

SUMMARY OF
ANNUAL STRATEGIC
REPORT 2020



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ANALYSIS IN THE SHIFTS OF THE INTERNATIONAL STRATEGIC ENVIRONMENT

In 2020, many transformations occurred on the international level due to several reasons such as the coronavirus pandemic, the escalation of divisions between international powers, the beginning of popular movements in four Arab countries, and opportunities for change in Turkey and Iran.

FIRST: THE UNITED STATES

- The likelihood for change under the Biden administration appears to be much greater than the previous Trump administration, as it embraces diversity based on liberalism.
- The US policy of containment aims to see a modification of Iran's policies and behavior towards the regional countries, and this policy will extend to China as well.
- The populist right wing current in the post-Trump era will remain present as an influential actor in domestic and international politics, albeit it will be weaker than before.

SECOND: IRAN, TURKEY, AND NON-STATE ACTORS

Iran and Turkey have proxies and pressure cards in the Arab world; both are used to project their power in the region and the wider world.

The possibility of modifying Iran's behavior via domestic political change is much more difficult when compared to Turkey.

THIRD: POLITICAL ISLAM IN A NEW INTERNATIONAL ENVIRONMENT

- The nationalist and populist right-wing currents in Europe and the United States are escalating Islamophobia in the West by presenting Muslims as posing a risk to societies.
- The Islamist groups have turned out to be a burden in the countries that experienced the first wave of the Arab Spring uprisings.
- Countering terrorism will remain one of the key issues steering global policies in the future.

FOURTH: THE POST CORONAVIRUS WORLD

- | China has succeeded in controlling the coronavirus pandemic; this will allow it to strengthen itself in the economic and international spheres.
- | Brexit will lead to the Anglo-American alliance being strengthened.
- | The United States will remain the most influential economic and military power for years to come.

FIFTH: THE ARAB UPRISINGS AND THEIR LIMITED IMPACT ON THE INTERNATIONAL ENVIRONMENT

- | Migration remains a serious concern for the international community.
- | Following the recent uprisings, Algeria and Sudan managed to keep their nation-states intact. Sectarianism remains dominant in Lebanon and Iraq.
- | Islamist groups in the countries experiencing the second wave of the Arab Spring uprisings faced declining support — compared to the first wave.

SIXTH: CONCLUSIONS

- | “Trump populism” was defeated in 2020, yet this does not mean that populist and conservative currents in the United States and the world will come to an end.
- | Biden will revive the US policy of containment towards Iran.
- | China’s handling of the coronavirus pandemic has proven that it will remain the United States’ number one competitor for years to come.
- | The year 2020 witnessed a rise in different reform strategies in the Arab world, which were seen in Algeria and Sudan.
- | Terrorism and irregular migration continued to cause major international crises last year.



INTERNAL AFFAIRS

The year 2020 marked a year of deepening crises in Iranian affairs. Iran's political and social forces entered into conflicts while the moderate forces were further marginalized. Public confidence in the ruling elite dropped to even lower levels and this was worsened due to systematic repression and the government's inability to solve the country's deteriorating economic situation. On the other side, Iran's military seemed quite distant from the harsh economic crisis the Iranian people have been suffering; it expanded and entrenched its political and social status. It turned into a functional entity, detached from the real concerns of the Iranian people and acting in accordance to the supreme leader's expansionist policies.

THE IDEOLOGICAL FILE

At the ideological level, Iran in 2002 did not contribute at all to jurisprudential developments via the religious seminary. Disputes among major clerics surfaced due to political disputes and mutual accusations of financial corruption and a lack of jurisprudential capability. The confrontation between the Qom and Najaf seminaries dominated the year due to their different visions concerning the political future of Iraq.



FIRST THE NAJAF MARJAYA AND CURBING THE IRANIAN INFLUENCE

1

The Military Trajectory

- Najaf sought to put pressure on the factions supporting Velayat-e Faqih and attempted to curb their significant clout by trying to ensure that they operate under state supervision. Thus, the factions linked to the Najaf Marjaya withdrew from the Popular Mobilization Forces (PMF) in order to weaken it and prevent the factions loyal to Velayat-e Faqih from exclusively having the final say over decision-making and to put some sort of pressure on them to accept state supervision.
- It could be said that the Najaf seminary did not achieve its goal in this matter as it hoped. But it pushed back and displayed resistance in the face of Iran's pressure and the growing clout of its militias. This was important to nourish Iraq's civilian and secularist grassroots to ensure the formation of a civilian state distant from Iran's sectarian plans.

2

The Diplomatic Trajectory

- The meetings held between members of the Najaf Marjaya and UN and Western officials represented an opportunity to convey its viewpoint to the world. It reiterated limiting weapons to the state, and holding early parliamentary elections to be held under international supervision. It also raised the legitimate demands of the protesters. This sparked Iran's anger as it feared the chances of pro-Velayat-e Faqih factions diminishing in the next elections.





SECOND

THE RELIGIOUS ELITES AND THE MEASURES TO ADDRESS THE CORONAVIRUS PANDEMIC

2

The Controversy of Opening Shrines

- At the outset of the coronavirus pandemic, the Iranian religious elites differed about whether to keep open or close the shrines.
- The shrines being kept open was in line with the desires of the Iranian leadership, to the extent that some clerics alleged that the shrines are a place to heal the sick, which worsened coronavirus infection rates across Iran.

1

The Decision to Close Shrines

- Given the expanding geographic area across which the pandemic spread and the spike in infection rates, the Iranian government decided to close the shrines and tombs and suspend religious seminary lessons; this was in response to international pressure. But the shrines reopened soon after, as they critical to the standing of Iran's religious elite and important for the legitimacy of the Velayat-e Faqih-inspired leadership.



THIRD: THE WEAPON OF FATWAS: PRO-VELAYAT-E FAQIH CLERICS AND TARGETING US TROOPS

- 1 Several pro-Velayat-e Faqih clerics issued fatwas that permitted US forces to be targeted in Iraq.
- 2 Iranian politicians spoke of targeting the Western presence in the region, not only in Iraq.
- 3 These fatwas gave pro-Velayat-e militias a legal cover considering that there was no official fatwa issued by the marjaya. These fatwas were an attempt to put pressure on the United States to ease the pressures on Iran. These militias are Iran's proxies in Iraq and have the capacity to cause trouble for the United States.
- 4 It seems that militia attacks targeting Western consulates will stop for a while until the Biden administration's strategy becomes clearer.

FOURTH

IRAN AND FACING UP TO RELIGIOUS REFORM IN THE SEMINARY

- 1 Iraqi marja Kamal al-Haydari has become a focal point for young and cultured segments within the Shiite world.
- 2 Haydari's resilience was met with Iranian concerns about his influence among young men, and his call for religious reform spreading.
- 3 Despite Haydari's shunning of politics, Iran's official institutions spread lies about him via official statements, describing him as an enemy stooge and someone who practices polytheism and disbelief.
- 4 Reports were circulated that he was arrested, a scenario which happened with former senior clerics such as Ayatollah Shariatmadari, and Hossein Montazeri as well as others.

CONCLUSION

Two important conclusions can be made:



The Najaf-Iran dispute over Velayat-e Faqih and its clout across the Shiite world in particular and the Islamic world in general is likely to continue.



The Iranian leadership will continue to fear calls for religious reform, as this threatens its official religious interpretations and could lead to a more comprehensive and wider reform program, including political reforms and reshaping the mindsets of the Iranian people.



THE POLITICAL FILE

The hardliners gaining control of Iran's new Parliament and their escalation of tensions with President Rouhani and his cabinet ministers, as well as internal disputes with the reformist current and its demand for President Rouhani to resign were the most important political developments in Iran during 2020.

> ROUHANI AND THE NEW PARLIAMENTARY FIRST: LAWMAKERS: QUESTIONING TO IMPEACHMENT, PROSECUTION, AND EXECUTION

1 The Conservatives' Control Over Parliament

The new parliamentary elections resulted in new balances taking shape on Iran's political landscape, with the conservatives dominating the new Parliament and the reformists winning a minority of seats.

This parliamentary elections saw the lowest voter turnout since the Iranian revolution.

Several factors contributed to the reformists performing badly in the elections, including a lack of confidence in the reformist project, growing internal differences within the reformist current about participating in the elections and the mass disqualification of reformist candidates.

2 The Radicals' Movements Against Rouhani

The radical current attempted to tighten the noose around Rouhani's neck and this began during the parliamentary election campaigns when some candidates pledged to hold Rouhani to account over failing to deliver on his promises and his desire to negotiate with the United States in relation to the nuclear file.

The radicals escalated against Rouhani. From questioning him, they began to call for his ousting and some began to demand his execution.

The new Parliament witnessed the first practical move against Rouhani in July 2020, when approximately 200 lawmakers signed a bill to question Rouhani on a range of issues.

In October 2020, these calls to question Rouhani were renewed after he expressed his desire to negotiate with the United States, citing the reconciliation that was signed between Al-Hassan ibn Ali and Mu'āwiya ibn Abī Sufyān. This incident was cited to convince his rivals of the flexibility needed to negotiate with the United States.

SECOND: THE SUPREME LEADER CUTS OFF THE HARDLINERS AND PREVENTS THEM FROM EXERCISING THEIR CONSTITUTIONAL RIGHT

- The Supreme Leader Ali Khamenei intervened in favor of Rouhani and rejected the attempts to question and depose him. He justified his move, saying: "The last year will most probably be a crucial year for the government. So we should be keen not to weaken it and prepare the suitable groundwork for it to perform its duties until the last day of its tenure."
- It seems that the reason why the supreme leader rejected the attempts to oust Rouhani was because he feared his removal would lead to a political vacuum, security turmoil, and lead to the Iranian people shunning the upcoming presidential elections.
- The supreme leader's intervention and his rejection of the bill to oust Rouhani saved him and provided him with immunity in case other bills are raised to question or oust him in the future.



THIRD: THE CONFRONTATION BETWEEN THE GOVERNMENT AND THE PARLIAMENT OVER THE NUCLEAR FILE

The bill titled "Strategic Action Plan to Lift Sanctions and Protect the Iranian Nation's Interests" which the Parliament passed led Rouhani to face a new crisis as he opposed the bill, citing "the damage it could cause to Iran's diplomatic activities."



This bill intends to escalate Iran's nuclear activities such as lifting the restrictions on enriching uranium, curbing international visitations/supervision of Iran's nuclear activities, and producing **120 kilograms** of uranium enriched at **20 percent** purity levels per year.

FOURTH: STIFLING THE GOVERNMENT BY REFUSING TO APPROVE MINISTERS AND QUESTIONING THEM

After the conservative plan to question Rouhani failed, they resorted to pressuring him by refusing to give a vote of confidence to his ministerial nominees and they threatened to question them.



FIFTH: THE REFORMISTS BLUNDER: INTERNAL DISAGREEMENTS AND DIVISIONS REGARDING THE POSITION TOWARDS ROUHANI AND THE ELECTIONS

1

The Reformists' Criticisms of President Rouhani

The criticism of Rouhani and his policies were not limited to the conservatives, the reformists who backed him also leveled criticisms at him, such as:

Accusing him of moving closer to the conservatives

Accusing him of marginalizing and excluding reformists from his government

Failing to fulfil his electoral promises

- Rouhani dismissed the accusations leveled at him and argued that his electoral promises were made during peacetime. However, the current situation was one of "war," hence he was unable to meet his promises.

