

ANNUAL STRATEGIC REPORT

2021



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List of Abbreviations

AAH	Asa'ib Ahl al-Haq
ADNOC	Abu Dhabi National Oil Company
APT	Advanced Persistent Threat
AUKUS	Trilateral security pact between Australia, the United Kingdom and the United States
COVID-19	Coronavirus disease 2019
CPEC	China-Pakistan Economic Corridor
CPEC	China-Pakistan Economic Corridor
EDA	European Defense Agency
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FATF	Financial Action Task Force
FPM	Free Patriotic Movement
GAMOH	Guney Azerbaijan Milli Oyanis Herekati
GAP	Guneydogu Anadolu Projesi, or the Southeastern Anatolia Project (Turkish project designed mainly for irrigation and hydroelectric generation)
GCC	Gulf Cooperation Council

GDI	Gender Development Index
GDP	Gross domestic product
GERD	Grand Ethiopian Renaissance Dam
GERD	Great Ethiopian Renaissance Dam
GII	Gender Inequality Index
GNA	Government of National Accord (a government based in western Libya that enjoys international recognition)
HDI	Human Development Index
HHN	Harakat Hezbollah al-Nujaba
HS	Hijri Shamsi or Hijri solar (calendar based on solar calculations adopted in modern Iran in 1925)
IAEA	International Atomic Energy Agency
ICC	International Criminal Court
ICMPD	International Centre for Migration Policy Development
ICMPD	International Centre for Migration Policy Development
INSTEX	Instrument in Support of Trade Exchanges
IONS	Indian Ocean Naval Symposium
IRGC	Iran's Revolutionary Guards Corps
ISIS	Islamic State in Iraq and Syria (also known as IS, ISIL or by its Arabic acronym <i>Daesh</i>)
IS-KP	Islamic State – Khorasan Province
ISO	Imamia Students Organization
ITI	Islamabad-Tehran-Istanbul railway project (ECO freight train)
JCPOA	Joint Comprehensive Plan of Action (signed between Iran and the major world powers in 2015)
KDP	Kurdistan Democratic Party

KH	Kata'ib Hezbollah
MB	Muslim Brotherhood
MGI	Middle East Green Initiative
MPI	Multidimensional Poverty Index
NATO	North Atlantic Treaty Organization
OECD	Organization for Economic Co-operation and Development
OIC	Conference of Organization of Islamic Cooperation
PA	Palestinian Authority
PKK	Kurdistan Workers' Party
PMF	Popular Mobilization Forces
QUAD	Quadrilateral Security Dialogue (also known as the QSD) between a group of four countries: the United States, Australia, India, and Japan
SCO	Shanghai Cooperation Organization
SGI	Saudi Green Initiative
SRI	Social Risk Index
TSC	Sudan's Translational Sovereignty Council
UAE	United Arab Emirates
UAV	Unmanned Aerial Vehicles
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
US	United States

Introduction

Five years ago, specifically in December 2016, the first Annual Strategic Report (ASR) of the International Institute for Iranian Studies (Rasanah), formerly known as the Arabian Gulf Center for Iranian Studies, was released. In the past five reports, the focus was exclusively on the interactions related to Iran. But Rasanah, as part of a new vision, and coinciding with its sixth ASR for 2021, expands the scope of its focus and the issues that must be addressed. In addition to Iran's internal and external interactions, Rasanah offers a wider coverage of the strategic transformations taking place in the international arena which have implications for the Middle East and its major actors, including Iran. Therefore, Rasanah continues to closely monitor all significant developments, providing a clear and nuanced understanding of the issues impacting the region and the world in line with its mission to enlighten and inform from new Saudi perspectives.

The year 2021 witnessed several developments in the region, the world and inside Iran. New global challenges emerged due to environmental and economic ramifications, largely driven by the coronavirus pandemic and climate change — which threatened global stability and contributed to increasing tensions in international relations. Further ramifications are expected to loom in 2022 and 2023 as a result of the significant shifts and developments in 2021. In the 2021 ASR, we forecast the future trends in international relations, which will consequently impact the region and help people, governments and society adapt to these new changes. Rasanah hopes that this report will help decision makers and members of society interested in global issues and Iranian affairs to acquire a broader understanding of the most prominent challenges in order to move closer toward identifying solutions.

Executive Summary

The 2021 ASR begins by reviewing the latest developments in the international environment. It seems that the most prominent development was the US-China competition/rivalry. The Biden administration has pursued the same policy as its predecessor when it comes to containing China, a rapidly rising superpower on the global arena. It also views China like the former Trump administration: a mounting danger to the United States' exclusive dominance over the global order, especially as Beijing seeks to establish a multipolar global order, and shift the global balance of power in favor of certain rising global poles to the detriment of Washington. In addition, it seeks to create a global economic model that competes head-to-head with the Western model. This explains the decision of the Biden administration to follow in the footsteps of the Trump administration in relation to confronting and encircling China and curbing its expanding global outreach and clout. Thus, there is no difference between the two administrations when it comes to maintaining the United States' dominant position in the international order. But the nature of the strategic competition between the United States and China switched under the Biden administration from the economic to the political sphere as a result of differences between the former US administration and the current one over the methods of containment. While the Trump administration largely employed economic measures in its policy to contain Chinese ascendancy, the Biden administration has expanded on this through building/reviving alliances and creating a US-led global democratic bloc in the face of what Washington considers a global authoritarian trend led by China. While Trump acted individually to contain China, Biden seeks to act collectively through rallying US allies across the globe against China. Thus, the level of competition and dispute between the two global powers has increased under the Biden administration compared to the Trump era. This is because the standoff between the two global powers is related to a central issue, not a marginal one, which is the position of each power in the hierarchy of the international system. Yet, China has implemented a global strategy to achieve its objectives, and is primarily focused on reducing the power gap with the United States, and enhancing its presence in the United States' backyard as well as strengthening its policy of heading westwards.

There is no doubt that the European powers have kept their positions in the global system because of their strategic alliance with the United States. They have held significant weight in the balance of power equation over the past decades. Thus, despite



the schism that Trump caused in transatlantic relations, Biden has worked on mending ties with the European parties. In reality, however, Trump alone was not the reason behind this schism. The traditional approach determining relations between two sides has now become obsolete. It seems that Washington and Europe's plans to reshape the transatlantic relationship in accordance with a new approach that safeguards their positions in the global order, especially in light of growing European concerns about issues related to defense and security, do not converge. These European concerns emerged from the US shifting toward the Far East, its withdrawal from the Middle East and North Africa, and its low level of coordination and consultation with the international community — which appeared unambiguously after its withdrawal from Afghanistan. Furthermore, the Europeans, particularly France, were dismayed with the United States and Britain after they signed a nuclear submarine deal with Australia. Washington's plans to build new alliances away from the continent also raised European concerns given the challenges Russia poses to European territories.

Against the backdrop of these developments, the Europeans were prompted to reconsider their security strategy. The Europeans are already awaiting a leaders-level summit to discuss defense related issues in 2022. It seems that the North Atlantic Treaty Organization (NATO) is no longer an appropriate security umbrella to meet the aspirations of either the Europeans or the Americans. The United States has indicated

that there is a need for stronger European defense collaboration to supplement NATO. It has also emphasized the point that Europe should increase its military spending and not depend too much on US support. This shift in US policy toward the Europeans may be construed in the context of its overriding interests in countering China. This comes at a time when the Europeans do not share the same concerns as the United States toward China. However, despite transatlantic tensions, the United States still reiterates its basic commitments toward Europe and still considers the Europeans to be an essential pillar within the ongoing international balance of power equation given that they support the current global order.

While the coronavirus pandemic had a tremendous impact on the global economy — leading to a major economic slowdown and severe recession cycles, there have been signs of optimism following the partial economic recovery during 2021. However, the return to an equilibrium point remains in question in light of the virus and its variants, and in light of the many restrictions and measures dictated by the pandemic. These measures have led to slow growth, increased unemployment and higher inflation rates. In addition, supply chains have been disrupted, and shipping costs have hiked. Given the expansion of vaccination programs, the increased availability of vaccines, representing a major breakthrough in the fight against the virus and the development of measures/strategies to manage it, it is likely that the global economy will see more improvements and a gradual recovery during the coming period.

Not only has the coronavirus pandemic impacted the global economy, but the world has also seen shortages in energy supplies and a surge in prices. The backdrop of this is the decline in investments in conventional energy sources as a result of the decrease in their prices over the past years. Yet, there has also been a decline in supplies as a result of a reduction in strategic reserves, which caused an upsurge in prices. Russia uses gas as a lever in the context of its escalating tensions with the United States and the European countries. This crisis has had a direct impact on the global economy. Though the world speaks of alternative energy sources, in the foreseeable future, the world still needs conventional sources of energy. This means the energy crisis could drag on for a longer period, standing as one of the major challenges hindering the wheel of the global economy.

The Middle East, as one of the most important sub-regions in the global order, was not insulated from the aforementioned developments. It faced new variables as a result of the change in the US administration and its adoption of new policies which overshadowed the regional landscape — foremost of which was the easing of confrontation and escalation, and opening the door for dialogue with competing regional powers. This shift in the US approach contributed to the Gulf reconciliation, the initiation of dialogue between the Gulf states and Turkey and Egypt and other interactions. Nonetheless, dialogue among the regional powers has not touched on the core essence of the internal disputes ravaging several countries such as Syria and Yemen. Several crises are still endangering the stability of some governments as is the case in Iraq, Sudan, Tunisia, Libya, and Lebanon. In addition, the mounting water crises was one of the most significant interactions in 2021.

At the level of political Islam, the Islamic State in Syria and Iraq (ISIS), also referred to as Daesh, suffered retreat in Iraq, Syria, and other regions such as in Egypt's Sinai Peninsula and the Maghreb. The outfit limited its operations to some terrorist attacks and swift withdrawal, without taking control of territories. But in Africa, ISIS is attempting to expand its presence and take advantage of the security and intelligence loopholes and the lack of experience required for joining it. In Afghanistan, the Islamic State-Khorasan Province (IS-KP) clashed with the Taliban, taking advantage of the US withdrawal. It carried out devastating terror attacks that targeted key facilities as well as religious minorities. Political Islamic groups faced decline in the region as well. The Muslim Brotherhood (MB) in Tunisia suffered regression following the decrees issued by Tunisian President Kais Saied and the embarrassing defeat of the group in the legislative elections in Morocco and Algeria. There has been a deep rift in the group's leadership in Egypt, which exacerbates its fragility and lack of effectiveness in the foreseeable future.

In the same vein, the challenges faced by terrorist organizations led to a decline in their operations to some extent. They are facing challenges as some countries have begun to restore their stability and sovereignty. However, this does not mean that the battle against terrorism is over. There is still fertile ground and the appropriate conditions for violent ideologies to flourish, especially in the regions where conflicts rage, lack stability and are deprived of justice. These regions include Afghanistan where the IS-KP actively operates, some African countries, especially the Sahel countries where in some provinces there is absolutely no state authority, and some Middle Eastern countries.

With regard to Iran and its domestic interactions and its relationship with Arab countries and the international community, 2021 saw a myriad of developments and events which are expected to shape the coming period — both with positive and negative dimensions.

At home — at the ideological level — the Iranian government continued its efforts to enhance its domestic legitimacy through employing religion and took advantage of fatwas to counter the calls to boycott the elections and defamed opposition actors. However, the government fell out with Najaf and aimed to strip it of authority and marginalize it in favor of the guardian jurist (Wali al-Faqi). Finally, the Iranian government pursued a highly pragmatic approach to the rise of the Taliban. Its approach toward the group was influenced by its objective to protect the Shiite community in Afghanistan. It fears the rise of more radical groups that could cause chaos to unfold in its neighboring sphere.

At the level of political transformations, the year 2021 experienced two important developments for Iran: The end of President Hassan Rouhani's eight-year tenure which was characterized by challenges and obstacles, impacting the performance of his government. The "conservatives" exerted tremendous pressure on him and his cabinet. The last months of Rouhani's government witnessed an escalation of rhetoric by the "conservatives" against it. Rouhani was blamed for the internal crises gripping Iran. The leaked audio recording of the former Iranian Foreign Minister Mohammad Javad Zarif in which he was heard accusing the IRGC of intervening in foreign policy contributed to further criticism and pressure on Rouhani.

The other development was the presidential election and the major role played by the Guardian Council in engineering the election in favor of Ebrahim Raisi. Though this led to Raisi's victory and contributed to the "conservatives" taking over the presidency, the Iranian government lost a key element which it always depended on for the sake of its popularity and legitimacy: a huge voter turnout. This presidential election saw the lowest voter turnout in the history of Iran's elections since 1979.

At the social level, multidimensional poverty indicators revealed that the number of those living below the poverty line in Iran doubled in 2021 compared to the past two years. Iran was also hit by a series of coronavirus waves which further negatively impacted the country's social and economic situation.

As for social risk indicators in Iran, these revealed that protests are still likely to continue throughout Iran. Reasons vary, including the severe water shortages, low wages/ delayed payment, human rights violations and power outages. The number of prisoner executions and arbitrary executions saw a spike, and there was a significant increase in drug abuse, divorce and change in marriage patterns. The Gender Development Index (GDI) showed high rates of "gender inequality," a rise in child brides and discrimination against women.

On the economic front, 2021 was a continuum of 2020 in terms of poor economic performance in general and worsening living conditions in particular. However, some indicators saw a limited improvement compared to the past year due to the surge in oil exports to China and the growth of foreign trade, especially exports to neighboring countries, which contributed to a limited economic growth of 2 percent in 2021.

However, the year 2021 saw a major decline in some economic indicators, directly impacting living standards. Day-to-day life became much more difficult compared to the previous year. The national currency lost 85 percent of its value compared to 2018. The inflation rate in general, and prices related to food items in particular, shot up by nearly 60 percent in December. This pushed 35 percent of Iranians below the poverty line, with unemployment exceeding 17 percent among some age groups in Iran.

The financial situation of the government was no better off. This was illustrated by a growing budget deficit (estimated to exceed billions of dollars), a significant surge in the injection of liquidity (exceeding 40 percent in one year) and an increasing public debt. The economic crisis pushed Raisi's government to bring forward a proposal to cancel the billions of dollars allocated in the 2022 budget for importing food and medicines while giving greater attention to the security and defense budget. Resolving many of Iran's problems still depends mainly on the lifting of sanctions.

At the military level, Iran continues its efforts to acquire military technologies and equipment through piracy and the black market — in order to shore up its Forward Defense doctrine. Rising Azerbaijan and volatile Afghanistan pose foreign and security policy challenges, for which the Raisi government and the IRGC seem rather flat-footed, given the multiple variables in the highly competitive geopolitical environment. The year 2021 witnessed Iran's efforts to refine drone tactics and their integration alongside air defense systems in contested battlefield scenarios. On both of its proxy frontlines, i.e. Syria and Yemen, the IRGC faced serious setbacks to its arms supply chain. Given its grim hopes vis-à-vis the nuclear deal's revival, Iran's budgetary projections and

allocations are modest, but can starkly soar in the event of a breakthrough in Vienna leading to the reversal of US sanctions. Either way, its forward battlefronts in Iraq, Syria, Lebanon and Yemen will face amplified strikes.

With regard to Arab affairs, Iran-Gulf relations proceeded down a cautious path marked by approximations to defuse tensions in the region. Though there is a history of disputes and differences that are not easy to overcome, efforts were made by the Gulf states to show goodwill toward neighboring Iran. Tehran still considers these disputes and differences as nothing more than a misunderstanding.

The Iranian government, buckling under the weight of US and UN sanctions, and amidst an increasingly complex regional environment, is hamstrung by its promises which it cannot fulfill, whether in relation to improving living conditions inside Iran or improving ties with neighbors. The new Iranian government can only overcome this dilemma by making a genuine change in its mindset, which seems rather elusive. The Gulf states are well aware that Iran's promises of improving relations with its neighbors are nothing but hollow statements and cannot be relied upon for bringing about meaningful change.

In regard to the Yemeni crisis, the year 2021 saw a Houthi escalation in the oil-rich governorate of Ma'rib. This escalation was linked to political dimensions that served Iranian interests. Iran had provided military support to the Houthis, which included smuggled weapons and assistance provided by IRGC experts present in Yemen. Iran's media coverage backs the Houthis' military operations under ideological pretexts. Since the Houthis remain subordinate to Iran's will, they did not stop there. In 2021, Iran turned regions held by the Houthis into centers for smuggling weapons to terrorist outfits linked to al-Qaeda in several African countries in order to control strategic crossings, and use these as bargaining chips in the nuclear talks with world powers and to place further pressure on the international community. Such practices revealed to the international community that the party obstructing the peace process in Yemen is the Houthi-Iranian side. This prompted the Arab Coalition Supporting Legitimacy in Yemen and the international parties concerned with peace in Yemen to take a harsher position toward the intransigent behavior of the Houthi militia in late 2021.

On the Iraqi arena, Iranian clout, at the military, economic and cultural levels, came to a standstill. At the political level, Iranian clout faced a huge setback as Iraqi voters dealt a severe blow to the Shiite alliances by not voting for them. The Fatah Alliance – Iran's closest ally — fell to fifth position compared to the second position it occupied in the 2018 legislative election. By contrast, movements supportive of Iraq's path toward full statehood such as the Sadrist Movement, came first, while the Sunni bloc came second. Over the years, Iran had been working to expand its influence across Iraq at all levels. More recently, it has turned into a destabilizing actor using cards such as electricity and water to place pressure on Iraq and fuel chaos in order to maintain its influence. Iran became aware of the shift in the Iraqi domestic equation — under an Iraqi government that prioritized statehood and establishing balanced foreign relations. It also became aware of the change in Iraqi public opinion, especially among the youth who favor Iraqi sovereignty and reject sectarian quotas. This is in addition to the rifts that surfaced among Iran's proxy groups in the Iraqi arena following the death of Soleimani and the

decline in Tehran's financial support to them as a result of the sanctions. The Arab states and the United States played an effective role in besieging Iran and limiting its clout. Arab and Gulf interactions in the Iraqi arena increased and the Biden administration used military force against the positions of Iran's militias on the Iraq-Syria borders — contrary to Iranian expectations following the change in the US administration. In light of these developments, it can be said that Iraq has entered a new phase heading toward statehood and in the country there is an equation totally different from the previous equations. Hence, the internal and external challenges confronting Iranian influence in Iraq will snowball, especially in light of the nationalist cross-sectarian bloc exposing the Iranian project, depriving it of legitimacy and unmasking it at home and overseas — laying bare Tehran's failure to establish a model state that can be emulated in the countries targeted by its expansionism. This new Iraqi reality renders Iranian efforts to achieve its project as a “mirage and impractical.”

With regard to Syria, its relationship with Iran was influenced by several developments, which impacted Tehran's presence and its major role in several Syrian fields. Tehran sought to enhance its position when it came to using Syria as a lever in the negotiations with the West and a defense line to deter Israel from attacking its nuclear program. On the other side, the challenges and difficulties Iran has been facing in Syria cannot be ignored. Foremost among these challenges is the Russian desire to enhance political and security stability in Syria — as well as the Arab rapprochement to restore relations with Bashar al-Assad. This is in addition to the continued Israeli strikes against Iranian positions as part of the ongoing Iranian-Israeli “shadow war” on the ground, at sea and in the air. The scope of Israel's attacks varied, extending to Latakia port, given its significance for both the Iranians and Russians. This Israeli boldness came after the support Russian President Vladimir Putin provided to Israel for militarily targeting Iran in Syria.

In Lebanon, the formation of the government, the issue of fuel shortages and the role of Iran and its proxy, Hezbollah, were among the most significant issues in 2021. At the beginning of the year, Hezbollah sought to obstruct the government's formation. The year ended with a paralyzed government, with little power to even convene a meeting. Between the beginning and the end of the year, the investigation into the Beirut Port explosion was shut down. The government was beset by internal differences among its elements — due to Hezbollah, which continued to destabilize and incite social unrest in Lebanon. Though the situation has been contained, its consequences are still raging. Hezbollah's contribution to turbulent relations between Lebanon and Arab countries and the international community has further worsened the Lebanese crisis-ridden reality. The group repeatedly took aim at the bilateral relations between Lebanon and several regional countries such as Saudi Arabia and attempted to maintain Lebanon's role as an arena for Iran's regional escalation.

The future of Iran's and Hezbollah's role in determining Lebanon's foreign relations depends on the progress in the recent regional and international moves to resolve the Lebanese crisis, the outcome of the Vienna talks, and the ongoing disputes between Iran and several countries in the region. However, at home, the Iranian role depends on whether the differences between the Lebanese parties will continue or not, the

outcome of the upcoming Lebanese elections and whether Hezbollah will be able to manipulate, delay or even obstruct them in a way that benefits Iranian interests in the region.

With regard to international affairs, the Biden administration caused a radical transformation in the relationship between the United States and Iran. This shift came at a time when the United States was seeking to reconfigure its approach in the Middle East in line with a new strategy that would ultimately preserve its role and influence. The relationship with Iran is one of the pillars of this new strategy. To achieve its aims, the

United States depends on diplomacy as a means for reviving the nuclear deal, and the de-escalation of tensions between Iran and regional countries. Iran is responding to such orientations with caution, especially in light of the “conservatives” control over power. They seek to get all the sanctions lifted and resurrect the nuclear deal — without paying any additional price — while clinging to their ideological constants.

Concerning Russia-Iran relations, ties between the two countries significantly advanced in 2021. Moscow lent support to the Iranians during the nuclear negotiations and called on the United States to lift the sanctions imposed on Tehran. Russia also supported Iran's membership in regional and international organizations such as the Shanghai Cooperation Organization (SCO) and the Economic Cooperation Organization (ECO). The two countries also cooperated in relation to the latest internal developments in Syria and the new reality emerging following the US withdrawal from Afghanistan. Furthermore, they took important steps to enhance trade relations amid the obstacles created by US sanctions imposed on the Iranian economy. Russian exports to Iran increased by 16 percent while Moscow's imports from Iran surged by 14 percent. Total bilateral trade increased by 15 percent year-on-year during the first six months of 2021. Economic cooperation extended to other fields such as energy. Russian firms seized a major share in the project to develop the Chalous gas field, north of Iran. With regard to military relations, Iran and Russia conducted joint military drills dubbed “The Iranian-Russian Maritime Security Belt 2021” in the Indian Ocean. Iranian Army Chief of Staff Mohammad Hossein Bagheri and Commander of the Iranian Navy General Hossein Khanzadi made two visits to Moscow where they met their Russian counterparts.

In terms of Iran-Europe relations, most of the wrangling between the two sides in 2021 centered on the nuclear issue. For its part, Iran committed breaches by enriching uranium up to 60 percent purity, which was met by a series of condemnations by the European troika (Germany, France and the UK), and coincided with the International Atomic Energy Agency intensifying its pressure on Iran. In addition, eight rounds of nuclear talks were held, in which Europe sought to reach a satisfactory settlement. But Iran responded with indifference toward proposed deadlines, putting all its focus on



securing guarantees so that the United States would not withdraw from the nuclear deal again. In general, Europe is pursuing the “carrot and stick” approach toward Iran. It exerts pressure on Iran regarding human rights violations and involvement in terrorist acts. At the same time, it provided Tehran with medical assistance to combat the coronavirus pandemic. In the meantime, Iran is aware that it needs Europe to break its international isolation and reach a settlement that ensures that the US sanctions shackling its economy are lifted.

Regarding Iran-China relations, the most salient events in 2021 included China throwing weight behind Iran in the nuclear deal, the continued Chinese support for Iran in the nuclear industry, whether directly or indirectly, and taking greater steps to deepen bilateral cooperation, as illustrated by the signing of the Strategic Cooperation Agreement. This was in addition to Iran gaining full membership in the SCO and Beijing helping Tehran secure coronavirus vaccines, in what was construed as part of the competition over vaccine diplomacy. However, intersections emerged between the two countries regarding relations with major countries in the region such as Saudi Arabia, Israel and Afghanistan; Iran is concerned about Beijing’s cooperation with these countries and the potential outcomes. In light of the developments that Iran-China relations witnessed in 2021, it is expected that 2022 will see an increase in the level of cooperation between the two countries.

