chinese withdrawal of its \$5 billion investment from Iran's South Pars Field put Iran in a difficult situation as it was heavily relying on China to break its economic isolation. The Chinese withdrawing its investment indicates that US sanctions affected Chinese economic plans in Iran and consequently the Iranian economy.

##### 2- China's Participation in Naval Drills with Iran and Russia

China pays great attention to its maritime security, given the fact that most of China's trade relations with the world are carried out through strategic maritime routes. Therefore, China gradually boosted its maritime presence especially in the vital regions from where the United States had withdrawn in June 2019.<sup>(102)</sup> China had participated in joint naval drills to fight piracy on the Somali coastlines. Later, it established its first naval base abroad in Djibouti in the Horn of Africa under the pretext of its need to maintain a logistical base to support its sea trade in Africa.

It also participated in the 'new triangle of power in the sea' drills with Russia and Iran in December 2019. The drills were held for four days and were divided into two phases: operations on the coastlines and operations in the sea. The three countries participated with 14 vessels of different types. Iran participated with 700 soldiers; Russia with its guard ship Yaroslav Mudry, tugboat Yevgeniy Khorov and tanker Yelnya. China participated with its Xining-117 Hull destroyer and 700 soldiers.<sup>(103)</sup>

Carrying out such drills with two great world powers



and permanent members of the UNSC indicates that Iran is taking a new step in its conflict with the United States for four reasons that we can review as follows:

**A-** The joint drills in the Gulf of Oman smooth the path for Iran's participation in the Indian Ocean Naval Symposium's (IONS) upcoming naval drills, where 27 countries will participate, announced by the deputy of the Iranian Navy. The IONS, formed in 2008 with 24 members and eight observers from among the littoral states of the Indian Ocean Region, is a voluntary initiative which aims to increase maritime cooperation and enhance regional security.<sup>(104)</sup>

**B-** Iran aims to highlight its ability to gather the United States' geopolitical opponents amid rising tensions in the region. This was a diplomatic success for Iran.

**C-** The amount of arms that Russia and China sent to the region sends a message to the United States that the two countries intend to entrench their long-standing presence in the Arabian Gulf and Indian Ocean, ushering in the era of Chinese maritime power and highlighting Russian ability to secure a warm water military presence.

## **V- The Future of Iran-China Relations in 2020**

Based on the aforementioned review, we realize that despite the challenges and developments the two countries faced in 2019, their bilateral cooperation was not strongly affected whether at the political or military levels. The decline in China's imports of Iranian oil has not affected the trade volume between the two countries. Therefore, it is likely that bilateral cooperation will increase in 2020 for many reasons we can review as follows:

If China further boosts its relationship with Iran, it will be able to maintain a balance of power in the Middle East and ease tensions to prevent a conflict which could risk its growing economic interests in the region. Moreover, it believes that its continuous support to Iran will curb the US strategy of sanctions against some countries. Just as China objects to US and European sanctions on Russia, it also objects to the imposition of sanctions on Iran. In 2019, it exerted massive efforts to enhance its cooperation with Russia and Iran, an expression of its rejection of US sanctions which threaten its own economic growth and trade opportunities. The Chinese foreign minister announced that his country will play a role in maintaining peace and security in the Arabian Gulf despite increasing US sanctions on Tehran. To achieve this end, China has worked to form an alliance and has concluded joint-defense agreements rivaling the ones concluded by the United States in the Middle East. The Belt and Road Initiative is the initial step in China's envisioned regional alliance though China has not explicitly expressed its main goal behind this initiative.

However, Iran's violation or cancelation of the nuclear deal is a source of concern for China because directly after the finalization of the nuclear deal

in 2015, a strategic comprehensive partnership was concluded between Iran and China serving Chinese interests in the region. Therefore, any undesired developments in the nuclear agreement directly undermine Chinese interests. This is why China will keep convincing Iran to preserve the nuclear deal.

# Iran-India Relations

*Given its dependence on Iranian oil, India was granted a waiver allowing the import of Iranian oil from November 2018 to May 2019. It is worth mentioning here that India is the second biggest importer of Iranian oil. Despite Iranian efforts to maintain its oil exports with India, India started to gradually decrease its imports of Iranian oil from November 2018.*

The US withdrawal from the nuclear deal and its strategy of maximum pressure against Iran in 2019 affected Iranian-Indian relations. Tehran resorted to New Delhi as an option to mitigate the economic isolation imposed by US sanctions. Compelled by US sanctions, India had not attempted to curb in any way the US policy towards Iran or support Iranian justifications for its nuclear activities. However, the Iranian-Indian strategic partnership is still on the table due to geopolitical and economic factors which are instrumental in the Indian relationship with Central Asia, Afghanistan, and the Arabian Gulf. In 2019, New Delhi expressed its desire to maintain good ties with Tehran without risking its relationship with the United States. It wants to benefit from the Iranian role in Southern Asia and to balance Pakistan's weight in Afghanistan and Kashmir and to address the Pakistani-Chinese partnership with an Iranian-Indian partnership through taking a bigger share in the Iranian markets, especially after the Europeans withdrew from the Iranian market due to US sanctions.

This part of our Annual Strategic Report sheds light on Iranian-Indian relations during 2019 through reviewing their political relationship, the impact of US sanctions on bilateral relations between the two countries, and finally, the economic relationship, the volume of trade exchange and financial transactions between them.



## I- The Iranian-Indian Political Relationship in 2019

### 1- Iran in India's Balance of Power Policies

The relationship with Iran was one of the biggest challenges for Indian Prime Minister Narendra Modi in 2019. India, a fast growing economy keen to emerge as a counterbalance to the economic power of China, adopts foreign policies that do not conflict with US policies towards Iran. Though US President Donald Trump terminated the Generalized System of Preferences (GSP) program covering Indian exports to the United States worth \$5.6 billion in June 2019,<sup>(105)</sup> the trade war between China and the United States smoothed the path for a closer rapprochement between New Delhi and Washington.

In addition to its endeavors to influence the balance of power at the international level, India is keen to maintain a strategic balance at the regional level. Its good relationship with the Arabian Gulf states limits the scope of its cooperation with Iran. India will probably not limit its economic relationship with Iran but will definitely avoid establishing a strategic or military alliance that would boost Iran's military capabilities. India exerted efforts to establish trilateral cooperation with Iran and Afghanistan through enhancing trade between India and Afghanistan through the Iranian Chabahar Port to compete with the Pakistani role in Afghanistan and support the US-backed Afghan government in confronting the Taliban in the ongoing peace process.

During 2019, Iran had been trying to make India circumvent US sanctions, but it failed. By complying to the US sanctions imposed on Iran, India ended all its imports of Iranian oil, "That's it [...] We will not import [Iranian oil] anymore," said the Indian Ambassador to the United States Harsh Vardhan Shringla.