2

The Call for Rouhani to Resign



The reformists demanded that Rouhani resign in order to change and improve the situation in the country.



The reformists were divided on this demand for Rouhani to resign, some supported the demand, whereas others rejected it and defended Rouhani and his policies.



The conservatives attacked the reformist demand for Rouhani to resign, deeming it a reformist attempt to evade responsibility and avoid accountability.

3

The Reformists' Frustration and Expectations of Losing the Elections

Rouhani's failure led to pessimism and frustration within the reformist current's ranks, especially regarding whether to participate in the presidential elections.

The presidential elections may see a huge drop in voter turnout, especially considering that the conservatives control state apparatuses and the likelihood of reformist candidates being disqualified.

Some reformist leaders have called for forming alliances similar to what the reformist current did with Rouhani to contest the presidential elections to prevent the conservatives from winning the presidency.

4

Differences Within the Reformist Movement

A spate of differences within the reformist current surfaced prior the last parliamentary elections, especially regarding how to participate in the elections.

The decision of the Reformists' Supreme Council for Policymaking to boycott the parliamentary elections in response to the Guardian Council disqualifying reformist candidates, while some within the current insisted on participating, deepened the rifts among the reformists.

Because of the mounting differences within the Reformists' Supreme Council for Policymaking, Mohammad Reza Aref tendered his resignation as chairman.

The differences are growing within the reformist current particularly regarding the need to review objectives, direction and to reform the structure of the current following a spate of challenges and setbacks suffered by the current.



SIXTH: THE FUTURE OF IRAN'S POLITICAL LIFE AMID THE CURRENT TENSIONS AND CHALLENGES

- 1 After the supreme leader intervened, it has become certain that any call to question or oust Rouhani will not be on the Parliament's agenda during the remaining months of Rouhani's term.
- 2 As the presidential election is approaching, the conservatives are expected to intensify their attacks targeting the government with the intention to weaken any potential reformist candidate, hence influencing the Iranian people and wooing them to vote in favor of a conservative candidate.
- 3 Due to the situation facing the reformists, they could resort, ahead of the next presidential election, to the following options:

Refrain from participating in the presidential election.

Choose a unanimously approved candidate to participate in the presidential election.

Forging new alliances similar to the one they forged with Rouhani.

- 4 Despite the criticisms leveled at the reformists for their alliance with Rouhani, repeating this scenario is a possible option for the reformists given the likelihood that most of their candidates will be disqualified.
- 5 In case the rifts and resignations continue to grip the Reformists' Supreme Council for Policymaking, some reformist parties may resort to forming a new platform to bring together the reformists in the coming period to prepare for the presidential election.
- 6 Following the mass disqualification of reformist candidates ahead of the last parliamentary elections and the conservatives winning most of the seats, it has become clear that the conservative current wants to tighten its grip over all state institutions.

- 7 | It is expected that the conservative current will use all means possible to win the presidential elections.
- 8 | The failure of Rouhani to fulfil his promises, the weakness of his government's performance over the past year and the differences within the reformist current are the most important factors which will result in the conservatives winning the presidential election.
- 9 | In case the conservatives win the presidential election, this current will exclusively form a radical government which implements a radical program at home and abroad. It will be totally in line with the supreme leader's ambitions.
- 10 | Due to the economic legacy which President Rouhani will leave behind, the new government will be prompted to pursue more flexible policies in relation to the nuclear file to find a way out of the economic crisis and improve the domestic situation.

Expected Political Events and Internal Developments in 2021

The presidential election scheduled to be held in June.

The decisions of the Guardian Council on whether the candidates are qualified or not for the presidential election.

The way the new government will handle the nuclear file and economic situation.

THE SOCIAL FILE

Throughout 2020, Iran turned its back on the values to empower women and support their political participation. The political crackdown targeting women increased in the aftermath of Iranian feminists opposing the obligatory hijab. Amid the rise of the radical conservative current and the lack of moderates, social problems worsened, including a rise in domestic violence and drug addiction cases.

> FIRST: WOMEN IN POLITICS AND SOCIETY

1

Women and Political Participation

Iranian women cannot contest the presidential elections, as a male culture dominates Iranian politics. It is clear that Iran's government will not yield to the international and media pressure to open the door for women to contest the presidency.

Among the potential scenarios is that the Iranian government will allow women to contest the presidential elections like it allowed women to enter football stadiums following an official fatwa banning their attendance.

The Iranian government may remain inflexible on issues regarding women, such as their right to contest the presidency in the short and medium term.

2

Hijab and Violence Against Women

- The Iranian government continued to intimidate and target women who refused to wear the hijab.
- The daughters of some Iranian officials embrace freedom in the West, signaling growing rebellion against the laws obliging the hijab even among the daughters of religious figures. This also indicates that Iranian officials and religious figures are contributing to social hypocrisy.
- A poll carried out by Joman Foundation regarding the religious outlook of the Iranian people concluded that : **60 percent** of the participants do not perform the obligatory prayers, **73 percent** are opposed to imposing the hijab and **37 percent** drink alcohol regularly or from time to time.

3

Women and Addiction

Several problems – which homeless women suffered from – emerged, including:



- Addiction
- Divorce
- Familial disputes

> SECOND: ADDICTION AND DRUG TRAFFICKING

1

It seems that drug addiction and narcotic trafficking are chronic problems in Iran. Even though the government says it is undertaking excessive efforts to counter drug usage and trafficking, there is a rise in drug addicts in the country.

2

Reports suggest that IRGC surrogates are involved in massive drug trafficking operations.

> THIRD: WATER AND COMMUNITY CRISIS

Iran is suffering from a water shortage crisis in many cities, especially on the outskirts in regions that are marginalized politically, socially, and economically.

There is no genuine political will by the government to improve the infrastructure in marginalized regions.

> FOURTH: ILLEGAL EXECUTIONS



The Iranian government executed the wrestler Navid Afkari without a public trial.

The government insisted to execute Afkari despite international pleas to stop the execution. He was charged with participating in anti-government protests and insulting the supreme leader. He was a leading sports personality and thus from the government's perspective he had to be executed to prevent others following in his footsteps. The government preferred to execute him to intimidate others.

> FIFTH: THE FUTURE OF IRAN'S SOCIAL SITUATION IN LIGHT OF THE CURRENT CHALLENGES

Social problems are to continue because of the nature and structure of the Iranian political system.

There is no genuine political will to initiate change, in addition swelling corruption and a lack of transparency will impede change.

THE ECONOMIC FILE

The year 2020 witnessed excessive economic crises in Iran due to the convergence of challenges such as the sanctions, the coronavirus outbreak and the government's implementation of irrational economic policies. The government's economic policies, including the sale of justice shares among others, failed to address the economic crises.

> FIRST: THE ECONOMIC PERFORMANCE INDICATORS AND THEIR VARIOUS REPERCUSSIONS

1

The Growth of Iran's Major Economic Activities

The GDP of Iran is the second biggest across the Middle East. But Iran's growth is not commensurate with its population growth. Hence, the GDP per capita declined to levels posted 10 years ago.

Despite the role of the IRGC and its smuggling networks in circumventing US sanctions, the latter, coupled with the coronavirus pandemic, managed to deepen the depression by hitting vital industries such as oil, petrochemicals, mining, automobiles, and services in addition to suspending economic growth engines such as consumption and exports.

A severe depression led to a negative economic growth rate of -5 percent – other estimates suggested it was -12 percent – one of Iran's lowest economic growth rates in three decades.

The agriculture sector is still the government's safety valve as it ensures a certain level of self-sufficiency, even though food items are priced highly.

2

Indicators Point to a Direct Impact on Societal Welfare

HDI points to a certain quality of life.

Iranian income levels declined by one third compared to the period preceding Rouhani coming to power in mid-2013.

The inflation rate reached 35 percent; it was far higher for food items, medicine and housing.

The outbreak of the coronavirus pandemic resulted in the unemployment of hundreds of thousands of people due to its negative impact on Iran's services sector; the largest employer of Iran's labor force.

The local currency plummeted to an all-time low following a severe shortage in foreign currencies. The inflated prices of foreign currencies in the black market as well as the IRGC-linked companies vying for cash subsidies via the NIMA system aggravated the inflation problem in the country.

A Gallup opinion poll showed that 44 percent of Iranians said that their living conditions worsened, the highest pessimistic percentage since 2011.

3

The Developments Regarding Foreign Trade and Exchange

Reserves



A sharp and worrying decline of foreign exchange reserves, declining to nearly \$8 billion.



An unusual \$5.5 billion trade deficit not posted since 1998.



Most European countries were removed from Iran's list of its most important trading partners, while China and the UAE strengthened their positions as Iran's biggest trading partners.

4

The General Budget's Trends

A decline in the budget's real value in 2020 compared to the past year.

Most of the spending was allocated to operational costs and military expenditures and then to fighting the coronavirus pandemic.

Unrealistic revenue expectations due to optimism over collecting taxes and selling assets.

Exceptional spending to fight the coronavirus pandemic.

The excessive dependence on the stock exchange to raise revenues caused a financial bubble.

The budget deficit was estimated at 9.5 percent due to revenue shortages and a surge in spending patterns.

The government resorted to local and foreign borrowing amid an excessive injection of liquidity to address the deficit without paying heed to the inflationary ramifications.



SECOND: THE FUTURE OF IRAN'S ECONOMY IN LIGHT OF LOCAL AND GLOBAL CHANGES

1

An Imminent Economic Breakthrough and Boom



An increase in the possibility of reaching an agreement with the United States, leading to the sanctions being lifted.

The end of the coronavirus-related dangers to the Iranian economy.



2

New Crises That Further Complicate the Economic Situation

The possibility of electing an Iranian government that lacks the flexibility needed to negotiate with the Biden administration on the contentious issues, which would lead to a continuation or escalation of the sanctions.

Iran's insistence on lifting the sanctions imposed on the companies linked to the IRGC.

The radical current approving IRGC activities at home and overseas, especially its economic activities.

3

Limited Improvement

It is the likeliest scenario, resulting in an economic improvement in 2021, though limited. This is due to the following:

- 1 The possibility of delaying the negotiations between Iran and the United States until after the new government takes over in August 2021, allowing an opportunity for the reformist current to make gains and for the new US administration to work on more urgent files.
- 2 The local and international variables indicate that many economic problems will continue even if the sanctions are eased or totally lifted. These include the nature of the economic policies that will be pursued by the radical current if it wins the presidential elections or the ongoing decline in global energy prices.
- 3 We could see a limited improvement in some of Iran's macro indicators such as the balance of payments and economic growth during the second half of the year.
- 4 At the level of the Iranian public, improvements will require more time as there is a need to rectify past mistakes and overcome structural impediments.



THE MILITARY FILE

The military establishment suffered several setbacks in 2020. These included the killing of Quds Force Commander Qassem Soleimani, the relative stalemate which gripped the activities of pro-Iran militias deployed in several Arab countries and the opening of a new frontline on Iran's northwestern borders because of the Azerbaijani-Armenian conflict over the Nagorno-Karabakh region.