Turkey-Iran relations in 2021 were marked by three issues, which caused most of the political wrangling between the two sides. The first was the intensification of rivalry in the Iraqi arena, especially in the Qandil Mountains and Sinjar where Turkey stepped up its campaign against the Kurdish Workers’ Party (PKK) while pro-Iran Shiite proxy militias repositioned and threatened Ankara. The first reason behind the competition included the significance of Sinjar as a strategic corridor between the Iraqi-Syrian borders. The second was the relative cooperation between the two sides to address the problem of refugees resulting from the Afghan crisis. But they, in the same vein, attempted to extend their influence and take advantage of the political void resulting from the US withdrawal from Afghanistan. The third was the complexity of bilateral relations as a result of the collision of viewpoints and conflict of interests regarding Azerbaijan. Their competition in Azerbaijan was heightened because their disagreements were over issues related to national security, competition over energy fields, armaments and extending influence toward the South Caucasus, the Caspian Sea and Central Asia.

As for Iran-Pakistan relations, the developments in both Afghanistan and Azerbaijan overshadowed their bilateral relations. Tehran was concerned by the Taliban taking over power in Afghanistan and the support the group received from Islamabad. Iran’s rising concerns were reflected in the remarks of Iranian officials that were reported by media outlets and on social media platforms.

Yet, the strong relations between Islamabad and Baku and the joint military exercises conducted by Azerbaijan and Turkey angered Iran too. This prompted Tehran to demonstrate the strength of its military forces with the biggest military buildup on the border with Azerbaijan. At the level of military cooperation between Iran and Pakistan, the military commanders of both countries continued to engage in mutual visits. At

the economic level, no uptick could be seen on the bilateral trade front, and smuggling continued to grow ever more on Pakistan-Iran land and along the maritime borders to the detriment of Islamabad. A barter trade agreement was signed using a banking channel for payments to avoid US sanctions.

Since the Russia-brokered Azerbaijan-Armenia ceasefire, Iran has been striving to grapple with the emerging strategic realities. Tehran not only feels vulnerable militarily from its northern frontier but also internally over fears of an ethno-nationalistic uprising amongst its largest minority of Azeri-Turks. The tell-tale signs of the euphoria felt by the Azeri community in its territories after Nagorno-Karabakh's independence from Yerevan have led Tehran to monitor its border better as well as increase diplomatic engagement with Baku. Israel-Azerbaijan relations and Turkey's quest for promoting Turkic nationalism both contribute to Iranian trepidation. While its economic ties with Armenia have suffered drastically, Tehran is aspiring to build mutual economic dependence. Azerbaijan needs little in terms of geo-economic connectivity, unlike Iran. Its border tensions with Azerbaijan will not only remain but also may increase if the ceasefire becomes shakier.

In terms of Iran-Afghan relations, the US withdrawal from Afghanistan and the Taliban return to power marked the most significant developments for Tehran's neighbor. Ahead of the US withdrawal from Afghanistan, Tehran sensed the dangers of the Taliban's growing expansion across the country. Therefore, it sought to contain the group and intensified its meetings with its leaders, holding several meetings and deliberation sessions. These interactions were in light of the fact that Tehran is aware of the Taliban's power and influence in the Afghan equation. After the US withdrawal from Afghanistan, which Iran considered a victory for Afghanistan and a blow to the United States and the substantial developments that took place in the country after the Taliban's return to the political landscape, cooperation between Iran and the group intensified. Iran has restored its ambition to reposition itself in Afghanistan, enhanced its tools to extend its clout, seized the available political and economic opportunities, took advantage of its allied parties, and employed multiple ethnic, religious and cultural commonalities to reap the biggest possible gains. Despite Iran's positive attitude toward the Taliban after the latter's sweeping takeover of Afghan cities, the complexities emerging in the country triggered Iranian concerns about the threats and dangers Tehran could face in the coming period. These dangers include the influx of refugees, and the resurgence of extremist groups— which could possibly pose a threat to the Iranian home front and the future of Afghan Shiites in the political process. This is in addition to the influential presence of regional competitors in Afghanistan and the possibility of seeing an outbreak of tensions over the Helmand River, which is and has been a contentious issue between the two countries given their dire need for water.

To conclude, the 2021 ASR, through shedding light on the variables impacting the international environment as well as the Iranian arena, forecasts the nature and pattern of future relations in the regional and international spheres. These variables will be instrumental and will contribute to shaping future positions and policies of countries in order for them to either seize potential opportunities or evade imminent dangers.

Shifts in the International System's Balance of Power

Growing US-Chinese Competition in the International Arena

The struggle of international powers for hegemony over the existing international system is one of the most dangerous forms of conflict, which has a negative impact on regional and international peace and security.

Transformations in the international system are often preceded by a major war erupting between a ruling power and a rising power. Therefore, international think tanks are attempting to provide strategic analysis on the possible trends and expected paths of strategic competition between the two most influential powers in international affairs: the United States and China, particularly given the growing tensions between these two powers in many theaters of conflict around the world. This has increased as the new US administration led by President Joe Biden in early 2021 adopted a different strategy than that of his predecessor, Donald Trump, to contain China. This strategy is of a different nature and is composed of different tools to contain China, to prevent shifts in the international balance of power to the disadvantage of Washington, ensuring it remains at the top of the hierarchy of the current international system.

The development in the conflict between Washington and Beijing during the first year of Biden's presidency poses several questions, most notably: Why has the US government deemed China such a potent threat to the United States' dominant position within the international system, especially as many analysts predict that China will not be able to overtake Washington by 2040? To what extent did the US policy of containment toward China continue and change in 2021? What are the hotbeds of tension between the two top global powers? And what are the expected trends of competition between Washington and Beijing in 2022? Therefore, this file of the Annual Strategic Report is divided into four axes: US policy to contain China – between continuity and change under the Biden administration, analysis of the policies of US-Chinese encirclement and mutual confrontation, review of the hotbeds of tension between Washington and Beijing at the global level, and the future scenarios of US-Chinese competition in 2022.

US Policy to Contain China – Between Continuity and Change Under the Biden Administration

Since President Biden took office in early 2021, his administration has prioritized its standoff with China, as it poses a primary threat and is the strongest competitor to Washington and challenges it for the leadership of the international system. China is able to do this because it possesses the tools of competition, the elements of strength and ascendancy, and is exerting efforts to establish a multipolar international order. In the Interim National Security Strategic Guidance, the US government designated China in March 2021 as the most serious threat facing the United States, because of Beijing's quest to redistribute power/influence, which would not be in Washington's favor.⁽¹⁾ Furthermore, the American Innovation and Competition Act in June 2021 classified China as a global geopolitical economic challenger to the United States and a major threat to Taiwan's existence as an independent state.⁽²⁾ This indicates that Washington still welcomes Taiwan's independence from Chinese control. The following factors have significantly contributed to the Biden administration's view of China as a major threat to the global leadership, in need of containment.

Washington's Fear of Losing Its Global Hegemony

China's commitment to creating a multipolar international system is a major factor behind Washington's tensions with Beijing. The latter realizes that America's hegemony

over the international order allows it to extend its influence and reach and direct the course of international affairs. In addition, this position allows America to maximise its international status and weight and achieve its geopolitical, economic, and military interests. This explains why America is concerned about losing its dominant position at the top of the international order.

Washington also realizes that Beijing has a competitive advantage that helps in its quest to change the international order, which the Soviet Union during the Cold War did not have. In fact, China has remained focused on competing against the United States and there is nothing that has detracted it from this endeavour, unlike the former Soviet Union, which was burdened with the cost of crisis-ridden allies such as Poland and Hungary at the time, which weighed down Moscow, preventing Soviet leaders from focusing on the United States.⁽³⁾

China Challenging the US Hegemony

The international balance of power still favors the United States by virtue of the fact that it has influence over large areas, has many good cards to play in the international arena, possesses significant military and economic strength placing it at the top of the world in 2021, and leads a number of political alliances in Asia, Europe, Africa and Latin America, and military alliances which are the most powerful in the world such as the North Atlantic Treaty Organization (NATO). However, Washington is concerned about China's efforts to increase its power. Beijing has emerged as Washington's primary competitor in the international system. Its financial wealth is estimated at 70 percent greater than that of the United States, and its population is approximately greater than that of the American people. It is estimated that if the Chinese economy continues to grow by about 5 percent annually, it is expected China will be 1.8 times as wealthy as the United States by 2050.⁽⁴⁾

Washington also realizes that Beijing has greater financial wealth and a larger population, which will allow it to possess military capabilities greater than itself in the coming decades. In 2021, the Global FirePower website ranked Beijing third in the list of the most powerful armies in the world.⁽⁵⁾ The United States came first, followed by Russia. China aims to reduce the gap in military power with Washington by raising its defense budget and military expenditure. This increases Washington's concern about Beijing's ability to tilt the international balance of power to the disadvantage of the United States.

Beijing's Actions to Create an Alternative Global Economic Model

China continues to create an alternative global economic model to the Western model led by the United States. It has established international banks such as the Asian Infrastructure Investment Bank and the Asian Development Bank to compete with Western banks such as the International Monetary Fund and the World Bank, in order to displace the United States from the top of the global monetary system and to provide fund packages to various countries at competitive interest rates. It is hoped this financial infrastructure will help in pulling the rug out from under US companies that implement projects in various countries around the world. This will benefit Chinese companies.

China also relies on its domestic banks such as the China Import and Export Bank to provide loans and compete with American technological companies to penetrate global markets with competitive prices.

The United States is aware of China's progress in making its alternative model a success, especially since it does not impose dictates or conditions on countries unlike the US model when lending or granting loans, which makes it a globally accepted model. Washington fears that this alternative economic model will be followed by alternative security and political models, thereby causing the United States to lose its global leadership position. This indicates that successive US administrations have been misled by Francis Fukuyama's hypothesis about the "end of history" which was based on an unrealized assumption about the inevitable victory of the Western model. It contributed to Washington integrating China into the world economy by adding it to the World Trade Organization, hoping that Beijing would become an economic partner under an international system led by itself. However, China has become the biggest rival and global strategic competitor to the United States.

US-China Containment

The United States and China adopted certain policies towards each other to win the battle to continue with or change the existing hierarchy of power and influence the course of the international system.

Biden's Policies to Contain China's Global Ambitions

In addition to continuing with the economic sanctions and trade restrictions that the former Trump administration imposed on China, the Biden administration adopted new measures to contain China globally, most notably the following:

Formation /the Revival of Military Alliances

The most important tools of the Biden administration's strategy to contain China are the formation or the revival of anti-Chinese military alliances. These alliances highlight Biden's awareness of the rise of China as a strategic adversary that has grown in strength and poses a threat to America's global hegemony more than the former Soviet Union during the Cold War, most notably:

- **AUKUS:** This is a tripartite military cooperation agreement concluded by the United States, Britain and Australia. This agreement represents one of the most important security arrangements since the end of World War II about 75 years ago, and the most significant security alliance in the 21st century. The three countries signed the Security Partnership Agreement (AUKUS) on September 15, 2021. One of the most important provisions is that Australia will obtain military technology provided by the United States and Britain for the first time to build and develop nuclear-powered submarines and that cooperation between the United States and the UK in the nuclear field will be strengthened to develop and modernize nuclear defense infrastructure.
- **QUAD:** This is an old military alliance,^(*) including the United States, India, Japan, and Australia. The Biden administration revived this alliance on September 24, 2021, a few

(*) The Quad: The Quadrilateral Security Dialogue was formed after the Indian Ocean tsunami of 2004. It was officially announced in 2007 but due to regional and international considerations back then, it did not come into force until September 2021.

days after it signed the AUKUS agreement. The alliance aims ⁽⁶⁾ to strengthen security cooperation between the member countries, seeking to maintain a free and open Indo-Pacific region, promoting a free and open order based on the rules of international law, and committing to denuclearizing North Korea.

It is known that Washington's aim behind the AUKUS agreement and the revival of the QUAD is to contain China in the Indian and Pacific oceans since they are the two most prominent areas of geopolitical confrontation between the United States and China and to create a new balance of power in the two oceans and throughout Asia, limiting China's competition with the United States for global leadership. Moreover, Washington is concerned that Beijing will launch a preemptive strike against its strategic ally in East Asia, Taiwan, to discourage its ambitions for independence from China. The goals of the rest of the member countries are to balance the growing Chinese influence in East Asia and limit China's moves which are against their interests, especially since the conflict between these countries and China has increased over the past years, leading to military border confrontations with India, and escalating trade and technological competition with Japan and tensions between China and Australia as Beijing imposed sanctions on Canberra due to its call for an international investigation into Beijing's role in covering up information about the outbreak of COVID-19. Washington exploited these tensions to activate the two alliances in the vicinity of its Chinese rival.

On the other hand, China criticized the US policy of forming alliances to encircle it via its neighboring countries. India has the second largest population on the planet after China and is a rising economic power, and is situated in the middle of the Chinese cross-border trade route known as the "Belt and Road Initiative." It is also the most prominent nuclear power in the Asian subcontinent, and aspires to play an influential role in world affairs. Japan has economic power and is also a strategic ally of the United States, and the historical enemy of China in East Asia. Australia is of great importance to Washington in the event of a possible confrontation with China due to its strategic location as it is close to the conflict zones in East Asia, and is in close proximity to critical international trade and military lines.

The Promotion of Alternative Projects to Compete With the Belt and Road Initiative

To confront the Belt and Road Initiative which is one of China's most prominent programs to increase its global influence, in early 2021 Biden called on the democratic countries around the world to launch a competing initiative. Therefore, the Group of Seven (G7) major industrial countries in June 2021, supported by the United States, presented a rival initiative entitled "Rebuilding a Better World." The initiative aims to revive and strengthen the liberal trend globally, restore cohesion among democratic systems globally, promote development in developing countries, and build a strong democratic bloc to counter the Belt and Road Initiative so as to put under siege, according to Washington, the rising authoritarian trend led by China, which will eventually ensure the containment of China.

To demonstrate Washington's tendency to confront rising authoritarian orientations globally under Biden, his administration held a global virtual summit in December 2021 to discuss the challenges and opportunities facing democracies in the 21st century, in

which representatives from more than 100 countries around the world participated. During the virtual summit, three issues were discussed: anti-authoritarianism, the fight against corruption, and the promotion of human rights and freedom. In the closing statement of the summit, Biden expressed his optimism about the participants' ability to consolidate democratic values around the world, pointing out that the presidents of Panama, Costa Rica and the Dominican Republic had formed an alliance to strengthen democratic institutions. He stressed that the consolidation of democratic values in the international system has contributed to decades of global growth and prosperity, calling for more democratic practices in the face of authoritarian trends through a global collective effort, thus strengthening democratic pillars around the world again.⁽⁷⁾

To enhance democracy across the world, the US State Department announced complementary strategies to the Democracy Summit. It announced the establishment of a new State Department Coordinator for Global Anticorruption Issues; support to be provided to emerging technologies offering anti-corruption solutions; arbitrary detentions to be combated including the arrest of citizens by another state on politically motivated charges; and the exchange of information concerning threats facing human rights, democracy and the rule of law. In addition, the US State Department announced support to enhance democratic transitions and human rights across the world; counter and expose electoral fraud in non-democratic regimes.

Although the initiative has strategic importance in containing authoritarian values globally, many analysts doubt its ability to create a global democratic bloc –which contributes to cornering China— as a result of the involvement of some countries with authoritarian tendencies. Freedom House rated 31 participating countries as “partly free” and three countries as “not free.” Eight countries that participated ranked low in democracy, namely: Zambia, Pakistan, Angola, Serbia, the Democratic Republic of the Congo, Kenya, Malaysia, Iraq. Four other countries were identified as having high levels of authoritarianism, experiencing a dramatic decline in freedom of expression over the past decade: India, Brazil, the Philippines and Poland.⁽⁸⁾ No country from the Middle East was invited to the summit, except for US allies Israel and Iraq.

The Continuing Policy of Encircling China With Crises and Challenges

Many analysts believe that encircling China with several crises, whether by fueling conflicts with some of its neighboring countries regarding the East and South China Seas, or creating crises in its neighboring countries to influence the Chinese home front, could contribute to limiting China's global ambitions. Therefore, many specialists linked the US military withdrawal from Afghanistan in August 2021 and Washington's desire to create an arena of chaos on the western borders of China as linked to America's quest to slow down Beijing's rise. The United States could pose the following challenges to China:

- **Security challenge:** This challenge can emerge if the Taliban, which controls Afghanistan after the US withdrawal, provides support to the Turkistan Islamic Movement in Xinjiang, northwest of China on the border with Afghanistan. This support can motivate the movement to achieve its separatist ambitions for establishing a state in Xinjiang. It is also expected that the Taliban's control will give elements of the Turkistan

Islamic Movement a chance to enroll in its ranks. The rise of terrorist organizations in the Afghan province of Khorasan may be a draw for Uyghur Muslim fighters and encourage them to carry out terrorist operations inside China to pressure Beijing to accept Xinjiang's separation.

- **Economic challenge:** America can possibly disrupt the Belt and Road Initiative projects, the cross-border road, and threaten China's interests in Afghanistan and Central Asia, because Kabul enjoys an important geostrategic position linking West, East, South and Central Asia. This explains Beijing's attempt to exploit the US withdrawal from Afghanistan to enhance its presence in the country. Therefore, the day after the Taliban took control of Afghanistan, Beijing announced its readiness to deepen relations with the group and kept its embassy open in Afghanistan, although the United States and most European countries moved their diplomatic missions outside the country.

- **Political challenge:** This is related to the two previous challenges. If these challenges materialize, or at the very least, if the separatist aspirations of the Uyghur Muslims in China are furthered, this would inflame the separatist tendencies of the rest of the Chinese regions that have similar ambitions such as Taiwan, Hong Kong and Macau. This could destabilize China's domestic scene, and impact China's global power, thus weakening its ability to rise as a power and compete against the United States.

Countering China's Influence in Latin America

Biden attached importance to the mobilization of US allies so as to contain China. Therefore Biden, unlike Trump, sought to restore America's role in the Latin American arena, which declined significantly under Trump as a result of his hostile policies towards many Latin American countries in light of these countries strengthening their relations with Beijing. In particular, Biden is aware of the importance of the Latin American arena as a backyard for America. After winning the election, he appointed members of Latin American origin in his team such as Secretary of Education Miguel Cardona and Secretary of Homeland Security Alejandro Mayorkas.

Biden pursued policies different from those of Trump to confront China in Latin America. Instead of Trump's policy of pressure and reprimand against Latin American leaders to discourage them from boosting trade and investment with China, Biden changed his political discourse from being confrontational to cooperative and presented developmental alternatives and aid (grants or loans) to finance infrastructure projects to enable Latin American countries to face the growing challenges such as natural disasters and organized crime unlike Trump, who reduced the amount of aid to these countries. Biden has also allocated about \$4 billion dollars to help the Northern Triangle countries (El Salvador, Guatemala and Honduras) to combat poverty, unemployment and organized crime.⁽⁹⁾

Biden also adopted different policies in relation to the immigration issue by cancelling the decision to build the border wall with Mexico that Trump had started, and the decision to increase the number of refugees admitted to the United States. Biden pledged, before assuming presidential office, that he would put an end to the approach taken by Trump to address the Venezuelan crisis by saying, "The approach focused on sanctions towards Venezuela and propaganda for the phony war favored

by Trump will be reconsidered.”⁽¹⁰⁾ Indeed, after his election victory, Biden ended the sanctions on Venezuela, and his administration coordinated with the leaders of Latin American countries to settle the crisis through a multilateral formula that supports a peaceful transition in Caracas.

However, Biden’s efforts to confront China in Latin America face many challenges, including: the failure of the American economic recovery due to the impact of COVID-19, preventing Washington from providing more financial aid than China, whose economy has recovered and is able to provide significant financial assistance, which has helped in reducing the high poverty rates in this continent, which had about 231 million poor people in 2020.⁽¹¹⁾ However, it is important to note that the results of the legislative elections in many Latin American countries indicated the rise of anti-US leftist currents. In addition, many state governors who were elected opposed the leftist currents. Many Latin American governments seek to diversify their international alliances, and this creates challenges for Washington along with the other factors discussed in Latin America, while Beijing’s opportunities to strengthen its presence in the continent are increasing.

Chinese Policies to Initiate a Transformation Within the International Order

The second decade of the third millennium has seen further Chinese efforts to bring about a shift in the international order -a transition from a unipolar to a multipolar order - to establish new international balances, and it stepped up its efforts in this regard in 2021 through the following:

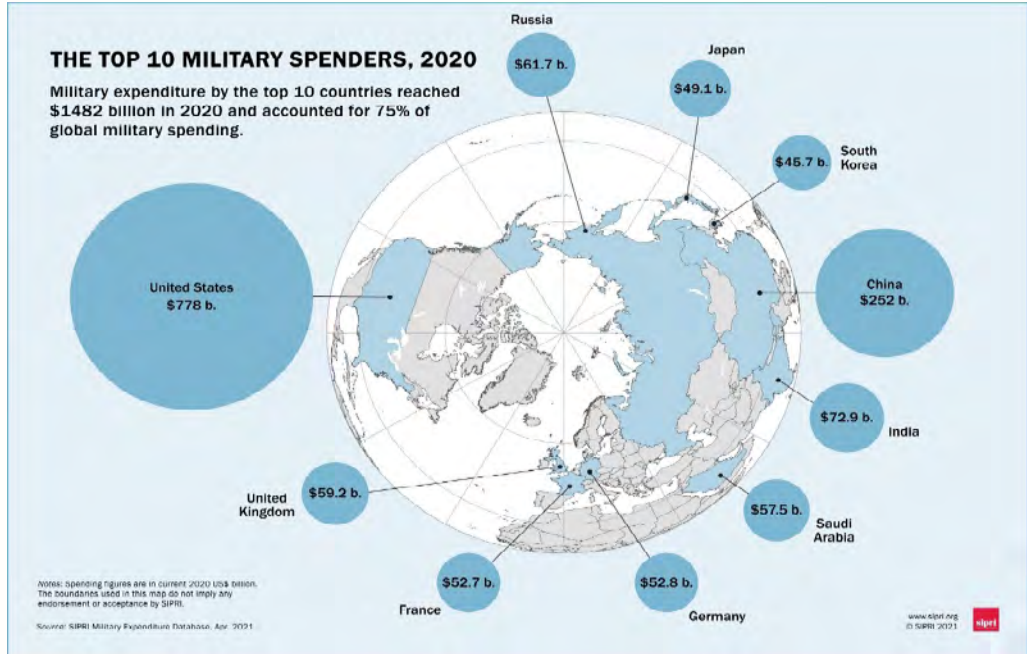
Continuing to Reduce the Military Gap With the United States

Beijing has pursued the policy of attempting to reduce the military power gap with Washington to achieve some degree of military balance since military power is one of the most important pillars of competition in regard to achieving global leadership. Even if China is determined to establish a multipolar world order, it must increase its military power to outperform its US counterpart. If its military capabilities continue to be underdeveloped, this means that it accepts the unilateral US leadership of the international system. Therefore, China announced a 6.8 percent rise in its military budget; after it had increased by 6.6 percent in 2020.⁽¹²⁾ The Stockholm International Peace Research Institute announced in April 2021 that China raised its military spending in 2020 to about \$252 billion, an increase of 1.9 percent higher than the previous year⁽¹³⁾ and represents 13 percent of the total global military spending.

Some analysts may say that Washington is overly concerned about Chinese military spending when one compares it with its own. US spending is three times greater than China’s – Washington spent about \$778 billion in 2020, 39 percent of the total global military spending in the year. However, others say that the US concern is due to the fact that Beijing, for successive years, is still ranked second place in world in military spending, with a sharp difference in spending compared to other countries directly ranked after it such as India, Russia and the UK (see Figure 1). However, Chinese spending is more than the total spending of India, Russia, Japan, and South Korea. For the past 26 years until 2020, Beijing has continuously increased its military spending, representing

the longest sustained hike in spending, and outpaces the spending of other countries.^[14] Washington considers this increase as an indication of Chinese intentions to become the number one military power in the future.

