

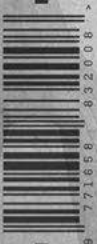
MONTHLY REPORT



IRAN CASE FILE

Your window on Iran from inside and abroad

June 2020



RASANA
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International Institute for Iranian Studies

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IRAN CASE FILE

June 2020

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THE EXECUTIVE SUMMARY

Although the interactions related to the Iranian case file for June 2020 are intensive, the diplomatic battle waged by Iran against the United States to ensure that the arms embargo on it is lifted in October 2020 and to prevent the United States from pushing the UN to extend this embargo, remains the biggest challenge facing the country at this stage. This issue affected all other files in one way or another and this battle will most likely continue until the date of the lifting of the embargo this October if it is not decided earlier.

At home, we find that Iran is waging an ideological war led by clerics to expel US forces from Iraq with the aim of reducing the US presence and unleashing its allied militias to wrest control over the Iraqi state. Among the fatwas issued is the one issued by Kazem al-Haeri in which he openly called for expelling US forces from Iraq, saying that signing any security agreement with the United States is unlawful. However, the withdrawal of US forces from Iraq cannot be achieved without strengthening the Iraqi statehood, wiping out transboundary affiliations, restricting weapons exclusively to the state, and ending sectarianism and political quotas, which are all factors supported and enabled by Iran on Iraqi soil.

This battle waged by Iran against the United States on the nuclear deal and the obligations arising from it is taking place at a time when it is suffering at home from rampant financial and administrative corruption. This was addressed in the political file by touching on issues related to the corruption of the judiciary and the dispute between the former judiciary head Sadiq Amoli Larijani and the current chief of the judiciary Ebrahim Raisi on the corruption of Tabari, the former aide of Larijani. This dispute on corruption involves another dispute over the position of the next supreme leader between men whose public reputations have been tainted. Huge segments of the Iranian public hate these figures because of their involvement in bloody crackdowns.

As for the *Economic File*, the Iranian government is attempting to alleviate the

suffering of the Iranian people due to the economic sanctions imposed by the United States on Iran. But these efforts are confined to partial solutions and do not involve spending from Iran's financial reserves as the country awaits the lifting of the arms embargo on it. Iran has launched what is known as "justice shares," low-price shares which enable savers to invest their savings via purchasing shares of some government-controlled Iranian firms from the Iranian stock exchange. The aim is to allocate the revenues of the shares to Iranian families and contain monetary liquidity to curb corruption. This is in addition to discouraging Iranians from purchasing the dollar and indulging in speculation via directing their local currency savings to purchase shares.

Militarily, Iran continues to hold consecutive military maneuvers with the aim of enhancing its presence and preparedness to go ahead with its regional interventions.

After the International Atomic Energy Agency (IAEA) issued a decision on June 19 making it obligatory for Iran to allow inspection of its nuclear sites suspected of breaching the nuclear deal, a series of explosions took place at the nuclear sites and other key military sites.

Unofficial analyses emerged that Iran had come under Israeli cyberattacks which caused damage to these nuclear sites. The Iranian government did not clarify the reasons behind these explosions.

Iran does not allow inspections of its suspected nuclear sites and refuses escalation via the dispute settlement mechanism. Meanwhile, the United States takes measures aimed to extend the embargo on supplying arms to Iran, but a final decision on the issue was not reached during the month of June.

As for the Arab Affairs and the Iraqi file, transformations are continuing. The new Iraqi Prime Minister Mustafa al-Kazemi has taken serious steps towards curbing the influence of Iran-aligned armed militias existing on Iraqi soil. Several Iraqi political factions are responding to his pursuit to strengthen the Iraqi national state, restore order on Iraqi borders and rebuild confidence between the Iraqi people and their government.

In the meantime, Iran is pushing towards connecting with Iraq politically and economically. It supports the pro-Velayat-e Faqih militias, strengthens the Popular Mobilization Units (PMU), and attempts to thwart the strategic dialogue between the United States and Iraq.

Iran is also using its usual lever in Yemen by pushing the Houthis to mount more missile attacks on Saudi territories, impede the path of negotiations, and is also hinting that there is significant pollution in the Red Sea as a result of the bombing of oil tankers docking off the Yemeni coast in the Red Sea.

On the international arena, the United States intensified its efforts aimed at issuing laws to hinder the export of weapons to Iran. Some committees in the US Congress moved and proposed new bills on the manufacturing of weapons in countries like Russia and China, which could sell weapons to Iran. These proposed laws would also apply to banks which could facilitate the sale of weapons to Iran and the firms which ship these weapons. Also, the United States issued the Caesar Act which places restrictions on Iran's participation in reconstructing Syria.

As for Europe, which has become the balancing actor in the equation of maintaining the nuclear deal and suspending the supply of arms to Iran, it is still embracing a hesitant and confusing position. It has not openly revealed its plans concerning outstanding Iranian issues. It takes a step towards implementing the dispute settlement mechanism along with the consequent ramifications and then refrains from continuing the rest of the steps.

All in all, the files of the Iranian case are going through a critical moment and represent a dangerous turning point which will clarify many international positions on Iran, whether from Russia, China, or Europe. In the same context, the battle to end Iranian control over Iraqi territories is ongoing. In the meantime, the Iranian home front is filled with popular anger which could explode at any moment in the coming few months.

Internal Affairs

The Internal Affairs section deals with four files covering Iranian interactions at home. The Ideological File discusses the fatwa of a Shiite cleric in which he rendered security agreements between the United States and the Iraqi government unlawful. The Political File discusses the administrative and financial corruption within the judiciary in Iran and the potential impact of this on the expected conflict over the post of the supreme leader of Iran. The Economic File analyzes the “justice shares” launch on the Iranian stock exchange, the motives behind the move and its impact on the Iranian economy in light of the decline in Iran’s economic indicators and the collapse of the value of the national currency. The Military File touches on the maneuvers in Iran and the setting up of a replica US plane carrier and striking it in the Gulf waters. This is in addition to Iran’s announcement that it manufactured guided bombs and the interactions related to US efforts to extend the embargo on arms supplies to Iran.



THE IDEOLOGICAL FILE

This file casts light on the ideological developments related to the Iranian religious elite and the seminary during the month of June 2020 and the impact of these developments on the religious and political scene in Iran.

The *Ideological File* of last May had cast light on the Iranian decision to reopen shrines, reactivate activities at seminaries and the Iraqi authorities' refusal to reopen borders to Iranian visitors. This month's file, meanwhile, sheds light on the fatwa issued by some clerics that makes it obligatory to expel US forces from Iraq, and demands that armed groups are left untouched.

The file seeks to answer some questions about the scope and influence of the fatwa issued by pro-Velayat-e Faqih clerics on the crisis-riddled Iraqi political and religious scene, how far the Iranian government takes advantage of such fatwas and the attempts to strip the Najaf seminary of any power over Iraqi internal affairs.

I- Cleric Haeri and Targeting US Presence in Iraq

In an answer to a question on the US-Iraqi dialogue, cleric Kazim al-Haeri issued a fatwa rendering unlawful the signing or extension of any security agreement with US occupation forces. He also rendered unlawful the presence of these forces under military, economic or any other pretext. If the officials do not fulfill their obligation to expel the occupiers, the Iraqi people will have to take a position. The Iraqi people are angered at the presence of US forces and will accept nothing but to defeat the occupiers and expel them in humiliation.⁽¹⁾

He finally hinted at the position of the PMU in the sphere of jihad, in a specific reference to the PMU's targeting of the Americans. "Finally, we ask God Almighty to guide our brave fighters to what pleases Him and make them the garrison defending the upright Islam."⁽²⁾

This is not the first time that Haeri has issued a fatwa against the US presence in Iraq. He issued a famous fatwa which gave the green light to some militias to systematically target US forces in Iraq.

In August last year, he issued a fatwa "rendering unlawful the staying of any US military force or its like in Iraq under any pretext, whether for training or as military advisers."⁽³⁾

It seems that this fatwa marked a new chapter in the attacks on US forces in Iraq, which led to reciprocal attacks between the two sides, which have been continuing to this day.

The fatwa could be interpreted as an expression of Iranian concerns about growing US-Iraqi relations at the expense of Iranian-Iraqi relations. At the religious level, the fatwa lays the foundation for setting a jurisprudential precedent. It attempts to outline a jurisprudential framework regarding foreign militias, and seeks to strengthen Iran's goal to oust US forces from Iraq by conferring it with religious legitimacy.