India complied with US sanctions because it cannot put its strategic relationship with the United States at risk amidst rising regional tensions. New Delhi and Washington believe that boosting their bilateral relationship will be beneficial for both countries, taking into consideration that China has become a world economic power controlling most of the Asian markets. Therefore, India works to mitigate its strategic challenges and avoids creating tensions with its ally, the United States.

### 2- India in Iran's Regional Policies

Iran did not hesitate to exploit the latest regional developments to enhance its economic cooperation with its neighbors to confront US sanctions. Following Pakistani-Indian tensions in February 2019 which pushed the two countries to the brink of a direct military confrontation, Iran acted as a mediator to resolve the disagreements and strengthened its relationship with both India and Pakistan, deepening its economic cooperation with the two countries.

Historically, Iran has taken a more supportive position towards Pakistan in the Kashmir crisis and continued to do so despite its increasing military and



economic cooperation with India. This is because Tehran aims to gain more bargaining chips against New Delhi. The continuous instability in Kashmir during the last several decades has drained the power of Iran's two powerful neighbors and helped it exploit regional conflicts to serve its own national interests.

### 3- The Visits Between Iran and India

Indian and Iranian officials made several visits for economic, political and military objectives. Table No. 1 illustrates the official visits carried out between the two countries.

**Table No.1: The Visits Between Iran and India in 2019**

Date	Officials	Aim /Place
January 8 <sup>th</sup>	Iranian Foreign Minister Mohammad Javad Zarif met with Indian Prime Minister Narendra Modi and External Affairs Minister Sushma Swaraj	To attend the annual Raisina Dialogue, hosted by the Observer Research Foundation
February 17 <sup>th</sup>	Sushma Swaraj met with Iranian Deputy Foreign Minister Abbas Araghchi in Tehran	To combat terrorism in the region following the suicide attacks in Sistan-Balochistan province in south-eastern Iran
March 13 <sup>th</sup>	Officials and representatives from the two countries	The Embassy of India organized an event on the "Potential for Expanding India-Iran Trade" in collaboration with the Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA)

Date	Officials	Aim /Place
May 6 <sup>th</sup>	Gholamhossein Shafei the Chairman of ICCIMA met with the Indian ambassador to Iran	To overcome banking obstacles and launch talks to establish a new bank to facilitate trade with Iran
May 14 <sup>th</sup>	Zarif visited India	To maintain the trade relationship with India and to facilitate the issuance of visas and legal matters
September 15 <sup>th</sup>	The Indian foreign minister made an announced visit to Tehran where he met with senior Iranian officials	To discuss bilateral relations and trade as well as regional developments
September 27 <sup>th</sup>	The Indian prime minister met with Iranian President Hassan Rouhani	On the sidelines of the UN General Assembly
December 20 <sup>th</sup>	A trilateral meeting between Iran, India and Afghanistan at the level of Joint Secretary/ Director General	The second meeting of the Follow-up Committee for the implementation of the trilateral Chabahar Agreement between India, Afghanistan and Iran
December 22 <sup>nd</sup>	The Indian External Affairs Minister Subrahmanyam Jaishankar met with his Iranian counterpart Mohammad Javad Zarif in Tehran, on the second day the Indian prime minister met with President Hassan Rouhani	To discuss the latest developments in bilateral relations in Tehran

## **II- The Implications of US Sanctions on the Iranian-Indian Relationship**

### **1- Iranian Attempts to Secure Alternative to its Oil Revenues via India**

The Indian-Iranian talks to conclude a bilateral Preferential Trade Agreement (PTA) are almost finalized. "The fourth round of talks was held in Tehran in March 2019 and the next round will be held soon in New Delhi," said Iranian Ambassador to India Ali Chegeni. "The goods in each other's countries will be very cheap after the PTA is signed," he added. According to the agenda, the double taxation avoidance agreement between the two sides was finalized and is awaiting final approval by Iran.

Chegeni confirmed, "The trade should not be limited to rice, tea, oil and gas, beyond that there are thousands of goods which can be exchanged between the two countries." He also proposed to establish a trade system with India beyond the existing rupee payment saying, "It could be a way to get around the US sanctions on Tehran." He added, "The barter system is for broad categories of goods that can be easily implemented, such as fertilizers, drugs and vehicle parts."<sup>(106)</sup>

### **2- US Sanctions Waiver to India Regarding Chabahar Port**

The United States continued to grant waivers to India over Chabahar Port, first announced in November 2018. Despite its strong desire to tighten sanctions on Tehran, Washington's main goal behind granting sanctions waivers to India is to strengthen India's economic position as a strong competitor to China's growing economy, especially in Central Asia.

Chabahar Port is a significant trilateral project between India, Iran and Afghanistan and has faced tremendous obstacles including US sanctions imposed on Iran. However, India reactivated the project with an investment of around \$85 million for developing a large part of the project.<sup>(107)</sup> It also established a new railway linking the port with Afghanistan to achieve trilateral strategic and economic goals, serving the interests of the three countries. New Delhi, via Chabahar Port, aims to increase its trade volume through increasing the level of its exports to Central Asia. In addition, the port will help Iran mitigate its economic isolation.

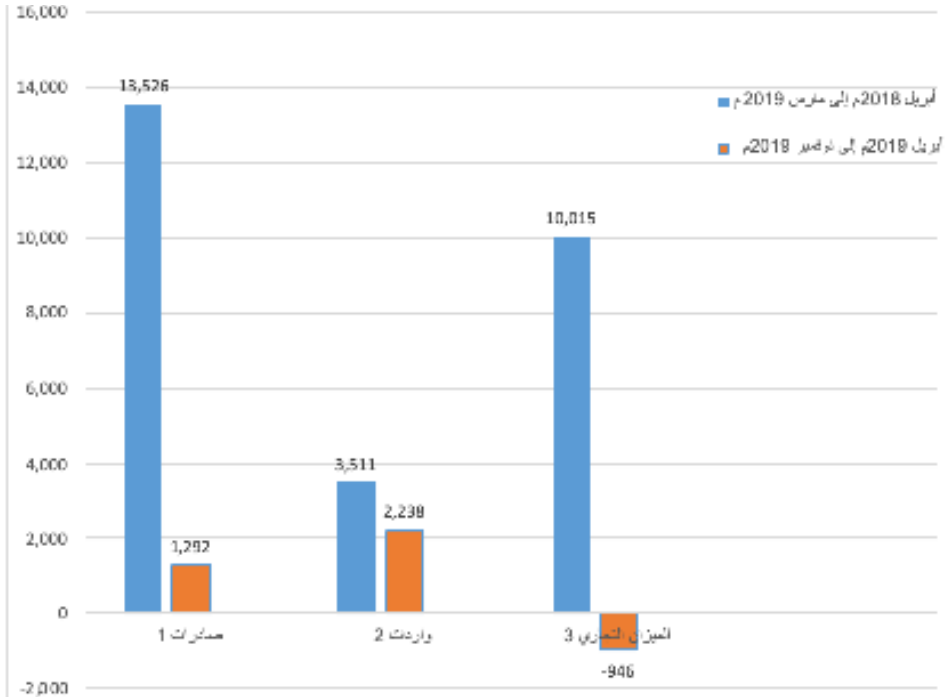
## **III- Iranian-Indian Economic Relations**