Figure 1: The Top 10 Military Spenders, 2020



Source: SIPRI.^[15]

Washington is aware of the dangers of the qualitative military improvement achieved by China over the years. Beijing possesses advanced defensive and offensive weapons/technologies, such as attack nuclear submarine technologies, advanced ballistic missile technologies, and hypersonic weapons capable of carrying nuclear warheads. These Chinese weapons may push Washington to think about removing its troops from conflict zones in East Asia and shun or limit the use of force regarding Taiwan or the South China Sea. This concern over China's arsenal was evident in the remarks of the US Secretary of Defense Lloyd Austin during his visit to Tokyo in 2021. He said that China took advantage of Washington's preoccupation with Middle Eastern issues to modernize its army and close the military power gap.^[16]

On the other hand, some observers on US-Chinese relations argue that Washington's decision to provide Australia with nuclear-powered attack submarines will lead to a strategic impasse regarding the arms race between Beijing and Washington, and the balance of power in the Indo-Pacific region would shift in favor of Washington. Beijing's efforts to match this new development means that it must increase its military spending further. If it raises the defense budget above the yearly normal rates, Beijing will likely experience the same problem experienced by the Soviet Union during the Cold War,

because this rise in military spending will be at the expense of economic growth; on the other hand, it will be more vulnerable to threats from Washington and its allies in the Indo-Pacific region if it refuses to raise it. Hypothetically speaking, if Beijing manages to keep up with US spending in the foreseeable future, it would still not succeed; given the capabilities of the AUKUS and the QUAD. China, therefore, needs to double its spending to match the capabilities of the United States and these military pacts.

Moreover, the United States still dominates the international system because it has the greatest amount of material and immaterial capabilities that qualify it to be at the top of the military field, approximately five to six times higher than China in the military and economic fields. The United States possesses 25 percent of global wealth, about four times the wealth of China, dominates international financial institutions, and leads technological development, with about 35 percent of global innovation happening in America.⁽¹⁷⁾ America is one of the strongest countries that holds a veto in the UN Security Council. Therefore, there is no doubt a gap between the two sides, and it will take decades to bridge it.

Enhancing the Chinese Presence in Latin America

In response to Washington's efforts to strengthen its presence in the Chinese periphery, Beijing has adopted a similar policy in the United States' backyard, rushing towards Latin America to fill the void created during the Trump era in light of his hostile policies towards the continent. This resulted in many Latin countries turning their compass towards China. Therefore, these countries perceive China to be a reliable ally, especially against the backdrop of the fallout from the coronavirus pandemic, which provided an unprecedented opportunity for China to enhance its influence by sending the necessary medical supplies to fight this virus. This had prompted some Latin American countries such as Panama, El Salvador and the Dominican Republic to renounce their recognition of Taiwan and instead embrace the Chinese constitutional principle of "one country, two systems."^(*) Furthermore, Brazil, despite its strong relationship with Washington, has stopped criticizing China since becoming its top trading partner in Latin America.

Therefore, to decrease the US presence, China has become an influential economic player in the Latin American arena by assuming the position of primary trading partner with countries such as Brazil, Uruguay, Argentina, Peru and Chile. In addition, by the end of 2021, around 19 Latin American countries had joined the Belt and Road Initiative.⁽¹⁸⁾ China has also strengthened its security presence through mutual military visits and joint exercises with some Latin American countries, including with American friendly countries such as Peru and Colombia. The risk of the Chinese presence in the Latin American arena lies when confrontation erupts with the United States in the hotbeds of tension in East Asia. On the other hand, Beijing is expected to take advantage of its presence in Latin America in case confrontation with Washington erupts, which explains the Pentagon's

(*) The Chinese constitutional principle "one country two systems" was originally proposed in the late 1980s by Deng Xiaoping (the Chinese communist leader who was the most influential figure in China from the late 1970s until he died in 1997). It aimed for the unification of both Hong Kong and Macau which were colonies of the UK and Portugal respectively, under the constitutional principle allowing the two provinces to retain up to 50 years of the highest autonomy after reunification — while running capitalist systems under the control of the socialist system of the People's Republic of China. They, however, are not recognized as independent states from the republic. Taiwan was also granted a high degree of autonomy from China and also follows a capitalist system. However, Taiwan rejects Chinese control and seeks independence.

statement that Latin America is a major “battlefield” in the upcoming Third World War.⁽¹⁹⁾ The Biden administration is seeking to enhance its presence in the continent to counter China’s strong competition in this arena.

Strengthening the Policy of Heading Towards the Middle East

As the US compass heads East to contain China, the latter took advantage of Washington changing focus and priorities. The United States no longer gives priority to the Middle East compared to the priority now given to East Asia. China also resorted to strengthen its presence in the Middle East to enhance its ambitions to be a leading power, proving that it is also an influential actor in the region, while some regional countries continue to consider Washington to be the single most influential global player generally and in the Middle East particularly. China has strengthened its presence via the following:

- China deepened its relationship with Iran, the sworn enemy of the United States, under the policy of forging alliances with US foes, as Washington does against China in East Asia, by signing a strategic partnership agreement with Tehran in March 2021 according to which China will invest about \$400 billion in different fields for 25 years.⁽²⁰⁾ This agreement confirms China’s growing influence and reveals a geopolitical change in the region. It may provide an opportunity for Tehran to alleviate the impact of US sanctions that have affected its influence in the Middle East, stifled its economy, and isolated it internationally. On the other hand, many analysts believe that the agreement is part of the so-called Chinese “debt trap” strategy to control the assets of countries when they fail to pay their debts to Beijing.
- China strengthens its relations with the Gulf states as part of Beijing’s desire to balance Iran and Israel. It signed comprehensive strategic partnership agreements with some Gulf states such as Saudi Arabia. It became the most prominent purchaser of Gulf oil. Gulf-Chinese relations progressed because Washington, during the current and former Obama and Trump administrations, sent ambiguous signals about its obligation towards security in the Middle East. Obama hesitated to enter Syria, Trump ordered a sudden and partial withdrawal from Syria, and Biden partially withdrew from Iraq. This American shift is reflected in the remarks made by one of Biden’s advisers who said that “the Middle East is not in the top three priority areas of his administration: Asia and the Pacific, Europe, and then the Western Hemisphere.”⁽²¹⁾ There is a bipartisan consensus in America to head East as the global power competition with China increases in intensity.

Expanding the Shanghai Cooperation Organization

To strengthen its global alliances, which represent one of the most effective means of changing the balance of power in the current international system, China has worked to expand the Shanghai Cooperation Organization (SCO) by seeking to include new countries from its reliable allies in the Middle East. Therefore, it played a role in persuading SCO member countries to agree to grant Iran membership status in September 2021. Tehran is of importance to Beijing because the former provides the latter a geopolitical foothold in one of America’s most strategic areas. It is of vast importance due to its wealth, resources, and corridors for the transit of goods and the movement of international trade. Iran is of great significance in the global power competition and conflict with Washington. Beijing perceives Iran to be a reliable ally because the former is aware of the latter’s anti-US posi-

tion and resistance against American hegemony and they have mutual interests to create a multipolar world order. Iran has economic importance because it is one of the most important exporters of oil, despite US sanctions. Beijing is also aware that Iran is an influential regional country given its location and the level of its influence in the region. The inclusion of Iran in the SCO is a Chinese tactic to enhance its geopolitical influence so that it can achieve a balance of influence with Washington in the Middle East.

Hotspots and Issues of Tension Between the United States and China

The competition between the two influential actors in international affairs during the first year of the Biden administration was reflected in multiple hotbeds of tension and competition across the world, most notably:

Taiwan

Taiwan is one of the most important hotbeds of tension between the United States and China. The tensions between both countries increased as Taiwanese efforts, with US support, to declare independence intensified, especially after Tsai Ing-wen, the candidate of the Democratic Progressive Party who spearheaded Taiwanese calls for independence, was reelected as president of Taiwan in 2020. Tsai Ing-wen refused to start dialogue with China according to the principle of “one country, two systems,” and she intensified her efforts toward achieving independence when the Democrats won the US presidency in early 2021. China rejects calls for independence because it considers Taiwan as part of its territory, which is dismissed by Taiwan.

Tensions between Washington and Beijing increased. China escalated militarily against Taiwan by violating the Taiwanese air defense zone, and flying military aircraft into the air defense zone adjacent to Taiwan’s airspace in a clear show of force on the occasion of its national day, to remind Taiwan of the victory of the People’s Republic of China over the Government of Nationalist China more than 70 years ago, emphasizing its desire to annex the island, and to warn America and Europe against supporting Taiwanese independence. Beijing’s moves reflect its rejection of Washington’s signals to the supporters of Taiwanese independence, and that it considers its territorial integrity a red line.

During the virtual summit between Biden and Xi Jinping in November 2021, Xi warned his American counterpart against any unilateral attempt to change Taiwan’s status, because Beijing considers Taiwan’s declaration of independence at any time as a declaration of war.⁽²²⁾ The Biden administration responded that Washington is committed and even pledges to defend its strategic ally militarily in the event that China launches a military attack against it.⁽²³⁾ This indicates that the two powers are ready for the possibility of using armed force at any time in regard to Taiwan.

The two powers are cautious about turning mutual threats into an actual open conflict that may lead to nuclear escalation over Taiwan. Taipei will be the most dangerous hotbed of tension in the geopolitical confrontation between the two countries because it will test their nerve and will in light of their growing competition in East Asia, and it will pitch the democratic system sponsored by Washington, against the communist system sponsored by Beijing in East Asia. The United States considers the independence of Taiwan and its democratic identity as a victory for liberalism, and a defeat for the communist model. In

contrast, China believes that its success in annexing Taiwan is a victory for the communist model over the liberal capitalist model and will be a step towards completing the one-China principle. Therefore, the importance of Taiwan in the global geopolitical competition between Washington and Beijing goes far beyond its small size. It may even partially contribute to defining the future of the 21st century at all levels, given the intensified competition between the two world powers to secure a foothold in Taiwan and in light of Beijing's desire to settle the Taiwan issue before the end of Xi's second term in 2022, who is seeking a third term.

The Trade War

Biden's policies toward China have gone against the expectations of many observers who believed that the trade war started by Trump would calm down. However, Biden has not only continued in the footsteps of his predecessor in slapping sanctions on China but has expanded the sanctions and trade restrictions on Beijing. This has been done to contain China's accelerated economic steps toward displacing the US economy as the number one global economy. The Chinese economy surpassed the American economy on some global indicators such as the volume of foreign trade exchange.

Biden imposed sanctions on China in 2021, first in June by adding 28 Chinese companies to the list of Chinese companies drawn up during the Trump era in which Americans are prohibited from selling or buying publicly traded securities. On July 9, the US administration imposed further sanctions on 34 Chinese companies on charges of engaging in activities contrary to American national security interests. On July 16, the Biden administration expanded its sanctions program against China for the third time by imposing sanctions on seven deputy directors of the Liaison Office of the Beijing Government in Hong Kong on charges of undermining democracy in Hong Kong. Before his virtual summit with Xi in November 2021, Biden signed the Secure Equipment Act to prevent equipment manufactured by Chinese companies to be utilized and marketed in the United States. This act reflects the US refusal to use Chinese equipment in its networks for fear that it may play an intelligence role, thus threatening its national security.

On the other hand, Beijing has used the sanctions weapon against Washington by issuing a law in June 2021 to immunize its companies from the impact of these newly imposed sanctions. The law imposes a visa ban on individuals in or outside China who adhere to US sanctions, deporting them if they are inside China, and severing relations with companies following US sanctions.⁽²⁴⁾ In July 2021, China imposed sanctions on seven senior officials in the Biden administration for their pledge to provide support for those demanding democracy in Hong Kong and imposing sanctions on Chinese government officials in Hong Kong. This reflects a Chinese desire to demonstrate its strength and its ability to reciprocate in response to Washington's steps. Moreover, this reactive measure sends a message to Washington that it should realize the scale of the transformations taking place at the international level and view Beijing as a counterbalancing power.

The Competition in the Middle East

The Middle East represents one of the most important arenas of competition between the United States and China, due to its weight and position in the two countries' political,

security and economic considerations. The two countries have strategic areas of influence and traditional and strategic allies in the Middle East. Influence in the Middle East is an opportunity to secure strong cards to maximize ones' interests and impact the interests of rivals. The United States realizes that China's growing influence in this arena of geopolitical importance will affect its prestige not only in the region, but also in the world and will put the future of the region's trade movements in the hands of China. Therefore, the competition between the two powers is expected to continue in the Middle East, but it will be a calculated competition because they agree implicitly on the priority of containing conflicts in the region to preserve their strategic interests and the stability of global oil markets and to ensure the flow of oil to western and eastern oil consuming countries in order not to harm the global economy. Regional countries realize the importance of the strategic partnership with the United States and the economic and trade partnership with China.⁽²⁵⁾

Conclusion: The Outcomes of US-China Competition in 2022

In light of the growing competition between the United States and China in 2021, a number of outcomes/expected scenarios can be concluded for their mutual escalation in 2022 as follows:

- **The continuation of the US policy to contain China:** Biden's perception of China as an emerging threat to his country's unilateral hegemony over the international system matches that of his predecessor Trump, as China seeks to establish a multipolar international system, shift the international balance of power, and create an alternative global economic model, which explains the continuation of past policies against China. A policy of containment has been adopted to limit China's escalating and growing influence globally. Therefore, the Trump and Biden administrations share similar outlooks for maintaining the United States' global leadership position.
- **The change of strategic competition from economic to political aspects:** This is evident in the different approaches of the two US administrations. While Trump focused on the economic aspect to contain China, Biden has focused on building or reviving alliances and creating a global democratic bloc led by Washington in the face of the global authoritarian trend led by China. While Trump moved unilaterally to contain China, Biden has moved collectively by rallying allies around the world.
- **Escalating tensions between America and China:** Compared to the Trump era, the level of tension between the two parties increased during the first year of the Biden administration, because the conflict is linked to a central and not a marginal issue: the position of each power in the international system, and China's activation of a global strategy to achieve its ambition by seeking to match the United States in terms of military might and strengthening its presence in the United States' backyard and embracing a policy of heading West, in response to Biden's new approaches to contain Beijing. America now takes action through international collective efforts compared to what one saw during the Trump era. This has raised China's concern and led to a rise in tensions in multiple arenas, especially concerning Taiwan, which is likely to ignite an armed confrontation between both countries.

Scenarios of US-Chinese Competition in 2022

In light of the aforementioned outcomes/expected trends, the following scenarios can be presented in regard to the trajectory of US-Chinese relations in 2022:

- **Sliding into war:** This is an unlikely scenario as the leaders of both countries warned against the existing tensions conflating into an actual open conflict. Both countries realize that sliding into conflict could lead to a Third World War due to the multiplicity of hotbeds of tension around the world, the expected losses and impact on their investments and economies, and the expected high cost of war, especially in light of the deteriorating economic conditions as a result of the repercussions of the ongoing coronavirus pandemic. The two parties also expect, in the event of conflict between them over Taiwan, that a nuclear escalation cannot be ruled out if any side experiences a heavy loss in order to save face.
- **The move towards pacification:** This is also an unlikely scenario, because the conflict revolves around central issues related to the desire of each party to maximize its power in the international system, attain global leadership, expand their scope of global influence, and Washington's awareness regarding China's ability to rapidly supplant the United States as the leader of the international system. The experiences of international powers indicate that the great powers that control the international system will not simply allow rising powers to shift the international balance of power to their disadvantage.
- **Careful escalation:** This means the continuation of mutual escalation between the two parties in a very limited manner that does not lead to war in 2022. Each party is aware of the other's red lines and works to win points in the hotbeds of tension and conflict zones around the world. This is the most likely scenario, given each party's expectations of the potential dangers emerging from sliding into war as discussed in the first scenario. Their intensified competition to secure the greatest degree of global power and leadership will be based on careful escalation in light of the multiplicity of competition arenas and the various tools of confrontation at their disposal.

STUDY*Available in Arabic, English, and Persian*

US-CHINA

Competition and Its Implications for the Middle East

**Mohammed Alsulami***Founder and President of Rasanah IIIS*

China is inching strongly towards the top of the global order in accordance with a vision adopted by the Communist Party to turn China into a middle-level advanced country by 2035 and a superpower matching the United States by 2050...

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Transatlantic Relations: Security and Strategic Challenges in the European Arena

In 2021, transatlantic relations oscillated between hope and tension. At the beginning of the year, the Biden administration sent a positive message for both transatlantic reengagement and a commitment to support multilateralism.

From the US perspective, there is still a need for a critical approach to counter Chinese influence worldwide in light of timid responses from France and Germany. Beyond the aforementioned differences in approach in addressing the Chinese question, transatlantic tensions notably increased after two incidents: the US withdrawal from Afghanistan in August 2021 and the signing of the AUKUS deal in September 2021.

On the whole, the issue of transatlantic strategic relations is a timely topic as in 2022 both the NATO and the European Union (EU) will be publishing their respective strategic visions for the coming years. On the one hand, NATO will deal with what the United States perceives as the “Chinese challenge” in its new “strategic vision,” while on the other hand, in March 2022, the EU will present its “strategic compass” based on a new strategic vision.

This file of the Annual Strategic Report will shed light on the potential compatibility or/and competitive dimensions between the European project defining common threats and challenges and new NATO objectives. In the context of the aforementioned, an important question arises regarding whether Europe’s rapid reaction military force scheduled for 2022 will be a duplication of existing NATO military capabilities or not. In light of the competitive dimensions of the EU and NATO, there is indeed a risk of establishing parallel structures. Beyond the operational aspect, there is a gap in the strategic thinking between the two sides of the Atlantic. On one side, Europe’s search for a strategic identity independent of the United States is indicative of a lack of loyalty from Washington. On the other side, there is a European perception of rising uncertainty vis-à-vis US commitment to European security. One of the main characteristics of transatlantic relations is the lack of European unity. Divisions among European member countries are still apparent, particularly disagreements over what priority and weight should be given to respective bilateral military relations with the United States.

The Crisis in European-American Relations

After the US troop withdrawal from Afghanistan and the AUKUS nuclear submarine deal (between the United States, United Kingdom, and Australia), the fall of 2021 witnessed a turbulent period for transatlantic relations. This turbulence arose after a period of reconsideration on the European side regarding the nature of the transatlantic partnership during Trump’s presidency. This rethinking from the European side was an important intellectual exercise because strategic autonomy begins when one thinks about the world independently and not through the lens of the United States. This ability to think independently is a critical prerequisite of any European “grand strategy” which corresponds to an EU desire to conduct a European global strategic agenda.⁽¹⁾ Beyond the European intellectual rethinking, the following incidents shaped European-American security relations in 2021.⁽²⁾

The US Withdrawal From Afghanistan

Following the US withdrawal from Afghanistan in August 2021, the Biden administration declared that, in the future, America will only militarily intervene to address vital security issues related to the country’s national interests. This new political approach

opened an interesting debate amongst EU member countries and led to the following question: what should be their priority? Better EU defense integration and/or active NATO membership?

Indeed, the new US political approach to limit military intervention could push European member countries to take on a greater degree of responsibility when tackling defense related issues.⁽³⁾ Moreover, the current US focus on Russia and China can provide the European side with new opportunities to engage in military activities in their neighborhood, especially in the Balkans, the Sahel or the Eastern Mediterranean. Despite these potential long-term opportunities, one has to consider that, in the short term, after the US withdrawal from Afghanistan, the Europeans felt powerless. This is not to say that the Biden administration should have submitted its plans to its European partners that do not have the capacity to even manage Kabul airport on their own.⁽⁴⁾ Nevertheless, it was a hard fact for European diplomats to accept that they could not independently decide the future of their diplomatic presence in Kabul after the Taliban takeover. For this, they had to follow US guidelines given their security dependence on Washington. For example, the decision not to keep the French embassy open in Kabul was not a sovereign decision but rather the outcome of the US decision to withdraw from Afghanistan. The aforementioned proves the European side's dependency on US political decisions and their inability to put forward an alternative trajectory to Washington's strategic plan.

The AUKUS Deal

These are tough times for the Europeans as they are anxious to see the EU in a better position to defend itself against external threats. The AUKUS trilateral security pact (Australia, the United Kingdom, and the United States) for the Indo-Pacific zone was



announced a day before the unveiling, in Brussels, of a European strategy for the very same zone which therefore went almost unnoticed and was reduced to a mere slogan: “cooperation, not confrontation.”⁽⁵⁾ Finally, the 27 EU member countries have confirmation that, even after the Trump era, Washington intends to inform them, but not to consult them before making critical decisions. Slogans such as “strategic autonomy” and “European defense” are undoubtedly attractive, but the signing of the AUKUS deal reflected a powerless EU.

Following a phone discussion between Biden and Macron, both leaders stated, “the importance of a stronger and more capable European defense...complementary to NATO.”⁽⁶⁾ This joint statement was the result of Macron’s ability to transform a foreign policy failure (the AUKUS deal) into a strategic victory: the US recognition of the need for a credible European defense project. The AUKUS deal cannot hide the fact that the defense component of Europe’s strategic autonomy concept as defined by Paris is highly incompatible with NATO’s strategic ambitions. Macron has a tough position on NATO’s future and he wants to use the French presidency of the Council of the EU to push for the presentation of a comprehensive European “strategic compass.” This new EU White Paper on foreign policy, security and defense is to be adopted in March 2022.

The latest incident that will no doubt have ramifications on the transatlantic partnership was the escalating tensions between Russia and Ukraine at the end of 2021. The direct dialogue between the United States and Russia indicates once again the European side’s weakness in its own neighborhood. This European weakness and the lack of political unity among EU member countries makes it more critical for

Eastern European countries to seek US support amid Russian threats/attacks. There is a risk that the Biden administration, and NATO, could be confronted “by a combined Russia-China geopolitical move, in which the Ukraine and Taiwan issues are played out at the same time.”⁽⁷⁾

In the context of the aforementioned multiple crises, the debate about European strategic “autonomy,” “sovereignty,” or “power”⁽⁸⁾ seems largely artificial. Indeed, Europe’s insufficient defense capacity is firstly linked to EU member countries not allocating enough funds for their respective defense budgets. The lack of investment in European collective defense and the lack of an integrated defense structure has led to duplication and the waste of resources among EU member countries. Moreover, “the armed forces of different European countries may encounter diffi-



culties in operating with one another,” given the fact that they have several types of weapon systems (compared the United States). As stated in a European Commission report, the lack of cooperation in the European defense industry produces a loss of 25 billion to 100 billion euros per year, while 30% of the costs could be saved if a joint procurement was in place.”⁽⁹⁾

There are political tensions and no direct intelligence sharing between the EU and NATO. Intelligence cooperation remains limited to the bilateral level between EU member countries. There is also the risk of a new European project in the field of defense, weakening the power of NATO amid Russian threats or a combination of Russian and Chinese threats. At the same time, NATO and the EU do have a history of cooperation, both at the institutional and military level, with joint exercises like the intervention in Bosnia in 2004. This issue of EU and NATO complementary actions is not entirely new. The debate already started after the Saint-Malo declaration of 1998 and continued until the establishment of the Permanent Structured Cooperation (PESCO) by the EU's Council in December 2017.⁽¹⁰⁾

According to the French perception, strategic autonomy is a long-term process. The main goal is “to ensure that Europeans increasingly take charge of themselves. To defend our interests and values in an increasingly harsh world, a world that obliges us to rely on ourselves to guarantee our future.”⁽¹¹⁾ Through its presidency of the EU in 2022, France hopes to promote the concept of “Power Europe,” with the word “power” forming part of Macron’s three core axes: recovery, power, and belonging. France aims to “to affirm its status as an independent and capable actor. Beyond its defense component, it also seeks to make Europe more visible and reactive, specifically in the event of a diplomatic crisis.”⁽¹²⁾

Disputes Among EU Member Countries

The issue of European strategic autonomy has not only led to divisions between the European and American sides but also among the EU member countries themselves. Against this backdrop, can the European strategic autonomy project or the construction of a “European pillar”⁽¹³⁾ inside NATO be realized? First of all, there is European and NATO concern about Turkey in light of the following: the sale of Russian S-400s, the military situation in the Eastern Mediterranean and a mechanism for de-confliction and de-escalation.⁽¹⁴⁾ If it is true that Turkey remains a committed NATO member, there are “differences” between Ankara and other member states. According to the NATO secretary general, the organization is fully able to deal with these “differences” and to mitigate the risk of a military incident in the Eastern Mediterranean given the growing military presence of Greek and Turkish forces.⁽¹⁵⁾ Nevertheless, the new Greek-French military alliance is directly designed to confront Turkey’s perceived military threat in the Eastern Mediterranean and this new partnership reflects the political will of two NATO members (Greece and France) to prepare for a military confrontation against a third NATO member (Turkey).