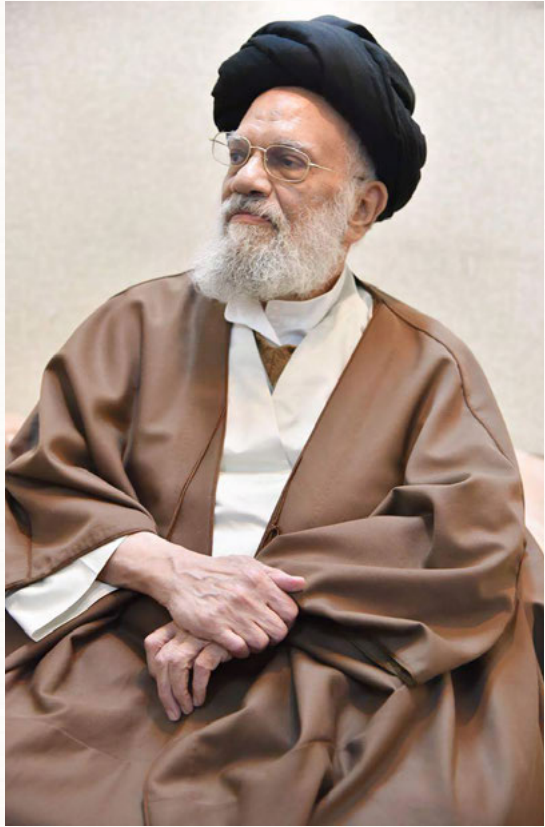
This fatwa is also an alternative to a direct fatwa from Khamenei, which could be embarrassing for Iran at the official level in case it is issued. Khamenei, has repeatedly called for withdrawing and expelling US forces from Iraq. He once told former Iraqi Prime Minister Adel Abdel-Mahdi, "you should do what pushes the Americans to withdraw

their forces from Iraq as fast as possible because if they stayed in a certain country for a long time, the process of driving them out will be shrouded in difficulties.”⁽⁴⁾

It was construed at the time as Iranian support for the attacks launched by militias and expelling US forces using any means whatsoever. But he did not issue an official fatwa allowing the targeting of US forces existing in Iraq. This political and military threat was echoed in the remarks of Ali Akbar Velayati, the supreme leader’s adviser on international affairs in February this year. He said that if US forces don’t withdraw willingly from Iraq, they will be forced to pullout. He also spoke of the “complete pullout” from the region, which means driving out US forces from Iraq, Syria, and Afghanistan.⁽⁵⁾

This indicates that the ruling elite in Iran resorted to political and military rhetoric at the highest levels of the political system against the US presence in Iraq. But this was not the case when it came

to fatwas. The matter was confined to senior clerics short of the supreme leader. Kazem al-Haeri is one of the followers of Sadr and has fellow clerics inside Iraq. He is also in harmony with the Velayat-e Faqih line, which enables Iran to achieve its religious and fatwa objectives through him without putting the official establishment in an awkward situation.



II- Militias and Transboundary Religious Loyalty

The representative of the supreme leader in Iraq, Ayatollah Mujtaba Hosseini, said that “the resistance factions in Iraq have an unmitigated loyalty to the supreme leader in Iran. This includes the members who follow him and the members who follow the other religious marjayas.”⁽⁶⁾ He expressed concern about US infiltration into the country’s cultural fields.⁽⁷⁾ This is like the remarks of Ayatollah Sayyed Yassin Mousavi, the Baghdad Friday prayer leader. He asserted that “expelling US forces from Iraq goes without saying.”⁽⁸⁾ Regarding the issue of cultural domination, he said, “We don’t accept Iraq’s fall under American religious, cultural or educational authority.”⁽⁹⁾ He invoked Iraq’s religious heritage by saying: “It is a matter of pride for Iraq that is the Capital of the government of the Emir of the Believers and will be the capital of Imam Mahdi government (May God expedite his reappearance).”⁽¹⁰⁾

Such remarks confirm the way of thinking of Velayat-e Faqih supporters on the integration of armed groups into the Iraqi army, as echoed by the marjaya in Najaf under pressure from Iran. ⁽¹¹⁾

This is not in the hands of the Iraqi people and is not a purely Iraqi decision. It is rather a decision by the supreme leader as he is considered to be the ruler of the Islamic world and these groups display exclusive obedience to him. The supreme leader himself reiterated that the mission of these factions is not confined to Iraq, but their mission includes helping the vulnerable across the world.⁽¹²⁾

The recent attempts of the Iraqi prime minister to curb some armed militias, especially when it comes to targeting US forces in Iraq, are not without political, military and ideological hindrances. Clerics supportive of Velayat-e Faqih condemned the arrests of some members of these armed militias who were preparing to mount attacks against the Americans.

Sadroddin al-Qabani, the Najaf Friday prayer leader, said that “arresting some members of the Popular Mobilization Units’ affiliates by the Counter Terrorism Service (CTS) is a dangerous and unacceptable precedent.”⁽¹³⁾

III- Future Indications: Rivalry Between Qom and Najaf

Amidst the rivalry between Iran and the United States in Iraq, religious fatwas are being employed to influence many Shiite fellow clerics. This happens via clerics supportive of the Velayat-e Faqih line. Iran totally rejects any serious attempts to integrate the PMU into the Iraqi armed forces as the marjaya in Najaf desire. The integration attempts were described by Ayatollah Haeri as a US objective to help “erase the holy PMU.”⁽¹⁴⁾

Haeri is known to be the godfather of Asaib Ahl al-Haq⁽¹⁵⁾ and other PMU factions. In the past, he was the godfather of the Sadrist Movement.⁽¹⁶⁾

The mission of these militias is not only to expel US forces but also to support the vulnerable across the world. They are carrying out a holy operation to pave the way for the reappearance of the Infallible Imam, as was suggested by the Baghdad Friday prayer leader.

Probably, the dispute between Qom and Najaf affected political Iraq’s political and military arenas, consequently it affected the way of dealing with armed factions and groups. Iran seeks to keep these factions away from official institutions and their hierarchies. This means the existence of unofficial armed forces parallel to those of the state, mimicking the model of Hezbollah in Lebanon. These militias also aim to impose a fait accompli policy on the ground even if it goes against the will of the Supreme marjaya in Najaf which does not possess solid power similar to that possessed by Iranian militias on the ground. This means overriding Najaf on issues of taqlid, confining its authority to ritual issues away from political affairs. Iran seeks to establish exclusive responsibility and sole control without any competition from the marjaya in Najaf.

Conclusion

The *Ideological File* casts light on the fatwas and statements of clerics supportive of the line of Velayat-e Faqih when it comes to US-Iraqi negotiations. Some of these clerics issued fatwas rendering unlawful the signing of security agreements with the Americans, demanded that US forces be driven out of Iraq and provided legal justifications to legitimize armed factions targeting US presence in Iraq.

We can draw two important conclusions:

The first: the religious elites supportive of Velayat-e Faqih are concerned about any decline in their role and the role of fellow clerics. This prompted them to condemn US cultural and security infiltration in the country. This concern will lead to an increase in Iranian insistence to maintain the independence of armed factions and their direct subordination to the religious elite in Tehran, not the Iraqi state and institutions.

The second: the widening differences between the Najaf marjaya and Iran on the

position of armed factions within the Iraqi state. Najaf believes that all armed factions should be integrated into the state, while Tehran believes that these militias should not be integrated as this shall help it achieve its strategic interests by pressuring its rivals within and outside the Shiite Twelver community, hence stripping Najaf of its influence in political affairs. This will also secure a lever for Tehran which it can use against the Americans when they step up the pressure on the center in Tehran. This is in addition to the dream of the globalist government which is always repeated by the Iranian religious elite as it believes that the armed factions pave the way for it to realize its dream. Hence, the existence of these factions is based on ideological grounds, according to this dream.

THE POLITICAL FILE

The trial of the former executive deputy of the judiciary Akbar Tabari over accusations of taking bribes commenced. This led to the chief of the judiciary Ebrahim Raisi cracking down on corruption in Iran and represents a new and important phase as the accused is a former member of the judicial system which has been facing corruption accusations.

But the political agenda, such as the rivalry to succeed the supreme leader and the possibility of dragging those close to Khamenei to court could mark the end of these trials.

I- Succeeding the Supreme Leader Turns the Fight Against Corruption into an Arena to Settle Scores

Shortly after being appointed as chief of the judiciary, Ebrahim Raisi announced a series of policies and measures to implement during his tenure as chief. He placed the fight against corruption – which has become a regular occurrence in Iran – at the top of his priorities. Perhaps the desire of the government, especially the supreme leader, to cast light on this issue via conducting a series of trials which could mitigate this reality as well as the criticisms which mentioned Khamenei's involvement in corruption.

However, it seems that the fight against rampant corruption in Iran has turned into an arena for rivalry between Ebrahim Raisi and Sadiq Larijani, the two figures among the potential candidates to succeed the Supreme Leader Ali Khamenei. The trial of Tabari may represent one of the steps to defame Larijani and might lead to his dismissal as head of the Expediency Discernment Council, resulting in his removal from the scene. Tabari is his right-hand man and one of his prominent aides and has been working with him for 10 years. The trial is also an opportunity for Raisi to enhance the confidence of the Iranian people in the judiciary, much of which had been lost during the tenure of Sadiq Larijani who is accused of covering up human rights violations in the country and being involved in corruption.

More importantly, the move aims to improve the image of Raisi in the Iranian street, particularly among those who have not forgotten Raisi's past. He was involved in carrying out one of the most horrendous crimes of the government against its dissidents. He participated in upholding a series of executions against political prisoners in the 1980s.

II- The Trial of Tabari and Sadiq Larijani's Defense of Him

Tabari was responsible for the judiciary's financial affairs when it was chaired by the late Hashemi Shahrudi from 1999 to 2009. After Sadiq Amoli Larijani was appointed as head of the judiciary from 2009 to 2019, Tabari was appointed as director general for executive affairs. One week after being appointed as head of the judiciary, Ebrahim Raisi decided to sack Tabari.^[17]

In mid-July 2019, Tabari was arrested in Amol in northern Iran by the IRGC intelligence arm. One year after the arrest, the judiciary prepared a massive filing against Tabari, making him stand trial.

According to the bill of indictments, the former executive deputy of the judiciary



Akbar Tabari is accused of forming and spearheading a network of bribery made up of 21 members. They took massive bribes that intended to influence the outcomes of legal files.⁽¹⁸⁾

But Tabari has so far denied all the charges brought against him. He also denied taking a bribe and abusing his power to permit the illegal building of apartments worth 80,004 billion tomans (one dollar is equal as 4,200 tomans according to the official exchange rate) from Hassan Najafi, who is one of the owners of well-known villas named Busty Hills located in northern Tehran,⁽¹⁹⁾ among other bribes.