### **1- The Volume of Bilateral Trade**

The Iranian-Indian trade volume sharply decreased in the second half of 2019. Iran achieved a trade surplus of \$10 billion out of \$17 billion of the total trade volume between the two countries during the period from March 21, 2018 to March 20, 2019. After the waivers ended, the bilateral trade volume dramatically fell to \$3.5 million in the last eight months of 2019. Iranian exports to India were estimated at about \$1.29 billion and Indian exports to

Iran were about \$2.24 billion. Iran moved from a trade surplus to suffering a deficit of \$946 million during the last eight months of 2019.<sup>(108)</sup>

**Chart No. 1: The Volume of Commodity Trade Between Iran and India  
(April 2018- March 2019) and (April 2018- November 2019)**



Source: ICCIMA.<sup>(109)</sup>

## 2- Financial Transactions

Due to US sanctions on Iran aiming to block Iran's access to the Society for Worldwide Interbank Financial Telecommunications (SWIFT) and preventing it from using the US dollar for transactions, Iranian banking officials have sought to conduct financial transactions via Iran's influential trade partners such as China, India, Turkey and Italy using local currencies: the Chinese Yuan, the Indian Rupee, the Turkish Lira and the Euro. To achieve this end, Iranian Foreign Minister Mohammad Javad Zarif participated in the India-Iran Business Forum and the annual Raisina Dialogue.<sup>(110)</sup> Iranian diplomatic endeavors resulted in the opening of a branch of Iran's Bank Pasargad in India to enhance bilateral banking relations. Iran had used the Indian Rupee during the period of sanctions before the 2015 nuclear deal; and had managed to receive 45 percent of its oil revenues in the Indian Rupee. The rest of its

revenues remained frozen in India, which Iran later received after concluding the nuclear agreement and the lifting of US sanctions in 2015.<sup>(111)</sup>

#### **IV- The Future of Iranian-Indian Relations in 2020**

Both Iran and India exerted all possible efforts in 2019 to maintain their strategic partnership established on the basis of geopolitical and economic factors. US sanctions put India in a corner; though it is the second biggest importer of Iranian oil after China, India was pushed to import oil from the Gulf states, in particular Saudi Arabia and the UAE as alternative oil suppliers. Its economic partnership with Washington and its alignment with US economic policies against China's economic hegemony in Asia prompted India to comply with US sanctions imposed on Iran to achieve additional economic gains from the Trump administration by strengthening economic and political coordination as well as boosting trade relationship between the two countries.

The bedrock of the Iranian-Indian relationship is the need to maintain the international balance of power and in particular the regional balance of power. Iran works to create alternatives to its oil revenues and confront US sanctions, which have exhausted Iran both economically and politically. It opens talks with its regional partners such as India, Turkey and China to enhance economic and political cooperation as well as to boost financial transactions with them. India sees Iran as a vital strategic regional partner; Tehran is New Delhi's gateway to Central Asia. The Chabahar Port with Iran and Afghanistan boosts India's regional status and plays a pivotal role in countering its regional rival Pakistan and China.

Without a shadow of a doubt, the political cooperation and understanding between India and Iran is expected to increase in 2020 due to the aforementioned geopolitical factors – but without violating US sanctions imposed on Iran. Tehran will continue to exert more efforts to conclude a new PTA through which it cancels or decreases tariffs, leading to an increase in the non-oil trade volume which will benefit the economies of both countries.

# Iran-Turkey Relations

*In 2018, Iran and Turkey recognized the need to join forces both politically and economically in order to resolve security issues in the region. The two countries hoped to continue diplomatic negotiations with Syrians and Kurds, and resist American measures to contain them regionally. The year 2018 had proven that strategic relations between Iran and Turkey remained intact especially due to the continued flow of Iranian oil towards Turkey, as the United States exempted Turkey and seven other countries from the Iranian oil sanctions.*



In 2019, Iran and Turkey worked to maintain their strategic relationship and develop means of cooperation through diplomatic attempts to decrease disagreements and maintain a balanced relationship. Regional alliances opposing the collaboration of the two countries have given this cooperation momentum. Iranian-Turkish discussions of detailed issues regarding the United States and the international community during 2019 had bolstered the relationship between the two countries and motivated them towards building partnerships.

No doubt, this close proximity between Iran and Turkey due to their joint efforts in politics and other fields does come with its own dilemmas, which has resulted in a conflict of interest regarding several issues, including the most sensitive issues concerning the Middle East. It is also important to take into consideration the different historical heritage, radically different political identities and ideologies of the two countries.

This file discusses the interaction between Iran and Turkey during the year 2019 by highlighting three main topics: The Iranian-Turkish Cooperation; the Impact of Escalating Tension in Syria on the Turkish-Iranian Relationship, and the Future of Turkish-Iranian relationship in 2020.

## **I- The Iranian-Turkish Cooperation**

Iran and Turkey continued to balance their interests in the Near East, as the two countries adopted measures to resolve ongoing challenges. The Iranian-Turkish relationship along with its developments and outcomes is addressed by reviewing three main levels of cooperation between the two countries, listed as follows: *Political Efforts to Strengthen Strategic Partnership*; *Compatibility of Turkish-Iranian Interests in Facing Regional Conflicts*; *The Bilateral Economic Relationship and Trade Volume*

### **1- Political Efforts to Strengthen Strategic Partnerships**

Turkey had supported Iran in several ways. Turkey stood in opposition of US sanctions that took a toll on the Iranian economy and hindered the growth of trade exchange with Turkey. In April 2019, Turkish Foreign Minister Mevlut Cavusoglu stated that his country opposed US sanctions and directives on Turkey's neighbouring countries.<sup>(112)</sup> These statements came after the US government announced the cancellation of sanction exemptions on the import of Iranian oil for Turkey along with seven other countries.