The question of Europe’s role in the world is a dividing issue in Europe: Germany, Italy, Spain and even Poland agree that there is no contradiction between strengthening Europe and strengthening NATO. But several leaders – including the German chancellor – have pointed out that Europe’s economic strength will also reinforce its political power

rather than the establishment of a shared defense project.⁽¹⁶⁾ On the other side, the Baltic countries remain very reluctant towards the French idea.⁽¹⁷⁾ Biden's statements vaguely encouraging stronger European defense have yet to permeate the Eastern European countries where any real or perceived threat to NATO is seen as an existential issue, owing to their Russian neighbor. The White Paper on European Defense will probably carry this ambition to establish stronger collective European defense capabilities. This new paper will not end the lack of European unity while attempting to address the issue of European strategic autonomy.

A European pillar of NATO will depend on the ability of French foreign policy makers to convince their European allies of the necessity of establishing a new European military force alongside NATO. This will also depend on whether or not the United States will accept such a European project. It could be accepted by the Biden administration but not by the Pentagon.⁽¹⁸⁾ President Biden could agree to such a proposal for diplomatic reasons. According to the White House statement after the Biden-Macron meeting, "As noted in the September 22, [2021] Joint Statement between the two Presidents, the United States recognizes the importance of a stronger and more capable European defense that contributes positively to global and transatlantic security and is complementary to NATO."⁽¹⁹⁾

The main impediment for the development of a common European defense force is financial. Indeed, while national military spending has swelled, common spending has collapsed. Collaboration among EU member countries in the field of joint purchases to avoid unnecessary costs, duplication and interoperability problems has diminished. With a total amount of 4.1 billion euros, European "cooperative defense" fell by 13 percent and reached its lowest level. In 2008, while the theme of European defense was not, as it is now, constantly mentioned, this amount was around 6.3 billion euros. "Spending better is spending together," said Czech President of the European Defense Agency (EDA) Jiri Sedivy. The decline in collective spending on European defense is particularly worrying.⁽²⁰⁾ The EU, however, wants to be optimistic and stresses that the European Defense Fund, which aims to pool investments in order to develop joint capabilities, is a success, with around 50 projects in the pipeline and a budget of 8 billion euros for the period 2021-2027.⁽²¹⁾

In regard to the institutional level, by 2023, the idea is to clarify how the EU Treaty allows a group of EU member countries to plan and carry out an EU mission or operation. An Eastern European diplomat told EURACTIV that some countries in the region will be open to discussing and improving the decision-making processes, but "unanimity must remain the guiding principle."⁽²²⁾

NATO's Predicament and Europe's Military Role Abroad

The French idea of European strategic autonomy is perceived differently at home⁽²³⁾ and amongst EU member countries. From the French official perspective, this autonomy is a means to transform the EU from an economic power into a geopolitical player on the world stage independent of the United States. This idea of autonomy was more popular in Europe, especially during Trump's presidency (2017-2021) when rising European dependency on the United States was not positively perceived in Washington as during



the Obama period (2009-2017). Nevertheless, the conflicting interests of European countries and their respective focus on promoting their bilateral ties with Washington remains a key impediment in achieving the goal of European strategic autonomy. There is also a structural obstacle to this project. Indeed, one has to consider that the EU is a project which, in its initial launch, was not a project of power projection. It is always important to remember this when we keep talking about a powerful Europe (*Europe puissance*).

During 2019-2020, Macron invited President Putin to launch a dialogue with Russia without any consultation with France's main partners. This is one of the reasons explaining the lack of Baltic or Eastern European support for France's project. There was also Macron's interview with *The Economist* in which he declared that NATO was becoming "brain-dead."⁽²⁴⁾ Macron's remarks about NATO and his initiative with Russia weakens his credibility with other European countries as well as with the US administration.⁽²⁵⁾ Therefore, the French project has been promoted as a complementary one to NATO rather than as a French alternative to the US-led military organization. This is based on the need not to upset EU member countries from Eastern Europe that are worried by the recent dialogue between Paris and Moscow. Historically, the EU was notably viewed by the French as a counterweight to the United States and NATO, but now it is viewed as a complementary actor rather than a competitor to NATO, reflecting Paris' pragmatic approach.

On the NATO side, during its 28th Summit in Brussels in June 2021, 30 heads of member countries decided to strengthen their security partnership and to write a new chapter in the history of the transatlantic alliance. The three main goals of the organization remain: collective defense, crisis management, and cooperative security. The first threat to the collective security alliance is still Russia's "aggressive actions" but the rising threat of terrorism has been since 2001 at the center of NATO's agenda. The new challenge mentioned during NATO's 28th Summit was China's assertiveness and rising influence on the international scene.⁽²⁶⁾

This new Chinese challenge will be at the center of NATO's agenda in the coming future. This is especially true considering the question of China's military technologies

and its cyber activities as well as its rise as a regional power after the US withdrawal from Afghanistan

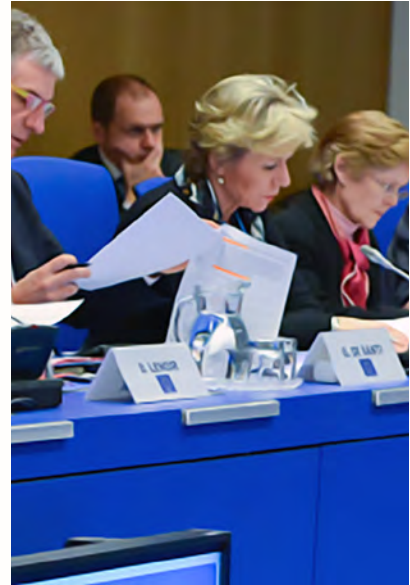
The main hurdle to tackle this new challenge is the internal divide amongst NATO members, particularly differences over approach on how to address China's challenge (potentially with some Russian support to Beijing). In November 2020, NATO released a report that emphasized for the first time the centrality of the US-China rivalry for the future of global affairs.

Conclusion: The Future of NATO and the European Strategic Autonomy

NATO will adopt its new Strategic Concept at the 2022 Madrid Summit. It will define the security challenges facing the organization and outline its political and military tasks. According to NATO Secretary General Jens Stoltenberg, "The Madrid Strategic Concept will reflect the new security environment, recommit to our values, and reaffirm our unity, ensuring that our Alliance is fit for the future."⁽²⁷⁾ The new concept will update the previous strategic concept adopted in 2010.⁽²⁸⁾

The 2022 Strategic Concept will consider the failure of NATO military intervention in Afghanistan. This will include a review of the failure of "partnerships" in Afghanistan. The consequences of the US withdrawal from Afghanistan, and to a lesser extent from the Middle East, will also be addressed. The existential crisis that NATO is experiencing in light of the aforementioned is not unprecedented and "there is no reason to believe it will challenge (at least not by itself) the *raison d'être* of the organization."⁽²⁹⁾ Nevertheless, it signals the end of an era for NATO and the end of a lack of strategic thinking behind Western military interventions in the broader Middle East as witnessed over the past two decades. At the same time, "the lessons currently processed by decision-makers in Washington as well as in European capitals will shape the scope of NATO's future engagements, be it in the Middle East or in Asia."⁽³⁰⁾

The potential rise of instability from Afghanistan has to be understood in the context of rising Russian influence in the Levant — particularly Syria and Lebanon — and the risk of NATO members being marginalized in the main diplomatic process (Astana) dealing with the Syrian war. The way forward for NATO members as well as for the organization is to consider this new connection between conflicts in the Levant (Syria/Lebanon), the South Caucasus (the Karabakh war of November 2020) and the Afghanistan/Pakistan (AfPak) theater. The ramifications of these three areas of conflict (Syria-South Caucasus-AfPak) is best reflected in the circulation of fighters (Iran-backed militias, Turkish mercenaries) from one battlefield to another. The implication for NATO is probably the need to rethink its regional approach towards the role of non-state actors in modern warfare.



On the European side, strategic autonomy, i.e., the objective of the EU to act more independently in the context of its foreign and security policy, may not be at the center of the new European strategic vision. In its strategic compass, this idea is defined as “the ability to work with partners to safeguard one’s values and interests.” The question of strategic autonomy is not limited to the domains of security and defense. “Whereas in trade, the EU is already strategically autonomous, when it comes to finance and investment work remains to be done.”^[31] More broadly, asymmetrical responses by non-state actors or hybrid activities are factors that make conventional responses still necessary but no longer sufficient to protect the security of NATO and European countries. This is why this issue of strategic autonomy will be at the center of European efforts during the first six months of the year 2022 under the French presidency of the Council of the EU.

See also**REPORT**

The Future of NATO and the Project of European Strategic Autonomy

The French idea of establishing European strategic autonomy is perceived differently across different EU member countries. From the French official perspective, this autonomy is a means to transform the EU from being an economic power into a geopolitical player on the world stage independent from the United States. This idea has gained popularity in Europe, especially during the Trump administration’s era (2021-2017) when rising European dependency on Washington was no longer widely perceived positively compared to during the Obama administration (2017-2009).

The conflicting interests of European countries and their respective focus on promoting bilateral ties with Washington remains the main hurdle towards achieving European strategic autonomy. There is also a structural obstacle to

this project. Indeed, one has to consider that the project of European integration was not established on the basis of power projection. It is always important to remember this at a time when we talk about creating a powerful Europe...

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The Challenges to the Global Economy in Light of the Coronavirus Pandemic and the Energy Crisis

Throughout 2021, several significant issues impacted the global economy, which determined the behavior of many global countries. A new global order was born with its own approximations. The region's countries — and the Gulf states in particular — were not immune to the changes that took place in 2021.

This file of the Annual Strategic Report discusses two of the most prominent issues that impacted the global economy. The first is the ramifications of the coronavirus pandemic on the global economy and on the current and future world population. The second is the ramifications of the energy crises and climate change on the global economy. In addition to the aforementioned issues, this file will review the strategies of the Gulf states to diversify their sources of income and energy.

The Global Economy and the Coronavirus Pandemic

China was the first victim of the coronavirus pandemic. The world's second-biggest economy and the biggest source of diverse commodities was dealt a severe blow in 2019 after the spread of the coronavirus pandemic in the country. Life came to a halt and Chinese exports feeding trade and industry across the globe were disrupted in 2020. The world's economy and population were severely impacted, and by the end of 2021, the situation had not reverted to a state of normality. Though most of the major economies such as China and the United States bounced back in 2021 compared to 2020, they faced additional challenges in 2021. These challenges are significant and are likely to extend into 2022 and beyond.

Therefore, this file will discuss three main axes. The first is the ramifications of the coronavirus pandemic on the global economy and the world's population. The second is the ramifications of global inflation and the disruption of supply chains around the world. The third will shed light on the future of the global economy in the post-coronavirus era.

The Impact of the Coronavirus Pandemic on Economic Growth and the Global Economy

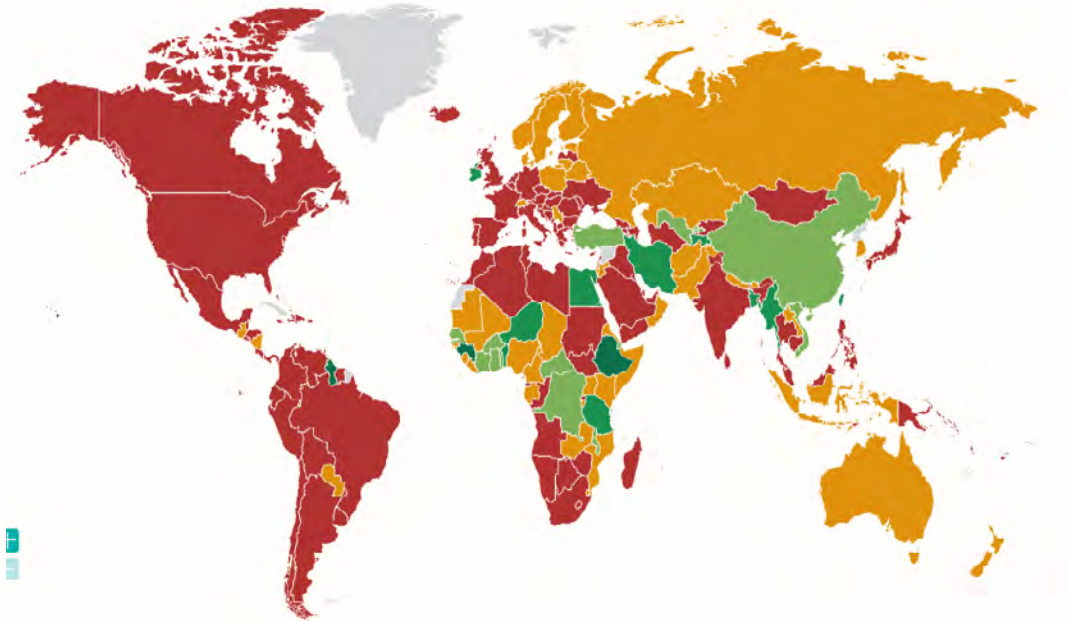
The impact of the coronavirus pandemic on the global economy has been extremely severe, exceeding what has been witnessed over the past three decades. The successive lockdowns following the outbreak of the pandemic in 2020 led to a disruption in production, exports, and the transportation of production inputs and global trade. In



addition, the lockdowns led to many major countries falling into an economic recession as shown in Map 1. Only a few global countries survived falling to a recession. Map 1 shows a global average negative economic growth rate of more than -3 percent which was not even posted in 2008 — the period of the global financial crisis. As a result of the pandemic, millions of jobs have been lost, incomes and spending have been cut, thus negatively impacting global demand to drive economic growth.

**Map 1: The Global Economy's Growth Rates in 2020
(the Year When the Pandemic Spread)**

6% or more 3% - 6% 0 - 3% 3% - 0 less than -3% no data



Source: International Monetary Fund (IMF).⁽¹⁾

There were massive losses in all key economic sectors that are critical to drive economic growth such as in the trade, industry, and tourism sectors. This led to a cut in incomes, employment and growth, exacerbating poverty rates. For example, the global tourism sector lost \$4 trillion throughout 2020 and 2021, according to the United Nations Conference on Trade and Development (UNCTAD).⁽²⁾ Meanwhile, the exchange of commodities and industrial items saw the biggest decline since World War II. The Organization for Economic Cooperation and Development (OECD) member countries experienced an 8.2 percent decline in the export of commodities. As a result, the pandemic contributed to a shift in the nature of exports.⁽³⁾ The export of engines and machinery declined while the export of electronic and pharmaceutical items as well as protection equipment surged.

Table 1: Some of the Economic Losses the World Incurred due to the Pandemic in 2020

Sector	Losses
Average global economy growth	-3.1%
Advanced economies' growth	-4.5%
Emerging and developing economies' growth	-2.1%
Commodities exports in the OECD states	Declined 8%, the sharpest decline since World War II
Global tourism losses	\$4 trillion (in 2020 and 2021)
Losing future incomes due to the disruption of education	\$17 trillion
Decline in overall working hours	By 8.8%, which equals 225 million jobs

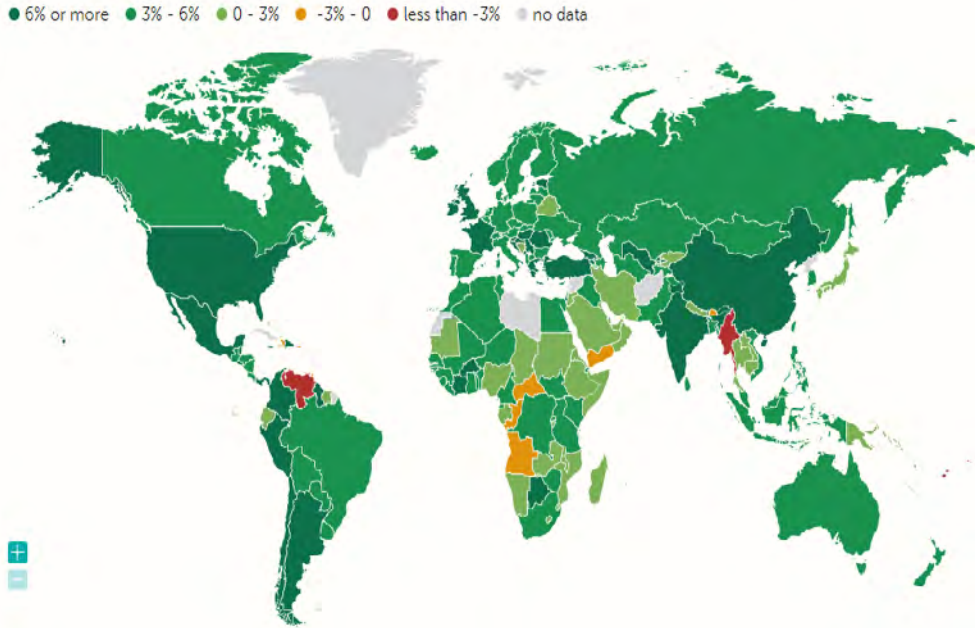
Data sources: IMF, World Economic Forum, UNCTAD, UNICEF, ILO.

Table 1 indicates the economic losses that the world incurred as a result of the coronavirus pandemic in 2020, including job losses which numbered into their millions. School shutdowns impacted over 1.6 billion students, which prompted the World Bank, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Children's Fund (UNICEF) to issue a joint warning against the long-term economic risks, "This generation of students now risks losing \$17 trillion in lifetime earnings in present value as a result of school closures."⁽⁴⁾

But in 2021, in light of the decline in the spread of the coronavirus pandemic, the surge in vaccinations and the resumption of production, the average global economic growth rate bounced back, estimated at 5.6 percent by the World Bank. This bounce back, is considered to be the greatest acceleration of economic growth after a recession over the last eight decades.⁽⁵⁾ This high positive growth rate was mainly the result of the high growth rates posted by the major industrial economies like the United States, China and some European economies, as shown in the dark green spots in Map 2. Financial stimulus measures or large financial bailouts provided to those insolvent, lifting closures and restrictions placed to combat the pandemic, the recovery of domestic

demand and the flow of international trade at a pace higher than that of the last year contributed to such growth. On the other side, the emerging markets and developing economies saw a partial economic recovery due to a growth in demand and high prices for exports, particularly for food items, raw materials and energy.

Map 2: Global Economic Growth Rates in 2021 (the Year of Relative Recovery)



Source: IMF.^[6]

Surge in Inflation and the Disruption of Supply Chains after the Relative Recovery

In 2021, the economic growth rates shifted from negative to positive, indicating a movement towards economic recovery. However, this growth was imbalanced on the one hand, and its stability was at risk on the other. Most of the advanced economies posted good growth rates in 2021. But they faced a number of challenges such as labor shortages in some vital sectors, impediments to employment/market-supply, high energy prices, inflation, increasing debts and an upsurge in liquidity. As for the emerging economies, they still carried the burden of the coronavirus pandemic, especially in East and Southeast Asia. They faced high infection rates and deaths and delays in vaccinations and a return to normality. In addition, they witnessed a rise in poverty rates due to a rise in the prices of food items globally and new lockdowns coming into place.

In 2021, inflation hit the world on an unprecedented scale. Such high inflation rates had not hit some economies such as the Japanese economy or those in Western Europe since 2008, when the financial crisis dealt a big blow to the global economy. North America over the last 25 years has not experienced the current high inflation rates. The IMF forecasted that the advanced economies would post a 2.8 percent increase in the inflation rate by the end of 2021. For North American countries, it was forecasted at 4.3

percent, and 11.6 percent for Middle Eastern countries. This inflation rate is the highest rate since 2008. For emerging markets and developing countries, the inflation rate was 5.5 percent. Meanwhile, the global average inflation rate was 5 percent, the highest rate since the so-called “Arab Spring” uprisings in 2011. The IMF forecast suggests that inflation rates will continue to be relatively high in 2022.

Table 2: Inflation Rates Worldwide in 2021

Region	Inflation rate (%)
Advanced economies	2.8
North America	4.3
The Middle East	11.6
Emerging markets and developing countries	5.5
Global average	5

Source: IMF.⁽⁷⁾

Inflation, which hit advanced and developing economies alike despite the relative improvement in their economic growth rates, can be attributed to three prime reasons. The first was rising demand in response to the relative economic improvement, and government financial stimulus packages. The second was the reduction in supply and the disruption of supply chains due to labor shortages, rising imports, and shortages of commodities. The third was the rise in the prices of energy, food items, and raw materials.

The aforementioned reasons will be explained in the following lines:

- **Rise in demand:** Government cash assistance and financial stimulus packages estimated at trillions of dollars that were provided to those who were insolvent and negatively impacted by the ramifications of the pandemic led to an increase in demand and spending in industrialized countries. But this happened at a time when the supply of commodities and raw materials for production was not sufficient or able to meet growing demand. Many production facilities were disrupted or were operating at less than their maximum capacity. This was in addition to labor shortages and the import of intermediate raw materials needed for production, especially from South and East Asia. This led in the end to hikes in prices, spreading from one country to the other due to the interconnectedness of global supply chains.

The world's countries, especially the industrialized ones, have injected trillions of dollars (a trillion equals \$1,000 billion) in one of the biggest liquidity injections that the global market has ever witnessed. The United States alone pumped a huge amount of dollars into its economy, amounting to \$6 trillion over the past two years. This in turn stimulated consumer spending, a rate of 9 percent was registered, much higher than it was before the pandemic.⁽⁸⁾

• **Decline in supply, domestic stockpiles and the disruption of supply chains:**

Some countries resorted to importing commodities, however this proved to be an inadequate solution to meet growing demand due to the pressure on production chains and the desire of each country to secure their own supply needs before any new lockdown hit the global economy. Additionally, the economies that fed global production and consumption witnessed an economic slowdown during the last quarter of 2021, such as China and the countries in Southeast Asia, as well as Germany and Britain.

The shortage in a single component, such as electronic chips exported from the countries in Southeast Asia, led to a decline in the production of smartphones and cars among major producers in the United States and Germany, triggering a surge in their prices worldwide.

Labor shortages have played a part in the disruption of supply chains. This was evident in the United States and Britain as the two countries saw a huge accumulation of containers in warehouses and seaports due to a lack of truck drivers and delays in the dates of loading and unloading in China. During the first half of 2021, total working hours went down, equivalent to the loss of 267 million full-time jobs according to the International Labor Organization. The most affected regions were the countries of South America, the Caribbean, Central Asia, and Europe. This is in light of forecasts that indicate that the employment gap will continue but it may shrink in the future due to government financial support and the acceleration of vaccination programs.⁽⁹⁾

• **A significant rise in the prices of food items, raw materials and energy contributing to a hike in inflation:** Data from the Food and Agriculture Organization of the United Nations (FAO) indicates that the food price index has reached its highest level in 10 years, driven by a rise in the price of cereals and dairy items, as well as a rise in the price of wheat, rice, corn, and oils. However, the FAO warned of further hikes in prices due to rising demand to increase stockpiles.⁽¹⁰⁾ Further hikes are expected to impact low-income households, particularly those in South Asia and sub-Saharan Africa. In 2021, the world also witnessed a rise in energy prices, a shortage in natural gas supplies, and climate change that impacted the production of hydroelectric power from dams, leading to a rise in production costs. This will be discussed in greater detail in the second section focusing on the energy crisis and climate change.