Following the arrest of Tabari in 2019, Sadiq Larijani refuted the charges brought against Tabari, saying the charges had been investigated during his chairmanship of the judiciary and that there was no wrongdoing by Tabari in relation to the accusations.⁽²⁰⁾

These remarks were met with a strong response from Ebrahim Raisi who asked indirect questions to his predecessor Larijani to prove the validity of the charges he brought against Tabari and refute the claims related to clearing him of the charges brought against him. Raisi called into question the fact that Larijani was not aware of what was happening in the judiciary. If Tabari was innocent, why had Ebrahim Raisi stirred up this issue? It seems that Raisi's insistence on bringing Tabari to justice springs from his awareness of what is happening within the judiciary. He worked as a deputy to the former Chief Justice Hashemi Shahrودي and then was a deputy to Larijani. He worked with Tabari throughout these years.

III- The Link Between the Assassination of Judge Gholamreza Mansouri and the

Case of Tabari

Before and during the trial, Iranians widely circulated reports that the trial of Tabari led to confessions against former and current officials in the judiciary over their involvement in corruption. Despite denying these allegations,⁽²¹⁾ the murder of former judge Gholamreza Mansouri, whose body was discovered in front of the hotel where he was staying in the Romanian capital Bucharest, increased the suspicions shrouding this case. Mansouri was one of those involved in the case known as the bribery network in which Akbar Tabari is being tried as Mansouri was suspected of being a member of this network. Reports suggested that Mansouri did not commit suicide as was rumored in Iran, but he was murdered days after he posted a video recording on social media in which he said that he did not flee the country but went on a medical trip and will return home after the end of the coronavirus and the resumption of flights.⁽²²⁾ He sought to defend himself against the charges previously brought against him by the judiciary over his alleged involvement in corruption. Even the Iranian attorney general Mohammed Jafar Montazeri disputed the narrative regarding the suicide of Mansouri.⁽²³⁾

This means that Mansouri possessed several sensitive and secret files which could have revealed a lot of information regarding those involved in corruption if he returned to Tehran.

IV- Implications of Khamenei's Defense of Sadiq Larijani

The multiple accusations leveled at the Chief of the Expediency Discernment Council, Sadiq Amoli Larijani, and the likelihood that he could be tried in court prompted the supreme leader to intervene. He strongly defended Sadiq Larijani, describing him as an initiator in fighting corruption within and outside the judiciary. He also expressed regret towards the insults and injustice inflicted on some former senior officials of the judiciary.⁽²⁴⁾

This is not the first time that the supreme leader has defended Sadiq Larijani. He defended him throughout his tenure as head of the judiciary, especially in 2016 when the former President Mahmoud Ahmadinejad and his allies revealed corruption in the judiciary and the office of its chief Sadiq Larijani. At the time, Khamenei attributed the accusations brought against Larijani to his valuable, revolutionary, and candid positions, as he described them.⁽²⁵⁾

The reason behind the supreme leader's unyielding defense of Larijani lies in the fact that Khamenei is the one who appointed Larijani as judicial chief. His confidence in Larijani continued even after the end of his tenure as head of the judiciary when the leader appointed him as the head of the Expediency Discernment Council. Therefore, any criticism leveled at the officials appointed by Khamenei is considered an indirect criticism of him.

In this regard, reports suggested that Khamenei and his son Muftaba may have been involved in some corruption cases and that Khamenei's support of Larijani comes as the first fears that corruption within his own household will be exposed.

Conclusion

The chief of the judiciary Ebrahim Raisi has the same position as Sadiq Larijani according to the supreme leader. The plan to combat corruption launched by Raisi had been blessed by the supreme leader, but the latter's defense of Larijani may send a message to Ebrahim Raisi that it is necessary to be cautious and to ensure that the current trials related to fighting corruption do not create more problems and crises for the head of the government and the officials close to him.

The supreme leader's unyielding defense of one of his senior officials on whom he

relies to run the institutions of the Iranian government could mean that he has cleared Larijani of the charges brought against him. This could put an end to any future intention by Ebrahim Raisi to continue to defame his predecessor who is a potential rival in the contest for the supreme leader position. This support also means that the trials to fight corruption will be confined to second-ranking and third-ranking officials, short of senior officials involved in corrupt cases.

THE ECONOMIC FILE

Among the economic developments during the month of June was the Iranian government's sale of "justice shares." The move came 45 years after devising the idea as part of the Iranian government's attempts to accumulate more money, control liquidity and prevent Iranians from rushing to possess hard currency as foreign exchange prices have soared to the highest levels on record.

Therefore, the Economic File will cast light on the nature of the "justice shares" launched recently and the future challenges and dangers related to launching and trading these shares.

I- "Justice Shares" - Their Nature and History

The idea of privatizing Iranian state-run firms was floated for the first time during the tenure of Mahmoud Ahmadinejad. It was floated in conjunction with the amendments made to Article 44 of the Iranian Constitution, which allows the government to move ahead with privatization. According to this article of the Constitution, the Iranian economy shall be established on four pillars: public sector companies, state-controlled investments, cooperatives, and the private sector.



The state shall possess and manage major industries, foreign trade, raw material mines, banks, the insurance sector, electricity companies, dams and water supplies, radio and television institutions, and postal and telephone services. The state also owns air, sea, and rail transport companies. In 2005, the paragraph in the Constitution was changed for the purposes of privatization. Later in 2006, the first state-owned companies were handed over on the orders of the supreme leader of Iran to the private sector.

The objectives of “justice shares” is to sell stakes in government-controlled companies to low-income citizens, offering high discounts, distribute dividends in a way which is more equitable across Iranian society and reduce poverty.⁽²⁶⁾

Therefore, the project was called “justice shares.” It also aims to ease the grip of the government, create a more equitable society and encourage broader participation in developing Iran.⁽²⁷⁾

According to the “justice shares” plan, millions of Iranian families have been granted stakes in state-owned firms, which were estimated between 500,000 tomans to 1 million tomans (\$119-\$238).

During this period, the idea of “justice shares” has been met with widespread criticism given the fact that the Iranian government controls these shares, which goes against the concept of privatization in general. Also, millions of stakeholders possess “justice shares” but do not know which firm these shares belong to and they are not allowed to sell them.⁽²⁸⁾

The shares remained suspended until the announcement by the supreme leader on May 29, 2020 that he does not object to the trading of shares on the Iranian stock exchange.

Forty-nine firms will be listed as part of the “justice shares” program, 36 of them had already been listed on the Iranian stock exchange. The other 13 will be listed gradually at a total market value of 369.5 trillion tomans (\$88 billion according to the official exchange rate of 4,200 tomans per dollar.)

II- Motives Behind Trading “Justice Shares”

Later in May 2020, Supreme Leader Ali Khamenei gave the green light to the request of Iranian President Hassan Rouhani to allow the holders of “justice shares” to trade them on the Tehran stock market. This approval came 15 years after launching the plan. This prompts us to wonder about the motives behind giving the green light for trading the shares currently. This could be attributed to a host of reasons, as follows:

A. Finding a way out of the severe economic hardship which the Iranian government is presently facing is the biggest reason for reopening the file of “justice shares.” These hardships include:

1. The sharp decline in oil exports as well as global oil prices (losing more than \$40 billion of oil revenues per year).
2. The outbreak of COVID-19, disruption of production, the shortage in foreign exchange, which paved the way for the collapse of the national currency against the dollar, which broke the ceiling of 20,000 tomans for the first time in the country's history.
3. The GDP's decline by 6.7 percent for the year 2019. It is expected that it will continue to contract by 6 percent for the current year 2020.
4. Inflation rates hitting dangerous levels for the Persian year (Hijri-Shamsi from March 2019 to March 2020) which reached 41.2 percent, the second highest rate over the past 30 years.
5. The rise in unemployment rates to 13.6 percent in 2019 and to more than 33 percent among the youth aged between 15-29



years.⁽²⁹⁾ Higher rates are reported according to Iranian unofficial statistics.

B. Reducing cash in Iranian hands, especially hard currency which most Iranians opt to possess. It is estimated to be between \$20 billion to \$30 billion especially considering the shortage of hard currencies in the Iranian market. This is in addition to government attempts to reduce currency purchases and inflation rates.

C. The Iranian government's need for revenues to cover its large and increasing budget deficit owing to economic pressures. The sale of "justice shares" will allow it to reap much needed revenues. The total value of "justice shares" is estimated at 369.5 trillion tomans (\$88 billion at the official exchange rate).

D. Getting rid of outdated and loss-making government companies.

III- Future Challenges and Threats

Iranians rushing to purchase shares in the recently privatized firms at low prices caused the general index of the Tehran stock exchange to go up.⁽³⁰⁾

The move came at a time when international stock markets were suffering from a huge decline in daily trading. Perhaps the main reason for this rise in the Iranian stock market is the mounting concerns among Iranians to find a safe market which secures profits for them instead of depositing money in local banks because the domestic market lacks investment alternatives, as well as the steep rise in the prices of housing units. People belonging to the lower income brackets in Iran have found no safe haven for investment except for turning to the stock market and investing in the firms that are to be privatized.

However, Iranian stock market experts' warn that the general index may see a sharp decline in the future, which will lead, consequently, to a decline in the "justice shares" as this rise contradicts the economic conditions prevailing in the country (such as the decline in growth, production and consumption). Maintaining this growth represents a challenge to all private sector and government companies.