Nonetheless, Turkish diplomacy continued to support Iran as in a press conference with his Iranian counterpart, the Turkish prime minister criticized the US decision of classifying the IRGC as a terrorist group, and described the decision as a dangerous development that may lead to chaos.<sup>(113)</sup> Furthermore, Turkish President Erdogan also denounced the protests that took place in October in Iraq and asserted that those behind the protests are attempting to bring instability to Iran.<sup>(114)</sup> In addition, when the Iranian protests took place in November, the Turkish foreign minister expressed hope for a swift end to the protests, and stability returning to Iran soon. His remarks were based on Turkey's policy of extending good neighbourly gestures.<sup>(115)</sup>

Turkish President Erdogan warned against quickly accusing Iran in the aftermath of the attacks that targeted Saudi oil facilities in September<sup>(116)</sup> even though intelligence information and the international community unanimously agreed that Iran was behind the oil attacks. Iran had indeed angered the world by targeting one of the most essential energy markets. In fact, Turkish diplomacy has the habit of turning a blind eye toward Iranian violations. On many occasions in 2019, Ankara stood by Iran in facing its challenges and the ramifications of its violations.

Moreover, Turkey highly appreciated Iranian efforts in curbing the ability of Kurdish parties in Iraq to establish a Kurdish republic in the region and preventing them from declaring independence from Iraq.

Turkey is well aware of the scope of Iranian influence in Kurdistan Iraq, and its ability to manipulate political tensions in the region to its benefit.

Turkey is extremely keen on collaborating with Iran over the Kurdish question, as Turkey considers the Kurdish crisis the foremost threat to its national security. This cooperation between Iran and Turkey over the Kurdish question left a fingerprint on the future of Turkish-Iranian relations.

Iran on the other hand realizes fully the significance of Turkey as an ally and recognizes the urgent need to improve trade relations with Turkey and make use of this relationship in confronting US pressure. Since it is difficult for Iran to evade US sanctions and circumvent the restrictions on its financial exchange, Iran and Turkey have exerted continuous efforts to develop their fields of cooperation. These efforts lie in bringing their perspectives closer and developing political relations while maintaining efforts to undermine US sanctions.

Areas of collaboration between Iran and Turkey are highlighted through the signing of several agreements, one of which is the religious cooperation agreement signed in December. The cooperation between the two countries was also evident in their negotiations for expanding collaboration in the fields of telecommunications and information technology. In addition, this cooperation was evident in them holding joint- parliamentary committee meetings, and in the outcomes of the Turkey-Iran Joint Economic Commission

(JEC).<sup>(117)</sup>

On an important note, the Turkish minister of transport and infrastructure and his Iranian counterpart announced in mid-August the inauguration of train services between Tehran and Ankara.<sup>(118)</sup>

## **2- The Compatibility of Turkish-Iranian Interests in Facing Regional Conflicts**

This part of the report reviews the common interests of Iran and Turkey with regard to political or military conflicts that surfaced in the region. In 2019, their progressive security cooperation is a sign of a joint political agreement between the two countries to counter the Kurdish factions deployed on the Iranian-Turkish border, or on the Iraqi border. The other indicator appeared during the Islamic political alliance between Turkey and Iran, along with Malaysia and Qatar, in a controversial meeting that took place in Kuala Lumpur, Malaysia.

### **A- Security Cooperation and the Kurdish Issue**

In August 2019, Turkey and Iran signed a memorandum of understanding to boost security cooperation to defend border areas between the two countries<sup>(119)</sup> on the condition that there would be a semi-annual meeting between the two countries. The memorandum aims at intensifying the military presence to protect the Iranian-Turkish borders. Yet, each of the two countries has its own security concerns. Turkey on one hand seeks to reduce the scope of influence of the Kurdistan Workers' Party (PKK) based near the Turkish border. While Iran on the other hand seeks to contain the territorial aspirations of Kurdish nationalists in Iraq and Iran, which pose a real threat to Iranian and Turkish national security.

Prior to signing the memorandum of understanding, a joint Iranian-Turkish operation against the PKK took place on March 21, 2019. The operation, according to the claims of the Turkish Interior Minister Süleyman Soyly, involved Turkish airstrikes on PKK headquarters in the Qandil Mountains in Iraq, which resulted in killing prominent PKK members;<sup>(120)</sup> Iran denied being part of the operation. Even though the airstrike against the PKK was not a joint operation between Turkey and Iran, it certainly was the outcome of vast coordination between the two countries. In the context of the Kurdish question, the Kurd's independence referendum in Iraq in 2017 motivated Iran and Turkey to intensify security cooperation and political coordination.

### **B- Mini-Islamic Summit in Kuala Lumpur**

There is more reason to question the Turkish-Iranian rapprochement as the ideologies and religious and political identities of the two countries vary widely. Moreover both countries deeply value their imperial heritage: the Safavid Persian heritage holds great meaning for Iran, just as the Ottoman Empire holds great significance for Turkey.



The longstanding Iranian-Turkish competition for regional domination and ideological influence weakened due to political variables in the region that ultimately prompted the two countries to focus on their commonalities and deepen their partnership. The economic isolation of Iran and the deteriorating Turkish economy, as well as common economic problems such as spiralling inflation, external debt, and budget deficits, have led both countries to seek the help of regional allies through religious platforms in order to influence Muslim public opinion.

At the mini-Islamic summit in Kuala Lumpur initiated by the former Malaysian Prime Minister Mahathir Mohamad on December 19, Iran and Turkey took the opportunity to express their anger about the economic and political status of the Islamic world, and announced their condemnation of and separation from the Organization of Islamic Cooperation (OIC).

They also called for establishing new economic alliances, and weakening regional opponents. In addition, they denounced the international community for enabling international actors to influence and take over the economies of countries like Turkey and Iran.

The controversy behind the mini-Islamic summit lies in it being so distant from the OIC, headquartered in the Kingdom of Saudi Arabia. The summit, initiated by the now former Malaysian president, was introduced as the fifth mini-Islamic summit. Invitations to the summit were sent to Turkey, Qatar, Indonesia and Pakistan. However, Indonesia and Pakistan declined the invitation because they did not want to be part of a summit that fragmented the Muslim world. Iran jumped at the opportunity and took the place of Indonesia

and Pakistan.<sup>(121)</sup>

In their speech at the summit, Turkish President Erdogan along with his Iranian counterpart Rouhani, went over – from their perspectives – the common dilemmas the Islamic world suffers from. They also criticized the output and role of the OIC regarding the Palestinian issue and Islamic unity.<sup>(122)</sup>

At the summit, Iran and Turkey took the opportunity to attack the OIC, based in and led by the Kingdom of Saudi Arabia. They also attempted to weaken the position of Saudi Arabian leadership in the Islamic World.