> **FIRST: THE RESOLUTION OF THE AZERI-ARMENIAN CONFLICT AND ITS MILITARY AND STRATEGIC IMPACT ON IRAN**

As a result of resolving the dispute between Azerbaijan and Armenia, several new strategic realities took shape, which require Iran – a neighbor of the two countries – to address:

1

The Geopolitical Implications of the Conflict

The presence of Russian and Turkish forces to manage the situation in Azerbaijan and Armenia and Azerbaijan's connection to the Naxcivan region and then to Turkey poses a strategic threat to Iran's interests.

The new strategic reality-represented in the increase in the length of the Iranian-Azerbaijani borders-dictates Iran should act against any hostile actions across its borders. Borders could become a source of disturbance for Iran's forces.

2

The New Iranian Military Positions

Iran has deployed IRGC forces along its borders

Brought into service the Ashoura base on the border area for military reinforcements and observation.

Deployed hundreds of well-equipped troops on the northwestern borders near Karabakh.

3

Strategic Implications

- Iran suspects that growing Azerbaijani-Israeli relations could lead to its military and nuclear facilities being targeted as well as Israel carrying out espionage and intelligence gathering operations.
- By increasing the border area between the West-aligned Azerbaijan and Iran, the Western and Israeli threat has become real over the northern borders of Iran. It will be a source of concern and a new threat front for Tehran.



SECOND: THE RESTRUCTURING OF IRAN'S ARMED FORCES : (EFFECTIVE AND SMALL-MOVEMENT GROUND FORCES)

As a result of the changing strategic spheres surrounding Iran, it seeks to restructure its forces so that it can respond to serious threats. This was evident in Iranian attempts to integrate the army into the IRGC.

1

The Impact of Threats and Economic Capabilities on the Military Structure

Iran's economic circumstances led to a spike in popular discontent at home and prompted the regime to modify the role of the army, so that it plays a bigger role in contributing to internal security.

The overlap between the army and the IRGC will reduce the levels of efficiency, leading to greater errors.

The growing challenges facing the IRGC overseas means that it is imperative for the army's role to be adjusted.

2

Objectives and Features of Iran's Restructuring Plan for Its Ground Forces











Iran's army announced a restructuring plan which will take three years to complete. It aims to transform the ground forces into units with small numbers and swift movements, which have a short line of command.

The plan aims to reorganize the massive military formations of Iran's army across its divisions, dividing them into units of smaller sizes and making its divisions consist of three independent mobile combat battalions working under a trimmed line of command. This is in addition to establishing regional headquarters for commanding the army's units, each of which includes operational headquarters capable of taking decisions within their respective regions.

The plan aims to utilize the army to ease the burden on the IRGC at home and overseas. In addition, it intends to avert the risk of collision between the army and IRGC and reduce the duality between them.

The success in effectively restructuring Iran's army depends on the level of financial support it receives to modernize its weapons systems considering Iran's harsh economic circumstances. It also depends on the crafting a unified strategy, which could be adopted by army commanders who seek to step up the capabilities of the regular army to counter threats from the regular armies such as the US and within the mindset of the IRGC commanders. This unified strategy should be able to contain the military ideology of Iran's commanders, which is based on asymmetrical warfare; the decentralization of command; and the overwhelming desire to maintain domination; maintaining their financial privileges.

Iran's Military Might (Manpower) in 2019

Iran's Revolutionary Guards Corps (IRGC)		Artesh (Regular Forces)	
IRGC Ground Force (IRGCGF)	150,000	Ground Force (IRIGF)	350,000
IRGC Navy (IRGCN)	20,000	Navy (IRIN)	18,000
IRGC Aerospace Force (IRGCASF)	15,000	Air Force (IRIAF)	37,000
Basij (Reserves)	450,000	Air Defense Force (IRIADF)	15,000
IRGC Quds Force (IRGC-QF)	5,000		
TOTAL      	640,000	TOTAL    	420,000

Total servicemen (including reserve personnel): 1,060,000

3

The Impact of Restructuring Training Plans

- The Iranian army conducts multiple annual exercises which involve different future war scenarios. These exercises test the changes in army formations along with preparing the army to win future wars, whether symmetrical or asymmetrical.
- The exercises focus on testing the capability and rapidness of the new formations, as well as the rapidness of mobilizing and deploying the formations. In addition, they test the changes made to the command and control structures in the formations.

> **THIRD: IRANIAN MILITARY ALLIANCES AND THEIR IMPLICATIONS**

Throughout 2020, Iran sought to energize its alliances with both Russia and China to boost its strategic position and lay the foundations for a new front hostile to the United States.

1

Iranian Military Exercises With the Eurasian Countries and China

Iran seeks joint military drills with China, Russia and other countries dubbed the “Maritime Security Belt” to strengthen and boost its defensive capabilities, exchange expertise and seeks to strengthen its position as a major naval power in the blue waters.



Iran's ground and naval forces partook in the Caucasus 2020 maneuvers which were conducted on Russian soil to challenge US movements such as forming a Western naval alliance to maintain security in the Arabian Gulf and the Strait of Hormuz.

2

The Objectives of Iran's Military Alliances

It is important for Iran that China and Russia participate in the conflicts in the region. The involvement of these two countries alongside Iran in its conflict with the West strengthens Tehran's position on several files, namely the nuclear file.



Iran seeks to achieve several objectives via these military drills such as to change the military balance in the world, given the participation of two permanent members in the UNSC: Russia and China.



FOURTH

THE FUTURE OF IRAN'S MILITARY ACTIVITIES IN 2021

- **1** The ramifications of killing Qassem Soleimani and the nuclear scientist Mohsen Fakhrizadeh are expected to last for a long period of time. Chaos is expected to continue in the leaderships of the Iraqi and Syrian militias. Iran will probably continue exploiting the targeting of these two commanders to justify any future retaliation in the Middle East.
- **2** The lifting of the arms embargo on Iran coinciding with the plan to restructure Iran's army is expected to push Iran to purchase new weapons to plug the gap in its military capabilities. This includes the Russian Su-30 or MIG-35 fighter jets and advanced air defense systems in case the 2021 budget has room for this.
- **3** Iran is expected to continue and expand its naval drills to advance its naval defenses.
- **4** It is expected that the use of drones will be intensified in the coming period, especially for observation operations on the border with Azerbaijan.
- **5** Iran could mount attacks on Israelis in the UAE and Bahrain to undermine the normalization process of these two countries with Israel. Normalization is a strategic threat which Iran must counter.



ARAB AFFAIRS

Iran's expansionist activities in the Arab states were denounced both by the governments and the people. The year 2020 started with the killing of the Quds Force Commander Qassem Soleimani who had established and managed a vast array of Iranian-backed militias operating in Syria and Lebanon. Moreover, Iran's "Hormuz Peace Initiative" for collective security failed to gain support. Tehran continued with its destabilizing activities in the region, and its support for militias that escalated their missile attacks targeting Saudi cities, and they impeded all efforts to reach a peaceful political solution after the Arab Coalition to Support Legitimacy in Yemen strengthened its position via the signing of the Riyadh Agreement.

IRAN AND THE GULF STATES

In 2020, tensions were evident within the Iranian political system, resulting in several ramifications. Iran's relations with Saudi Arabia and the Gulf were filled with tension during the year.

> FIRST: THE FEATURES OF IRAN'S POLICY TOWARDS THE GULF STATES IN 2020

1

Iran ' s Approaches Towards Reconciliation

With the Gulf States

- The Gulf states suffer because of Tehran's interference in their internal affairs, its repeated threats, and its development of a military arsenal reflecting its ambitions to impose its Gulf security outlook in line with its interests.
- Iranian statements blamed the Gulf states for pursuing a policy that is in line with the US policy and against Tehran's interests.
- Iran believed that there was a need for the Gulf states to respond to its initiatives regarding collective regional security. These initiatives were in line with its own vision and interests.

2

The Gulf States' View of Iran's Initiatives

The Iranian initiatives contradicted the principles on which the GCC was built. These principles require the Gulf states to build their own military capabilities to ensure a regional balance of power. Moreover, to build alliances with friendly countries to advance their capabilities so that they can defend themselves against the backdrop of disruptions to the regional security system, and Iran's moves to impose its vision on the Gulf.

The Gulf states believe Iran's initiatives to be nothing more than verbal promises, with no tangible movements on the ground. They consider it imperative that Iran stops threatening the Gulf before it proposes initiatives for Gulf security.

3

The Requirements to Build Confidence Between Iran and the GCC



Any GCC-Iran dialogue requires the need to agree on mutual interests, and to understand each other's concerns, and for these concerns to be discussed without any pre-conditions.

In 2020, Iran's moves in the region included the targeting of GCC interests, the ongoing supply of weapons to the Houthi militia, and threatening the security of Saudi Arabia and the other Gulf states. As a result, the Gulf states do not take Iran's security initiatives seriously in light of its escalation in the region.

The Gulf states want to see a non-aggressive approach taken by Iran as a goodwill gesture before agreeing to its initiatives.

>

SECOND: ANALYZING THE ENVIRONMENT OF THE CURRENT RELATIONSHIP BETWEEN IRAN AND THE GULF STATES

1

The Opportunities That Iran Sees Represent a Threat to the Gulf States

Lifting the JCPOA arms embargo on Iran increases the escalation threat and the sale of weapons to Iran poses direct and indirect risks to the Gulf states.

The Gulf states are apprehensive about their future relations with Iran, because of the advantages given to Tehran during the previous nuclear negotiations, without any regard for their concerns and interests.

2

Determinants of the Relationship Between the Gulf States and Iran

Iran's interference in the internal affairs of the Gulf states.

The contrasting Iranian concept of Gulf security

Arms sales to Iran will increase tensions and result in the Gulf states seeking arms to deter the threat from Iran and its proxies.

> **THIRD: THE DEVELOPMENTS IN GULF-IRAN RELATIONS DURING 2020**

1

The General Position of the General Secretariat of the Gulf Cooperation Council Towards Relations With Iran

- The GCC demanded Iran to refrain from intervening militarily in regional countries, directly or indirectly via supporting its proxies (supplying weapons and training).
- The GCC supported international efforts to continue restrictions on supplying weapons to Iran until Tehran ends its destabilizing regional activities and stops supplying weapons to terrorist and sectarian organizations.

Rather than taking advantage of possible mutual beneficial exchanges between the Gulf states and Iran, the Iranian government seeks to impose its hegemony and drag its neighboring countries into its ongoing conflict with the West, this dominates the Iranian war mentality.

Saudi Arabia and Iran



- The Iranian government did not show appreciation for Saudi Arabia's attempts to ensure peace and coexistence between the two sides. It continued to increase its expansionist activities, threatening regional security.
- Riyadh is the strongest front to challenge the Iranian government. Its positions toward Iran reflect Tehran's escalatory policies since the Iranian revolution in 1979.

Bahrain and Iran



Bahrain suffers from Iran's expansionist vision towards it.

Kuwait and Iran



The two countries are linked via a set of economic agreements and through the Shiites living in Kuwait despite their dispute over the Dora field in the northern Gulf.

The UAE and Iran



The UAE has employed Iran's need for trade to modify Iranian behavior.

Oman and Iran



Although Oman contributes to the Gulf's policy towards Iran, it has kept balanced economic and political relations with Iran.