The scope of growth of the Iranian stock exchange is restricted in general due to the current overall economic environment. Economic indicators highlight a huge economic downturn and a high inflation rate which led to a decline in Iranian purchasing power by 80 percent.⁽³¹⁾

On the other hand, some firms listed within the "justice shares" plan because of the nature of their work face special challenges due to the fallout from the coronavirus and US sanctions on Iran. A large percentage of these firms work in the fields of energy and heavy and precious minerals.

Also, most of the shareholders are from low-income brackets who do not have expertise in trading, safe selling and purchasing in the stock market. In other words, shareholders rush to make profits and when the opportunity is available, they will rush to sell their shares, causing a shock to the market. Therefore, the Iranian president stated on several occasions that the media should increase the awareness of the people in Iran on how to manage the shares in order for this issue not to cause more economic burdens for both the government and the people.⁽³²⁾

This could turn the shares from a tool to help low-income people to a tool for causing deterioration and mass bankruptcies among investors and cause the Iranian street to brim over with anger.

Conclusion

A host of economic challenges, such as the decline in oil prices and the ramifications of the coronavirus, emptied the financial treasuries of the Iranian government. This forced it to find solutions to refill its treasuries. This happened via lifting the ban on

“justice shares,” after 15 years of suspension under populist slogans such as achieving justice for all segments of society, giving the people a role in running the economy of the country. However, there are a host of challenges and concerns about how this tool to help the poor could turn into a tool to cause chaos on the stock market due to the nature of the work of some listed companies, the nature of the investors (low-income people), and the exceptional economic circumstances at home and abroad post coronavirus.

THE MILITARY FILE

The military arena in Iran was filled with important developments during the month of June. On top of these developments was the announcement of a military exercise which included several incidents which are of importance and significance. Also, the military establishment in Iran sought to promote some military systems manufactured at home to show the strength and endurance of Iran in the face of its current challenges. The interactions of the *Nuclear File* drew a great deal of attention at home, regionally and globally.

I- Naval Military Drills 'Ramadan Martyrs'

The naval forces of the Iranian army conducted a naval military exercise dubbed 'Ramadan Martyrs' in the northern Indian Ocean and the Sea of Oman. During the drills, the naval forces fired short-range and long-range cruise missiles manufactured by the Ministry of Defense and Armed Forces Logistics in cooperation with the naval forces of the army against naval targets from a range of 280 kilometers.⁽³³⁾

At the end of the naval drills, Admiral Habibullah Sayyari, deputy commander in chief of the armed forces for coordination affairs, stated that the firing of cruise missiles is a promising step on the path of stepping up defense and deterrent capabilities. The drills are also an indication of the evident progress in achieving integration between the armed forces and military industries. Furthermore, the issue of Iran's capabilities in the field of manufacturing bombs which can be controlled and guided to increase its precision has been revisited. The bombs can be mounted on Karrar planes as well as drones like Shahed, Hamaseh and Mohajer. When the bomb-carrying drone reaches the appropriate range, it is fired, opening its collapsible wings, and flying towards the target. The bomb changes its course via controlling the wings and horizontal fins. Its range is as long as 50 kilometers.

The deputy minister of defense and armed forces logistics stated: "The Ministry of Defense will spare no efforts on the path of supporting and enhancing the combat capabilities of the armed forces. The manufacturing of different strategic equipment, including the most sophisticated and precise ones in the fields of missile, ground, air, and naval combat, air defense, electronic warfare and radars are considered another golden page in the history of the ministry of defense."⁽³⁴⁾

II- Developments in Iranian Military Manufacturing

It was announced that 10 CH helicopters had been recommissioned to enter service in the army's naval forces. They have been rehabilitated by Iran's Helicopter Support and Renewal Company (PANHA). The helicopters were equipped with auxiliary power units (APU), fully maintaining the components of the drones, providing these drones with a naval communications system to enhance its ability to maintain liaison with speedboats and improve the aviation, landing and night vision imaging system.⁽³⁵⁾

Building a Mockup Jet Carrier to Simulate an Offensive

On June 9, 2020, a press report revealed that Iran had built a new mockup of a jet carrier off its southern coast to conduct potential exercises using live ammunition. The mockup carrier resembles the Nimitz-class carriers that the US Navy routinely uses to

enter the Arabian Gulf from the Strait of Hormuz. According to the satellite imagery, the carrier had aboard nearly 16 mockup fighter jets. The carrier's length is 200 meters and its width is 50 meters, while the US jet carrier's length is 300 meters and its width is 75 meters.

The replica bears a striking resemblance to a similar one used in February 2015 during a military exercise called "Great Prophet 9." During that drill, Iran swarmed the fake aircraft carrier with speedboats firing machine guns and rockets. Surface-to-sea missiles later targeted and destroyed the mockup carrier.⁽³⁶⁾

III- The Nuclear File Negotiations

As the anniversary of the signing of the Joint Comprehensive Plan of Action (JCPOA) is being marked, and US elections approach which will be held this November, the Trump administration is actively continuing to take tougher measures against Iran. It believes that lifting the arms embargo imposed on Iran threatens its interests and the security of the Middle East. Washington began efforts to urge the UN Security Council on June 29, 2020 to take decisive measures against Iran. The United States submitted a draft resolution to extend the arms embargo imposed on Iran, which is set to expire on October 18.

The United States, in its draft resolution, cites the report of UN Secretary General Antonio Guterres which holds Iran accountable for smuggling weapons to Houthi militiamen in Yemen.

These reports indicate that the missiles, or parts of it, used in the attacks on the Kingdom of Saudi Arabia, were of Iranian origin. According to Guterres, maybe these parts had been transferred in a way which contravene UN Resolution 2231.⁽³⁷⁾

The European countries are concerned about Iran's destabilizing behavior. The United Kingdom, Germany and France indicated in a joint statement made recently that the decision to lift the embargo on conventional weapons, imposed by the UN on Iran, in October may have a tremendous impact on the security and stability in the region. The ban imposed by the EU on the exports of conventional weapons and technology of missiles will remain effective until 2023.⁽³⁸⁾

Russia and China are still opposing the US decision to extend the arms embargo on Iran. It is likely that some countries shall benefit from selling military hardware to Iran after the embargo is lifted. In this context, some sources mentioned that Iranian pilots have already visited China. A picture shows one of Iran's Air Force pilots standing next to a J-10A fighter jet.⁽³⁹⁾

1. The Dispute Settlement Mechanism

France, Britain and Germany are cautiously hoping to see positive signals from Iran so that it resumes its commitments before they begin to take measures aimed to invoke the dispute settlement mechanism due to Iran's violations of the Joint Comprehensive Plan of Action (JCPOA). The statement of the three countries issued on June 19 pointed out that Iran has violated its commitments under the agreement. Therefore, they stated that they have no option but to move ahead with the dispute settlement mechanism. Although the three countries began the measures on January 14 due to Iran's violation of its commitments under the JCPOA, they decided to delay the start of the process in order to discuss the possibility of reaching common grounds to negotiate with Iran.⁽⁴⁰⁾

According to Article 36 of the JCPOA, any party to the agreement has the right to activate the dispute settlement mechanism in case it sees one of the parties violating its commitments. In case the mechanism fails to resolve the issue between those lodging the complaint and Iran, the issue is referred to the UN Security Council. The decision shall be taken after 30 days, reinstating sanctions imposed before the signing of the JCPOA.

Iran never stopped criticizing the European countries. Iranian officials routinely accuse the European countries of following US directives.⁽⁴¹⁾

Despite implementing a law in the European Union to prevent European countries from trading with Iran in certain fields, the tool to support trade exchange between the European countries and Iran INSTEX was set up. But it did not live up to the expectations of Iran.⁽⁴²⁾

Tehran has violated the provisions of the JCPOA. It increased the portion of enriched uranium from 3.67 percent to 4.5 percent. The portion has not reached 20 percent yet, which is required for making a nuclear bomb. However, Iran has sufficient low-enriched uranium enabling it to make one nuclear bomb, but not soon.⁽⁴³⁾



2. The Report of the International Atomic Energy Agency (IAEA)

Warnings have mounted regarding Iran's secret nuclear sites. The Board of Governors of the International Atomic Energy Agency (IAEA) overwhelmingly voted in favor of a resolution calling on Iran to allow IAEA inspectors access to a site suspected of having an unlicensed stockpile of natural uranium.

The European countries unequivocally oppose any unilateral imposition of the UN sanctions. A joint statement by the European countries stated: "We will not support such a decision which is inconsistent with our efforts to maintain the JCPOA."⁽⁴⁴⁾

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Arab Affairs

The Arab Affairs file addresses the Iraq and Yemen files. The Iran and Iraq files include Iranian concerns over the Iraqi-American strategic dialogue as well as the moves taken by Iran to ensure the trajectory of the dialogue is consistent with its interests in light of the serious actions undertaken by the new Iraqi government toward the pro-Iranian militias in Iraq, which operate outside the law, and its endeavors to control the security situation and secure Iraq's borders. At the same time, some Iraqi political factions moved toward supporting the national state.

The Iran and Yemen files discussed the United Nations' condemnation of Iran in response to coalition forces seizing a shipment of Iranian weapons heading to the Houthis and the referral of this file to the Security Council. The Yemen file, politically, also discusses the alignment of the Houthi's position with Iran's will within the framework of the peace process, the shift of its position in accordance with the ebbs and flows in Iran's strategy, and the developments in Iran's crisis with United States.