The Global Economy After the Coronavirus Pandemic

The global economy always goes through cycles of growth, slowing down sometimes, entering a recession at other times and then resuming growth. Most of the global economies went through a tough year in 2020. The global recession prevailed — as mentioned earlier — and then the economic growth rate relatively improved in 2021. This does not mean most of the economies, especially the advanced ones, have retained

stable levels of growth. It remains uncertain whether the global economy will show any more signs of recovery in light of the new coronavirus variants such as omicron or any other variants in the future.

Nonetheless, when stable levels of growth are retained, this will be accompanied by high levels of debt for many governments. This is the price many governments will pay for their direct intervention to combat the coronavirus pandemic via hefty financial stimulus packages. Many countries are likely to face inflationary implications not experienced in many years. This is added to the global trend towards hoarding up local inventories and some calls for addressing the problems of commercial globalization, especially in times of transboundary crises — which was called “Rethinking Globalization” by UNCTAD in December 2020.

Some international organizations have released conservative positive forecasts about the global economic recovery post-coronavirus, without considering the ramifications of new variants, with their danger unclear at the moment. The Organization for Economic Co-operation and Development (OECD) forecasts that most of its advanced economic member countries will get back to the production levels they reached in the period preceding the pandemic in 2023. It also expects that the global gross domestic product (GDP) growth rate will reach 4.5 percent in 2022. The annual rate of consumer inflation will remain in many OECD countries within the 3.5 percent band by the end of 2022.⁽¹¹⁾

The World Bank expects good growth rates for 2022. However, at the same time, it warned that the global forecast will face major risks due to the likelihood of new waves of coronavirus outbreaks and the continuation of financial pressures on many

REPORT

HOW COVID-19 INCREASES POVERTY IN IRAN?

Iran is facing mounting levels of poverty exacerbated by the coronavirus pandemic, which has hit the country hard since its outbreak in 2020.

The mismanagement of the pandemic resulted in Iran being one of the worst impacted countries in the world in terms of infection and mortality rates. Only 4 percent of the total Iranian population is fully vaccinated. Against this backdrop, it is not surprising that Iran's economy has suffered further, particularly experiencing a hiked poverty rate. In 2020, the expected fall in income levels combined

with a high inflation rate led to a sharp 11 percent increase in the poverty rate, with the poorest in Iran facing the brunt of this crisis. Around 6 million Iranians reportedly earn wages in the country's informal sector and depend on daily wages. In fact, the real per capita household expenditure fell on average by one-third in the first month after the outbreak of the pandemic in Iran during 2020.

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countries. This warn was even before the emergence of Omicron variant, which spread across many countries in the world in late December 2021.

In light of the current foggy landscape, it will be likely that some economic repercussions of the coronavirus pandemic will continue to bite in the short run. This includes shortages in labor, and intermediate raw materials and a rush to increase domestic stockpiles. In addition, there is likely to be a rise in the total cost of transport and logistics, impacting global supply chains, leading to a surge in the price of food items and commodities. This will translate into a hike in inflation and an economic slowdown. Such repercussions will be exacerbated if the world is hit with additional shutdowns due to coronavirus variants or geopolitical threats, leading to a rise in energy prices and the cost of shipping and insurance.

However, despite this gloomy outlook, there is a bright side in light of the medical advancements to combat the virus and its variants which started in 2021. This is in addition to the increased pace of vaccinations, the expansion of the geographic scope of vaccine campaigns, especially in the emerging economies, and the technological and production advancements to address the challenges posed by commercial globalization or the problems facing production, and transport/supply chains. Moreover, these advances will contribute to lowering unemployment rates, stabilizing energy prices and diversifying energy sources. This will help in increasing the supply of goods and raw materials, stabilizing their prices, stimulating trade and stabilizing the economic growth rate globally.

The Repercussions of the Energy Crisis and Climate Change on the Global Economy

In 2021, there was much interest in the consequences of climate change, with the phenomenon taking prime position on the agenda of most countries. This resulted in several countries signing up to environmental obligations, coming out with new initiatives, shifting to investing in clean sources of energy instead of conventional forms and setting zero carbon (carbon neutrality) as a target. This new enthusiasm was in light of global energy supply shortages. The following analysis will discuss three axes: the features of the ongoing energy crisis, the potential alternative energy directions, the consequences of climate change on the developing economies and, finally, the strategies of Gulf states regarding economic diversification and investment in cleaner sources of energy.

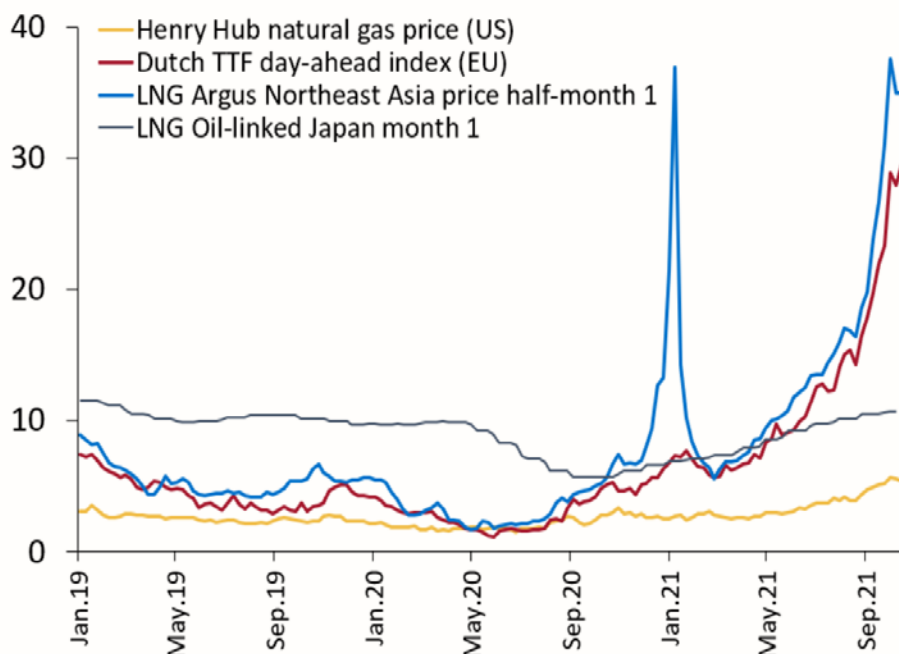
The Ongoing Energy Crisis and Alternative Energy Directions

In 2021, the world experienced a shortage in energy supplies, especially before the winter season when demand for fuel for heating purposes in various parts of the world traditionally rises. This came a year after the onset of the coronavirus pandemic, which led to a decline in global energy demand. Most commercial and industrial operations closing down contributed to a massive decline in energy demand. This triggered growing concerns about a potential energy crisis, both in terms of prices and a shortage of supply.

The chief reasons behind the energy crisis can be attributed to a host of factors such as the decline in oil and gas investments after the slump in energy prices in the global market between 2015 and 2020. Furthermore, oil and gas companies, during

the coronavirus pandemic, suspended maintenance of oil and gas fields. Though demand recovered after the energy crisis, the impact continued to hit energy supplies. The decline in strategic inventories below the regular level led to a shortage in supply, fueling price hikes. In addition, the Russian gas giant Gazprom had shown interest in long-term contracts instead of short-term ones, which led to exacerbating the global gas crisis and a strong surge in prices as of January 2021, as shown in Graph 1.

Figure 1: Natural Gas Prices (January 2019- September 2021)



Sources: Bloomberg; Argus Direct; and IMF staff calculations.

High energy prices have impacted production in the major industrialized countries: the United States, Europe, India, and China. This has thrown global supply chains into disarray, and has also aggravated the wave of inflation. This wave is expected to further grow in mid-winter due to the impact of energy supply shortages on the prices of items in the countries producing them, especially China along with other countries which are considered as prime sources of goods and production.⁽¹²⁾ Moreover, inflation waves could spill over into the emerging markets, as we have seen in the first part when food prices posted increases not seen in 10 years according to the FAO.⁽¹³⁾ This would result in rising poverty rates in the least developed and developing countries.

It is worth noting that this is not the first crisis in the global energy market, with past ones also leading to fluctuating energy prices and supplies. But what made the crisis different in 2021 was the fact that major economies are shifting to alternative

energy sources such as solar, wind, and nuclear energy. This shift is considered the most ambitious plan to diversify energy sources. However, this ambitious shift is facing a lot of impediments, such as how to store energy generated from renewable sources, which makes the transition from fossil fuels to alternative sources much more difficult. Hence, it is likely that the transition to alternative energy sources will take decades, even in light of the principal producers in the world radically changing their production strategies. As renowned economic historian Daniel Yergin explained, “It’s a cautionary message about how complicated is the process of shifting to clean energy.”⁽¹⁴⁾

In addition, the rise in the costs of manufacturing inputs and shipping clean energy are among the major factors that add to the challenges facing the switch from conventional energy to alternative cleaner sources of energy. An analysis conducted by Rystad Energy, and dependent energy research and business intelligence company, suggested there has been an increase in the costs of photovoltaic cells — comparing the period from 2020 to the second half of 2021 — by nearly 50 percent. The chief reason for this increase is the surge in the price of the main component in manufacturing photovoltaic cells (polysilicon) by more than 300 percent in addition to the upsurge in the prices of other raw materials. This puts more pressure on the price of photovoltaic cells. It is expected that the inflation of commodity prices and the choking of the supply chain will lead to the postponement or cancellation of projects planned to move towards alternative energy sources in 2022. As such, the solar energy industry will face one of the toughest challenges, and it is not expected that these hardships will ease off in the coming year.⁽¹⁵⁾ This has prompted developers and contractors to move ahead with one of two decisions: either reduce profit margins or delay projects planned for 2022.

Nonetheless, Executive Director of the International Energy Agency Fatih Birol has said that the upsurge in the prices of commodities and energy poses a new challenge to the renewable energy sector. But the rise in the price of fossil fuels makes renewable energy much more competitive. He added that the record increases in the production of electricity from renewable energy sources, which reached 290 megawatts, is another indication of the emergence of a new global economy for energy. Birol also pointed out that the ability to produce electricity from renewable energy sources will be equivalent to the overall global production capacity of fossil fuels and nuclear energy combined by 2026. This means that alternative energy sources are undoubtedly growing, but it is a matter of time and balance between supply, demand, and cost.⁽¹⁶⁾

The Impact of Climate Change on the Developing Economies

The implications of climate change were one of the salient characteristics of global policy in 2021, given that it poses a threat to the international community and the global economy in general. This comes as the world is witnessing an increase in the negative impact of climate change at the environmental, social, and economic levels. Climate change is now having a clear impact on the economies of all the developing and industrialized countries. But its impact on the economies of the developing countries is more dangerous. The developing economies experience many losses due to climate change, with the main losses due to the following reasons:

- The direct negative impact on output and productivity because of long-term temperature changes, and the increased severity of extreme weather phenomena, especially in the sectors of tourism, fishing, and agriculture.
- The hefty costs that result from sea-level rise and increased flood intensity. For example, “a rise of one meter would cut the GDP by nearly 10% in many developing economies such as Egypt, Mauritania, and Bangladesh.”
- The upsurge in spending to mitigate the impact of climate change has caused financial conditions to deteriorate which have worsened due to a decline in the traditional sources of tax revenue.
- The decline in the export of goods and productive services in developing economies creates a gap in the balance of payments and an increase in the need to import food and other basic commodities.
- The loss of biodiversity, ecosystems and climate change negatively impact human health, standards of living and overall quality of life.

Estimates indicate that the developing countries are facing nearly 75 percent to 80 percent of the impact of climate change because of their dependence on production and ecosystem services and natural capital in sectors that are sensitive to climate change and have limited financial resilience. Policymakers in many developing countries have indicated that a large part of their development budget is being channeled for purposes related to overcoming weather emergencies resulting from climate change.

As for the rich countries, the biggest impact will be borne by individuals. Their populations make up 16 percent of the world's population and their economies bear a share ranging between 20 percent and 25 percent for global warming. But their financial capacities allow them to overcome the negative impact from climate change.⁽¹⁷⁾

The issue of who bears the greatest cost as a result of climate change was one of the most important subjects discussed at the Glasgow Climate Summit held in Scotland on October 31, 2021, known as “COP26.” The developing countries – most vulnerable to the repercussions of climate change – asserted the need for financial commitments by the advanced industrialized countries. These advanced countries have a major role in exacerbating the negative impact of climate change, which appears in global warming, droughts, floods, and strong hurricanes that have impacted the lives of millions worldwide and have even wiped out entire islands.

The issue of financing has been the subject of major discussion during the previous climate summits, especially the summit held in Poland eight years ago. That summit resulted in the “Warsaw International Mechanism for Loss and Damage” to assist some developing countries in addressing the consequences of climate change. This mechanism was once again emphasized during the climate change summit in Paris in 2015. However, the advanced industrial countries are reluctant to make significant financial commitments. This is because these countries fear that the “losses and damages” mechanism may result in them being held responsible for every climate phenomenon. Some studies suggest that the economic cost of the repercussions of climate change could range from \$400 billion to \$580 billion per year in developing countries by 2030.⁽¹⁸⁾

To reduce the economic impact of climate change requires the adoption of green economy approaches and standards that encourage the creation of clean and new sources of energy and aim to reduce soil erosion and protect biodiversity. In this regard, we should point to the local and regional efforts made by the Kingdom of Saudi Arabia to address the climate challenges, represented in Saudi Green Initiative (SGI) and Middle East Green Initiative (MGI). These initiatives place Saudi Arabia at the forefront of the international arena to address the climate challenges. Saudi Arabia aims to cut carbon emissions by 4 percent, as part of the global contributions set in the 2015 Paris Agreement. This will be achieved through several local programs that include renewable energy projects that will secure 50 percent of electricity production in Saudi Arabia by 2030. This is added to the clean hydrogen technology project, which is considered the largest in the world in the city of NEOM, with a total investment of \$5 billion. It is likely that these projects will contribute to eliminating more than 130 million tons of carbon emissions. Regionally, Saudi Arabia has adopted the concept of a circular carbon economy and set up the first working group for environmental protection during its presidency over the G20 Summit in 2021.⁽¹⁹⁾

The Arabian Gulf States and Their Strategies to Diversify Sources of Income and Energy: Saudi Arabia as an Example

The Gulf region is experiencing dynamic transformations and changes in various fields, including the political and demographic fields, in addition to economic fluctuations in light of changes in oil and gas prices. This has meant that economic diversification in the Gulf is a critical matter to address the aforementioned fluctuations and economic risks. Therefore, the Gulf states rushed to lay out long-term strategies to end total dependence on oil and gas revenues in order to diversify economically before oil and gas reserves deplete and contribute the smallest percentage towards national budgets.

This is apparent in the future visions of the Gulf states, such as the Saudi Vision 2030, which aims to diversify sources of income and investment and achieve economic sustainability. The vision was launched in 2016 and will take 15 years to complete. It aims to reach 1 trillion Saudi riyals in non-oil revenues by 2030. Non-oil revenues in the second quarter of 2020 have already surpassed oil revenues during the coronavirus pandemic and the fall in oil prices. There are similar visions in the UAE, Kuwait, Oman, and Bahrain that aim to diversify economic revenues. These visions depend on reliance on the private sector, encouraging investment and bringing in new investments while setting a long-term working timeframe.⁽²⁰⁾

When it comes to clean energy investments, the Gulf states have carried out massive projects to produce green hydrogen. The latter is produced through the use of renewable energy sources such as solar and wind energy, thus the Gulf has become one of the most important hydrogen export hubs in the world. The Kingdom of Saudi Arabia has developed a strategy for a green hydrogen production project. It will be ready by 2025, with a huge production capacity of 650 tons and 1.2 million tons of green ammonia, one of the largest projects for clean energy in the world. As for the UAE, it joined the global Hydrogen Council and developed a national strategy for clean energy for the year 2050. The UAE's Abu Dhabi National Oil Company (ADNOC) currently produces nearly

300,000 metric tons of green hydrogen annually. It exported the first shipment to Japan in 2021, and it has multiple clean energy projects through global partnerships. In Kuwait, the National Petroleum Company has accomplished work on a hydrocracking unit, which enables it to produce 454,000 tons of clean fuel at an estimated cost of \$15 billion. In Oman, the Oman Oil Company, in cooperation with foreign firms, is carrying out a project to produce 1.8 million tons of green hydrogen at an estimated cost of \$30 billion.⁽²¹⁾

Thus, this reveals that most of the Gulf states are pursuing strategies to cope with the major and swift changes in the global energy market to maintain their important global position in the energy market — standing as a source of both conventional and renewable energy alike. The sources of solar energy and wind power are abundantly available in the Gulf states, which makes it easier to inject investment in them when capital is available. This will contribute to continuing with the process of diversifying sources of revenue and making sure high living standards are maintained.

The world is facing unprecedented challenges in light of the dangerous consequences of climate change for the environment, health, social life and national economies. Despite the international cooperation to address climate change, curbing its ramifications will require an international position and the adoption of serious initiatives, especially by the industrialized economies. In particular, the effective financial contribution and bearing a share of responsibility in curbing carbon emissions resulting from industrial activities and reducing the impact of climate change — especially the impact on the economies of the developing countries through abiding by the Warsaw Mechanism for Loss and Damage. Despite the global demand for alternative and clean energy, this transition faces challenges, which means that governments must intervene to reduce the difficulty of switching to them through encouraging investment. This is in addition to contributing to reducing the high costs of manufacturing inputs and overcoming the problems related to storage through research and development. This will effectively quicken the pace of achieving zero carbon emissions, thus gradually reducing the repercussions of climate change in the future and even reducing recurring energy crises from time to time that are closely linked to global geopolitical changes.

Conclusion: The Trends of World Economy in 2022

The coronavirus pandemic has been wreaking havoc on the global economy for nearly three years. Despite the relative recovery in 2020-2021, an increasing number of governments are concerned about harsher consequences if new variants such as Omicron or others emerge. Despite the uncertainty regarding the duration of the pandemic, the global economy anticipates formidable challenges and impacts throughout 2022: many countries will increase domestic stockpiles, there will be a rise in the total cost of transport and logistics, global supply chains will remain impacted, there will be a general price surge, a slowdown in global economic growth, and an increase in government debts worldwide.

On the other hand, major crises are not anticipated such as those seen at the pandemic's start. Furthermore, there is a chance for a gradual economic recovery due to current medical and technological progress to combat the virus and the broadening

geographical scope of vaccination campaigns. In addition, the process of identifying solutions to global trade obstacles is underway, including the ability to quickly move raw materials across oceans. As a result, the global economy's gradual recovery will be accelerated in some economies and industrial blocs such as China and the United States.

The energy crisis, severely exacerbated in late 2021, is expected to last until the end of 2022. This will slow down the global economic recovery, as the energy crisis is not limited to oil; natural gas markets are also in crisis due to increased demand for natural gas to replace coal in generating electricity for a variety of economic and environmental reasons. Despite the continuation of practical steps to address the climate crisis represented by investments in electric cars, renewable energy, and other types of clean energy, global demand for fossil fuels is expected to rise in 2022. In terms of the Arab Gulf states' strategies for diversifying sources of income, the GCC countries will likely continue to implement these strategies and expand opportunities and gains as global demand for oil and natural gas will remain strong throughout 2022.

See also



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STUDY

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This research aims to trace the course of the political economy of Iran's over the past 40 years, and to measure the results of this path on the long-awaited revival of the Iranian people which is related to economic recovery based on real indicators and real facts. We noticed a set of obstacles and structural imbalances that prevented the development and revival of the Iranian economy as

appropriate for its natural and human capabilities. Those obstacles also prevented what every Iranian desired since the revolution four decades ago. We identified them in seven structural imbalances: three of them in the paper copy of the Iranian issues series. Most of them were not necessarily related to the external sanctions which the regime was subjected to over its lifetime...

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Transformations in Political Islam: From the Decline of ISIS to the Retreat of Islamic Parties

Islamist and jihadist groups have suffered decline and retreat in some areas, while experiencing ascendancy in others. The landscape in 2021 altered considerably from 2020. It was marked by a significant decline in the ability of the so-called “Islamic State in Syria and Iraq” (ISIS) (commonly known as Daesh) to recruit fighters and keep a hold of territories.

Its operations were limited to ambush terror attacks and the deployment of fighters to Africa, Afghanistan and other hotbeds to compensate for the lost epicenters in Syria and Iraq. In 2020, the Taliban was not in power, but was a violent resistance group that carried out terror attacks against civilians and government institutions. This changed in 2021, when it took over Kabul and attempted to seek regional and international legitimacy. When it comes to Islamist political movements, the year 2020 was not crucial for them as was 2021. In 2020, the Muslim Brotherhood's (MB) offshoots in Morocco (the Justice and Development Party) and Tunisia (the Ennahda Party) were still ruling or partially held power. In Egypt, the MB was less fragmented. In Iraq, the MB was effective and participated in stronger alliances with Iraqi Shiite militias. However, in 2021 the whole landscape changed completely as will be discussed in the following sections.

This file explores the rise and decline of ISIS in Syria, Iraq, Africa, and Afghanistan, the disunity of the MB in Egypt, the failure of the Ennahda Party in Tunisia and the Justice and Development Party in Morocco. It also discusses the consecutive defeats of the Iraqi Islamic Party, and the decisive defeat of Shiite Islamic parties and factions in Iraq. In this file of the Annual Strategic Report, we cast light on the rise and decline of Islamic political groups through answering the following question: has there been an actual resurgence of their ideologies or are they experiencing regression on the ground?

ISIS: Between Retreat and Expansion

The year 2021 witnessed the decline of ISIS in some areas. Meanwhile, it attempted to find new hotbeds, to entrench itself and run its operations, as it believes that its caliphate cannot be upheld without wresting control over territories — not merely through the promotion of ideology. But ISIS is no longer controlling territories in the same way it was in Syria and Iraq before it was crushed. ISIS was forced to switch its strategy to focus on suicide attacks and establishing sleeper cells.

ISIS: Decline in Iraq and Syria

ISIS retreated in Syria and Iraq in 2021 compared to the previous years. In Iraq, the group no longer controls any territories or cities due to the heavy blows dealt to it by the Iraqi forces and the Global Coalition to Defeat ISIS. The Iraqi intelligence service, in collaboration with Turkish intelligence, managed to arrest Jassim al-Jubouri, the finance minister of ISIS, who was also Baghdadi's deputy and a powerful commander in the organization. He is a close aide of the Islamic State's incumbent Chief Abu Ibrahim al-Hashimi al-Qurashi.⁽¹⁾

The consecutive blows dealt to ISIS forced the organization to abandon its policy of attempting to control territories. It shifted to carrying out bombings and attacks on sectarian lines — like Abu Musab al-Zarqawi in Iraq before — with the aim of causing havoc and agitating sectarian tensions, to fuel sectarian conflicts, making it easy for the group to remain influential on the ground.

At the same time, some operations of the organization in 2021 indicated its weakness, not its strength or prowess. In December, it mounted an attack against a Peshmerga outpost in a Kirkuk village, killing several Peshmerga personnel. The Kurdistan region sought help from the Iraqi central government and the United States to counter the



organization's armed attacks.⁽²⁾ In January, on the first day of Joe Biden's presidency, the Islamic State claimed responsibility for carrying out twin bombing attacks in Iraq that claimed the lives of 30 people and wounded more than 100 others.⁽³⁾

The group has continued to carry out terror attacks without taking over territories. It lacks this ability due to two factors. First, the blows it has suffered because of regional and international intelligence services cooperating with one another against it. Second, the loss of its popular incubators because of the crimes it committed in the territories it controlled, leading to anger and stripping it of any kind of sympathy. Furthermore, the religious institutions — both official and unofficial — collaborated against it, declaring it a Kharijite group that does not reflect the core teachings of Islam.⁽⁴⁾

In Syria, ISIS lost all the territories it controlled since February 2019.⁽⁵⁾ But it maintains a scant and insignificant presence in uninhabited desert areas, especially in the central and eastern Syrian deserts,⁽⁶⁾ which some suggest is less than 1 percent of Syrian territory.⁽⁷⁾ ISIS no longer has the military and ideological capacity to promote its thoughts and takfiri beliefs on the ground.