Qatar and Iran



- After the Arab Quartet and Qatar entered a state of reconciliation, Doha called for talks with Iran.
- Iran welcomed the Arab reconciliation, but in a political rhetoric similar to its previous statements, i.e., to continue blaming other countries.

2

The Statement of the al-Ula Summit Supports the Gulf's

Unified Position Towards Iran

1

The al-Ula Summit statement indicated the need to reset Gulf relations and emphasized solidarity amid the challenges and threats facing the region.

2

The statement highlighted the Gulf states' rejection of Iran's interference in their sovereign affairs, and condemned Tehran's terrorist operations and support for sectarian conflicts. The statement also called on Iran to stop sponsoring groups that are instigating sectarianism, including the supply of weapons such as ballistic missiles and aerial drones that target civilians, and to end its provocative acts that threaten international shipping lines and the global economy.

3

The statement emphasized that any new negotiations with Iran must address Tehran's destabilizing behavior in the region, its missile/drone programs, and its nuclear program. Furthermore, the Gulf states must be included in the negotiation process with Iran.

4

The statement called for advancing military integration between the Gulf states under the supervision of the Joint Defense Council, the Supreme Military Committee and the unified military leadership of the GCC to confront the emerging challenges in accordance with the joint defense agreement and the principle of collective security for the Gulf states.



FOURTH THE FUTURE OF IRAN-GULF RELATIONS IN 2021

1

Pacification and the Reduction of Tensions

Waiting for the new US administration's policies towards Iran. Moreover, it will be important to observe US-Iran statements (compliance for compliance) regarding Washington's return to the JCPOA, with Iran likely to comply with its nuclear obligations along with some newer details to appease the Gulf states.

The unification of the Gulf states' military capabilities is considered as an element of deterrence in the face of Iran's threats.

Perhaps Iran will reconsider its calculations based on the rapprochement between some Gulf states and Israel.

This recalculation is likely to occur in 2021.



2

Continued Escalation

Tightening US sanctions on Iran after failing to reach a new settlement.

The Gulf states may confront Iran's interference in their internal affairs.

US-Israeli strikes on Iran, which will lead, in return, to Tehran targeting the Gulf states as they are US allies.

3

Understandings and Forging a Gulf-Iran Settlement

Some Gulf states desire to establish an understanding and partnership with Iran.

The Gulf states' need to modify Iran's behavior to establish common relations that support regional stability, progress and reduces the risk of conflict.

IRAN AND YEMEN

Yemen in 2020 witnessed developments regarding the pro-Iran militia, the Houthis; the continuous Iranian military and political support to the Houthis to impede political efforts to reach peace in Yemen — to achieve Iran's plans and political interests.

> FIRST: THE POLITICAL ROLE

1

Iranian Violations of International Law in Yemen



The Iranian government illegally appointed Hassan Irloo, an IRGC commander, as ambassador to the Houthis — a militia which is only recognized as a government by Iran — to legitimize the militia's presence in Yemen.



Iran's military support for the Houthi militia continued in defiance of UNSC resolutions, including UNSC Resolution 2216, through the smuggling of weapons and oil in various ways.

2

Iran's Support to the Houthis' Violations of Human Rights in Yemen



A report by the Human Rights Office in Sana'a identified 24,488 Houthi violations of children's rights in Sana'a.



Save the Children, a leading British global children's charity, reported that the Houthi militia deliberately targeted hospitals in Yemen.

3

The Iranian Role in Hindering Peace Process in Yemen

- Iran sought to disrupt the political process in Yemen, as Tehran's interests lie in the continuation of the Yemeni crisis and the armed conflict.
- In 2020, Yemen witnessed many Iranian steps to undermine the peace process, whether at the political or military level, or by instructing the Houthis to oppose all agreements that are in the interest of Yemen and its people.



SECOND

Intelligence information revealed that Iranian experts were in the Houthi militia-controlled areas when Yemeni government officials were targeted at Aden Airport.

The Houthis targeted members of the Yemeni government at Aden Airport.

THE HOUTHI MILITARY ESCALATION AT THE BEHEST OF IRAN

The escalation of Houthi terrorist “attacks” continued against Saudi Arabia using suicide drones and ballistic missiles.

Following the arrival of Tehran’s ambassador to the Houthis, the intensity of the military escalation inside and outside Yemen increased.

Houthi military attacks to thwart the implementation of the Riyadh Agreement.

THIRD

IRANIAN CULTURAL AND SOCIAL PENETRATION

1

Changing the Educational Curricula in Yemen

Iran sought to impose curricula of a sectarian nature, promoting the principles of the Shiite Twelver sect at the expense of the Sunni sect that the Yemeni people have followed for centuries.

The Houthis made 234 changes to primary and secondary school curricula.

Iran provided the Houthis with 750 educational scholarships.

2

Ideologization of Sectarian and Social Discourses



The bedrock of Iran's plans to force demographic changes in Yemen is sectarianism.



The Houthis send hundreds of young Yemenis to study in Iran's *hawzas* (seminaries) to boost their numbers.



The Houthis exploit Ashura (a Shiite holiday) to promote sectarian principles that reflect Iran's Velayat-e Faqih doctrine.



FOURTH: THE SCENARIOS OF THE YEMENI CRISIS IN RELATION IRAN'S ROLE IN 2021



1.Resolving the Crisis:

- The implementation of the Riyadh Agreement, the Yemeni government returning to Aden.
- The designation of the Houthis as a terrorist organization marks a turning point in the Yemeni crisis.
- It is likely that Washington will adopt a policy of diplomacy with Iran if negotiations restart between the two sides and Iran's destabilizing behavior in the region will be addressed, particularly in Yemen.
- It is likely that the United States will involve its allies in any negotiations with Iran. Washington will consider its allies' position on Iran's destabilizing role in the region, especially in Yemen. This will force the Houthis to move towards a comprehensive political solution to resolve the Yemeni crisis, considering the UN envoy's efforts and the declaration of the joint statement to resolve the Yemeni crisis.



2.The Crisis Continues:

The Yemeni crisis is likely to continue if the US negotiations with Iran are limited to the nuclear program. Moreover, if Iran continues to support the Houthis, they will resort to military escalation but with lower intensity.

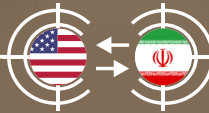
IRAN AND IRAQ

Iran's influence experienced a stalemate in Iraq throughout 2020. This is because the Iraqi arena saw new developments which prevented Iran from moving ahead with its plan to further dominate Iraq compared to 2019. Some of these new developments were: the US military escalation against Iran in Iraq through the sudden assassination of the Quds Force Commander Qassem Soleimani; the impact of the coronavirus pandemic on the whole situation in Iran; and the government of Mustafa al-Kazemi, which aims to transition Iraq from the phase of "no state control" to the phase of "full state control."

> FIRST: THE US-IRAN DISPUTE IN THE IRAQI ARENA

1

The Nature of the US Escalation in Iraq



The US-Iran escalation reached the level of armed confrontations because of pro-Iranian militias firing approximately 30 missiles at the US base K-1 which houses US soldiers north of Kirkuk, on December 27, 2019. The attacks killed a US civilian contractor.

The United States bombed five brigades linked with Iraq's Hezbollah Brigades (Kata'ib Hezbollah) using F-15 jets. The attacks killed 28 fighters.

The Iranian escalation continued until Washington targeted Qassem Soleimani on January 3, 2020.

The pro-Iranian militias continued to escalate against US targets in Iraq.

2

Motives for the Mutual US-Iran Escalation on the Iraqi Scene

- The US-Iranian conflict on the Iraqi arena is due to Iraq's centrality in the strategies of both countries.
- Washington realizes that curbing Iranian influence in the Middle East starts with Iraq because this country allows Iran to have a wide geographical space westwards towards Israel's borders and the Mediterranean.
- Iraq has geopolitical, economic, military, security, and cultural importance in Iran's overall strategy.
- Iraq is important to Washington to tighten its sanctions on Iran if it can prevent Iran from using Iraq to smuggle its oil, or by pressuring Iraq to reduce its dependence on Iranian gas, electricity and goods, thus depriving Tehran of important financial revenues.

3

The US-Iran Confrontations in Iraq: Winners and Losers

Iraq is a losing party because it is a battlefield that has led to its security situation deteriorating, declining living conditions as well as poor economic indicators and worsening unemployment, electricity and corruption problems.

Iran has lost significantly with the killing of its cross-border project mastermind, Qassem Soleimani, because he established and managed armed militias in Arab countries. He had charisma, and was a military person who was widely accepted by fighters and militia leaders, and had a geopolitical vision along with extensive experience, unlike the current Quds Force Commander Ismail Qaani, in military planning and battle management.

The United States successfully disrupted Iran's influence in Iraq by killing Soleimani, which impacted its influence across the region.

> SECOND: THE RAGING CONFLICT BETWEEN STATE AND NON-STATE ACTORS

1

Kazemi's Efforts to Curb Iran's Clout in Iraq

Pursing a tit-for-tat policy in official visits.

Besieging pro-Iran militias.

Opening up towards the Arab sphere.



Changing the political discourse towards Iran.

Changing security positions to help in the transition to statehood.

The intensification of security efforts to control border crossings.

2

Iranian Levelers to keep Iraq in the Non-State Phase

Confusing the security landscape.

Attempting to **disrupt** the US-Iraqi dialogue.

Attempting to **thwart** Saudi-Iraqi understandings.

3

The Iraqi Aims Behind Curbing Iranian Clout in Iraq

Kazemi's moves to impose Iraqi sovereignty intended to send messages to four parties, namely:

The Iraqi front: his government is continuing to work towards securing internal security and stability and to meet the demands of protestors, particularly in curbing Iran's influence by establishing sovereignty and ensuring independence in Iraqi decision-making.

Iran: the non-state stage has ended, and it must deal with Iraq as any other state and not as a satellite state.



The surrounding Arab and Gulf states: the time has come for Iraq to return to its Arab home, and that Baghdad will not be a platform to threaten Arab and Gulf security.

The international community: especially to the United States that Iraq is distancing itself and does not want to be an arena where countries settle their scores. This would help in winning the support of the international community.



THIRD: THE CRISIS BETWEEN PRO-VELAYAT-E FAQIH FACTIONS AND THE IRAQI KURDISH FACTIONS

1

The Iranian Escalation Against the Kurdish Faction:

The Iranian escalation against the Iraqi Kurdish component peaked in October 2020 when pro-Iran militia fighters set fire to the headquarters of the Kurdistan Democratic Party in Baghdad.

2

Motives Behind the Iranian Escalation Against the Kurds:

The militias escalating against Iraq's Kurds reflected Iran's escalation against US goals and interests to pressure Washington to pull out its forces from Iraq. This was the main reason why the militias escalated against the Kurds as they are US allies.



FOURTH: THE FUTURE OF THE IRANIAN ROLE IN IRAQ DURING 2021

1

Conclusions for the Year 2020

Iranian influence came to a standstill in Iraq until the end of 2020 due to several variables, including Soleimani's killing, and Iran's failure to nominate a candidate who was accepted to head the Iraqi government. However, a prime minister was nominated to transfer Iraq to statehood.