On one hand, Iranian President Rouhani on one hand called for the Islamic community to combat the economic terrorism imposed by the United States and undermine the domination and monopoly of the US dollar on trade exchange in international markets. On the other hand, Turkish President Erdogan attacked the Security Council of the United Nations (UNSC), demanding consideration toward the 1,700,000,000 Muslims around the world who are marginalized due to the absence of a Muslim UNSC representative. He also noted that the world is too large to be dictated by the five permanent members of the UNSC.<sup>(123)</sup>

### **3- The Bilateral Economic Relationship and Trade Volume Between Iran and Turkey**

Economic relations between Turkey and Iran form a solid foundation for the two countries to continue cooperation and maintain good neighbourly relations. Iran is the second largest exporter of natural gas after Russia, and since November 2018 up until May 2019, when US sanctions were lifted from Iran, Turkey imported nearly 12 percent to 15 percent of its oil requirement from Iran.<sup>(124)</sup>

Despite Turkey's claims of not being able to find suitable alternatives to circumvent US sanctions on Iran, and Turkey's continuous public rejection of these sanctions, reports, however, indicate that Turkey was compliant with US sanctions, and had substituted Iranian oil with Iraqi, Russian, and Kazakh oil.<sup>(125)</sup>

With the increased US pressure to prolong sanctions on Iran, and little possibility for the US extending sanctions waivers, Iran and Turkey increased official meetings to mitigate the ramifications of the economic dilemmas they face. In almost every one of these official Turkish-Iranian meetings, an economic agreement or deal was signed. Turkey depends on the Iranian market because its local currency has weakened and its share of the regional market has declined due to other competitors such as the GCC. The Iranian side also depends on Turkey and other neighbouring countries to strengthen trade in local currencies, thereby lifting its economy from recession.

On July 9, 2019, *Tehran Times* published positive reports on the non-oil trade balance between Turkey and Iran. It also indicated that the rates had doubled five times in the first quarter of the Iranian fiscal year compared to the previous year.<sup>(126)</sup> This positive economic growth despite US sanctions on Iran is the

outcome of signed agreements between Iran and Turkey.

The Turkish-Iranian Joint Work Commission (JWC) agreed on another measure to increase economic growth, which was the signing of a memorandum of understanding to expand border trade exchanges between Khoy, capital of the western Iranian province Azerbaijan, and Van its Turkish counterpart at the Iranian border.

However, the general indicator of trade between the two countries was not positive. According to the Turkish Statistics Corporation, trade exchange between Iran and Turkey recorded a sharp decline of 39.24 percent during the first ten months of 2019, in comparison with exchange rates during the same period of the previous year. Iranian exports during 2019 were worth \$3.09 billion indicating a 50.28 percent decline year-on-year. As for Iranian imports from Turkey, they stood at \$1.91 billion, down 5.26 percent year-on-year.<sup>(127)</sup> This decline, despite the high volume of non-oil trade exchange, is due to a significant shrinkage in Turkish imports of Iranian oil.

The following table sums up the trade volume between Iran and Turkey during the first ten months of 2019.

**Table 1: The Trade Volume Between Iran and Turkey (First Ten Months of 2019)**

During the first ten months of 2019	Amount in USD	Rate of decline
Trade volume between Iran and Turkey	\$5.01 billion	39.24%
Iranian exports to Turkey	\$3.09 billion	50.28%
Turkish exports to Iran	\$1.91 billion	5.26%

Prepared by the Regional and International Studies Unit at the International Institute for Iranian Studies (Rasanah)

## **II- The Impact of Escalating Tensions in Syria on the Iranian-Turkish Relationship**

Turkish-Iranian cooperation could not overcome their need to compete. The launch of the Turkish Operation Peace Spring put the two countries back in competition mode, which raised speculations over the efficiency of Turkish,



Iranian, and Russian coordination.

Despite the existence of various areas of Iranian-Turkish regional conflict, like the regional conflict over Iraqi land, and the regional conflict over areas of Central Asia and Kavkaz, the Syrian conflict, however, proved to be most prominent in raising competitive tensions between Iran and Turkey in 2019.

In this part, the report addresses the impact of rising tensions in Syria on Iran and Turkey, starting from the Syrian peace talks, their outcomes and the trilateral summit, to the Turkish Operation Peace Spring and the Iranian reaction towards it, to finally answering the crucial question: what does Iran and Turkey want out of the Syrian crisis?

### **1- Outcomes of the Syrian Peace Talks and the Trilateral Summit**

Three rounds of peace talks were held during 2019, in Astana in the Republic of Kazakhstan, the 12<sup>th</sup> round took place in April while the 13<sup>th</sup> and 14<sup>th</sup> rounds took place in August and December consecutively. However, the peace talks did not produce an important breakthrough in relation to establishing a constitutional committee leading to a political settlement between the Syrian parties. The peace talks concluded that three out of four remaining de-escalation zones in Syria are under the control of the government, while negotiations over Idlib – the last of the Syrian opposition areas – was a point of contention between Russia and Iran with their Syrian counterpart on one hand and Turkey and the Syrian opposition on the other.<sup>(128)</sup>

On the same note, two trilateral summits were held in 2019 between Turkey, Iran and Russia to coordinate the Syrian issue. The first summit, which was considered the fourth of its kind, took place in Sochi, Russia, on February 14.<sup>(129)</sup> The concluding statement of the summit expressed support for the withdrawal of US forces from Syria. In addition, Turkey, Iran and Russia agreed on maintaining the political process, the unity of Syrian territory and reducing escalations in Idlib. Yet no progress concerning the Syrian Constitutional Committee was achieved.

The second committee, which was the fifth of its kind, took place in the Turkish capital Ankara in mid-September. It called for the establishment of the Syrian Constitutional Committee and initiating it as soon as possible.<sup>(130)</sup>

The two trilateral summits aimed at establishing trilateral relations between Russia, Turkey and Iran that go beyond the Astana talks and peace in Syria. They aimed to integrate the three countries into a wider geopolitical relationship covering political, financial, economic, military and technical fields.

The summits certainly contributed to improving Turkish-Iranian cooperation and deepening political bilateral ties. Yet the variances in Turkish-Iranian attitudes did not appear until 2019 in the aftermath of the Turkish Operation Peace Spring.



## 2- Turkey's Operation Peace Spring and the Iranian Reaction

The long planned Turkish Operation Peace Spring overshadowed the course of events in Syria. It established a 444 km long, and 32 km deep safe zone, according to Turkey's view. This came after the US President's decision to withdraw US forces from Northern Syria in 2019.<sup>(131)</sup>

Despite international and regional disapproval of the operation and its repercussions, Iran concluded that Operation Peace Spring was a threat to Iranian presence and interests on Syrian land.