With regard to the group's relationship with the Syrian regime, the latter had previously employed it to achieve a host of strategic objectives: presenting itself as a major fighter of terrorism, enhancing its legitimacy regionally and internationally, justifying the systematic violence against civilians and opposition (the regime indiscriminately cracked down on both violent and nonviolent opposition), and solidifying the presence of Iranians, Hezbollah and Shiite fighters in Damascus and other Syrian cities. Moreover, ISIS helped the Syrian regime achieve other objectives such as eliminating its moderate opposition and they both concluded some economic transactions. But this cooperation vanished in 2021, therefore, the group's capabilities and military control on the ground declined in favor of the Syrian regime — which reaped gains from ISIS and then curtailed the group.⁽⁸⁾

ISIS has not carried out any ideological revisions. It still believes in extremist ideas and jurisprudential opinions favoring violence. The official and unofficial religious institutions throughout the Islamic world have deemed the organization to be takfiri and extremist, with no proximity to the true meaning of Islam.⁽⁹⁾ This impacted the organization's ability to attract and recruit new people to its cause and ideology.

Confronting the Taliban: Khorasan Province and Repositioning Attempts

In Afghanistan — after the Taliban took over Kabul in August 2021— the ISIS offshoot in the country began intensifying its attacks against the Afghan people. As in Iraq, it targeted civilians, especially Shiites, in a bid to blow up the political and social landscape in the face of the Taliban.⁽¹⁰⁾

In contrast, the Taliban — a group embracing the Maturidi school of thought in belief and the Hanafi school in law (jurisprudence) — seeks to seize power exclusively and rid the country of extremists to gain international legitimacy. The US withdrawal has presented the Taliban with a hard test, pitting it directly against ISIS.

Ironically, ISIS's affiliate in Afghanistan known as the Islamic State Khorasan Province (IS-KP) did not evolve out of al-Qaeda this time. Rather, it splintered from the Taliban in 2015. This prompts us to raise important and essential questions, since the Taliban — unlike ISIS and its affiliated organizations — is a Maturidite group that embraces the Hanafi school of jurisprudence and some Sufi outlooks. Some Taliban members were influenced by al-Qaeda's thoughts and left the group and joined ISIS. But when reviewing the geographic areas under the control of IS-KP after it was established, we find that it took control of Tora Bora, a former stronghold of al-Qaeda.⁽¹¹⁾ This enhances the belief that the aforementioned former Taliban fighters had some degree of allegiance to al-Qaeda and operational awareness before pledging allegiance to ISIS. When looking at the names of the operatives who first defected from the Taliban and announced their allegiance to ISIS, we find that they had Salafi-Jihadi orientations. They always held the belief that they were marginalized or classed as pariahs within the ranks of the Taliban. Abdul Rahim Muslim Dost, the IS-KP's mufti, once said that he had been fighting "global disbelief" with the Taliban without holding any official post in the group. He also said, "When we came to know that it's a stooge of the Pakistani intelligence and found another battlefield for jihad which is the Islamic State, we joined it and defected from the Taliban."⁽¹²⁾

IS-KP carried out attacks against the Taliban itself. It considers the Taliban a primary rival as it is a nationalist movement, which does not believe in a global caliphate. The Taliban and IS-KP level accusations against one another. IS-KP accused the Taliban of being a client of the Pakistani intelligence service, apostatizing, and displaying loyalty to disbelievers. Meanwhile, the Taliban accused IS-KP of being "a stooge of the Jews."⁽¹³⁾

Since 2016, IS-KP has carried out dozens of attacks, targeting hospitals, military targets, and civilians. The major attacks carried out by IS-KP in 2021 include the following:

- IS-KP carried out an attack on August 26 when its operative undertook a suicide operation in Kabul airport, killing 175 people, including at least 28 Taliban fighters and 12 US soldiers.⁽¹⁴⁾

- IS-KP carried out in October an attack against the Fatemieh mosque in Kandahar in southern Afghanistan, leaving dozens dead and wounded.
- In October, IS-KP claimed responsibility for carrying out a bombing that targeted a Hazara Shiite mosque in the Khan Abad neighborhood in the province of Kunduz (northern Afghanistan) where more than 60 were killed and over 100 wounded.⁽¹⁵⁾
- On November 2, IS-KP mounted an attack against the national military hospital in Kabul, killing and wounding dozens.⁽¹⁶⁾

In the aftermath of these multiple attacks carried out by IS-KP, Russia's President Vladimir Putin said, "Terrorists in Iraq and Syria converge in Afghanistan, and they could destabilize the situation in the Commonwealth of Independent States." Bilal Karimi, deputy spokesman for the Taliban responded to Putin, saying, "There is no data backing up Putin's allegations. ISIS doesn't have the capacity to move fighters from the Middle East to Afghanistan."⁽¹⁷⁾

However, it is certain that IS-KP's terror operations make it the Taliban's number one enemy, not only at the level of thought and doctrine but also at the political and security levels. So far, IS-KP has been the prime reason behind the inability of the Taliban to foster security in the country. It is uncertain whether the Taliban is capable of weeding out IS-KP and weakening its effectiveness without cooperation with regional and international actors.

In short, it is likely that IS-KP will continue to exercise violence against the Afghan state and the Taliban, in light of the current chaos in Afghanistan and the Taliban's inability to restore security and restructure the country's security institutions. In addition, there is a proliferation of ISIS and al-Qaeda ideologies amongst Islamists in general and in conflict zones in particular. The spread of their ideologies facilitates their intellectual and military recruitment. Given the aforementioned, the Taliban is facing critical challenges at home and abroad.

ISIS and Africa: Retreat and Expansion

In Egypt, particularly in Sinai, the Islamic State's attacks carried out by its offshoot known as the Islamic State-Sinai Province – which pledged alliance to the parent organization in 2014 – saw a significant decline. Several factors led to such a decline, such as the military operation carried out by the Egyptian army over the past years against the organization and its incubators. The Egyptian army has boosted its presence in Sinai following understandings with Israel, which led to some amendments to the Camp David Accords, allowing Egypt to deploy forces and military equipment to some areas in the province.⁽¹⁸⁾ This is in addition to the harsh sentences handed down to those accused of being affiliated with the Islamic State-Sinai Province. In November 2021, the Egyptian Court of Appeals upheld the death sentences issued against a police officer and 21 others on charges related to terrorism in the case known as the Ansar Bait al-Maqdis case. The court also upheld the life sentences handed down to 45 defendants, and 10-year prison sentences to 21 others and five-year prison sentences to another 52 in the same case.⁽¹⁹⁾

The Islamic State-Sinai Province was placed on the US terrorism blacklist — along with the Arms of Egypt Movement (the Hasm Movement). The US State Department

announced that some leaders of the Hasm Movement were previously linked to Egypt's Muslim Brotherhood.⁽²⁰⁾ It is still unknown from which wing the Hasm Movement was formed: was it formed from the MB radical wing that sprung up after 2013 known as the Mohammed Kamal wing or from elements of both the moderate and radical wings in the MB? The outfit has been operating since 2016, but its activism totally declined in 2021. This was due to the force of the Egyptian security and intelligence apparatuses, the shift in the calculus of the movement's regional backers, and the reversal of the position of many clerics who had previously expressed support for such armed and violent activities. It also declined because of the stable security situation in Egypt and the decrease in demonstrations that were exploited by the outfit as a political cover for its insurgency.

It is noticeable that the outfit faded and declined like the Islamic State-Sinai Province; there probably was some sort of collaboration between the two groups or some degree of influence over one another or they exchanged services.

At the heart of Africa, ISIS remains active and effective owing to the security chaos, and the scant logistical and intelligence support provided by the economically poor African countries. In addition, political unrest and rebellions have contributed to ISIS's effectiveness, and the weak performance of traditional religious institutions. In Niger, ISIS targeted Sufi mosques with terror attacks in October 2021 which left nearly a dozen people dead. As many as 500 people have been killed in the attacks mounted by ISIS.⁽²¹⁾

In Mozambique, al-Shabab group, affiliated with ISIS, has been active, carrying out multiple terror attacks — most prominently the attack targeting Palma village in the northern part of Mozambique's gas-rich Cabo Delgado Province, whose population is nearly 75,000. The attack left dozens dead and led to hundreds fleeing to neighboring countries. Some escaped to the jungles fearing for their lives while others escaped on boats or on foot to the shores.⁽²²⁾ In Somalia, al-Shabab group, an al-Qaeda affiliate, has claimed responsibility for dozens of attacks against the state and civilians. In Nigeria, the Islamic State clashed with Boko Haram. The chief of Boko Haram Abubakar Shekau was killed by Islamic State militants, who captured several Boko Haram fighters and seized their weapons and equipment. Several Boko Haram leaders and heavyweight commanders switched allegiance to ISIS —out of fear of being killed or because they really were convinced of its ideology. Several intelligence agencies worldwide believe that the extremist groups, operating in the Sahel region in Africa, which includes Mauritania, Burkina Faso, Mali, Niger and Chad, will most likely unite under the umbrella of the so-called Islamic State – West Africa Province.⁽²³⁾ Hence, weeding out the terror outfit in these vast regions requires immediate and long-term solutions as well as all actors in Africa coming together and showing solidarity. In Sudan, there has been no official government announcement of any ISIS offshoot operating in Sudanese territories. But in September, the Sudanese security forces announced they had arrested a cell linked to ISIS. The leader of the cell was also arrested, who is Egyptian. In June, the Sudanese security services announced that they had arrested a cell linked to al-Qaeda, consisting of four Sudanese and five others holding different nationalities. In February, the Sudanese security services identified an ISIS cell in Sudan's eastern city of Gadarif where grain silos also exist.⁽²⁴⁾

As to the reasons why ISIS is expanding in Africa, there are multiple factors at play, foremost among these is the fact that the organization has recruited al-Qaeda elements there. ISIS's ideology resonated with al-Qaeda operatives, especially after the group's decline (both at the center and periphery), particularly a decline in its narrative after the elimination of most of its commanders, and it is facing qualitative attacks by the West. Yet, the fragile security situation in Africa, along with an array of internal problems in many African countries such as extensive poverty, high rates of unemployment, political unrest/rebellions, and the lack of a central religious institution like Al-Azhar in Egypt and Ez-Zitouna University in Tunisia that adopt a moderate interpretation of Islam — contributed to the expansion of the Islamic State in Africa. The peak of ISIS expansion across vast territories in Syria and Iraq massively encouraged jihadist movements to join the organization—⁽²⁵⁾after its stagnation in the Middle East it moved or attempted to move into Africa. All of these factors contributed to the spread of ISIS in Africa. There are, however, a host of factors that point to the possibility of curbing the organization, foremost among these are international interests in Africa, especially those of the French and Chinese, followed by the Americans and Europeans and the religious environment in Africa, which is different from that of the Arab world and the Middle East. In Africa, despite not having strong religious institutions, the massive and widespread Sufi orders in Africa can prevent the Islamic State from expanding and having an intellectual appeal. On the other hand, it can be argued that Sufi discourse is not really useful for countering ISIS due to the extreme practices of some Sufis and their misinterpretation of Islam, which can be easily refuted as irrelevant to Islamic traditions; thus, the weak Sufi interpretation support the extremist argument. So experts and specialists in Islamic religious discourse ought to rationalize Sufism and reform its institutions.

Retreat of Islamist Movements and Parties

The year 2021 saw the meltdown and marginalization of Islamist movements more than ever before, especially since the so-called “Arab Spring” uprisings. Their marginalization and decline was because of a number of reasons such as internal disputes and the emerging political and religious environment around them.

The Muslim Brotherhood Splintered

In 2021, Egypt's MB suffered fragmentation, splintering into two groups with two different leaderships, for the first time in its history. The group's effectiveness declined, and its political role halted. Moreover, its ideas waned in Egyptian society compared to 2011 and the period during late President Hosni Mubarak's rule. He allowed them to spread their ideology in Egyptian society and capture some trade unions such as the Engineers and Doctors Syndicate.

Since 2013, the MB has been internally divided at the intellectual and organizational levels into two wings. The first wing embraces violence against the Egyptian state. It established smaller organizations under various titles such as the Hasm Movement and others. It took responsibility for what the wing called qualitative operations. The second wing stopped short of officially embracing violence for fear it would be totally



eliminated. It rather sought to preserve the MB's core supporters and embraced the traditionalist conservative teachings and traditions of the group. Both wings follow the Qutbist trend (named after Sayyid Qutb, political Islam's prominent 20th century ideologue and intellectual whose thoughts are a reference for extremist groups in Egypt, and beyond). ^(*) One group hastened to embrace violence while the other opted to take some time to strengthen the group in order to implement the plan of "empowerment."⁽²⁶⁾

In October 2021, the biggest-ever dispute within the Egyptian MB erupted. The dispute was between the Mahmoud Ezzat current and the acting General Guide of the MB Ibrahim Munir, a position he has held since Ezzat was arrested. Munir dislodged Mahmoud Hussein, the MB's Secretary General (Turkish office) even though they had forged an alliance in the face of the MB embracing violence (the Mohammed Kamal wing). Each of the two currents (Ezzat and Munir) seeks to tighten their hold over the group and its financial and administrative resources. Each current has resorted to subjective interpretations of the group's internal regulations to justify their positions, with each of them alleging that their positions/moves are in line with the Shura Council's decisions, which has been ineffective since 2013. The council's members in 2013 were 117. Over the past years, 53 of its members were arrested, 37 died and 27 members remain in exile. Three of these 27 members refused to continue their work and one was suspended. The council now has only 23 active members, 10 of them are appointed by the Association for the Egyptian Muslim Brotherhood Abroad/the Turkish office.⁽²⁷⁾

Munir issued a decision to interrogate Mahmoud Hussein and other leaders of the group aligned with him. Their membership was suspended. But Mahmoud Hussein's

(*) Mohammed Badie, the MB Supreme Guide and his deputy Mahmoud Azzat as well as Sabri al-Komi, an MB leader, were accused of implementing Qutbism in group.

current rejected the move, calling on the Shura Council to depose Munir from his position. In December 2021, based on what Hussein's current said was the outcome of the Shura Council meeting,⁽²⁸⁾ an acting general guide aligned with Mahmoud Hussein's current was appointed. His name is Mostafa Tolba, a professor of general surgery, who holds British citizenship, and is a businessman who manages the group's funds. The Egyptian authorities had placed him on its terror blacklist.⁽²⁹⁾ Hussein's current then took back its decision to sack Ibrahim Munir from his position. Meanwhile, Munir's current denied holding any Shura Council meeting or coming to any decision.⁽³⁰⁾

Hence, the MB is officially divided into two groups, with two different heads. One group is led by Ibrahim Munir (the London office) while the other is spearheaded by Mahmoud Hussein and Mostafa Tolba (the Turkish office).

It seems that this dispute is neither over the interpretation of the group's regulations or an intellectual one. It is rather a personal dispute over who controls the group and its networks, and who profits most from its resources and its regional and international backers. Therefore, it cannot be expected that each of the two wings will back down or there will be some movement towards reconciliation between them. This dispute has contributed to the group's decline in Egypt's public sphere and its popular incubators rejecting it.

Ennahda Party and Its Failure

In May 2016, Tunisia's Ennahda Party, ideologically affiliated with the MB, announced that it would ditch "the political Islam" label. The party instead described itself as a "Muslim Democratic" party. The final communique of the conference held by the party at that time said, "The Ennahda Party has practically renounced all perceptions that prompt some to consider it part of the so-called political Islam. This common designation does not reflect the party's present true identity."⁽³¹⁾ But in fact, though Ennahda apparently renounced political Islam, it still adopts its ideological approaches when addressing thorny issues within the party or the state.

Ennahda failed in the government and the Parliament. It was unable to resolve social and day-to-day problems. Hence, its popularity plummeted and the people rejected it. In July 2021, Tunisian President Kais Saied ousted Ennahda from the government and the Parliament. He announced, following a meeting with senior security and military officials on July 25, the sacking of Prime Minister Hichem Mechichi and the suspension of parliamentary work and powers for 30 days.⁽³²⁾

Ennahda was hit with a wave of mass resignations, involving more than 100 of its senior members and influential leaders. In a statement, they said, "The failure to make internal reforms within the party is the prime reason behind the resignations."⁽³³⁾

Those who resigned also attributed their resignation to the breakdown of democracy within the party and the "hijacking of decision-making" by a host of individuals who are loyal to the leader.⁽³⁴⁾ This led, according to them, to bad decisions such as forming certain political alliances that contradicted the promises the party had made to voters.⁽³⁵⁾ This is the biggest internal crisis which Ennahda has experienced since it was created. It dates back to before 2021, but President Kais Saied's bold moves contributed to making



Ennahda's internal differences public and led to the overt levelling of accusations and finger-pointing.

The prime reason why Ennahda's discourse centered on reform has declined is that the party — albeit calling for economic and social reforms in the past— had not carried out successful reforms when it was in power, leading to its isolation from the public.⁽³⁶⁾

Morocco's Justice and Development Party and Its Political Downswing

In September 2021, Morocco's Justice and Development Party suffered a severe and decisive loss in the election—a loss that is indicative of multiple messages the Moroccan people wanted to convey. The party came in eighth position, capturing only 13 seats compared to the 125 seats it won five years ago, which enabled it to form the government for the second time.⁽³⁷⁾ There were indications that the popularity of the Justice and Development Party was plummeting. Saadeddine Othmani as well as Idriss Azami al Idrissi, the party's parliament speaker, were beaten up by protesters who were angry with the party's policies in regard to managing state apparatuses.⁽³⁸⁾ There are also other genuine reasons why the party has been rejected by the people, these include the following:

- Francizing education which the party passed in Parliament, allowing curricula to be taught in the French language instead of Arabic.
- Allowing, and even passing, a bill rendering lawful the cultivation of cannabis.
- Normalizing relations with Israel, which has been promoted as one of the party's accomplishments.⁽³⁹⁾

There are also several internal issues that have been accumulating. These are no less important than the foregoing, including the party's inability to improve the economic conditions of the people, its failure to meet their demands or even to make good on the promises it pledged to fulfill.

The results of the election and the party's chaotic policies have deepened the rifts and anger within its ranks. Several of the party's leaders called on Saadeddine Othmani to resign. The party's secretary general has already resigned and Abdelilah Benkirane was elected as the party's secretary general for the second time.⁽⁴⁰⁾ The loss led to

ramifications in Algeria, with Islamists losing the legislative and local elections.⁽⁴¹⁾ This further proves that Islamist parties are facing a decline and lack the maneuverability that they had after the so-called Arab Spring in 2011.

The Iraqi Islamic Party and Its Consecutive Setbacks

From Rabat to Baghdad, the Iraqi Islamic Party, affiliated to the MB lost the parliamentary election. The party entered the last parliamentary election (October 2021) as part of the al-Aqed al-Watani Alliance chaired by the head of the Popular Mobilization Forces (PMF) Faleh al-Fayyad. The alliance only captured four seats.⁽⁴²⁾ The party rejected the election results, along with other Sunni and Shiite movements. In a statement in October, the party said, “The results announced by the Independent High Election Commission are incorrect. We reiterate that our candidates did not lose but were disqualified through joint efforts by different parties inside and outside the country, which do not want the party’s national and Islamic project to have a presence in the Iraqi arena.”⁽⁴³⁾

The reality is that the party lost the election as a natural outcome of the approach it has pursued over the last period. The party’s alliance with the PMF and its armed proxy groups reduced its credibility among Sunni voters, who experienced the violence unleashed by these groups. At the same time, the party allied itself with Iran and its leaders have no qualms about making statements about the party’s warm relations with Iran, which widened the gap between it and the Sunnis in Iraq.⁽⁴⁴⁾

In the 2010 election, the party won 10 seats and in 2014, it gained seven seats. In 2018, only six candidates were elected to the Parliament, which means that the party’s popularity has been declining since 2010 and its Sunni incubators have lost faith in the party’s discourse and ideology. Not only did Sunni Islamists lose in the Iraqi parliamentary election but also Shiite Islamists lost — they all lost to the Sadrist Movement and to some nationalist and civilian forces.

Aside from the political indications, the intellectual and religious indications are strongly present on the scene. The ordinary people are fed up with ideological narratives — whether Sunni or Shiite. They have realized that the parties in power are not willing to make genuine economic reform. They are merely interested in generating and spreading an ideological, sectarian narrative and using it as a platform to entrench further their sectarian incubators.

Shiite Political Islam

For Shiite Islamist factions, the situation was not so different from their Sunni counterparts. They were also rejected by voters and Iraqi society. Iraqi politicians linked to the PMF and armed factions lost in the 2021 Iraqi parliamentary election to the Sadrist Movement and to some civilian and secular forces. Instead of pondering over their loss, militia leaders alleged that there were irregularities in the election. This caused deep rifts within the Shiite factions. Moqtada al-Sadr came out and sent a threatening message to the militias and armed factions. He called for “confining arms to the hand of the state. It is forbidden to use it outside it; even from those who feign resistance, whatsoever.”⁽⁴⁵⁾ Meanwhile, Kata’ib Hezbollah also questioned the results of the election and threatened armed escalation. This was evident in the remarks of Kata’ib Hezbollah’s spokesperson

Abu Ali al-Askari, “What happened in the legislative election is the biggest fraud and deceit carried out against the Iraqis.”⁽⁴⁶⁾ Then he addressed the PMF—in what seemed to have been a response to Sadr’s threats—calling on it to defend itself. “The PMF must firmly take a stand and prepare to defend its sacred entity.”⁽⁴⁷⁾ Other allies of Kata’ib Hezbollah also issued threats of violence and questioned the election results.⁽⁴⁸⁾

Shiite Islamist movements sought to secure their armed presence—through official state institutions—by winning the election. However, the results were disappointing, which prompted them to alternate between issuing threats and holding talks.

But the self-evident intellectual and religious indications—apart from the political ones—show that the grassroots incubators have realized that the intensified ideological discourse—like their Sunni counterparts—did not take into account Iraq’s real problems. Hence, the Iraqi people decided to reject the aforementioned movements via the ballot box.

Conclusion: The Future of Political Islam

It seems that political Islam today is facing a quagmire, suffering consecutive losses since 2011. Its core, ultimate crisis is the internal dictatorship present within its currents, and their inability to carry out intellectual and philosophical revisions needed to forge reconciliation with the public and political systems. Their intellectual stagnation also prevents them from merely being civilian actors on the religious and political landscape—away from the approach of inciting confrontation, and stigmatizing societies as being ignorant and disbelievers and rebelling against governments.

Islamist movements and parties need to change their strategy regarding how they deal with the people. Instead of playing on their heartstrings through the use of religious discourse, they must focus on social and economic reforms, embrace a moderate religious discourse and contribute to easing social tensions. Hence, the crisis of the Islamist parties is likely to continue if they do not fully comprehend the reality that they are facing (internal and external) and do not reconsider their seditious practices which they have promoted to protect their core base from collapse.

Regarding violent and armed groups, it is expected that they will step into areas where there is a security and intellectual void, as well as social problems such as mounting poverty and unemployment. This comes amid their retreat in countries like Iraq, Syria, and Egypt’s Sinai. Security, intelligence, and intellectual efforts have succeeded in curbing ISIS in these countries. In short, it is unlikely that ISIS will control vast territories as it did in Syria and Iraq because international actors, despite their varying interests and orientations, are against ISIS expansion in addition to the fact that further expansion had made the outfit lose much of its capabilities in Syria and Iraq. Hence, ISIS will probably resort to guerrilla-style warfare and terror attacks as an alternative to the strategy of expansion and controlling territories. This means that ISIS is forced to give up on its main aspiration; establishing “the Islamic Caliphate.”

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The Political Interactions in the Middle East

In 2021, the Middle East and particularly the Arab region witnessed a host of developments and important political interactions that will have a substantial impact on the regional political landscape in the coming period.