The US role in the Iraqi arena in 2020 to besiege Iran and limit its influence was effective. There has been a shift in the US position towards Iran, with a change in strategy from “escalation in exchange” to “using armed force” directly.



Weaknesses that limit Kazemi's efforts to control the unrestrained proliferation of weapons such as

- The power of militias.
- Economic problems.
- Intractable crises.
- How to deal with the protesters' demands, namely the prosecution of corrupt officials and those who killed the protesters, the majority are Iranian agents and followers.
- How to achieve a balance in foreign relations and prevent Iraq from turning into an arena to settle scores.



Kazemi has several strengths to counter Iran's influence, namely:

- The growing public opinion against Iran's influence and Kurdish and Sunni support for Kazemi to reduce the influence of militias
- Many Shiites in Shiite provinces reject Iranian influence
- Kazemi's control of the security services
- The desire of some Arab and Gulf countries to support Iraq to overcome its crises.

2

The Trends of the Iranian Role in Iraq in 2021

➤ **Surge:** This can be realized if Iran's two major challenges end: US pressure, and the departure of Kazemi's government and the nomination of a new pro-Iranian government.

➤ **Decline:** This could happen if obstacles to Iran's project in Syria, Lebanon, and Yemen in general remain, as Qaani does not have Soleimani's charisma to establish harmony between the militias, nor does he have the experience to manage battle operations. Iran's role can decline if Kazemi remains in power, Saudi Arabia concludes strong economic and investment agreements with Iraq, and the sanctions against Iran continue throughout 2021 until the negotiations finish. It is expected that Biden continues to apply the strong pressure imposed on Iran by Trump.

➤ **Stalemate:** It means Iran's influence in Iraq will remain unchanged; moving neither upwards nor downwards. This is the likeliest trend given the unexpected developments such as the killing of Soleimani and the ramifications of the coronavirus pandemic which hit the whole world. These two developments were not expected.

No Increase: The growing Iraqi popular rejection of Iran from the heartland of the Shiite incubators is not likely to increase further, and there is a possibility that Kazemi will remain in office. US pressure will possibly continue if Biden wants to continue with Trump's legacy.

No Retreat: The wide Iranian military and political influence in Iraq, and the control of the pro-Iranian political arms over many parliamentary seats will not decline. It is unimaginable for Iran to make concessions in Iraq, which would lead to its influence declining without possessing strong pressure cards at all levels, because Iraq is central to its expansionist strategy. Iran wants to reap the benefits to compensate for its financial and human sacrifices in Iraq.

IRAN AND SYRIA

In 2020, Iranian militias were targeted in Israeli air attacks. Russia refused to provide air cover after it disagreed with Iran over the areas of influence in Syria and clashed over conflicting interests.



FIRST IRANIAN TOOLS AND MEANS TO ADVANCE IRANIAN INFLUENCE IN SYRIA



The Syrian parliamentary elections and strengthening Iran's role



Strengthening Iran's economic influence in Syria



Increasing Iranian military influence in Syria



SECOND: THE REGIONAL AND INTERNATIONAL FACTORS IMPACTING IRAN'S CLOUT IN SYRIA

1

Israeli Escalation Targeting Iranian Militias

Israeli attacks targeting Iranian militias in Syria over the past three years



2

Advancing Iranian Economic Clout in Syria

A Russian press and media campaign criticized Syrian President Bashar al-Assad and his support for Iran's involvement in Syria.

Rivalry between Moscow and Tehran over several Syrian regions intensified.

3

Iranian-Turkish Tensions Without a Military Confrontation



THIRD

THE PRELIMINARY FEATURES OF BIDEN'S POLICY IN RELATION TO IRAN'S CLOUT IN SYRIA

1

Confronting Iran's presence and its influence in Syria and keeping in place the Caesar Act.

2

Iran exploiting the Syrian file as a pressure card in any possible new nuclear negotiations with the new US administration.



FOURTH

HORIZONS OF IRANIAN-SYRIAN RELATIONS

1

Iran's adoption of a policy of "strategic patience," while keeping Syria an arena for a decisive confrontation between itself and several international parties.

2

Enhancing Iranian influence and seeking to prolong its existence through military and political dimensions.

3

The newly emerged positions indicate an increasing level of divergence between Iran and Russia. On the other hand, Israeli attacks targeting the Iranian presence in Syria increased.

IRAN AND LEBANON

In 2020, Lebanon rejected Hezbollah's hegemony over Lebanese political life, after the Beirut port explosion which exposed the deep corruption practiced by the movement and its role in pulling Lebanon into regional conflicts that serve Iran's interests, rather than Lebanon's.

> FIRST: TRAJECTORIES OF IRAN'S POLITICAL PENETRATION INTO LEBANON

1 The Dilemma of Forming the Lebanese Government

- Hezbollah and its affiliated forces insist on forming the government according to the rule of "sectarian quotas."
- Hezbollah and the Amal movement thwarted the "French initiative" by holding onto the Ministry of Finance.

2 Hezbollah's Role in Targeting Activists and Crushing Protests in Lebanon

- The protesters demanded the implementation of UNSC Resolution 1559 regarding dissolving and disarming militias.
- The Iranian government mobilized the Amal movement and Hezbollah to threaten the protesters with a civil war.

3 Classifying Hezbollah as a Terrorist Organization

- Germany, Lithuania, and Slovenia joined the list of international countries that designated Hezbollah as a terrorist organization.
- The main reason for designating the movement as a terrorist organization was its suspicious activities related to the Iranian government's policy.
- Iranian reactions against the designation of Hezbollah as a terrorist organization confirmed that the movement is only a tool that implements Iran's will.
- The abovementioned countries can no longer deal with the Lebanese government legally because Hezbollah controls the Lebanese state

> SECOND: TRAJECTORIES OF IRAN'S ECONOMIC PENETRATION INTO LEBANON

The Role of Hezbollah in Deepening Lebanon's Economic Crisis

- The final assessments concluded that Lebanon needs \$93 billion to save it, and this is impossible as long as Hezbollah is in power, because any support for Lebanon will go to its members.
- Lebanon urgently needs to address Hezbollah's behavior by curbing its financial channels and curbing smuggling operations.

Hezbollah and the Shadow Economy

- The size of the parallel economy in Lebanon in 2020 exceeded the size of the overall economy by 50 percent.
- The "shadow economy" goes beyond the Lebanese borders, and it reaches Syria, Iraq, and Iran, through the "corridor."
- Hezbollah is linked to several Lebanese banks, which led to the financial collapse of Lebanon

Hezbollah and Blocking International Support for Lebanon

- The movement impedes reform and the fight against corruption because of its domination of Lebanese politics. This has resulted in donor countries halting their support to Lebanon.
- Lebanon encountered difficulties in its negotiations with the International Monetary Fund because of Iran's axis dominating Lebanon's political and financial scenes.

> THIRD: THE POLITICAL AND ECONOMIC CONSEQUENCES OF THE BEIRUT PORT EXPLOSION

Political Consequences

- The explosion coincided with regional and political dimensions, with the Iranian government drawing Lebanon into regional conflicts through its arm, Hezbollah.
- The blast led to the resignation of Prime Minister Hassan Diab.
- The wave of demonstrations against Hezbollah's domination of the Lebanese political scene broke out.

Economic Consequences

- Economic activity and production declined, trade exchange was disrupted, and national income was lost.
- The Lebanese currency and banks collapsed, and corruption, poverty and unemployment rose.

FOURTH DIMENSIONS OF THE LEBANESE LANDSCAPE IN RELATION TO IRAN'S ROLE IN 2021

1



The Iranian government drew Hezbollah into direct military confrontations with Israel, through which the movement was looking to extend Lebanon's crises abroad.

2



Iran's disruptive role in any future Lebanese government, which is likely to be a technocratic one, will continue.

3



Lebanon will witness an internal political crisis, because the Iranian axis and Hezbollah did not agree to compromises to initiate reform. This will be the most likely scenario.



INTERNATIONAL AFFAIRS

Trump's departure from the White House and the Democrats reassuming power was the most prominent event in Iran's international affairs at the end of 2020. This change in the White House made Iranian politicians believe that the United States would end its maximum pressure campaign, which imposed significant challenges on Iran and influenced its foreign policies in 2020 not only with the United States but also with all the international powers. Under the US maximum pressure campaign, Iran was more flexible and responsive to all Russian and Chinese demands in relation to accessing its resources and making long-term economic agreements. The bedrock of Iran-Europe interactions was the European initiation of the Instrument in Support of Trade Exchanges (INSTEX) and Europe's commitment to continue commercial exchanges with Iran — despite US sanctions imposed on those carrying out commercial or financial dealings with Iran. Under harsh economic sanctions, Iran resorted to strengthening its relations with its regional partners, hoping that this would save its deteriorating economy from collapsing. Iran tilted towards rapprochement with Turkey, Pakistan, and India. It was keen to remove the obstacles that hinder its rapprochement with the Central Asian countries by halting its support to political Islam groups in these countries as a first step to achieving economic integration with the Eurasian Economic Union (EAEU) and the Shanghai Cooperation Organization (SCO) — these two organizations include the countries of Central Asia.

IRAN AND THE UNITED STATES

Iran-US relations in 2020 witnessed calculated escalations and mutual hostilities which were reflected in their interactions. For its part, the Trump administration chose to intensify its pressure and expand the scope of sanctions instead of engaging in direct confrontation to inflict further economic challenges on the country. Iran also faced security challenges in the region through the US deterrence strategy, such as the killing of the Commander of the Quds Force Major General Qassem Soleimani in Iraq.

FIRST: US POLICY TOWARDS IRAN: TRUMP'S PRESSURE AND BIDEN'S PROMISES

1

Intensifying Pressure on Iran

Sanctions and political pressure.

Economic sanctions.

Sanction on the financial sector.

Nuclear pressure.

Military deterrence.

Undermining the legitimacy of Iran's political system.

2

Countering Iran's Regional Influence


Confronting Iran's Influence in Iraq:

- Targeting Qassem Soleimani.
- Airstrikes against pro-Iran militias in Iraq and Syria.
- Deploying new defense systems.

Confronting Iran's Threats Posed to Gulf and Yemen Security:

- Trump instructed US forces to shoot down any Iranian threats in the Arabian Gulf.
- US Central Command announced that it had seized a shipment of Iranian weapons heading to Yemen in the Arabian Sea.





Confronting Iran's Influence in Syria:

- The United States tasked its ally Israel to confront Iran's growing influence in Syria, and even allowed it to carry out operations targeting Iran's interests and its allies in Iraq.

Confronting Iran's Influence in Lebanon:

- The Trump administration imposed further sanctions on Hezbollah and some Lebanese officials.
- The Trump administration extended the national emergency order with respect to Lebanon.

The unilateral attempts to impose the arms embargo.

The attempt to restore sanctions through the snapback mechanism.

3

International Confrontation Efforts

The attempt to end the validity of the nuclear agreement.

The attempts to extend the arms embargo on Iran at the UN Security Council.

4

The US Election and Biden's Promises to Deal With Iran

Biden had sharply criticized the Trump administration's approach towards Iran. He had promised to:

- Follow a smarter way to deal with Tehran.
- Restore respect for diplomacy and amend the nuclear agreement with the participation of Washington's allies.
- Stop Iran's activities that destabilize and threaten the United States' allies and to defend US interests if Iran continues to escalate the situation.
- Prevent Iran from acquiring a nuclear weapon.
- Include Iran's missile program and human rights violations in any new negotiations with Iran.