IRAQ AND IRAN

In June 2020, the Iraqi scene witnessed political and security developments that greatly influenced the internal equation and the external relations of the Iraqi state, which will have direct implications on Iranian influence in Iraq:

I- Iranian Concerns and Moves Toward the US-Iraq Strategic Dialogue

The initial session of the “American-Iraqi Strategic Dialogue” was held in Baghdad on June 11, 2020 to discuss political, security, economic, and cultural issues and most importantly the future of American forces in Iraq. The first session ended with a pledge by Washington to downsize its troops in Iraq to about 5,500 soldiers, and for Iraq to protect international coalition forces to defeat ISIS led by Washington as well as diplomatic and foreign headquarters. The two sides agreed to hold the dialogue’s second session in Washington in July 2020.

The session was held at a very critical time for Iran, because it faces serious problems in Iraq, such as the growing American role in Iraq after pro-Iranian armed militias targeted the K-1 American base at the end of 2019. In response, the United States carried out overwhelming retaliatory attacks targeting the headquarters of armed militias and assassinated the former Commander of the Quds Force, Qassem Soleimani.

The first session of the strategic dialogue was held under challenging conditions that have undermined Iranian influence in Iraq. Some of the challenges include growing Iraqi demands and protests to remove Iran from Iraq, the outbreak of the coronavirus pandemic in Iraqi provinces, and most importantly the formation of a new Iraqi government headed by Mustafa al-Kazemi. This new government aims to craft a more balanced foreign relations policy, seeks to restore the prestige of the Iraqi state, restrict weapons to the state, and ensure its sovereignty and national security is respected. In addition, it has reiterated that any military, political, or diplomatic person who wishes to enter Iraq must have a visa.

Therefore, an Iraqi official revealed that the visit of the Quds Force Commander Esmail Qaani to Iraq on June 3, 2020, eight days before the dialogue, was to pressure Iraq to prioritize the Iranian demand to pull foreign forces out of Iraq. In addition, Iran demands that Iraq identifies the types of arms that Washington can keep at its bases in Iraq if it decided to keep a number of American forces, trainers and advisers.^[1] On June 7, 2020, the Iranian Foreign Minister Mohammad Javad Zarif, four days before the dialogue was held, made a phone call to his Iraqi counterpart Fouad Hussein to emphasize the strong ties between the two states. The Iranian Energy Minister Reza Ardakanian signed a contract with his Iraqi counterpart Majid Mahdi Hantoush on June 3, 2020 to export electricity to Iraq for two years. Iran is aware of the nature of the critical stage it is going through in Iraq and strives to limit the adverse effects of the dialogue on its gains and to implement the rest of its plans.

Due to the anxieties of Iranian decision-makers regarding the potential effects of the dialogue on its scope of influence in Iraq, Tehran not only dispatched officials, but before the first session of the dialogue, it used its armed factions in Iraq to communicate in threatening language Iran’s demand for the removal of foreign forces from Iraq. The Iraqi Hezbollah commander, Abu Ali al-Askari, demanded three of the five members of

the Iraqi delegation to participate in the dialogue to be replaced with three PMF, tribal and media figures, which has not been achieved as yet. Iran's pressure continued as its militia launched Katyusha rockets targeting the Green Zone and American bases in the Iraqi provinces, in order to confuse negotiators and disrupt negotiations which are expected to cast a shadow of doubt over the extent of Iranian influence in Iraq.

However, Mohammad Saleh Sadiqian, an expert on Iraqi affairs, believes that the American administration wants to sign an agreement with Iraq so that US President Donald Trump leading up to the American elections in November 2020 can tell his people that he managed to secure a new agreement to boost his electoral fortunes.⁽²⁾ How can this proposal be achieved in light of the Trump administration's realization about the centrality of Iraq in its maximum pressure campaign against Iran?

II- The Crisis Between the Iraqi Government and Pro-Iranian Militias

In an unprecedented initiative since 2003, armed militias in Iraq have escalated their attacks against the Kazemi government, on the back of the arrest of 13 Iraqi Hezbollah fighters who are close to Iran in the Dora region by the Iraqi Counter Terrorism Service, south of Baghdad on June 25, 2020. These fighters were set to launch deadly missiles. These members were investigated for allegedly planning to target the Green Zone and Baghdad International Airport. The Joint Operations Command announced that this operation targeted those who refused to comply with the state, abide by its decisions and obligations, and seek to remain outside the authority of the commander-in chief of the Iraqi Armed Forces.

To send threatening messages to Kazemi and his government, the Iraqi Hezbollah militia showed off its power by sending armed members to roam the streets of Baghdad in cars. They chanted anti-Kazemi slogans and besieged the headquarters of the Counter Terrorism Service in the Green Zone, where the government ministries and diplomatic headquarters are also located. In an escalatory step which insulted Iraqi sovereignty and defamed its leaders, Abu Ali al-Askari stated, "Al-Kazemi pledged not to repeat childish actions."⁽³⁾ The Hezbollah members who were released set fire to Kazemi's images and threw shoes at some of them, indicating that the Iraqi Hezbollah does not perceive Kazemi as the commander-in- chief of the Iraqi Armed Forces which includes the PMF and Hezbollah as two of its components. However, it believes that the foremost marja who Hezbollah follows is the supreme leader in Iran rather Kazemi in Iraq.

The incident elicited reactions from the Iraqi street. Some cross-sectarian alliances such as the Victory Alliance considered this incident as a step towards limiting weapons to the state. The head of the coalition, Haider al-Abadi, stated that "there is no place between Iraqis for those who carry weapons outside state, nor whoever serves a greedy foreigner."⁽⁴⁾ However, pro-Iran alliances and militias, such as Al-Fateh led by Hadi al-Amiri and the Alliance of State of Law headed by Nouri al-Maliki, believes that this incident undermines the power of the PMF. Maliki stated, "The PMF is the leader of victory and a symbol for the power of the people and the state. We must respect it and preserve its prestige, and it is unacceptable to attack or defame it."⁽⁵⁾ Qais al-Khazali, leader of the Asaib Ahl al-Haq, who is close to Iran, condemned the raid on Hezbollah's headquarters and the arrest of some of its members, describing this as chaos, which is supposed to be addressed within the PMF.

Kazemi's step is an indicator of his determination to establish a new equation for his government, limit weapons to the state and ensure armed factions are subjugated to its will. This is a strong message to the rest of the militias that the government is serious in pursuing the factions opposing its decisions and if any faction undermines national security, it will not be safe. These steps are an attempt by Kazemi to strengthen the shaky

confidence of internal and international communities in the new Iraqi government. Kazemi also wanted to demonstrate that the government is serious about implementing its promises and obligations. Therefore, Kazemi's move represents Iraq's response to the outcomes of the first session of the strategic dialogue, upholding Iraq's responsibility to protect foreign and diplomatic headquarters.

However, the threatening behavior of Hezbollah and other militias reveals a real conflict between those wishing to keep Iraq subjugated such as Iran which wants it to serve its agenda to keep Iraq within the Iranian sphere of influence and those wishing to transform Iraq into a sovereign state and create cooperative relations based on respecting national sovereignty. This may restore Iraq's balanced policy in foreign relations. This will be costly because Iran has pressure cards that enable it to blow up the Iraqi arena, although it considers the intransigence shown by Hezbollah and other militias as an internal Iraqi matter and the PMF is established by the approval of Iraqi officials and Najaf Marjaya.

It is also expected that the incident will have security and political repercussions leading to internal re-alignments in Iraq. It is likely that new alliances might emerge to support Kazemi and state institutions, or new opponents to Kazemi from the political and military arms of Iran will rise. There is also the possibility that militia fighters may continue to take to the streets to show power, which could lead to friction between the militia fighters and the security forces. This will add more crises to the basket of Iraqi crises which Iran is exploiting to implement its plans.

III- The Formation of a New Coalition That Supports the Sovereignty of the State

On June 30, 2020, the leader of the National Wisdom Movement, Ammar Al-Hakim, announced the formation of a new cross-sectarian political Coalition under the name of "Iraqis," consisting of 41 members of Parliament. Therefore, the new coalition ranks first in the Iraqi Parliament, if 20 members of the National Wisdom Movement are added to it. The number of the new alliance members is likely to be 61 — if the Wisdom Movement keeps all its members in Parliament — followed by the Alliance Towards Reforms with 54 members, Al-Fateh Alliance with 47 members, and the Victory Alliance with 42 members.

Hakim identified 10 goals for the new alliance⁽⁶⁾ to support the path of transition to statehood, meet the demands of protesters, restore confidence in the Iraqi political system at home and abroad, support comprehensive reforms, fight corruption, keep Iraq away from regional retrenchment and international conflicts, and support the reconstruction process as per the founding statement of the alliance.

It can be interpreted from the founding statement of the new alliance that it supports Kazemi's directions and policies to move toward statehood, given the timing of its inauguration. It was formed at a time when there was a relative stalemate in the Iraqi arena due to crises in the country, a real conflict between supporters and opponents of Iraq transitioning to statehood, the continuous massive protests in response to deteriorating living conditions, sectarian quotas and Iranian interference, and the armed militias' rejecting Kazemi's decision to limit weapons to the state.

The important questions here are: can Hakim's coalition save the country from the spiral of crises and bring about a breakthrough in overcoming the barriers to the path of transition to statehood under the difficult challenges that many previous alliances failed to address? What tools do the new coalition have in pushing Iraq forward toward state sovereignty in light of the militias' rejection of the call to lay down their arms and stop their expanding operations across Iraq?



**Founding Statement
of Iraqi Coalition**

Stemming from our national responsibility, on the anniversary the Great Iraqi Revolution of 1920, we announce the formation of a political, parliamentary, and public-based coalition that aims to support the government and the sovereignty of Iraq and reflect the people's will people — aside from factional agendas, and suspicious deals, and fruitless temporary understandings.