The importance of the region in the US strategy has changed due to the reshuffling of priorities by the new American administration. The new US strategy contributed to significant transformations and interactions on the regional scene, such as encouraging the easing of tensions and conflict between regional actors. The region has witnessed some signs of new blocs emerging with political factors as well as economic aspirations driving this phenomenon. However, this newfound interaction and dialogue has not contributed to settling internal conflicts. Deadlock has been the hallmark of conflict in Yemen, Syria, and the Palestinian territories, and the chances of reaching a settlement in these conflict zones are diminishing every day. Moreover, some countries still suffer from power struggle governance crises such as Iraq, Lebanon, Libya, Tunisia, and Sudan — as a result of the widening divisions between the political elites and the failure to reach a compromise over the peaceful rotation of power and regarding the rules that determine the political process.

In light of these transformations, this file of the Annual Strategic Report 2021 attempts to cast light on the most significant regional developments, their impacts on the regional scene and the prospects in the coming period through touching on the most urgent issues, most notably: the significance of the Middle East in the new US strategy; the easing of tensions among competing regional parties and allies; the Iraq Neighbors Summit and the Arab identity of the Iraqi state; signs of new regional blocs; the continuation of disputes and crises and the prospects of settlement in the Arab region; water crises as a source of tension in the region; and finally, towards regional transformation driven by competition and crises which are expected to continue in 2022.



The Significance of the Middle East in the New US Strategy

The United States has reorganized its priorities in its foreign policy, tilting towards other regions in the world, especially East Asia — in light of the mounting competition with China. The significance of the Middle East, as a result, has declined in Washington's strategy.

Washington's disengagement from the region has been evident with the withdrawal of some US forces, and military hardware from the region. Some US forces have returned to the United States, while others have been deployed to other regions.⁽¹⁾ Washington

announced that its combat mission in Iraq would terminate at the end of 2021 and it would withdraw some troops from its military bases in Syria.

The aforementioned changes are taking place in the context of the old-but-renewed debate going on in the US corridors of power over the past years about the importance of the Middle East to US interests. Though this debate is considered an indication of the declining position of the region within Washington's list of foreign policy priorities, it does not necessarily mean a radical change when it comes to the region's significance in the minds of foreign policy makers or that the United States is intent on fully withdrawing from the region, which has huge geopolitical significance, especially when it comes to the global competition over power and clout. This is in addition to the region's significance for US vital interests, including the ongoing supply of oil to the global economy, the safety of international waterways, the protection of strategic allies in the region, countering terrorist threats and thwarting the proliferation of nuclear weapons in the region.

Washington's focus on the Far East and the Pacific Ocean at the expense of the Middle East, which is one of the main pillars of the Biden administration's foreign policy, is still in the test-phase though it is an old policy. The Obama administration had previously failed to disengage from the region; perhaps the concept of this strategic shift (disengagement from the region) was formulated at the theoretical level but was not implemented on the ground – back then.

The unchangeable fact is that this strategic shift has been always difficult due to the highly intertwined and complex files and the impact of the Middle East on different international interests. This makes it hard for the United States to leave the Middle East while its foes are increasing their spheres of influence in the region.⁽²⁾ Moreover, the United States is well aware that losing its clout in the region would negatively impact its prestige and role in the international arena in general.

In this context, it seems that the Biden administration's strategy in the region is not very different from the ones pursued by the two former US administrations. This strategy involves drawing down US troops deployed in Syria, Iraq and the Arabian Gulf while looking at arms deals and developing the military capabilities of allied countries as a priority in light of Washington's increasing competition with Russia and China, the two major international actors in the Middle East. This strategy will enable the United States to exercise its influence and display its strength at a lower cost through deploying a smaller number of troops on the ground.⁽³⁾ It will also enable the United States to redeploy forces, which make it less reliant on its major operational bases, which are vulnerable to Iranian attacks amid Tehran's growing capabilities in terms of its missile and drone arsenal.⁽⁴⁾

The region is concerned about the decline in Washington's protection umbrella. However, in light of the aforementioned considerations, it is perceived that the next phase will see the Middle East maintain its position as a strategic sphere for US interests. The US presence and its role in the region will not undergo radical changes as Washington is not ready to see shifts in the balance of power at the regional level. The following developments are indicative of this consideration:

- The US administration announcing its intent to maintain a strong military presence in the Middle East in proportion to the potential threats — with the possibility of bringing

additional US forces quickly to the region when necessary.⁽⁵⁾ The Interim National Security Strategic Guidance released in March 2020 stipulated that Washington will work with its allies in the region to deter Iranian aggression and threats to sovereign countries/territories, eliminate al-Qaeda and other terror networks and prevent the resurgence of ISIS.⁽⁶⁾

- The United States returning as an intermediary actor between the Palestinians and Israelis and restarting assistance programs to the Palestinians withheld by the former Trump administration as well as restoring communication with the leaders of the Palestinian Authority. This is in addition to engaging in quiet diplomacy with the major regional actors to end the round of conflict that broke out between the Palestinians and Israelis in May 2021.⁽⁷⁾

- The United States continuing with its strikes targeting the Iran-backed militias in Iraq and Syria in response to increased missile and drone attacks against its forces in these two countries.

The Easing of Tensions Among Competing Regional Parties and Allies

The easing of tensions among regional parties and allies was considered to be a key regional transformation in 2021. The steps toward reconciliation and rapprochement have come in succession since the Al-Ula GCC Summit held in Saudi Arabia in January 2021. The summit laid the foundations for Gulf reconciliation and ended the rift between Saudi Arabia, the UAE and Bahrain on the one hand, and Qatar on the other. It also paved the way for wider reconciliations across the region, including between Egypt and Turkey — and, to a lesser extent, with Iran. In May 2021, the Egypt-Qatar reconciliation came into effect following the visit of Qatar's foreign minister to Cairo and the subsequent formation of an Egyptian-Qatari follow-up committee to discuss all the files related to the relationship between the two countries and to review their cooperation. During the same month, the first round of officially announced talks between Egyptian and Turkish delegates was held in Cairo, with thorny issues discussed in order to pave the way for restoring diplomatic relations. Though the meeting did not lead to a tangible outcome, a second round of talks was held in Ankara in September 2021— indicating that the two sides remain committed to normalizing relations and addressing the misunderstandings marring their relationship since 2013.⁽⁸⁾

Yet, the UAE and Turkey have resumed communication, which paved the way for the visit of the UAE Crown Prince Mohammed bin Zayed to Turkey in November 2021. During the visit, the two sides discussed ways to enhance their economic relations, support joint cooperation and steps to secure mutual interests. It was announced during the visit that a \$10 billion UAE fund would be established to support investments in Turkey.⁽⁹⁾

In the same context, there was rapprochement between the UAE and Iran, which resulted in talks between the officials of the two countries, with the aim of advancing positive ties, enhancing communication and cooperation in the region and achieving regional stability through managing their divergent views.⁽¹⁰⁾ In April 2021, direct talks were held between Saudi Arabia and Iran with the aim of discussing ways to ease regional tensions and lay the groundwork to address the thorny issues between the two sides.⁽¹¹⁾ Though these talks did not lead to tangible results in light of Iran's continued negative

interventions in some regional countries — especially in Yemen — they are a step toward easing tensions. The move toward reconciliation has been driven by two main factors:

First: The awareness of different parties that competition and disputes are attritional and useless. They have impacted their vital interests and diminished their regional clout. Therefore, these parties have started to seek compromises and understandings to put an end to lingering disputes.

Second: The shift in the US strategy when it comes to addressing the disputes in the Middle East. It appears that the Biden administration has embraced diplomacy to end disputes and push for a reshaping of the regional environment so that it moves toward reaching political settlements, while at the same time providing room for regional dynamics to come up with settlement formulas to ease tensions in the region. This shift coincides with the United States' repositioning strategy in the region, with Washington pivoting toward East Asia. This shift has contributed to major regional actors taking on responsibility to resolve disputes and has pushed countries toward reconciliation.

In the coming period, it is expected that such moves toward reconciliation and the subsequent decline in tensions between the major parties and alliances will usher in a new phase of consensus and calm. It will also lead to normal and stable patterns of relations between regional countries, possibly contributing to resolving regional disputes and crises, especially in Yemen, Syria, and Libya. But this depends on the agreements reached in relation to thorny issues such as the rotation of power, rules determining political transition and addressing outstanding issues among major regional states that have been a source of struggle and conflict in the region.

The Iraq Neighborhood Summit and the Arab Identity of the Iraqi State

The Iraq Neighborhood Summit (The Baghdad Conference for Cooperation and Partnership) in August 2021, was held in the context of the ongoing moves toward reconciliation and easing tensions in the region. It brought together the main powers in the region such as Saudi Arabia, Egypt, Turkey and Iran and other countries. It was also held in light of Iraqi efforts to restore its regional position along with striking a balance in its foreign policy and transitioning back to its Arab sphere. Some Iraqi political forces lean toward Iran and want Iraq to strengthen its ties with Iran at the expense of the Arab world.

The Iraqi government held this conference because it was convinced that some internal disputes in Iraq have regional dimensions, and regional tensions and disputes have implications on the internal situation inside the country. Accordingly, easing tensions in the region will definitely de-escalate Iraq's internal tensions, contributing to the establishment of stability across the entire region.⁽¹²⁾

In this context, official Iraqi sources pointed out that the Iraq Neighborhood Summit was an integral part of Baghdad's process of reaching out to neighboring and regional countries. Iraq attempted to bring together international and regional actors around one table to discuss the major political, security and economic issues of common concern, given the fact that Iraq's primary issues: security, combating terrorism, eliminating corruption, reconstruction and water have direct international and regional dimensions and are of an overlapping nature. Thus, Iraq needs a balanced strategy with all parties, which means resolving disputes with neighboring countries.⁽¹³⁾

In the closing remarks at the summit, the participants stressed the principles of good neighborliness, non-interference in the internal affairs of countries and respect for national sovereignty. If these principles are taken seriously and implemented in the coming period, they could tangibly contribute to easing tensions and achieving regional stability, by stopping negative interference in some regional countries, especially Iranian interventions in Yemen, Syria and Iraq.

The final statement also emphasized the need to unify regional and international efforts to positively impact regional stability and security. It also stressed the importance of reaching common ground with regional and international actors to strengthen political, economic and security partnerships, adopt constructive dialogue and consolidate understandings on the basis of common interests. Nonetheless, the region faces common challenges which can only be addressed through joint cooperation efforts and countries respecting the principles of good neighborliness, non-interference in the internal affairs of others and respect for national sovereignty.⁽¹⁴⁾

In the short term, it was not expected that the Iraq Neighborhood Conference would lead to significant outcomes or far-reaching compromises between the countries that participated in it, especially between the Arab countries and Iran — whose relations are marked by tensions and substantial differences over several issues. But this summit represents a step toward dialogue to reach understandings to resolve disputes and crises among regional countries. There is also an opportunity for the Arab countries to reenter the Iraqi arena through the economic and investment opportunities offered by Iraq during the summit. This will enhance rapprochement between Iraq and its Arab sphere



and help it to take more steps and measures to enhance the government's control and curb the influence of the militias allied with Iran, who are thwarting Iraq's efforts to forge closer ties with its neighboring Arab countries.

Signs of New Regional Blocs

In 2021, new regional blocs were created, however, these are somewhat different from the blocs and axes that the region witnessed over the past period. The ones in the past were of a political and strategic nature, but the new ones are focused on economic integration — though they pay some attention to the political and security situation in the region.

Iraq-Egypt-Jordan Bloc (New Levant Project)

In June 2021, a tripartite summit bringing together Iraq, Egypt and Jordan was held in Baghdad. The talks focused on economic, commercial and security cooperation among the three countries for the sake of boosting coordination, advancing the prospects of cooperation in the fields of economy, trade, investment, infrastructure, electric power transmission and oil.⁽¹⁵⁾ This is in addition to enhancing consultation and coordination in relation to the political and security situation in the region and combating terrorism. Ultimately, the aim is to usher in a new era of strategic integration among the three countries based on common interests.⁽¹⁶⁾

This summit was in light of the so-called New Levant Project, first announced by the Iraqi Prime Minister Mostafa al-Kadhimi during his visit to the United States in August 2021. It was envisioned as an economic integration project modeled on European integration. The project brings together Iraq's massive resources, Egypt's tremendous manpower and Jordan's strategic location connecting Iraq to Egypt —with the possibility of including other countries to form a regional bloc capable of addressing common challenges. The project includes several colossal economic initiatives, primarily the electricity interconnection project between Egypt, Iraq and Jordan, and activating an oil pipeline from Basra to the Sinai Peninsula via the Jordanian territories.⁽¹⁷⁾

Despite the significance of this project due to its expected huge development benefits, putting many of its various initiatives into practice in the coming period is considered a major challenge. There are a lot of hindrances, primarily Iraq's political forces aligned with Iran are impeding this project since it would cause damage to Iran's interests in Iraq, especially the proposed electricity interconnection plan. Iraq depends on purchasing Iranian gas to generate electricity. Pro-Iran Shiite armed groups have taken control of the territories where the initiatives under the project are to be implemented including the areas where trade corridors are to be established between Iraq, Egypt and Jordan. This means that moving ahead with this project will remain dependent on enhancing consensus and stability in Iraq, supporting the authority of the central government, and curbing the influence of proxy groups operating outside the state's control.

Economic Integration Between Turkey, Iran, and Iraq

In December 2021, an agreement was announced between Iran and Turkey to open a new chapter in their economic relations. The two sides agreed to hold a joint summit in Tehran to usher in a new era to boost cooperation in the economic and security

fields. In the same vein, the Iraqi government presented a proposal to Turkey to form a regional economic bloc including Ankara, Baghdad, and Tehran, Iraq, and Iran. This bloc would have the potential of becoming a major regional economic powerhouse capable of competing head-to-head with economic blocs across the globe. Furthermore, Iraq offered Turkey investment opportunities in the agricultural, health, banking and commercial fields. It also proposed the opening of two new border crossings with Turkey to facilitate trade between the two countries standing at \$21 billion per year.⁽¹⁸⁾

Such moves came in the context of Turkey, Iran and Iraq seeking to make the biggest possible economic gains to enhance their regional clout and to enhance the stability of their domestic fronts. They are well aware of the importance of the economic dimension in achieving stability, especially given the fact that they are facing major domestic economic and development challenges. Iran is suffering from crippling economic conditions and burdensome financial pressures due to the economic sanctions imposed on it. Iraq is also suffering from a delicate economic situation due to its scant financial resources, declining exports and low levels of domestic investment. Turkey is also facing economic challenges, notably the rise in the inflation rate, capital flight and declining foreign investment due to the country's volatile monetary policy and the surge in fuel prices due to the rise in oil and gas prices worldwide.

A Commercial Bloc Between the UAE, Iran, and Turkey

In November 2021, the activation of a commercial and economic route connecting the UAE to Turkey via Iranian territory — through which containers are transported from the Emirati port of Sharjah to the Iranian port of Bandar Abbas and from there by land to the port of Mersin — was announced. It is a main gateway for Turkey to the Mediterranean. This coincides with the resumption of communication and the improvement of relations between these countries after years of tensions due to disputes over regional issues.⁽¹⁹⁾

This bloc is driven by the desire of the three parties to seek economic benefits while giving precedence to mutual interests over political considerations. Its establishment is also in light of the regional and international rivalries over international trade corridors, oil supply routes and gas transmission grids.

Continued Disputes and Crises and the Prospect of Settlements in the Arab Region

Over the past year, stalemate has been the hallmark of disputes in Yemen, Syria and the Palestinian territories — amid diminishing chances for settlements to be reached. The power struggle has continued to grip Iraq, Yemen, Libya, Tunisia, and Sudan as a result of widening divisions, differences and tensions between elites and political groups and the lack of consensus over the peaceful rotation of power and the rules determining the political process. On the other side, water crises have emerged as a source of tension in the region.

Continued Disputes Amid Diminishing Chances of Reaching Settlements

In Yemen, the year 2021 saw a new wave of bitter military escalation between the government forces backed by the Saudi-led Arab coalition and the Iran-backed Houthis. Fierce battles continued on an unprecedented scale between force of the legitimate government and the Houthis and Ma'rib, which the Houthis are attempting to take



control of due to its strategic location and economic significance. It contains the richest oil and gas fields in Yemen. Moreover, the Houthi militia continued to target Saudi territories with drones and ballistic missiles. The chances of reaching a settlement in Yemen are diminishing due to the intransigence of the Houthis and their refusal to respond to regional initiatives and calls for ending the war.

In Syria, the crisis remained unresolved, with regime forces shelling the opposition-held areas and the sixth round of consultations on the Syrian Constitutional Committee held in Geneva in October 2021 failing to reach tangible outcomes. In addition, the 17th round of Astana talks, held in December 2021, did not produce any tangible results. In the short run, the possibility of resolving the conflict seems very unlikely in light of the regime and opposition forces sticking to their positions and the ongoing military engagement by Russia, Iran, Turkey, the United States and even Israel (through the airstrikes it carries out against the positions of pro-Iran militias and Hezbollah's weapons shipments) in Syria. There is no sign that this engagement will end in the short run, in addition to the lack of consensus among the major regional and international parties, especially Russia and the United States, on a comprehensive and appropriate settlement for the Syrian conflict.

With regard to the Israeli-Palestinian conflict, May 2021 witnessed a round of escalation between the Palestinians and the Israelis. Israel waged a major military campaign against the Gaza Strip in response to the rockets fired at its territories by Hamas and other Palestinian factions. The Palestinian rocket attacks came in response to Israeli police storming the premises of Masjid Al-Aqsa in addition to displacing several Palestinian families from the Sheikh Jarrah neighborhood in Jerusalem.

In general, the standoff occurred against the backdrop of several considerations facing the Palestinians and Israelis. At the Palestinian level, the Palestinian Authority (PA) faced challenges, represented in the severe economic and financial crisis as a result of declining international aid and Israel's insistence to withhold Palestinian taxes. This

is in addition to the political divisions and the dilemma concerning the formation of a Palestinian unity government, as well as the ongoing debate over whether the path of negotiations or resistance is most fruitful for the Palestinian cause. At the Israeli level, a new rightwing government was installed to replace the rightwing government of Benjamin Netanyahu, which means the “tough” Israeli position will not drastically change, particularly in regard to reaching a settlement, establishing a Palestinian state, swapping prisoners and ending the blockade of the Gaza Strip. This means the prospect of reaching a political settlement to resolve the Palestinian crisis — based on a two-state solution — will diminish in the short run. There is the possibility of another round of conflict in light of Hamas and other Palestinian factions in Gaza hinting at escalation in response to Israel’s procrastination regarding the lifting of the blockade imposed on the strip and the slow pace of the reconstruction process.

Internal Tensions and the Ongoing Governance Crises in Some Regional Countries

In Iraq, there were deep tensions and divisions among the political alliances. Iraq faced a political gridlock following the legislative election held in October 2021, which resulted in the Iran-backed Shiite alliances losing a large number of seats in the Parliament. Therefore, it is expected that tensions and a lack of consensus in Iraq, fueled by Iranian interventions, will continue. The aforementioned is in addition to the major structural imbalances plaguing the current political system— which is based on sectarian quotas

As for Lebanon, the past year saw the formation of a consensual government after more than one year of a political vacuum due to the sharp divisions among all the Lebanese forces over ministerial positions. But the new government took over in a volatile atmosphere in light of the serious deterioration of the country’s economic situation. Differences resurfaced among the Lebanese forces over the measures related to the probe into the Beirut Port explosion. On the other side, Lebanese relations with Saudi Arabia, the UAE and Bahrain deteriorated due to the remarks of the Lebanese information minister — who subsequently resigned — regarding the Yemeni crisis.

In Libya, though the armed conflict between the parties struggling for power stopped and an interim government headed by Abdul Hamid Dbeibeh was formed in March 2021, the power struggle (governance crisis) has persisted. This comes in light of the political divisions, the failure to bring state institutions under one governing body and delaying the presidential election — which was scheduled to be held in December 2021— because of differences over the rules regarding its organization and the eligibility of the candidates. This has thrown the political transition process into ambiguity, amid the possibility of exacerbating the divisions and the return of armed conflicts in the coming period. Even if the elections are held in a later period, accomplishing the political transition process in Libya will remain a major challenge in light of the likelihood that the losing parties will reject its results.

In Tunisia, the political transition process faced a major challenge when the Tunisian President Kais Saied on July 25, 2021, suspended the Parliament, stripped lawmakers of immunity, dismissed the cabinet, blocked most of the Constitution’s provisions and amassed legislative and executive powers in his own hands. The aforementioned measures came in light of deep tensions and differences among the political parties

and elites and disputes between the three branches of government. They also came in light of the exacerbating economic and living problems due to the failure of consecutive Tunisian governments since 2011 to implement effective economic reforms.

Amid domestic popular pressure and international calls for setting a timeframe for ending this extraordinary situation created by the measures of the president, a roadmap for the political process was announced in December 2021. It includes keeping the Parliament suspended until new elections are held, organizing virtual public consultations via online platforms from January to March 2021, setting up a committee that will lay out the different proposals related to the political, constitutional and electoral system, holding a referendum on the constitutional amendments on July 25, 2022, and holding legislative elections pursuant to the new laws on December 17, 2022. But the timeframe did not halt the political activism of the forces who opposed the president's measures. In addition, popular protests of a social and economic nature resumed. Therefore, it is likely that the situation in Tunisia in the coming period will see more tensions and instability which could trigger a popular uprising like the one that toppled the former regime in 2011.

In Sudan, the political situation has significantly worsened amid deepening differences between the civilians and the military who have been sharing power since the regime of Omar al-Bashir was toppled. This prompted the army on October 25, 2021, to end the political partnership with the Forces of Freedom and Change, seizing power exclusively. But it later backed down due to pressure from the United States and the European Union. Several factors have contributed to exacerbating tensions between the military and civilian wings of power, most notably: the differences over restructuring the armed forces and making it subject to civilian oversight, the differences over the dominance of the leftwing factions within the government of Abdalla Hamdok and the marginalization of other political forces, the disagreement over the role of the Empowerment Removal Committee which launched a wide-ranging campaign of exclusion against major political factions under the pretext of having links with the former regime, the disagreement over probing into the violations committed by the security forces during the popular protests against the ousted regime and the differences over handing the ousted President Omar al-Bashir to the International Criminal Court (ICC) to stand trial for war crimes committed during the military campaign in Darfur.

Notwithstanding the resumption of the political partnership between the two wings of government — in the context of a new balance of power between the military and civilians — the situation in Sudan could likely see further instability in the coming period due to the ongoing differences between the civilian forces and the military and the divisions among the civilians themselves amid the rifts plaguing the Forces of Freedom and Change. Furthermore, the continued deterioration in economic and living conditions and not taking any effective measures to tackle the marginalization suffered by the outlying parts of the country are likely to contribute to rising instability levels in the country. Finally, the establishment of state institutions during the transitional period such as the Parliament has not been completed and the lack of consensus on a clear practical formula and a timeframe for completing the political transition will add to the volatility.

Water Crises as a Source of Tension in the Region

Over the past year, severe water crises have come to the fore in the Middle East, which has scant resources of freshwater and most countries face huge difficulties in achieving a balance between the limited water resources and the increasing demand for freshwater. In this context, sharing the water of rivers has been a source of contention and a cause of tension between several regional countries. The following are examples of tensions over water:

- **The water crisis between Iraq and Iran:** The row between Iraq and Iran intensified over sharing the water of the Tigris River's tributaries that spring from Iran in light of the lack of a legal framework that specifies the water shares of the two countries. The Iraqi government sought to sign an agreement with the Iranian side to regulate sharing the water of the joint tributaries and to achieve cooperation during periods of water scarcity — but this was to no avail. This prompted Iraq to hint at filing a lawsuit against Iran with the ICJ due to Tehran establishing several dams and withholding the water of the Tigris River tributaries, which caused a severe shortage in Iraq's share of the river's water. These Iranian moves also caused huge environmental and economic problems for Iraq. Baghdad was forced to reduce the areas of cultivable land for the agricultural season 2021-2022 by half after the exacerbation of the water crisis because of the decline in the water flows from the Tigris River tributaries. This coincided with Iraq being impacted by major climate change which resulted in a sharp rise in temperatures and decreased rainfall. This led to a decline in the water levels of the Tigris and Euphrates rivers by half. It is likely that the issue of water scarcity will constitute a source of contention between Iraq and Iran in the future in light of the two countries' suffering from severe water poverty and their inability to balance between the limited level of water resources and rising population figures and development needs.