The Iranian army carried out clandestine military training west of Iran on the Turkish borders, as an initial reaction to Turkish President Erdoğan's statements regarding his intention to initiate Operation Peace Spring.<sup>(132)</sup> Iran condemned the Turkish military operation, as President Rouhani urged Turkey to avoid provoking chaos in the Syrian case and preserve the unity of Syrian territories.<sup>(133)</sup> The Iranian foreign minister also took the initiative to mediate between the Turkish, Kurdish, and Syrian governments. Yet all Iran's efforts came to nothing and concluded in the Iranian Parliamentary speaker Ali Larijani cancelling his meeting with his Turkish counterpart due to Turkey's intervention in Syria.<sup>(134)</sup>

The escalating tensions in the region however were relatively contained in mid-October 2019 after the Russian-Turkish settlement over Northern Syria. This resulted in PKK fighters and the Kurdish People's Protection Units to move 30 kilometers back from the Turkish border and joint Russian-Turkish patrols along almost 110 kilometers of the border.<sup>(135)</sup>

The repercussions of the US withdrawal from Syrian territories and Turkey's

subsequent intervention in Syria, disclosed the Turkish-Iranian political variances and clashing strategic goals and interests. Not to mention that Iran is more of an observer of events in Northern Syria and uses the Syrian government as a cover for its operations to avoid military confrontation with its Turkish ally; as opposed to Russia – the primary and more powerful actor which strives to keep the Syrian government's interests intact.

### **3- What Are the Turkish Goals in Syria?**

President Erdogan declared that Turkey's intentions out of Operation Peace Spring are merely to create a safe zone, and clear it from terrorists, thereby enabling 1 million Syrian refugees in Turkey to go back to their land and provide them with residential areas within the safe zone.<sup>(136)</sup> Yet, Turkey's main objective is to eliminate PKK fighters and the Kurdish People's Protection Units which Turkey classifies as a terrorist group, suspecting a link between this group and other terrorist groups inside Turkey.

On another level, the US withdrawal from Syria was a gain for Turkish strategy, as Turkey opposed the US presence in Syria, and US support to Kurdish Syrian Democratic Forces; as Turkey claims that the Syrian Democratic Forces harbor Kurdish terrorists. Moreover, Turkey aims to secure 12 military observation bases inside Syrian territory to fend off Syrian government attacks, supported by Russia and Iran, and prevent the Syrian government from seizing the last of the Syrian opposition strongholds supported by Turkey. By obtaining strong bargaining chips, Turkey may implement its strategic goals in Syria and can ensure that Syrian crisis-resolution negotiations are settled to its advantage.

### **4- What Are the Iranian Goals in Syria?**

On one hand, Iran fell into a conflict of interest dilemma with Turkey over Syria after Turkey's initiation of Operation Peace Spring. On the other hand, Iran was dependent on its Turkish ally in confronting US sanctions and international isolation. Iran has a strategy to extend its influence over the region and reinforce the capabilities of its resistance axis which extends from Tehran to Baghdad, and from Southern Syria across Damascus to the Mediterranean Sea through Al-Ladqiyah port.

Therefore, the presence of Turkish forces or Turkish military bases in Syria undermines Iran's strategies in the region and hinders the flow of Iranian supplies to its proxies. Not to mention the differences in political and ideological identities between Iran and Turkey which can escalate at any moment in the event of a clash between Syrian opposition forces which align with Turkey in their religious and ideological identity, and the Syrian government which is backed by Shiite militias under the command of the IRGC.

The Turkish intervention in Syria, the Russian containment of the Syrian crisis, and the Iranian-Russian agreement on October 22 prove that Iran is

merely an ineffective observer in the Syrian case as Russia certainly has the upper hand in making political decisions in Syria. Furthermore, extending the Turkish military presence in Syria may limit the future of the Syrian crisis between the two active powers (Turkey and Russia), thereby alienating the Iranian side from achieving its goals in the region.

On a different note, Turkey's attacks against Kurdish separatists does have an impact on Iranian national security, despite the harmonization between Iran and Turkey on fighting Kurdish parties as Kurdish-Iranians in Iran put pressure on the Iranian government to condemn Turkish military operations against the Kurds. Not to mention that the Kurdish parties in Syria (much feared by the Turkish government) have extended ethnic, tribal, religious, and cultural ties with Kurdish groups inside Iranian territory.

### **III- The Future of the Turkish-Iranian Relationship in 2020**

The closeness between Iran and Turkey was at an all-time high in 2019, as international pressure and economic sanctions imposed on Iran had left both Turkey and Iran no choice but to adopt a policy of building partnerships and agreements.

On the economic side of things, the Turkish government had indeed complied with US sanctions imposed on Iranian oil, despite Turkey's condemnation of these sanctions. On one hand, this compliance to US sanctions led to a decline in general trade levels between Iran and Turkey, yet on the other hand, non-oil related trade exchange rose positively as a result of exerted efforts in intensifying cooperation between Iran and Turkey. Still, these efforts do not make much of a difference in enhancing the economies of either country.

We can also conclude that there is ongoing Iranian-Turkish military and security cooperation, especially to counter the Kurds. Except when it comes to the Turkish military Operation Peace Spring, north of Syria, we can see a sharp contrast in visions and strategies between Iran and Turkey.

On a different note, Iran's role in the Syrian case had proven to be ineffective, despite extensive presence of Iranian militias on Syrian land. Since Russia solely possesses power over the Syrian case, and since Iran is ineffective in the Syrian case, Turkey ultimately has a better chance than Iran in influencing the Syrian case.

In addition, US sanctions on Iranian oil, as well as the protests in Iran and Iraq have drained the Iranian government along with its loyal militias in Iraq into a vortex of internal conflict that significantly reduced the amount of Iranian support to its militias in Syria. These events in turn led Iran to allying with its strategic neighbour Turkey, despite the latter's role in undermining Iranian ambitions in Syria.

Based on the above perspectives, we conclude on one hand that the development or deterioration of the Iranian-Turkish relationship depends on

the scale of escalation in the Syrian case. Yet on the other hand, cooperation between Iran and Turkey will continue to improve due to their extensive dependence on one another in facing regional-international challenges and achieving positive economic growth rates to improve the socio-economic conditions of their people.

Based on what has been mentioned above we can predict two possible scenarios:

*First Scenario: The Continuation of Iranian-Turkish Coordination and Consultation by Overlooking the Implication of the Syrian Crisis:*

This scenario predicts that the mutual Turkish-Iranian dependence, under the shadow of political and economic hardships, outweighs their rivalry in Syria. This scenario is likely to take place in the short to mid-term during 2020. Needless to say the Iranian side is much weaker economically in comparison with Turkey, due to the effects of US sanctions, thus Iran's need to ally with Turkey is extremely important.

This scenario suggests the following:

A- Regional and international alliances against Iran and Turkey motivate the two countries to marginalize areas of conflict and implement means of cooperation and build partnerships.