Photo (1): Ammar al-Hakim, Twitter post, June 30, 2020, accessed July 13, 2020, <https://bit.ly/2VCQWVt>.

Conclusion

In light of the above, it can be said that despite Kazemi's determination to move to the stage of statehood, he faces difficult and costly challenges because the militias possess pressure cards and their deployment throughout the Iraqi state forced the government to quickly release the Iraqi Hezbollah detainees. Kazemi's moves, if they continue, to limit weapons and restore the prestige of the state are contingent upon two factors. First, the success of Kazemi's moves under American pressure against Iraqi militias, Iran's weakening support to Iraqi militias due to the economic sanctions it experiences, and the demands of the Iraqi street to pull Iran out from Iraq. This is hard to achieve because Iran, represented by its militias, has economic, political and military cards to impose pressure on Kazemi to thwart his strategies. Second, Kazemi's failure to limit weapons to the state due to Iran's ability to blow up the Iraqi arena, as Iraq is of economic, geopolitical and military importance to Iran's strategy and therefore it will not abandon Iraq so easily.

IRAN AND YEMEN

The developments in the Yemeni file in June highlight the changing direction of the position of the United Nations towards the Yemeni crisis and the referral of Iranian military support to terrorist militias to the United Nations. The Security Council deliberated over the international condemnations of Iranian activities, especially the Iranian government supplying arms to Houthi militias to destabilize the security and stability of the region by targeting neighboring countries and escalating militarily in line with the policies and interests of the Iranian government. The Iranian role in Yemen is a threat to regional security and international maritime navigation. The Houthi militias' military and political escalation did not deviate from the Iranian will. The Houthi movements and reactions indicated that it is tied to the policies of the Iranian government and that the timing of the escalation is related to the developments in Iran's political predicament, especially the tension between the Iranian government and the United States, and the weak position of Iran in the eyes of the United Nations and the international community because of its terrorist activities. We will review the most prominent developments in Yemen that are related to the Iranian role in June as follows:

I- Iran's Suspicious Role in Yemen and International Condemnations

UN reports and international condemnations reflect a unanimous desire to limit the terrorist activities of the Iranian government. It is more likely that the international condemnations against the government will be followed by practical steps that will limit Iran's terrorist activities. We will review the developments in the international position toward the behavior of the Iranian government as follows:

1. The Terrorist Activities of the Iranian Government and the Houthis in the Security Council

The United Nations disclosed evidence of the Iranian government's involvement in terrorist acts targeting the security of the region and energy supplies, and evidence which proves the Iranian government's supply of weapons to the Houthi militias to destabilize the region. UN Secretary-General Antonio Guterres sent a report to the UN Security Council proving that cruise missiles and drones used in the attack on the Aramco oil facilities in September last year "are of Iranian origin." He also added in his report that several items confiscated in two US seizures last year were weapons of Iranian origin on their way to the Houthis. Guterres reiterated that the design characteristics of these missiles, weapons, and drones used by the Houthi militias in their terrorist operations were of Iranian origin. The Houthis used Iranian cruise missiles in four terrorist attacks. The UN secretary-general pointed to the similarity of these weapons to those produced by a commercial entity in Iran or bearing Persian markings, adding that some of them were delivered to Iran between February 2016 and April 2018.⁽⁷⁾

It is worth noting that a previous UN report on sanctions indicated that although the Houthis claimed responsibility for the attacks, it never implicated Iran. The UN report strengthens the hypothesis that the Iranian government targeted Aramco facilities

directly. The Houthis' claim of responsibility for the attack was carried out under joint coordination between the Houthis and the Iranian government.⁽⁸⁾

In this regard, the US National Security Council stated that the Houthis, instead of heeding UN calls for a ceasefire, continue terrorist attacks on Saudi Arabia with Iranian-origin weapons and drones. The Council announced that the Houthis are blocking humanitarian aid. At the same time, it indicated that US aid to Yemen decreased this year because of the behavior of the Houthis. These statements came after Saudi Arabia hosted a donor conference for Yemen in partnership with the UN.⁽⁹⁾

2. Iran's Ongoing Military Support to the Houthis

In the context of Iranian military support for the Houthi militias, the naval forces of the Coalition to Support Legitimacy in Yemen seized hundreds of various weapons, including binoculars, bombs, devices to guide drones, electrical parts that are used for remote detonation, and sniper rifles.⁽¹⁰⁾

The Saudi Minister of State for Foreign Affairs Adel al-Jubeir and US Special Representative for Iran Brian Hook called on the international community to prevent terrorism sponsored by the Iranian government through its support for terrorist militias. Saudi Arabia's directions and US policies are identical to maintain the security and stability of the region and prevent the terrorist activities of the Iranian government. This was reiterated during a press conference by both sides. His Excellency Minister Adel al-Jubeir stated, "We both see the Iranian regime as a grave danger not only to regional stability but to international security and stability."⁽¹¹⁾

During the conference, the Arab coalition displayed weapons, including Iranian-made drones, which were used by the Houthi militias in attacks on vital areas in the Kingdom of Saudi Arabia. The Houthis carried out nearly 1,659 attacks on Saudi Arabia using Iranian weapons, including 318 ballistic missiles, 317 drones and 64 explosive boats and 153 naval mines. The two sides stated that the attacks threaten civilians, harm the global economy, disrupt shipping and violate international and humanitarian laws.⁽¹²⁾



II- The Houthi Escalation Corresponds to the Iranian Will

The Houthi militias will always follow Iran. They escalated their military operations externally and internally in addition to a political escalation against the United Nations. This has been amid the increasingly complex developments in the Iranian file at the Security Council and the increasing tension with the United States. The Houthi militias have been proved to be a tool used by the Iranian government through which it targets the security and stability of the region and maritime navigation.

III- The Implications of the Houthi's External Escalation

The Houthi military operations have implications in terms of timing and motives. The Houthi militias escalated their military operations against the Kingdom of Saudi Arabia. They launched a number of winged-ballistic missiles and drones on June 23, 2020. These operations were launched against the backdrop of increasing complexities in the Iranian position in the Security Council as it deliberated the Iranian weapons file that targeted the two Saudi oil facilities in Abqaiq and Khurais last year. In this context, the UN secretary-general stated that these weapons were "of Iranian origin," which could be a reason to extend the arms embargo on the Iranian government.⁽¹³⁾

In addition, the military escalation coincided with the increase of tension between the Iranian government and the United States in the region. Some observers believe that the increase of tension cast a shadow of doubt over the escalation in the Syrian and Yemeni arenas particularly. This prompted the Houthis to reject the Arab coalition initiative for a ceasefire last April. It also coincided with the Kingdom of Saudi Arabia's attempt to bridge the gulf between the legitimate government and the Southern Transitional Council to resume the Riyadh Agreement, which is not in line with Houthi interests. The Houthis' external military operations were concurrent with the Yemeni army's home operations that resulted in human and material losses among the militias. Therefore, the Houthi militias lead the Yemeni file to further external escalation to escape their internal crises.⁽¹⁴⁾

IV- Houthi-Iranian Political Escalation

The Houthi military escalation was preceded by the Iranian government's and the Houthi militias' escalation and political reactions following a change in the UN position toward the Arab coalition after the UN secretary-general announced the removal of the Arab coalition to support the legitimate government in Yemen from the list of countries and groups violating children's rights. At the same time, the UN condemned the Iranian government's role in Yemen through its links with the Houthi militias. Many observers believe that the Iranian Houthi reactions were an attempt to cover the violations carried out by the Houthi militias against children and civilians in Yemen, the adoption of the one-fifth law that entitles Al-Houthi militias to seize 20 percent of the Yemeni people's wealth, and both parties' positions on international support for the Alliance to Support Legitimacy. In this regard, the Iranian government said that "the United Nations gives a free pass to the Saudi-led military coalition in Yemen by removing it from the list of countries that violate children's rights." The Iranian Foreign Ministry spokesman, whose country is accused of large-scale repressive practices and violations of human rights in Iran, commented on this procedure, "The Kingdom of Saudi Arabia and the United States are making a mockery of international bodies."⁽¹⁵⁾

From the Houthi side, the Houthi spokesman and head of the negotiating delegation, Mohamed Abdel-Salam, described the UN removal of the coalition from the list as a "condemned step." Sources confirmed that the Houthi escalation against the United Nations is an attempt by the militias to evade international pressure because the militias

denied the UN team access to “Safir,” the floating oil tanker. These militias also seized health aid sent to the Yemeni people to fight the coronavirus pandemic. It is worth noting that the Iranian political escalation coincided with the activation of the Caesar Act under which new economic sanctions will be imposed casting a shadow of doubt over the Iranian government’s ability to financially support its militias and Iran-oriented media institutions.^[16]

In this context, the Houthi ambassador to Tehran said, “The United Nations talks about a comprehensive political path and then goes back to talking about fragmentation of solutions which is unacceptable,” stressing that fragmentation of solutions is a major cause for prolonging the crisis, as was the case with the Stockholm Agreement. He added, “The United Nations is one of the most important reasons for the continuation of aggression, and the performance of its envoy to Yemen is suspicious and unsuitable for solving any problem in the world, especially in Yemen.”^[17]

Conclusion

The increasing pressure on the Iranian government in the United Nations and the Security Council with regard to its terrorist acts targeting energy supplies and undermining security in the region by supporting its terrorist arms has cast a shadow of doubt over the movements of the Houthi militias. The Houthi militias have stepped up their military operations by targeting vital areas of the Kingdom of Saudi Arabia in an attempt to increase pressure on the coalition countries to decrease pressure on the Iranian government and escape from their internal crises. The simultaneous escalation in the political discourse of both parties towards the United Nations proves that the Houthi militias work in accordance with Iran’s will and indicates how they are serving the cause of the Iranian project in the region despite the efforts of the coalition countries led by the Kingdom of Saudi Arabia which strives to reach a political solution to end the suffering of the Yemeni people and maintain the security and stability of the region.