Biden has set conditions for the United States to rejoin the nuclear deal, most notably:

- Iran must refrain from raising uranium enrichment purity rates,
- Limit the range of its missiles.
- Review its regional behavior.

OFFICE OF
PRESIDENT
ELECT





SECOND: IRAN'S POLICY TO CONFRONT ITS INTERNAL AND EXTERNAL CHALLENGES

1

The Attempts to Control the Internal Situation and to Avoid Collapse

Tehran adopted a policy revolving around confrontation and resistance to sanctions, which included the following:

- Enhancing deterrence capabilities and resorting to cyberattacks.
- Refusing to negotiate and prioritizing the survival of the political system.
- Economic options to overcome the crisis.
- Diplomatic exertions to end the sanctions.

2

The Calculated Regional Escalation and “Heading Towards the East”

● Pressuring the United States to withdraw its forces from the region.

● The trend towards strengthening Iran's relationship with the EAEU.

● Threatening to target US interests in the Gulf.

● Regionalism and heading towards the East.

3

Maintaining the Nuclear Agreement and Attempting to Isolate the United States From Its International Partners

■ Nuclear policies and creating differences between the United States and the rest of the nuclear agreement's signatories.

■ Working to undermine the US strategy towards Iran.



■ Building an anti-US front: Iran called on states subject to US sanctions to form a common front.

■ Iran strengthening its relationship with regional and international powers.

4

Betting on a Change in the US Administration

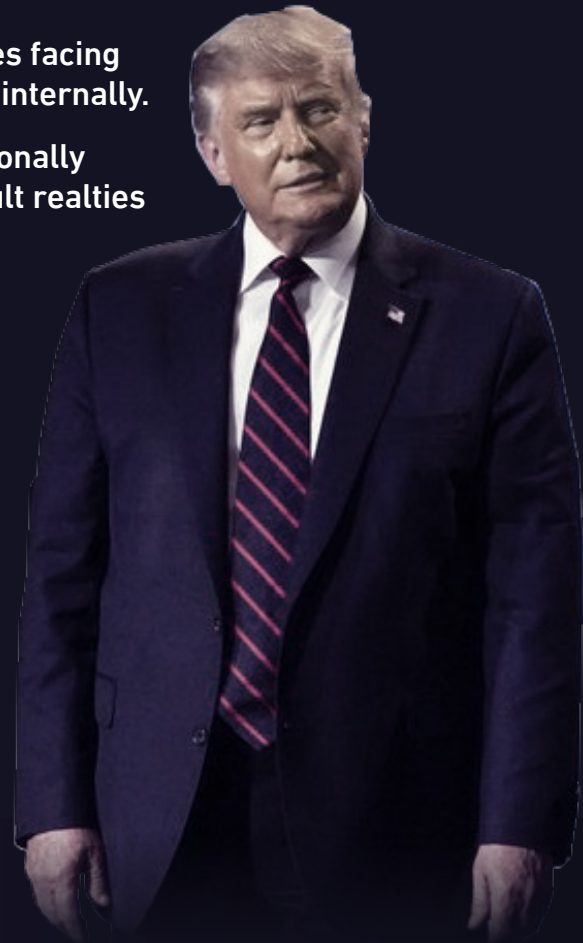
THIRD

THE OUTCOMES OF IRAN'S CONFRONTATION AND THE DIRECTION OF RELATIONS CONSIDERING THE RESULTS OF THE US ELECTIONS

1

Trump's Legacy and Its Implications for Iran

- Imposing a difficult political reality and challenges facing the Iranian government influenced its legitimacy internally.
- The maximum pressure campaign is still exceptionally effective, and periodically imposes further difficult realities on the government internally and externally.
- The Iranian economic crisis was exacerbated.
- Iran reduced its military budget by about 26 percent.
- Washington has lessened Iranian attacks on the Arabian Gulf and detention of foreign carriers.
- Washington limited Iran's financial exchange within the framework of humanitarian transactions.
- An arsenal of sanctions and laws hindered any arms sales to Iran.



2

Iran's Gains

- With Trump's departure, the government has demonstrated its resilience.
- Iran kept in place the nuclear deal as it was a critical part of its confrontational policy against Trump's strategy.
- Regionally, Iran still maintains its influence and presence, in spite of many challenges.
- Iran reduced its nuclear commitments to place further pressure on international powers to return to the nuclear agreement.
- Iran partially succeeded in circumventing US sanctions targeting its oil exports.

3

The Prospects of Iran-US Relations Considering the Outcome of the US Election

A return for return

- This is Washington's automatic return to the nuclear agreement in exchange for Iran's compliance with its commitments under the deal.
- There are many challenges that make it difficult to return to square one. Thus, this scenario is not possible.

The collapse of the nuclear agreement

- Due to the inability to achieve a new settlement and the parties' adherence to their conditions.
- This will lead to the restoration of the UN sanctions – imposed on Iran before 2015 — given the possibility of convergence between the United States and the Europeans on their policies towards Iran.

Reaching a new and comprehensive agreement

- The Biden administration will probably adopt the Trump policies towards Iran through imposing more pressure and sanctions.
- Iran may refuse to sign a new deal and increase its nuclear escalation to place pressure on all parties.
- Without using force against Iran, seeking a new agreement may be a complex and difficult issue.

Adopting multi-track and multilateral diplomacy

- Adopting a multi-track and multilateral diplomatic process to arrive at a mid-point where both sides make mutual concessions to settle their differences.
- It will focus primarily on the need to quickly address the nuclear file as an urgent issue with a discussion of Iran's ballistic missile and regional behavior files.
- This multi-track diplomacy will be accepted by regional and international powers as it addresses most of Iran's threats.
- Iran may respond to this scenario due to its severely deteriorating situation, and the political system in Tehran may not be able to withstand American pressure any longer.
- Biden can impose greater international pressure on Iran, leading Iran to face a united international front.
- Iran will continue to build its missiles capabilities and will refuse to include its missile program in a new nuclear agreement.
- Iran will exploit its nuclear options to place pressure on any potential negotiations and avoid making significant concessions.
- If diplomacy failed, Trump's previous policies might be used again to place further pressure on Iran. Developments in 2021 have the answer for this option.

IRAN AND RUSSIA

Over successive years, Iran and Russia have been pursuing an upward trend to deepen relations at all levels. 2020 was the year of implementing the agreements concluded between Tehran and Moscow.

> FIRST: THE RUSSIAN POSITION ON IRAN REDUCING ITS NUCLEAR OBLIGATIONS

1

Although Russia is playing an integral role in maintaining the nuclear deal, it criticized the E3 (France, Britain, Germany) for resorting to the dispute settlement mechanism in the deal. Furthermore, Russia criticized the US move to extend the arms embargo on Iran.

2

Russia viewed Iran's raising uranium enrichment levels as a violation of the nuclear deal; however, it was biased towards Iran.



SECOND ECONOMIC COOPERATION AND TRADE EXCHANGE

Russia **intends** to build a new port which will connect the operating ports in Iran, India and Kazakhstan with Russia.

Iran signed a temporary **agreement** to establish a free trade zone with the EAEU.



The Iranian and Russian governments sought to **activate** many mutual treaties and agreements; however, the volume of trade between both countries did not exceed \$2 billion.

A comprehensive long-term strategic **agreement** between the two countries was concluded for 20 years.



THIRD

MILITARY RELATIONS BETWEEN IRAN AND RUSSIA

Russia's position in support of Iran's military-political issues was quite significant for Iran in light of their joint military cooperation.

Russian weapons are the main backbone of Iran's weapons, especially its defense systems and combat aircraft fleet.

FOURTH

THE FUTURE PROSPECTS FOR IRANIAN-RUSSIAN RELATIONS IN 2021

It is expected that the Iran-Russia relationship in regard to the Syrian file will see better coordination on: providing air defense cover for Iranian forces; areas of influence; and reconstruction contracts to achieve greater economic gains for both countries.

The Russian-Iranian interactions in the Caucasus will be much more tense, especially as the situation has become more complicated on the northwestern border of Iran. Tehran will hold Russia responsible for any violations against its northwestern border regions.

The development of the Iranian port of Chabahar will be the winning card for the North-South trade corridor, allowing Russia and Iran to increase their share of global transit trade.

It is also expected that Russia will announce the implementation of huge arms export deals and plans to develop the Iranian armored corps, provide Iran with advanced air defense systems, cooperate with it to develop drones, and support Iranian naval capabilities.

It is expected that the Russian position regarding the nuclear agreement will be more inclined toward the Iranian side than it was in the past which will contribute to widening the gap between the Russian and European positions.

IRAN AND EUROPE

Iran-Europe relations in 2020 witnessed several changes, most prominently, because of the outbreak of the COVID-19 pandemic, and the US elections which resulted in the Democrats winning, who do not oppose negotiations with Iran.

> FIRST EUROPEAN PRESSURE TO CURB IRAN'S VIOLATIONS

Curbing Iran's Nuclear Violations

- The E3 initiating the Dispute Resolution Mechanism (DRM).
- The IAEA reports and resolutions on Iran's violations.

Iran's Human Rights Violations

- Consecutive human rights violations led to thorny disagreements between Iran and the E3.



SECOND INTERSECTION OF EUROPEAN AND IRANIAN INTERESTS

The E3 abstained from voting on extending the UN arms embargo on Iran.

The E3 foreign ministers issued a joint statement expressing their absolute rejection of the US move to trigger the snapback mechanism.

To help Iran combat the COVID-19 outbreak in the country, the E3 sent humanitarian aid. The E3 special purpose vehicle INSTEX was activated for the first time.

The surprising European position regarding the nuclear deal with Iran was met with Iran raising its uranium enrichment.

Iran-Europe trade declined in 2020 compared to 2019.

THIRD

THE FUTURE OF IRAN-EUROPE RELATIONS IN 2021

1

Improvement by Returning to Mutual Compliance

This scenario is likely to happen because the new US administration is keener to reach better understandings through which the Europeans could possibly achieve their goals; preserving the nuclear deal, benefiting once again from the investment opportunities and economic contracts signed with Iran.

2

Deterioration and the Possibility of Military Options

This scenario is based on the maximum level of disagreements between the three sides: the United States, the Europeans, and Iran. These disagreements would arise due to conflicting demands. Iran, in response, would refuse to include other files such as its ballistic missile program and hostility in the region in the nuclear deal negotiations, the Europeans and Washington would reach a political deadlock and start considering launching military attacks.

3

Improvement Through Iran's Submission

Iran will respond to the international demands to include its ballistic missile program and behavior in undermining regional stability and security in the nuclear deal in order lift sanctions.

4

Maintaining Negotiations Without Fully Lifting Sanctions

- This scenario appears to be a likely one, given the growing dominance of the hardliners over Iran's governmental institutions and their agitation of regional tensions as well as their refusal to negotiate with the West.
- Thus, the Europeans will resort to adopting a push and pull strategy to ease tensions and re-craft a new nuclear deal accepted by all parties.