B- US sanctions on Iran and its increasing repercussions on the Iranian economy lead the Iranian government to adopt alternative policies and find new trading partnerships outside the scope of US sanctions and the US dollar.

C- Iranian-Turkish governments unite in combating Kurdish parties and continue their cooperation in the field of security and intelligence to counter terrorist threats on their borders.

D- The ability of Turkish forces and Shiite militias (backed by Iran) to avoid clashes and confrontations on Syrian territory, especially as Iran is backed by Russia and the Syrian government.

*Second Scenario: The Deterioration of the Turkish-Iranian Relationship due to Escalating Conflicts and Clashes in Regards to the Syrian Crisis:*

This scenario assumes the possibility of conflict arising on Syrian territory between Turkish backed forces and Shiite militias backed by Iran, with the possibility of direct intervention from the Turkish army over the long-term in 2020. This may ultimately lead to raising religious, ideological, and political identity variances between Iran and Turkey, and eventually convert the relationship between the two countries into a state of antagonism and foreign policy conflict, bringing the relationship between the two countries back to its original state of doubt and mistrust.

This scenario suggests the following:

A- Continuing pressure and containment of Syrian opposition forces in Idlib, with the Syrian government's desire to crush the last of the opposition forces and recover more land, this may very much escalate the clash with Turkish

forces. Turkey will perceive this as a violation of the de-escalation treaty in Idlib undermining its goals and excluding it from any future conflict resolution discussions on the Syrian case.

**B-** Iranian trade exchange with Turkey ultimately drops, and proves ineffective in countering US sanctions, which in turn leads Iran to prioritize its expansionist goals in the region, and to make gains out of the Syrian case, in order to lift its economy from recession.

**C-** Persistence of the Turkish government in eliminating the Kurdish presence on its borders, and the establishment of Turkish military bases in Syria, and its control of Syrian opposition areas may instigate a clash with the Syrian government and Shiite militias.

**D-** The manifestation of historical and cultural disagreements between Iran and Turkey may potentially raise new complications and rivalries on various issue related Iraqi, Central Asian and Caucasian, and Syria.



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## CONCLUSION

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Through studying Iranian interactions at the domestic, regional and international levels during 2019, we can conclude that Iran resorted to low-escalation provocations in the Arabian Gulf region and Iraq to force the United States to decrease its maximum pressure strategy. Though the region was approaching the edge of a large-scale military confrontation, the self-restraint exercised by the Arabian Gulf states and the international community protected the region from relapsing into war. This put Iran in a corner, it had to choose between sitting at the negotiating table or enduring the harsh impact of US sanctions. It held on to its refusal to open talks, worsening living conditions at home. On the ideological level, the Iranian ruling system has sought to nationalize and institutionalize its religious model at all levels, seeking to strengthen national unity and defuse tensions with the Najaf Supreme Marjaya –Iran’s partner in leading the Shia world, and decrease religious restrictions imposed on women and youth. However, this strategy was pointless as it conflicts with Iranian policies and the agreed religious perspective. So, in the near future, we see no signs of imminent reform as no crucial changes are expected to happen in the Iranian religious and cultural arenas that would alter the relationship between the religious establishment and the people or between the religious establishment and the political authority.

At the political level, the pro-government majority or at least the silent majority has been shrinking due to the deteriorating living conditions and the consecutive errors of the ruling elite in addressing the people’s demands whether at the political, economic or social levels. The Iranian ruling system is still using its security forces to repress public protests. Government officials are still blaming one another in regards to corruption; therefore, the Iranian people are disinclined to participate in politics.

At the economic level, deteriorating economic conditions have resulted not only from US sanctions, but also from corruption and the hegemony of military



institutions over the economy and because of the fact that Iran's economy is rent-seeking. However, US sanctions remain the main cause behind Iran's economic crisis. Therefore, all future expectations for Iran's economy hinge on the future of US sanctions — will the United States mitigate, lift or maintain its sanctions on Iran? Generally speaking, Iran cannot maintain stable living conditions for its people in light of US sanctions. Thus, a new and stronger wave of public rage is expected to arise if economic indicators and living conditions continue to decline. Iran's steps to resolve its economic crisis by drawing closer to Russia, China and the powerful Eurasian bloc did not mitigate the impact of US sanctions. Its trade cooperation with bordering countries failed to address the crisis. Iran has become more dependent on its cash reserves; if it continues withdrawing from its cash reserves at the same rate as in 2019, it will not be able to cover the budget deficit at least for the upcoming four years.

At the military level, Iran achieved a number of limited successes such as targeting a US drone, seizing a British tanker and developing its domestic defense industries. However, after the killing of its top militia commander, Iran needs to strengthen the unity between its militias and is expected to experience more attacks from Israeli forces whether in Syria or Iraq. Despite its growing economic woes and limited capabilities, Iran is likely to continue developing its missile and drone programs and increase its maritime maneuvers on the high seas though it does not have the capabilities needed for this end.

In the context of Arab affairs, the Iran-Gulf relationship is not stable as it is subject to many contradictions. Although the Arabian Gulf states operate under the GCC umbrella, their positions vary in regards to Iranian influence in the region. A good number of mediation efforts were carried out to achieve rapprochement between Saudi Arabia and Iran. However, these efforts did not result in changing Iranian perspectives towards core issues in the Middle East. They only aimed to find de-escalation mechanisms without changing Iran's perspectives and vision.

There are three scenarios regarding Iran's presence in Iraq. If the Iran-backed militias control the political arena in Iran, Iran's presence will be further entrenched in the country. The second scenario, the Iraqi popular movement succeeds in uprooting Iranian influence due to the growing Iraqi realization of Arabism. The third scenario, the most likely to happen, although the popular movement is still unable to change the political equation in Iraq, it has imbued the Iraqi people with a deeper sense of awareness, i.e., Iraq before the protests is different from Iraq after the protests.

Iranian influence in Syria increased in 2019 in comparison to 2018 as Assad now controls 72 percent of Syrian territory. On the economic level, the Iranian sphere of influence expanded after Assad signed a great number of economic agreements with Iran. On the political level, its influence also expanded further despite political and economic competition from Russia, Israeli military strikes



and Turkish presence in northern Syria. Therefore, it is possible that Iran will succeed in gradually strengthening its presence in Syria based on the agreed upon spheres of influence with Russia. Or it will adopt a policy in accordance with the status quo after going through a long period of competition with other regional powers in the spheres of influence.