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International Affairs

The International Affairs file consists of two files. Firstly, the Iran and the United States file deals with US sanctions against Iran and the laws proposed by the US Congress that aim to hamper arms exports to Iran and its activities in the region and Iranian moves that aim to mitigate the impact of US sanctions. Secondly, the Iran and Europe file addresses the position of the European Troika countries: Britain, France, and Germany on the extension of the arms embargo against Iran, and their position on the activation of the dispute settlement mechanism as they submitted a memorandum to the IAEA to issue a binding decision in regard to inspecting Iranian nuclear sites.



IRAN AND THE UNITED STATES

Under the maximum pressure strategy, the United States imposed further sanctions on Iran. At the same time, President Trump renewed his offer to negotiate a new deal with Iran, but the latter rejected Trump's proposal despite the catastrophic repercussions of US sanctions. Undoubtedly, the hardliners who dominate Iran's Parliament supported the supreme leader's decision to turn down negotiations and continue with the policy of resistance, meaning that the possibility of confrontation between the two sides still looms large. The following analyzes the most important developments in the relationship between the two sides during June 2020 including, most importantly, the nature and limits of American pressure on Iran, and Iranian reactions to American escalation, and finally the implications of the mutual escalation between the United States and Iran.

I- American Pressure and Sanctions on Iran

Within the framework of supporting the maximum pressure strategy, the United States imposed sanctions on Iranian shipping lines in response to Iran's transfer of oil shipments to Venezuela despite the sanctions imposed on the two countries. The United States warned all entities against dealing with these shipping lines. Table 1 shows the US sanctions on Iran during June 2020.

Table (1): US Sanctions on Iran (May 2020)

Dates	Sanctions
4 June	Kenneth Zong, an American businessman, was prosecuted on money laundering charges amounting to \$1 billion involving the illegal transfer of funds to Iran via the United Arab Emirates.
8 June	More than 123 oil tankers, containers and vessels owned or linked to Iranian shipping lines were sanctioned.
16 June	The chief executive of an Iranian online financial services company, Sajjad Shahidian, pleaded guilty to conspiracy charges and violating US sanctions against Iran.
24 June	Five captains of Iranian ships who delivered 1.5 million barrels of oil to the "illegal regime" of Maduro Moros were sanctioned.

Dates	Sanctions
25 June	Eight companies were blacklisted, including four steel, aluminum, and iron companies and a subsidiary of Mobarakeh Steel Company, Iran's largest steel producer. The US Treasury added to its blacklist four sales agents: one based in Germany, and three in the United Arab Emirates for having ties with the IRGC. It also imposed sanctions on a company based in China and Hong Kong for transferring graphite to Iran.

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The Republican Studies Committee (RSC), the largest Republican caucus in Congress, has proposed a law that, if passed, will have wide-ranging implications for Iran internally and externally.⁽¹⁾ This law proposes the ending of all exemptions, restoring the economic sanctions that were in force before the nuclear deal, and imposing severe sanctions against any entity selling arms to Iran. Under this new Republican plan, Congress would impose further sanctions on Iran's petrochemical, shipping, money, construction, and automobile sectors.

This plan also proposes the enactment of legislation targeting "Iran's human-rights violations and regional aggression, including in Iraq, Syria, Lebanon and Yemen." And it suggests sanctioning the Instrument in Support of Trade Exchanges (INSTEX). The plan also proposes new sanctions on arms industries in countries including Russia and China that may be involved in selling weapons to Iran, and banks that facilitate arms sales to Iran and the companies that ship these weapons. To ensure that the pressure approach on Iran remains constant, the law contains a key provision preventing any administration from lifting sanctions without congressional approval.

The United States also intensified its pressure on Iran in Syria. For instance, the Caesar Syria Civilian Protection Act of 2019 restored US influence in Syria, along with the challenges which this represents for Iranian influence. The law targets Iranian militias, and its reach extends to Hezbollah in Lebanon. It will also hinder Iran's interests in regard to contract implementation, investment, and reconstruction.

The United States exerts similar pressure on Iran in Iraq. The strategic dialogue with the Iraqi government stressed the importance of American presence in Iraq and discussed the reorganization in the positioning of its military forces. The dialogue also aims to reduce the pressure arising from the Iraqi Parliament's decision in regard to the withdrawal of foreign military forces, which includes pro-Iranian forces and militias in Iraq.

Apparently, the United States has started to impose challenges on Iran through the Kazemi government. In the same context, members of the PMF and the Iraqi Hezbollah were arrested and later released for allegedly planning attacks against American forces in Iraq.

Internationally, the United States is working to extend the arms embargo on Iran in the Security Council. Brian Hook, special representative for Iran said that if the United States does not succeed in extending the embargo, it will resort to the snapback mechanism as stipulated in the nuclear agreement, and will restore all the sanctions that the UN imposed previously on Iran, since Resolution 2231 includes the United States as part of the agreement.

The United States is working to change the positions of the powers participating

in the nuclear agreement on Iran by using the report of the IAEA , which stated that Iran enriched uranium stockpiles at nearly eight times the limit set in the 2015 nuclear agreement. The IAEA Board of Governors issued a decision condemning Iran because it prevented the agency's inspectors from visiting some nuclear sites. The report of UN Secretary-General Antonio Guterres indicated that the drones and missiles used in the 2019 attack on the Abqaiq oil complex in Saudi Arabia were of Iranian origin.

Under these pressures, the United States bets on Iran's acceptance of the negotiation option.⁽²⁾ Trump expressed this when commenting on a prisoner swap between Iran and the United States facilitated by Switzerland. He thanked Iran and renewed his offer to Iran to negotiate a new deal and urged Iran not to wait until after the US presidential elections



II- Iranian Reactions to the American Escalation

The Iranian government voiced its discontent at the sanctions considering them to be illegal, especially in the context of the overall crisis caused by the coronavirus pandemic, and it believes that these sanctions have crossed red lines, amounting to economic and medical terrorism and crimes against humanity.

Although Iran believes that the sanctions are routine and have been endured by the

country for forty years, and it is capable of overcoming them, the sanctions have greatly impacted the domestic situation, the Iranian currency has declined precipitously, and there has been a resurgence in protests.

Nevertheless, Iran has once again rejected Trump's offer to negotiate a new deal. Iranian officials underlined their commitment to the directives of the supreme leader. The position of the Iranian Parliament on negotiations was clear since the speaker of the Parliament and some deputies reiterated that negotiations with the United States would not be of any use to Iran. The Iranian government believes that the US intends negotiations with Iran for electoral propaganda purposes only.

However, this does not mean that Iran refuses to negotiate totally. According to Iranian officials, negotiations are possible only within the framework of the nuclear agreement, including the participation of all the states that are signatories to the agreement, and with the condition that the United States pay's compensation for withdrawing from the nuclear agreement and lifts the sanctions.

In response to Trump's message to Iran not to wait until after he is re-elected, the Iranian Foreign Ministry announced that Iran will not base its policies on American internal affairs, such as the elections. However, this does not mean that Trump will be re-elected, especially given the challenges he is facing after the coronavirus outbreak, and the protests that swept across the United States after the death of George Floyd.

Iran's armed forces have been ordered to monitor American commercial ships in the Arabian Gulf region and the Sea of Oman in preparation for reciprocity in case any oil tankers are attacked by the United States. Iran's President Hassan Rouhani announced, "If Americans create problems for our oil tankers in the Caribbean waters or anywhere in the world, we will reciprocally create problems for them."

The IRGC has built a model of an US aircraft carrier off its southern coast to conduct a live-fire exercise. In February 2015, this model was used in a military maneuver called "The Great Prophet-9." This operation indicates that the Iranian Revolutionary Guard is preparing for a mock-sinking similar to the operation it conducted in 2015.

The Iranian Parliament decided to revive a draft bill which deals with confronting the hostile measures and economic sanctions imposed by the United States. Although a part of this bill has been enacted into law by the 10th Parliament, the Parliament is seeking in its current session to enact the remaining articles of this bill.⁽³⁾

Internationally, Iran considered the report of the United Nations Secretariat which condemned the Houthis for targeting Saudi Arabia using smuggled weapons as unfounded. The Iranian government asserted that the report was released under pressure from the United States and its allies, on the grounds that there is no evidence and proof in support of this claim which is based on private information.

To confront the US efforts to extend the arms embargo against Iran, the latter relies on the positions of the remaining members of the nuclear agreement, especially Russia and China. Thus Russia and Iran signed a declaration to enhance the role of international law. The foreign ministers of Russia and China stated that the Americans, after withdrawing from the nuclear deal, have no right to demand the Security Council to invoke the snapback mechanism, and the two countries have begun to move to confront US efforts at the United Nations.

III- The Implications of the Mutual Escalation Between the United States and Iran

The sanctions on Iranian shipping companies or entities that deal with them was a further decisive blow to the Iranian economy, which is already in serious trouble. Many countries, companies and individuals will be reluctant about dealing with Iran because



they fear US sanctions. This represents a serious challenge for Iran's trade relations with the outside world and holds significant implications for the growing crisis at home.