5

Improvement Through the Partial Lifting of Sanctions

This is the most likely scenario because it somewhat achieves the interests of the three parties: Iran, the United States, and the E3 and at the same time it does not conflict with the goals of Russia and China.



IRAN AND CHINA

Relations between Iran and China throughout 2020 saw more rapprochement at both the regional and international levels and in the political, economic and military fields.

FIRST: THE COMPREHENSIVE STRATEGIC PARTNERSHIP BETWEEN IRAN AND CHINA: ITS AIMS AND IMPLICATIONS

1 Aims

Encourages Chinese companies to invest in electricity, energy, infrastructure, technology and telecommunications projects.

Military and intelligence cooperation.

Fulfilling China's ambition to dominate the global order and compete head-to-head with US influence.

2 Strategic Implications

It will provide Beijing with an opportunity to advance the circulation of the Chinese yuan. In light of the US sanctions imposed on Iran, the two countries need an alternative financial transaction mechanism to replace the US dollar with the Chinese yuan.

By providing Beijing with the opportunity to develop the strategic ports of Jask and Chabahar, Iran is trying to shift its geostrategic focus from the Arabian Gulf to the Gulf of Oman.

Iran considers China as its only option to address its economic crisis.

Using the agreement as a bargaining chip for future negotiations on easing sanctions.

SECOND: CHINESE EFFORTS AGAINST US PRESSURE ON IRAN

1 The Chinese Position on Extending the Arms Embargo on Iran

It is expected that China, Russia and North Korea will provide Iran with a series of weapons systems but this will be limited by US pressure.

China will attempt to strike a relative balance between its relations with Tehran and the GCC states through avoiding selling weapons to Iran directly.

2

Reactivating UN Sanctions and the Chinese Position

It has continuously opposed the idea of imposing economic sanctions on countries in compliance with the principle of non-interference in the internal affairs of states.

Although US sanctions decreased the volume of trade exchange between the two countries during the first half of 2020, the volume of oil exchange between the two countries increased in the second half of the year.



THIRD: THE IRAN-CHINA AXIS AND ITS REGIONAL IMPLICATIONS

Developing a number of ports will give the two countries a leverage to control the most important maritime outlets and will increase the Iranian threat to the regional security.

Chinese assistance in maintaining the Iranian government and its military capacity is an opportunity for China to inflict damage on the US Navy in a number of neighboring countries.

Given China's policy of diversifying its sources of energy, it will depend on Iran. But its heavier reliance will be on the Gulf states.



FOURTH: IRANIAN-CHINESE RELATIONS AND THEIR IMPACT ON THE FUTURE OF THE NUCLEAR DEAL

The possibility of the radical movement winning the Iranian presidential election signals pushing bilateral relations with China towards further rapprochement.

The sanctions imposed by Trump on Iran and China made the position of Joe Biden on how to handle the two countries more complicated.



FIFTH THE FUTURE FACE OF IRANIAN-CHINESE RELATIONS

China's favorable position towards Iran in the UN Security Council indicates a balanced growth of long-term ties between the two countries.

China is trying to take advantage of Iran's position to extend its international influence, while Iran is keen to use Beijing to advance its regional influence

Rapprochement will continue to govern Iran's foreign policy in its dealings with China.

Energy is expected to add a major momentum to the two countries' relations in the future.

IRAN AND TURKEY

In 2020, Ankara and Tehran attempted to strongly defend their national and regional interests, exploiting their political and diplomatic gains to address internal and external pressures—despite their divergent views and interests in conflict zones.



FIRST CONFLICT ZONES AND THEIR FUTURE



The Syrian Crisis

- Turkish forces responded to its losses in Idlib by supporting the Syrian opposition forces, inflicting considerable losses on Hezbollah and the Iran-backed Syrian forces.
- Russia signed a truce agreement with Turkey, which made military, security and economic gains.
- The two sides are well aware of the importance of avoiding direct military confrontation and realize how far they need each other on other regional and economic issues.
- The two sides held several consecutive meetings at the diplomatic level to maintain the status quo in Syria and reverse any moves that could spoil relations between them.

The Azerbaijani-Armenian Conflict

- The Iranian position opposed to Azerbaijan has surfaced although Iran attempted to display neutrality. But Turkey announced it stands by Azerbaijan.
- The Iranian strategy addresses the concerns about the threats to its border areas, sowing internal ethnic divisions, armed militias' involvement in the conflict and the Russian-Turkish military presence close to its borders with Azerbaijan.
- Containing the escalation between Iran and Turkey following Erdogan's reciting of a poem which Iran considered as stirring up separatist inclinations.

> SECOND: INTERSECTION OF INTERESTS

Political and Military Consensus

- Turkey and Iran are cooperating against Kurdish ambitions in the fields of border security and geopolitical strategy.
- Both countries cooperate at several external levels, hoping to reach a balance of power to address international and regional changes and pressure.

Economic Relations

- The closure of Turkey's borders – among other countries – with Iran due to the spread of coronavirus has deepened Iran's economic suffering.
- Energy's geopolitical variables will undermine Iran's chances on the Turkish market.

THIRD: THE FUTURE OF THE IRAN-TURKEY RELATIONSHIP

1

A More Complex Relationship

- Relations between Iran and Turkey getting complicated remains likely, affecting their energy policies.
- Iran's increasing fears about the Turkish military presence on Azerbaijani territories could prompt it to oppose it or even resist it.
- The variable related to US foreign policy is considered a positive factor for Iran and a source of pressure on Turkey due to the Democratic Party's opposition to the policies of the Turkish President Erdogan.

2

Expanding Cooperation

The two countries wish to improve their relationship and expand reconciliation. They will not find anything that will impede their efforts if security and stability are maintained in the conflict areas: Syria and Nagorno-Karabakh.

In case the United States opens channels for negotiations with Iran, this will have a positive effect on trade exchange between Iran and Turkey.

3

Maintaining the Relationship at the Boundaries of Reconciliation:

Between Clash and Cooperation

- The Biden administration is facing several challenges when it comes to negotiations with Iran, on top of these is the radical hardliners' control over power. This will prompt the United States to use the lever of sanctions and force Tehran to sign an agreement in which the provisions take into account the concerns of regional countries.
- Despite reverting to the approach witnessed during the Obama administration, the pace of US diplomacy will remain pretty slow and will require more time this year, especially as Biden is addressing a number of thorny files at home which are of utmost priority for the American people.
- The Biden administration's intent on tightening the noose around the Erdogan government will help create more consensual policies.
- It is likely that the course of relations between Iran and Turkey throughout 2021 will remain within the boundaries of a balance struck between collision and cooperation based on the two countries' need for each other.



IRAN, INDIA, AND PAKISTAN

Iran has been keen to maintain balance in its relations with the two neighboring rivals: Pakistan and India, given the fact that every country has its own interest and political and economic projects. This critical balance Iran aims to protect is part of a larger power balance which controls international relations in South Asia.

> FIRST: IRANIAN-PAKISTANI POLITICAL RELATIONS

1

Pakistani Influence in Afghanistan

Islamabad and Tehran focused on enhancing their bilateral interactions, while Islamabad attempted to balance its relations with Saudi Arabia and Iran.

Important visits by senior Afghani government officials to Pakistan.

2

Bilateral Visits Between Iran and Pakistan in 2020

Iranian and Pakistani officials undertook many bilateral visits last year for strategic, political, and economic objectives.

> SECOND: IRANIAN-PAKISTANI BORDER SKIRMISHES

1

Rising Insurgency and Border Tensions

A number of important projects linked to the China-Pakistan economic corridor have faced increasing security risks.

Tremendous efforts have been exerted by Iran and Pakistan to maintain the security of their shared border areas.

Tehran continued to use its large-scale militarization to counter armed opposition in the Sistan and Balochistan province.

THIRD: IMPLICATIONS OF THE COVID-19 OUTBREAK

COVID-19 cases in Pakistan doubled after many Pakistani Shiite pilgrims returned from Iran.

Cross-border movements contributed to the spread of the virus in Pakistan.

Poor health protocols on the Iranian border have spiked the number of cases in Pakistan.

FOURTH: IRANIAN-PAKISTANI BILATERAL ECONOMIC INTERACTIONS

Renewed efforts were made to increase bilateral trade through diminishing barriers and increasing economic interaction levels with Pakistan.

US sanctions is one of the most important reasons for inconsistent Pak-Iran trade relations.

FIFTH IRAN-INDIA POLITICAL RELATIONS

1 Responses to Internal and Regional Political Developments

- Indian protests against the controversial Citizenship Amendment Act; the civil registry of citizens; and changing the constitutional status of Jammu and Kashmir provoked Iran.
- Qassem Soleimani's killing sparked protests in Shiite-dominated areas in India.

2 Major Visits Between Iran and India

- High-level bilateral visits were limited between India and Iran in 2020

SIXTH

IRAN-INDIA ECONOMIC RELATIONS

US sanctions prevented India from deepening trade relations with Iran.

India-Iran trade relations remained strained in 2020.

SEVENTH

THE FUTURE OF IRAN RELATIONS WITH PAKISTAN AND INDIA IN 2021

1

US sanctions remained the major hurdle preventing Iran from widening its interactions with its neighbors in South Asia — until the second half of 2021.

2

It is likely that we will witness influential changes in Iran's relations with Pakistan and India, related to implementing Biden's policies and several regional variables.



IRAN AND AFGHANISTAN

Iran maintained the momentum of its bilateral relations with Afghanistan in 2020 through interacting with Kabul and strengthening its relations with the main political parties, dominated by ethnic Pashtuns and Tajiks, as well as with rising Hazara parties that are gaining more seats in the Afghan Parliament. Peace talks between the Afghan government, the United States and the Taliban were among the main developments that took place in Afghanistan, and Tehran's interactions with Kabul have mostly stayed afloat in the realm of these developments.

> FIRST: IRANIAN- AFGHAN POLITICAL RELATIONS

1

Afghanistan's Internal Political Dynamics

- Internal Afghan policies continued to heavily engage in ethnic polarization.
- The internal peace and stability process is hampered due to continued escalation of violence.

2

Iran's Interests in Afghanistan

- Iran remained cautious about dealing with the Afghan government.
- Tehran exploited the state of instability and moved to support the Hazara Shiite minority in Afghanistan.
- Among Persian speaking Tajiks in Afghanistan, Iran has maintained a strong link and influence.
- Iran deployed the Afghan Shiite militia known as the Fatemiyoun Division in Syria.

3

Iran's Balancing Act in Afghanistan

- Iran had established relations with the Taliban; as a result of the their converging strategic stance against the United States, to guard the country against risks that may occur.
- Iran's interactions with the Taliban confirm Tehran's support to groups capable of undermining American interests.
- Reports indicated that Tehran secretly supported the Taliban through offering it training, financing and weapons, while supporting the Afghan government in 2020 and encouraging internal negotiations among Afghans

4

Major Visits

Several diplomatic visits took place between Iranian and Afghani officials.

The two countries made significant progress on a number of bilateral issues.



SECOND INFLUENCE OF REGIONAL POWERS IN IRAN- AFGHANISTAN RELATIONS



THE UNITED STATES

The deep ethnic polarization in the country prompting each ethnic group to seek external help also strengthened Tehran's influence in the country.