In Yemen, Iran and the Houthis exploited the imbalance between the Yemeni political components and the conflicts between the legitimate government and the transitional council, hindering the implementation of the Stockholm Agreement. Also, the Houthis targeted maritime navigation in the Red Sea. However, the Riyadh Agreement between the legitimate government and the Southern Transitional Council (STC), sponsored by Saudi Arabia, brought the two parties to the negotiating table. Hopefully, the UN role represented through its envoy to Yemen, Martin Griffiths, will be more instrumental in placing further pressure on Iran and its proxy-militia, the Houthis, to accept a political settlement after the Houthis thwarted the implementation of the Stockholm Agreement.

In Lebanon, protests broke out across the country condemning Iranian presence. The protesters chanted, "All of them, All of them, Nasrallah is one of them," referring to the Iranians. The Lebanese popular movement failed to make a change in the structure of Lebanon's ruling system. US sanctions imposed on Lebanese entities and individuals will bring the Lebanese crisis to a more complicated level in 2020. Iran still has strong influence over Lebanese political decision-making through its proxy-group Hezbollah. The United States has started to deal with Lebanon and Hezbollah as one entity, therefore, it has reconsidered its supportive policy towards Lebanon. The Europeans are expected to follow the US policy in this regard following the designation of Hezbollah as a foreign terrorist group.

On the international level, the United States succeeded in diminishing the Iranian economy by 9.5 percent. Following the Iranian attack on Saudi oil installations and the gradual European withdrawal from Iran, Iranian international maneuvers declined. The killing of Qassem Soleimani weakened its grip on its own militias at the operational and ;

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organizational levels. Following the public outrage against the government which spread all over Iran, it is quite probable that the United States will create more challenges for Iran at home in order to push it back to the negotiating table and compel it to accept US conditions.

On the other side, Russia engaged Iran in its strategic projects to form a new Eurasian bloc to compensate for its losses after the collapse of the Soviet Union, so it can transfer its status from being a regional economic power to once again becoming a great world power. Russia concluded a number of long-term economic agreements which aim to make Tehran a corridor for Russian



trade to the Indian Ocean and place the transportation sector, including ports and power installations, under Russian control. The longer the crisis continues between Iran and the United States, the more submissive Iran will become towards Russia. Iran will be pushed back to the situation pre 2015 and be forced to be more submissive to Russia by concluding long-term obligatory agreements.

The Europeans are expected to adopt the US position towards Iran, but gradually. They expressed to Iran their disappointment at the US withdrawal from the nuclear deal, their intention to maintain relations with Iran depends on its commitment to the nuclear deal and is also conditioned on Tehran's acceptance of several conditions, such as approving the Financial Action Task Force's (FATF) bills and reaching an agreement on its ballistic missiles program, as well as stopping its destabilizing activities in the Middle East and Europe.

Despite the challenges and developments the two countries faced in 2019, China and Iran continued their cooperation. Though the bilateral trade volume dropped due to China's decrease in its imports of Iranian oil, military and political support were not greatly affected. Therefore, it is likely that bilateral cooperation will increase in 2020. China is still concerned in case Iran violates or completely cancels the nuclear deal. Immediately, after concluding the nuclear deal, China signed a comprehensive strategic partnership with Iran in 2016 which aligned with its goals in the region. Thus, any breach of the nuclear deal would put at risk Chinese goals. That is why China exerted all efforts possible to convince Iran to maintain the nuclear deal.

According to the Iranian-Indian relationship, the two countries aimed to maintain their strategic partnership established upon their shared geopolitical and economic interests. It is worth mentioning here that the regional and international balance of power constitutes the bedrock of their foreign policies. Without a shadow of a doubt, the two countries will increase their bilateral cooperation and political understanding and will continue to push for concluding new economic agreements to remove or decrease customs duties, leading to an increase in Iran's non-oil trade and boosting its economy.

Turkey, Iran's friendly rival, prefers to deal with Iran by dividing their bilateral relationship into separate issues. Direct confrontation and competition mark their relationship in Syria, yet they collaborate on the Kurdish question. However, Iran believes Turkey plays a significant role in mitigating the impact of US sanctions —without impacting their mutual positions and interactions. Turkey competed with Iran for influence in Syria without launching a direct military confrontation. The two countries collaborated to curb Kurdish ambitions and thwarted Kurdish endeavors to establish an independent state in Iraq or an autonomous state in Syria.

The Arab and global perception towards Iran has become negative. Due to deteriorating economic and social conditions as well as rising public anger, the



Iranian ruling system lost its legitimacy among Iranians. On the international level, the legitimacy of the ruling system deteriorated in comparison to 2018. In 2019, the international community lost confidence in the official Iranian narrative that it remained committed to the international nuclear deal and called for re-negotiations despite the US withdrawal from the deal. The Iranian attacks against maritime navigation in the Arabian Gulf, the Sea of Oman, the Red Sea, and against Saudi oil installations; its suppression of protests whether directly or indirectly via its proxy militias in Iraq and Lebanon have significantly contributed to changing the international community's perspective towards Iran. Now Iran is seen as a country with expansionist ambitions which engages in external conflicts outside its borders and recruits militias to expand its influence, risking international peace and security. It is unlikely that Iran will be able to improve its image as long as it continues to adopt a policy challenging the international community and provoking instability in its neighboring countries.



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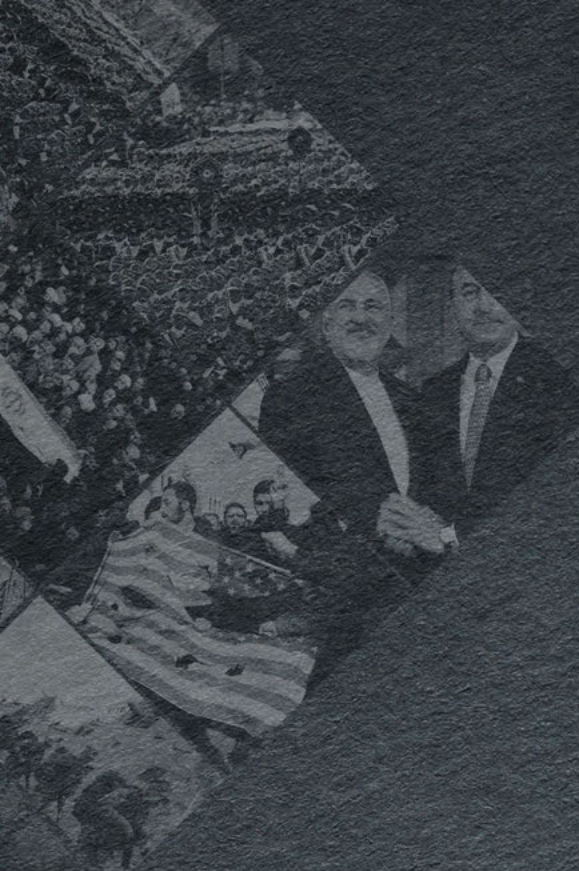
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