The Trump administration clearly seeks to sign a new deal before the elections. The members of the Republican party and some Democrats seek to ensure the continuation of the maximum pressure strategy and that US policy is not diverted from its current course if President Trump's opponent Joe Biden wins. Therefore, to ensure this they intend to set the framework via proposing a legal wide-ranging role for Congress in following up US policy toward Iran regardless of the next president's direction and administration.

Regionally, the American moves in Syria, Iraq, and Lebanon aim to regain the initiative, and restrict Iranian influence and deter it through steering the course of the political process in the two countries away from Iran's allies, and imposing more pressure and sanctions on its proxies and militias in these countries.

These regional efforts are associated with US and international efforts which have successfully questioned the credibility of Iranian nuclear intentions. This prompted the IAEA Board of Governors to condemn Iran in the first resolution related to it since 2015. The report of the UN secretary-general on Iran's violation of the sanctions in regard to exporting weapons to Yemen supports American efforts to extend the ban on arms sales to Iran.

Finally, it can be said that, over time, the pressure cards of Iran are eroding. The internal arena witnesses uncertainty with the coronavirus crisis and its political and economic repercussions, especially the decline of the national currency, and the emergence of factional demonstrations. These developments represent a challenge for the government. In the regional arena, American moves to create challenges for Iran's regional project and its influence in Syria and Iraq particularly may lead to a heated confrontation between the two countries during the next stage. Internationally, China and Russia can offer support to Iran to help in moderating American pressure which aims to undermine the nuclear agreement, and its most important benefits, especially in regard to extending the arms embargo, which will be a real test for the Trump administration's strategy toward Iran.

IRAN AND EUROPE

The Iran-Europe relationship witnessed intensive political and diplomatic interactions, invoking debate across think tanks and media outlets which attempted to forecast the future policy of European decision-makers regarding the nuclear deal and the reimposition of the UN arms embargo.

This month, we shed light on the latest resolution of the International Atomic Energy Agency (IAEA) presented by the European Troika. The resolution compels Iran to permit IAEA inspectors access to the suspected Iranian nuclear sites. We also discuss the European position on the Iran nuclear deal and the European perspectives towards the US endeavors to extend the UN arms embargo imposed on Iran.

Overall View of the Official Reactions

In this part, we discuss the IAEA resolution and the US endeavors to extend the UN arms embargo, reviewing the overall European and Iranian positions.

1. The IAEA Resolution

The IAEA Board of Governors passed a resolution on June 19, 2020 calling on Iran to “fully cooperate with the Agency and satisfy the Agency’s requests without any further delay.” It is the first resolution of this type against Iran since 2012. The legally binding accords require Iran to allow access to the agency’s inspectors. The resolution was supported by 25 members out of a 35-member board — seven abstained, and Russia and China opposed it.⁽⁴⁾

The two alleged sites of past nuclear activity were not included in Iran’s commitments under the 2015 nuclear deal. Yet they are related to the Nuclear Non-Proliferation Treaty (NPT), including its Safeguards Agreement and Additional Protocol. “These legally binding accords require Tehran to provide answers on its nuclear activities and to provide unrestricted access to inspectors.”⁽⁵⁾

In response, Iran expressed its complete discontent over the IAEA resolution and the outcomes of the meeting. Iran’s Ambassador to the IAEA Kazem Gharibabadi delivered a speech following the meeting of the IAEA’s Board of Governors expressing his deep disappointment over the resolution presented by the European Troika, which according to Kazem Gharibabadi “have not yet taken concrete and practical steps to fulfill their obligations under the JCPOA.” He added, the resolution is a “completely non-constructive and political move.”⁽⁶⁾

Iran’s Foreign Minister Mohammad Javad Zarif harshly criticized the European Troika on his Twitter account saying, “E3 must stop public face-saving & muster the courage to state publicly what they admit privately: their failure to fulfill even own JCPOA duties due to total impotence in resisting US bullying Behind facade, E3 are accessories to Trump & Netanyahu—& in no position to counsel Iran.”⁽⁷⁾

2. The European Position on the Extension of the UN Arms Embargo

The European position on the US draft resolution shared with the United Nations Security Council to extend the arms embargo drew the attention of observers due to the conflicting remarks of European officials made in June. The US-Europe rapprochement was downplayed in their remarks.



First, the Europeans explicitly expressed their rejection of the US endeavors to share a draft resolution with the UNSC that would curb the Iran nuclear deal. EU foreign policy chief Josep Borrell said that since the United States pulled out of the nuclear deal, it cannot claim that it has a role in it anymore.⁽⁸⁾

Second, the foreign ministers of France, Germany, and United Kingdom issued a joint statement about Iran's breaches of the nuclear deal, expressing their disappointment over the US withdrawal from the deal and the imposition of sanctions on Iran. In the statement, the Europeans affirmed the necessity to tackle Iranian missile threats in the region. However, in the context of extending the UN arms embargo, they expressed their concerns about the consequences of lifting the arms embargo on regional security and stability, adding that the European Troika do not accept any move that would curb the nuclear deal.⁽⁹⁾

Third, following the UNSC meetings in June, the representatives of the E3 (France, Germany and the United Kingdom) expressed concern regarding the expiration of the arms embargo and the US threat to invoke the snapback mechanism under the nuclear deal. The European powers hoped to find a way to limit Iran's accesses to arms through a compromise forged under the framework of the nuclear deal, not through actions imposed via the UNSC.⁽¹⁰⁾

3. Implications of the Iran-Europe Rapprochement

The European powers reject any US move to curb the nuclear deal, stressing the deal's effectiveness in addressing Iran's nuclear file. In early 2020, they halted the deal's dispute resolution mechanism, which they had triggered in response to Iran's fifth breach of the deal in January 2020. However, the Europeans and Iranians resorted to negotiations instead of escalating their differences.

The Europeans sought not to directly confront the US maximum pressure strategy. They work to extend the arms embargo to have more time to carry out diplomatic negotiations with Iran as well as to stop their US ally from triggering the dispute

resolution mechanism. It is worth mentioning that the EU arms embargo on Iran includes conventional arms and missile technologies, which is due to expire in 2023.

Upon review of the European position on the latest events, we are left with two main interpretations.

First interpretation: The latest IAEA resolution presented by the European Troika aims to thwart the Iran deal instead of giving Iran a chance to develop its nuclear program through the deal. Thus, Iran is cornered and must allow the agency's inspectors access to its nuclear facilities. If the agency confirmed its violations of the nuclear deal, the Europeans would have a stronger motive to trigger the dispute resolution mechanism. If Iran refuses to allow the agency's inspectors to enter its nuclear sites, doubts would arise about Iran's transparency regarding its nuclear program. This interpretation is backed by the timing of the IAEA resolution, the rising European concerns about the lifting of the UN arms embargo and Iran's missile program. Furthermore, the Europeans are fully aware of the difficulty in reaching a compromise at the UNSC in regard to the arms embargo. Crafting a new clear deal is almost impossible amid the rising US-Iran tensions, the Iranian hard-liners' increasing dominance inside Iranian-state institutions – they will probably win the next elections – and there is also a potential second term for President Trump.

Second interpretation: The Europeans will not change their carrot and stick approach towards Iran which they have adopted since 2019. They increase pressure on Iran on urgent issues while working to maintain the nuclear deal. Thus, it is unlikely that the Europeans would give up on the Iran nuclear deal at this critical period; the US election is just around the corner, a new US administration may adopt a new position on the nuclear deal. The Europeans will endeavor to achieve political and diplomatic victories – most importantly to maintain the nuclear deal – to prove that they are influential powers in the international arena with independent policy-making which is not influenced by the United States.

This interpretation is backed by many facts: The Europeans reluctantly triggered the dispute resolution mechanism, which was much harsher step than the latest IAEA resolution — they later suspended it to force Iran towards negotiations and to de-escalate tensions. The European approach towards Iran has become apparent in their pressure against Iran on issues like its human rights record and terrorism while keeping diplomatic channels with Tehran open. This is illustrated in the remarks of the E3 representatives at the UNSC who condemned the United States' unilateral approach in taking decisions with international ramifications.

The Europeans have adopted a balance-policy; they keep all options available. The Iranian violations are just like the US pressures. They believe that they should carefully consider their responses, aiming to keep secure legal justifications that would help them maintain the nuclear deal or withdraw from it once they must.

Conclusion

According to many critical observers, the Europeans will not stand still; they will use their diplomatic privileges to forge a compromise on the UN arms embargo imposed on Iran. First option, the Europeans may conclude a “double restraint” understanding: the United States accepts the lifting of the embargo in return for China and Russia giving up the idea of transferring weapons to Iran for a specific time period.⁽¹¹⁾ This kind of understanding is quite difficult to implement in light of the duration of the arrangement, the types of systems involved, the procedures for ensuring verification and the connections with the nuclear deal. Second option, they are likely to reach a compromise by proposing a limited extension of the arms embargo with less stringent conditions

than the previous one which will ease Washington's concerns about Iran's threats and Tehran would have more time to negotiate before the US presidential elections.⁽¹²⁾ This European move would probably face US rejection since the current administration has used all diplomatic ways available to curb the Iran nuclear deal before the presidential elections.

The Europeans, before reaching a compromise, should stop Russia and China from selling arms to Iran, and prolong the postponement of the delivery of the S-300 air defense system. Also, they should focus on selling their arms to the Gulf market instead of Iran in light of the growing China-Gulf rapprochement at the financial and economic level.

In a nutshell, the Europeans have tightened pressure on Iran due to its violation of the nuclear commitments under the nuclear deal, however, they are working hard to keep the deal alive. Though the Europeans are keen to align with the United States to extend the arms embargo, they are also keen not to curb the nuclear deal.

Endnotes

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