RUSSIA

The US military withdrawal further prompted Russia to interact more closely with both the Afghan government and the Taliban to gain more leverage with prominent Afghan stakeholders post-US withdrawal.



CHINA

Several developments in Afghanistan reveal China's increasing penetration into the country.

China's flagship Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor can potentially be connected to Afghanistan for Beijing to penetrate Central Asia much more deeply



THIRD THE IMPLICATIONS OF THE COVID-19 HEALTH PANDEMIC ON IRAN-AFGHANISTAN RELATIONS

1

The coronavirus pandemic negatively affected the private sector and trade exchange in Afghanistan after neighboring countries closed their borders.

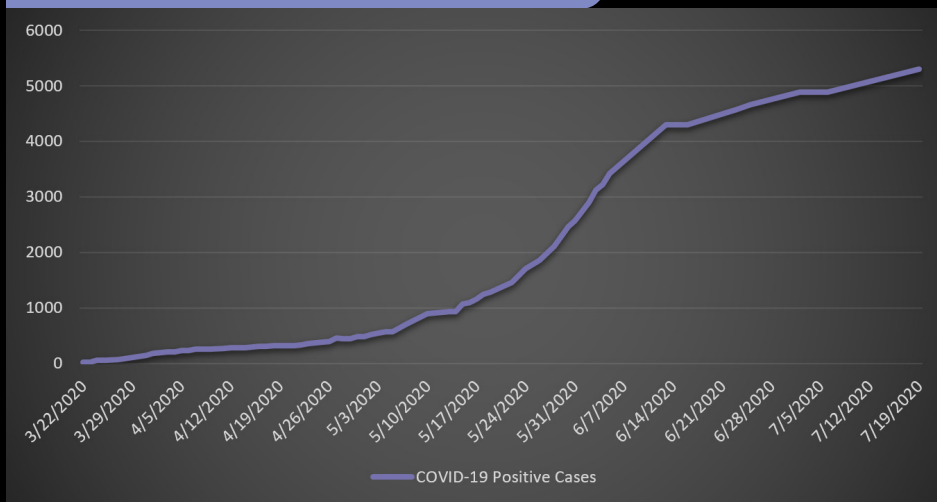
2

Afghanistan's trade relations with Iran continued and proved stable compared to Afghanistan's trade relations with other countries.

The Impact of COVID-19 on Afghan Migrants and Refugees

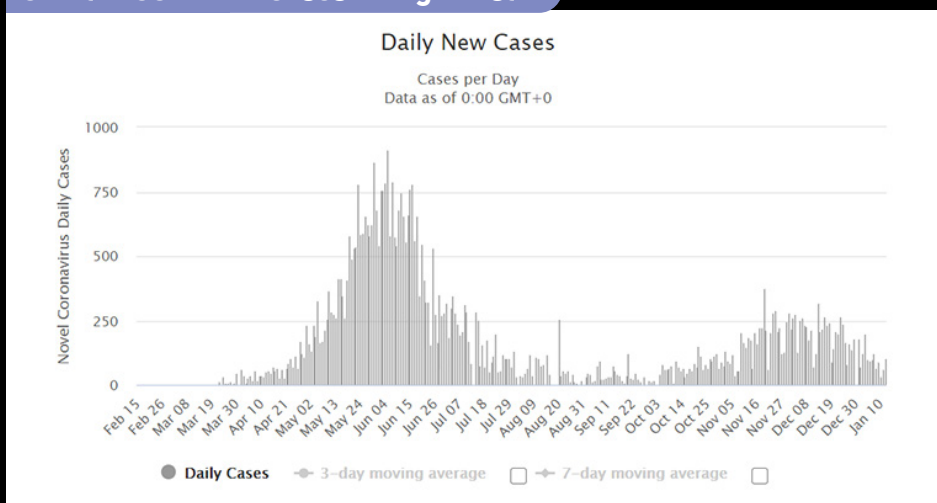
Afghanistan experienced its initial COVID-19 infection cases after its outbreak in Iran. Many Afghan migrants and refugees returned to Afghanistan because of the virus spreading rapidly in Iran. The returning Afghans increased the risk of the virus spreading in Afghanistan, with thousands returning each day.

Chart 1: COVID-19 Cases in Herat Province



Source: Humanitarian Data Exchange, <https://cutt.us/SYf05>.

Chart 2: COVID-19 Cases in Afghanistan



Source: Worldometer-Afghanistan

4

Bilateral Trade Relations

The outbreak of COVID-19 led to certain unprecedented and unilateral decisions from Afghanistan's neighbors to contain the spread of the virus.



FOURTH IRAN-AFGHANISTAN BORDER ISSUES

Border issues were a significant point of contention between Iran and Afghanistan in 2020.

The sharing of renewable resources was discussed during several high-level visits from both sides last year.

The lingering water sharing issues continued to create an atmosphere of mistrust between Kabul and Tehran, especially as many contentious water dam projects reached their final stages in 2020.



FIFTH THE FUTURE OF IRAN-AFGHANISTAN RELATIONS

1

Tehran is likely to uphold its political influence in Afghanistan.

2

Iran's aggression in the region and US policies towards Iran will determine the future dynamics of Iran-Afghanistan relations.

A map of Central Asia and surrounding regions, including parts of Russia, Kazakhstan, and China. Major cities like Saratov, Orenburg, Orsk, Aqtobe, Atbasar, Astana, Temirtau, Semey, Pavlodar, Biysk, Rubtsovsk, Oskemen, Altay, Fuyun, Duncun, Shihhezi, Urumqi, Bishkek, Almaty, and Grozny are marked. The Caspian Sea is labeled. A blue banner with white text is overlaid on the map.

IRAN AND THE CENTRAL ASIAN STATES

During 2020, relative stability had been the main characteristic of Iran's relationship with the five Central Asian countries in various spheres. A more cooperative pattern has emerged in Iran's relations with these states compared to the past, given their great significance to Iran's strategic development.

> FIRST: AN IN DEPTH LOOK AT IRAN'S RELATIONS WITH THE CENTRAL ASIAN STATES

Political and Economic Relations

- Political variables between Iran and Uzbekistan had resulted in improved relations between the two countries after having witnessed a tense period.
- Iran and Turkmenistan share common security concerns despite volatile economic relations.
- Kazakhstan's importance to Iran stems from its possession of nuclear arsenal, from it being a partner in oil and gas projects, its geographical location — it links Iran to China, which will ultimately revive the Silk Road, project.
- Relations between Iran and Tajikistan have been volatile on some political and security issues, but they have managed to identify interests and logistical opportunities that created a relative breakthrough.
- Iran's relations with Kyrgyzstan are undergoing economic advancements aiming to benefit from their Central Asian-Chinese borders.

> SECOND: THE CHALLENGES FACING IRAN IN THE CENTRAL ASIAN REGION

- 1 The region is of vital importance to great powers such as Russia, the United States and China, given a range of political, strategic, and economic considerations.
- 2 Washington's sanctions on Iran could have a significant impact on its relations with Central Asia in the energy and banking sectors.
- 3 Russia's strong and effective presence over the Central Asian countries is curbing Iran's increasing influence over them.
- 4 The Turkish presence in the Central Asian countries is a concern that is hampering Iran's progress.
- 5 Iran views Israeli relations with the Central Asian countries to be a threat to it in this vital region



THIRD

IRAN'S ECONOMIC AND POLITICAL OPPORTUNITIES IN THE CENTRAL ASIAN STATES

1

Central Asia's special geographical location. Central Asia sits in the center of Eurasia's geopolitical sphere and straddles three civilizations: the Chinese, Russian, and Indian.

2

The Central Asian states are at a critical juncture. The leaders of these countries, especially Kazakhstan and Uzbekistan, are trying to achieve relatively stable agreements with Tehran in the political, security and economic spheres.



FOURTH

FUTURE HORIZONS

Iran will face a number of challenges and difficulties in light of the Turkish economic presence in these countries.

It is expected that Iran will intensify its economic engagement with these countries through investments, and refrain from immersing in destabilizing activities

With the prospect of a breakthrough in its economic situation, Iran will likely be less interested in improving its relations with the Central Asian countries and more interested in its hostile policies in the Middle East, which are spilling over into Central Asia.



CONCLUSIONS

First: Iranian Internal Affairs

- 1 Iran remained adherent to the policy of “strategic patience.”
- 2 Iran increased its violations of the nuclear deal and adopted the policy of “wait and see” until after the US presidential elections. This impacted all spheres of Iranian policy as follows:
 - **Ideologically:** Iran opted to delay its clash with the Najaf seminary.
 - **Politically:** Iran’s supreme leader opted for easing the internal political disputes while at the same time he supported the conservative take-over of state apparatuses.
 - **Economically:** general indicators revealed an economic decline that was exacerbated by the coronavirus pandemic.
 - **Socially:** Social problems in Iran deepened due to the deterioration in economic circumstances, in addition to the decline in the level of personal and political freedoms.
 - **Military:** Iran suffered a host of military setbacks.

Second: Iran-Arab Interactions

- 1 The Gulf states intensified their diplomatic efforts to explain the threat posed by Iran’s behavior to global peace and security.
- 2 Iran intensified Houthi missile attacks from Yemen on the Kingdom of Saudi Arabia.
- 3 Political and security actions taken by the Iraqi government had prevented militias from targeting the American presence in Iraq, saved Iraq in a short period of time from sliding into the morass of sectarianism and political quotas.
- 4 In Syria, Iran seemed to have deeper roots and control, succeeded in penetrating the Syrian Parliament, obtained a concession to explore oil.
- 5 In Lebanon, Iran opted to calm the situation after the Beirut port explosion.

Third: Iranian International Interactions

- 1** Iran had escalated its stance against US policy through the use of its proxies. It has also managed, with the help of the European countries, Russia, and China, to foil the American attempts to issue a decision to extend the arms embargo on arms sales to Iran, and impeded the implementation of the snapback mechanism.
- 2** Russia focused on economic cooperation and building military alliances with Iran, while appeared more wary of getting involved in the nuclear file.
- 3** The European countries embraced the idea of upholding the nuclear deal, and have urged the International Atomic Energy Agency to condemn Iranian violations.
- 4** Iran had established a long-term economic partnership with China, which agreed along with Russia to veto the US decision to extend the arms embargo and restore sanctions on Iran.
- 5** The renewed conflict between Azerbaijan and Armenia added a new cycle of conflict between Iran and Turkey.
- 6** Sanctions affected Iranian-Indian and Iranian-Pakistani trade relations, yet Iran's relationship with Pakistan had been strengthened through reaching mutual understandings over the future of Afghanistan.

Fourth: Predictions for 2021

- 1** It is expected that internal economic, political, and social crises will deepen in Iran.
- 2** Iranian dealings with the new US administration will be severe given the probable scenarios of nuclear deal trajectories.
- 3** Increased European divergence from Iran and adoption of a more US-compatible stance.
- 4** Iran will lose much of its influence in a number of regional countries, especially in Iraq and Syria.
- 5** It is unlikely that Iranian-GCC relations will witness a noticeable breakthrough, and it is likely that most mediation attempts between them will fail.
- 6** The GCC states should maintain the political will to develop common political approaches and defense capabilities to limit Iran's anticipated threats, and intensify cooperation and coordination with strategic allies around the world.



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