- **The water crisis between Iraq, Syria, and Turkey:** Over a long period of time, the issue of sharing the water of the Tigris and Euphrates rivers between Iraq, Syria and Turkey has been a source of heightened tension. Iraq and Syria voiced opposition to Turkey establishing a number of dams on the Tigris and Euphrates rivers within the context of the Southeastern Anatolia Project (also known as Guneydogu Anadolu Projesi (GAP), which severely harmed the water rights of both Iraq and Syria. In September 2021, Iraq and Turkey (in the absence of Syria as it is grappling with a civil war) announced they had reached a new agreement on sharing the waters of the Tigris and Euphrates rivers in a way that ensures a fair distribution of water. The agreement stipulated that the water flows from the Tigris and Euphrates rivers would increase, and damage would be borne equitably during periods of water scarcity. But this does not necessarily mean an end to the crisis in light of Turkey's tight grip on the other sources of water flows from the Tigris and the Euphrates through a number of dams such as the Ilisu Dam and the Silvan Dam which are situated on one of the main tributaries of the Tigris River, with construction scheduled to be completed in 2022. Turkey uses this grip as a lever against Iraq and Syria in some issues, such as the Kurdish question.

- **The water crisis between Egypt, Sudan and Ethiopia:** The crisis of the Renaissance Dam (also known as the Grand Ethiopian Renaissance Dam, GERD) — the parties to

TEHRAN'S INVOLVEMENT THE ASSASSINATION AGAINST KADHIMI

The 2021 Iraqi parliamentary elections turned out to be unfavourable to Iran as most of its allies suffered major losses. Iran's arms have protested against the results in recent weeks and Iraqi Prime Minister Mustafa al-Kadhimi was targeted in a drone attack amid rising tensions in the country...

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which are Egypt and Sudan on the one hand and Ethiopia on the other — has entered its 10th year unresolved. The parties to the crisis have failed — after several rounds of talks — to reach a binding legal framework on the filling and operation of the Renaissance Dam which could ensure the interests of the three countries and preserve the water rights of Egypt and Sudan. This comes in light of Ethiopia's rejection of all ideas and initiatives brought forth by Egypt and Sudan to end the crisis and its insistence on imposing a *fait accompli* on the two downstream states through completing the filling of the dam without even reaching an agreement on the rules of filling and operation. This move was denounced by Egypt and Sudan since it poses a direct threat to their water security.

It is likely that the water crises are expected to see more escalation and complications whether at the regional or domestic level. This is due to inefficient water resource management, the lack of comprehensive and effective strategies to address the water crises in the region, and the lack of a comprehensive and cooperation-based perspective for handling the issues related to sharing the waters of common rivers in a way that takes into account the interests of all parties.

The Middle East in Transition: Instability and Uncertainty

The political transformations that took place in the Middle East in 2021 indicate that the region is still going through a transitional period marked by volatility and uncertainty. Some of these transformations included indications of stability — as is the case at the regional level — in light of the relative compromises and the tamping down of disputes and tensions between the major actors. Meanwhile, other interactions indicated instability, especially at the domestic level in light of the ongoing governance crises and struggles in some regional countries.

Yet, the aforementioned transformations point to a relative shift in the nature of regional rivalries and a switch from a focus on political and strategic issues to a broader focus on economic considerations and interests. This comes in light of the increasing development challenges and pressures faced by most regional countries. This shift was reflected in the economic nature of several emerging economic blocs. In the coming period, the prevalence of any of the aforesaid indications — of stability or instability — will depend on the extent of the regional compromises and steps towards reconciliation, and whether or not the compromises contribute to a collective will to settle disputes and tensions, hence easing domestic and regional tensions. It will also depend on how far the new economic blocs lead to more integrated and comprehensive economic and development ventures in the region versus the self-centered narrow interests which have prevailed in the past, which have been a source of competition and tension.

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Iran's Internal Affairs

The Ideological File

The Ideological File for 2021 sheds light on the religious and ideological developments related to the Iranian religious elites and the Shiite seminary — and the impact of these developments on the religious and political landscape and on the seminary's relationship with the public sphere.

The Ideological File of the 2020 Annual Strategic Report touched on the most salient events that occurred in Iran at the level of the seminary and the state. It cast light on the relationship between religious and political forces in Iran — with a particular focus on the seminary's relationship with the public sphere — such as Najaf's efforts to curb Iranian influence and control the behavior of the pro-Wilayat al-Faqih militias. It also touched on the position of the religious elites in regard to addressing the coronavirus pandemic and discussed juristic fatwas that focused on the US presence in Iraq. It concluded with the attempts at religious reform and the Iranian government's concerns about such reforms.

In this file, we seek to highlight the major issues raised in 2021 which will have an impact on the religious and political landscape in the future. This includes the Qom-Najaf dispute, which appeared in regard to several religious and political issues such as the issuance of fatwas regarding elections, the Pope's visit to Najaf and the Iranian denunciation of the visit and the relationship between the Taliban on the one hand, and the entire Shiite community on the other. We will attempt to address the aforementioned issues as well as their religious and political dimensions — such as: What were the implications of employing religious discourse and fatwas in the public sphere, particularly during the course of the election in Iran by the pro-Wilayat al-Faqih



clerics? What will be the fate of the Najaf-Iran standoff in light of its increasing pace and widening scope due to the expansion of the contentious issues between both parties? And finally, what will be the future and posture of the Shiite community in Afghanistan following the Taliban's takeover of power? And what is the Iranian position toward the developments in Afghanistan?

Infusing Politics With Ideology: Clerics and Elections

The clerics embracing Wilayat al-Faqih did not hesitate to employ religious tools — both sectarian and jurisprudential — for the sake of enhancing the legitimacy of the Iranian political system and justifying its political positions.

Fatwas in the Face of Foes

Ahead of the Iranian presidential election in June 2021, politically motivated calls to boycott the election surfaced. Regardless of the political dimension, it is a political right enshrined in democratic laws and constitutions. What irked the Iranian ruling elite about the calls to boycott the election was that they were made by Iranian nonpartisan youths.⁽¹⁾ The government resorted to the employment of religious discourse to thwart the growing calls to boycott the election. Cleric Ahmad Alamolhoda, the Friday prayer leader in Mashhad, stressed that whoever calls on the people to boycott the election was an “unbeliever.” He said that “Iran was in need of a jihadist president, whose primary concern was the Iranian people and at the same time supported by jihadists.”⁽²⁾ Ahmad Khatami, Tehran Friday prayer leader, emphasized that participation in the election was “the only way to counter US globalization,” and described those calling for a boycott as the enemies of the Iranian people.⁽³⁾ Ayatollah Jannati, the secretary of the Guardian Council, said the aim of the election was to strengthen the foundations of the Islamic government.⁽⁴⁾ The pro-Wilayat al-Faqih clerics considered a boycott of the election to be a crime and an act of treachery. They rendered it to be an obligation to participate in the election and prohibited people from boycotting it. Tehran Friday prayer leader Ahmad Khatami said, “This vote means another yes vote for the Islamic Republic. Those who weren't able to vote yes for this regime at the beginning of the revolution, June 18 is the day for renewing one's allegiance to the Islamic regime.”⁽⁵⁾ At the same time, Mostafa Haji, the supreme leader's representative in Iran's Revolutionary Guard Corps (IRGC) said, “We need a government that obeys the supreme leader and considers that the basic system of society is related to the supreme leader's preferences.”⁽⁶⁾ Thus, according to Haji, there is a need for a dependent government, one that obeys the supreme leader in everything. Hence, an election is merely ceremonial and symbolic. It is a sort of government that is welcomed by the Iranian ruling elite's intellectuals.

The politicization and employment of religion was not limited to clerics and preachers — but extended to the Supreme Leader Ali Khamenei himself who said that participation in the election was a religious obligation and “an individual” duty, not a collective one. He also said that the participation of women did not require the consent of their husbands.⁽⁷⁾ It is peculiar that women who are prevented from taking over senior positions such as the presidency and other posts are politically employed as long as it

favors the political system even if it leads to family breakdown. This call by the supreme leader was likely to stir up political differences within the same household.

Counter-Employment of Religion

The supreme leader and his confidants used religion as a political tool to defame their foes, enhance the legitimacy of the political system and turn the tide of the election in their favor. Yet their foes countered them using the same weapon: religion. Ayatollah Mahmoud Amjad criticized the supreme leader and accused him of imposing ignorance on the Iranians with the aim of continuing with his clerical dictatorship.⁽⁸⁾ This religious dictatorship leads to only one voice and opinion in the country.⁽⁹⁾ In his message, he said the election was a farce and everything was in the hands of the supreme leader.

The unforgivable sin is that you — through the stick and thuggery — made God's servants your own slaves and totally eradicated the core essence of this republic. You blocked the road to any sort of freedom and shamelessly incited the ignorant to inflict harm on people's lives and properties. You marginalized the mystics, terrified clerics and belittled them. This comes at a time when it's no secret that all the major and minor details — from purchasing a vaccine, choosing a minister, and interrogating the oppressed and placing them under house arrest — are set by yourself. You again pose in front of the camera and play innocent, preaching about injustice and those wronged.⁽¹⁰⁾

Amjad has previously taken positions hostile to the supreme leader. He has blamed him for shedding the blood of protesters since 2009.⁽¹¹⁾ On another occasion, the Society of Seminary Teachers of Qom attacked Amjad who has been living in exile for years. The organization described him as “being ignorant, a Kharijite, a fool, bankrupt and disobedient to the ruler.”⁽¹²⁾

Alireza Araf, head of Iran's seminary, considered that the remarks of Amjad against the supreme leader were “rude and will not go unpunished.”⁽¹³⁾ He said that the remarks of Amjad go against the divine orders. Hence, he must await the heavenly punishment.⁽¹⁴⁾

In general, it could be said that the Iranian ruling system spared no effort to use religion and employ it in its political battles for the sake of enhancing its legitimacy and defaming its foes. This employment of religion happens regardless of the negative impact on the reputation of the Shiite sect, the prestige of clerics and the violation of the sect's historical and jurisprudential traditions. Hence, the establishment is only concerned about its narrow political interests — exploiting clerics as a vehicle to achieve its ends.

The Iran-Najaf Dispute and Its Political Implications

It seems that the Iran-Najaf dispute is deep and rages on at various levels, particularly at the religious and political levels. Najaf seeks to preserve its jurisprudential legacy, its religious interpretations and political vision. But Tehran wants to seize the position of Najaf to benefit the rule of the guardian jurist. It should be noted that not all clerics

in Qom are pro-Wilayat al-Faqih. There are clerics in Qom who are against Wilayat al-Faqih, but they fall under the authority of the Iranian government and its repressive apparatuses that deny them the space to express their views or undertake opposition activities. If they do otherwise, they would be subject to repression and face a crackdown, without fair or transparent trials. On the other side, Najaf believes that the autonomy of the religious seminary from the state is a central and historical issue. It has room for maneuverability and keeps itself aloof from political pressures and dictates, unlike Qom, which has been under the authority of the Iranian government since 1979, which has denied it autonomy and maneuverability.

The Iraqi Election – Between Najaf and Qom

Pro-Wilayat al-Faqih clerics not only employed religion and issued fatwas to influence Iranians, but they also did the same beyond Iran's borders. In the Iraqi parliamentary election, Iran threw its weight behind the political factions close to it and the political wings of the militias backed by it. Ayatollah Kazem al-Haeri issued a fatwa in October 2021 rendering it unlawful to vote in favor of or support “whoever calls for the occupation forces to stay on the soil of Iraq and doesn’t call for driving them out.” He also rendered it unlawful to elect all those who are “hostile to the Popular Mobilization Forces (PMF) or those who disguise themselves under the calls for integrating the PMF into the national security forces — with the aim of obliterating or diluting it — for the sake of satisfying foreigners, enemies and those who are corrupt.”⁽¹⁵⁾ The cleric took aim at Najaf via his fatwa. Najaf has always called for integrating the PMF into the official security institutions — a demand dismissed by the Iranians and their armed militias. Haeri believes in Wilayat al-Faqih in its absolute version. He rejects the notion that there are multiple guardianships even though there are multiple countries and multiple jurists. This is because the interests of the Iranian Supreme Leader necessitate a single guardianship only.⁽¹⁶⁾ He also dismissed the “Shoura of the Jurists” theory.⁽¹⁷⁾ He is among a group of clerics who issued fatwas rendering it an obligation to launch attacks against US troops in Iraq under any pretext. He legitimized the acts of the armed militias and factions.⁽¹⁸⁾

By contrast, Najaf did not interfere in the Iranian presidential election though it is genuinely at ideological odds with Wilayat al-Faqih. It believes in the constitutional government in the absence of the Infallible Imam. In the Iraqi parliamentary election, it issued a statement, in which it urged the Iraqi people to participate in the fifth parliamentary election — which was not perfect according to the view of the marjaya — because it would avert worse scenarios from playing out.⁽¹⁹⁾ These worse scenarios include ongoing Iranian interventions and leaving the arena for Iran's proxies to take control over all matters in Iraq or impact the independence of Iraq and its sovereignty — thereby impacting the Najaf Marjaya, the preeminent and historic marjaya for Shiites across the world.

The Najaf Marjaya was content with reiterating general principles, without dipping into electoral details. It did not specify certain names which the Iraqi people should vote for, but it called on voters not to vote for those who were known for corruption, an implicit reference alluding to Iran's proxies in Iraq.⁽²⁰⁾ Najaf believes in the nation-state

and a constitutional government in the absence of the Infallible Imam and does not interfere in Iranian affairs. At the same time, it called on the other side not to interfere in Iraqi affairs. Najaf focused on the issue of sovereignty and warned of ongoing efforts by some Iraqi actors to subordinate Iraq to external decision-making — in reference to Iran's role.⁽²¹⁾

Najaf and the Vatican: The Iranian Concern

In the context of the Iran-Najaf dispute, and Tehran's efforts to curtail Najaf, Iranians were concerned about the visit paid by the Pope of the Vatican to Najaf in March 2021 and his meeting with Ayatollah Ali al-Sistani.

Iran believed that Najaf's openness to the world and international actors, especially the Vatican, made it the official representative of the Shiites instead of the guardian jurist. This would allow Najaf's role to swell and would boost its internal legitimacy among Shiite taqlid incubators, and make it appear as a body that calls for peace and dialogue in contrast to Iran, which does not believe in dialogue and supports militias.

This Iranian concern appeared in several remarks made by Iranian clerics or Iraqi clerics embracing Wilayat al-Faqih. Abu Ali al-Askari, a leader in Kata'ib Hezbollah, criticized the visit, saying "We shouldn't be so optimistic about the visit of the Pope of the Vatican and that he will make our homeland peaceful. He should rather reform his tiny country, the area of which is no more than the area of a district in Sadr City in Baghdad, before coming forward to reform the homelands of others."⁽²²⁾ He then questioned the idea of interfaith dialogue completely.⁽²³⁾

But Moqtada al-Sadr blessed the visit and responded to the aforementioned remarks made by the pro-Wilayat al-Faqih leader. He said, "I have heard that there are some who oppose the Pope's visit. I would say that openness to other faiths is something commendable. The Pope's visit to Iraq is welcomed. Our hearts before our doors are open to him."⁽²⁴⁾

Alamolhoda announced that the Pope's visit to Najaf was in the context of the global forces of arrogance's attempts at polarizing Shiites and dividing them into secular Shiites – who have no interest in social issues, nor are they concerned with politics and management — and revolutionary political Shiites.⁽²⁵⁾ He then officially accused the Pope of being on an American mission. "The Pope was on an American mission here since he knew that the source of the confrontation with the United States is the Shiite marjaya."⁽²⁶⁾ He said that the Americans turned to the Pope because they had failed to handle the Iranians.⁽²⁷⁾ Then he openly denounced Najaf, calling on it to criticize the Pope and remind him of the "butchering" of Iraqi Christians in the province of Nineveh and the destruction of their churches.⁽²⁸⁾

Overall, the Iran-Najaf dispute is snowballing day after day and rages on across different trajectories — away from differences over jurisprudential, technical and interpretive issues. The Iranians have politicized the sect to conquer Najaf and promote the ideology of Wilayat al-Faqih.



The Taliban and the Shiite Community: Iran Is Watching

When the Taliban took over Kabul in August 2021, a state of concern and caution prevailed in Iran. This is because the history of relations between Iran and the Taliban has been tense at many points. Despite the existence of diplomatic channels between the two sides, the dispute between the two sides is self-evident due to their different understandings and interpretations of religion and past animosities.

The Iranian Position and the Shiite Community

Before the Taliban took over power, there were Iranian overtures toward the group. An editorial by Keyhan newspaper in June 2021 mentioned that there were no reports of horrendous crimes committed by the Taliban or something similar to what ISIS had done in Iraq. The newspaper said that the Taliban had announced that “we have nothing to do with Shiites in Afghanistan.”⁽²⁹⁾

In August, after the Taliban took over power, the Iranian supreme leader said, “Iran will support Afghanistan whatever the circumstances are.”⁽³⁰⁾ In a message that appeared to be directed to those opposed to Iran-Taliban relations, Khamenei said, “We support the state of Afghanistan. Governments come and go, but the Afghan nation will remain.”⁽³¹⁾ In harmony with Iran’s policy, the spokesman for Kata’ib Hezbollah in Iraq said that the Taliban takeover of Afghanistan was a major blow for the United States and its clout in Central Asia.⁽³²⁾ On accepting Taliban rule, he said this was the choice of the Afghan people. “And we respect this choice as long as it doesn’t pose a threat or embrace a takfiri exclusionary ideology.”⁽³³⁾

But the Iranian “reformists” rejected the rapprochement between Tehran and the Taliban. They dismissed what they called “the Taliban version of Islam.” Former Iranian President Mohammad Khatami criticized Iran’s pragmatism when dealing with the Taliban despite its human rights abuses, the absence of democracy in the country under its rule and its oppression of Shiites.⁽³⁴⁾

The Iranians are well-aware of the differences between the Taliban and ISIS. The former is a local militant group that does not embrace a global Islamic agenda and is a Maturidite Sufi group, not a Salafi one. At the same time, Iranians are well aware of

the fact that the group's traditionalist nature, steeped in traditional jurisprudential heritage, makes it immune from Iranian attempts to infiltrate it. The Iranians have pursued a pragmatic strategy to achieve mutual interests as the group is a reality that cannot be dismissed. Hence, Brigadier Ismail Qaani, commander of Iran's Quds Force said, "What concerns us in Afghanistan is that nobody causes harm to Iran's interests. The American plan is based on pushing Iran to fall out/clash with the Sunni world. Thus, Iran must work in a way that doesn't cause harm to its security and to prevent America from achieving its ends."⁽³⁵⁾ He also reiterated that Shiites in Afghanistan are important for Iran and Tehran is attempting to resolve the Afghan question without war, to ensure all ethnic/religious groups have a role in running Afghanistan.⁽³⁶⁾

The "reformists" criticized these remarks, which prompted Fars News Agency — a media outlet close to the IRGC — to comment and respond to the criticisms. It said "marshaling 15,000 fighters within the Fatemiyoun Brigade to fight against a 100,000-strong militant group is impossible. It could ignite a broader Shiite-Sunni dispute."⁽³⁷⁾ It is as if the media outlet wanted to say that yes there are differences with the Taliban but the Afghan reality prevents the Iranians from engaging in an open confrontation with the Taliban since the balance of power on the ground between the Iran-backed militants and the group's fighters tilts in the latter's favor.

As a result, Afghan Shiites have had to deal with the new reality from a pragmatic perspective. After the Taliban takeover of Kabul, the Fatemiyoun Brigade was forced to deny in a statement issued on August 12, 2021, that it had offered to help the Afghan government forces in fighting against the Taliban.⁽³⁸⁾ Hojatolislam Sayyed Issa Hosseini Mazari issued a statement in which he opposed the anti-Taliban protests in Iran.⁽³⁹⁾ He also denied the reports that Taliban fighters had committed violations against Afghan Shiites.⁽⁴⁰⁾

The Taliban and Messages of Reassurance

The Taliban sought to reassure the Shiite community at home and abroad following its takeover of Kabul. It issued a statement on August 13 in which it announced a general amnesty for all and reassured everyone regardless of their political orientations and religious affiliations.⁽⁴¹⁾ In reality, the Taliban participated in a Hosseini assembly to reassure Afghan Shiites. A Taliban leader ordered that Hosseini (Shiite) processions must be protected, and must not be attacked, while instructing that no Sunni figure should be insulted during the course of the processions.⁽⁴²⁾ The Russian ambassador to Afghanistan considered that the "The initial steps taken by the Taliban towards the Shiite sect in the country "are encouraging."⁽⁴³⁾

The Taliban denied in a statement that it intended to demolish the statue of a Shiite figure in Afghanistan. It put up the Hosseini flags torn up by some of its fighters.⁽⁴⁴⁾ This indicated that the group has learned from its past experiences. It avoided hostility toward Iran and refrained from opening disputes that would stir up regional and international animosities. At the same time, the Taliban attempted to calm the Afghan Shiite community and include them in its government project.

Overall, it is likely that the Taliban will continue to pursue a rational approach toward the Shiite community as it is busy fighting its number one nemesis, the IS-KP, which

makes the targeting of Shiites a religious and political priority. Hence, the Taliban — to avoid being placed in an awkward position regionally and internationally — is committed to defending the interests of the Shiite community, especially their rituals and acts of worship, although the group is keen to place some restrictions on them. Yet, the group does not want to open a new front of dispute with Iran and its allied Shiite groups at home without an urgent need for this. As for the Shiites, they are also behaving pragmatically toward the group. They seek to maintain their interests and take advantage of the group's revisions in light of it giving up on its old jurisprudential heritage.

Conclusion: The Future of Intra-Shiite Differences and Relations With the Taliban

Based on the foregoing, it can be said that Najaf is concerned about the expanding Iranian political, religious, and military clout via its aligned proxy militias in Iraq. It tirelessly seeks to curb this expansion and attempts to preserve its historical clout among Shiite taqlid incubators. But Iran seeks to diminish Najaf's influence, calling into question its activities — as it did during the visit of the Pope of the Vatican — and even counter its clout in regard to the issuance of fatwas concerning Iraqi affairs — as it did during the Iraqi parliamentary election. Iran's employment of religion and exploiting it with the aim of achieving its interests and rendering dominant the rule of the guardian jurist over the entire Shiite community has not been limited to its boundaries. It spilled over into other countries like Iraq and Afghanistan. In Afghanistan, Iran and the Shiite community have attempted to pursue a pragmatic approach when dealing with the Taliban since the Iranians are aware that they are dealing with a traditionalist fundamentalist outfit that is engaged in a holy war against the United States and its fighters are full of zeal, and embrace the Sunni Maturidite doctrine, which makes it hard for Iran to confront it or create an open front with it.

The following two conclusions can be made:

First: The Iran-Najaf dispute over Wilayat al-Faqih and its clout in the Shiite world in particular and the Islamic world in general is likely to rage on. It is unlikely that any of the parties to the dispute will concede ground in the short term. The Iranians want the Najaf seminary to totally surrender and submit to the authority of the guardian jurist (wali faqih), given his authority, dominance, and guardianship over all Muslims. Such guardianship knows no boundaries and encompasses both jurists and the masses. The Qom-Najaf dispute may end if one of them prevails over the other or when the features of the post-Sistani Najaf and the post-Khamenei-Qom become evident as indicated in the 2020 Annual Strategic Report.

Second: It is likely that the relations between the Taliban on the one hand and Iran and the Shiite community on the other will remain calm, and will largely follow the path of negotiations with some disputes and differences surfacing from time to time because of their sectarian and political divergences. There are many factors that prevent the collapse of relations between the two. Each of them is in need of the other. And both of them seek to end the US presence and weed out ISIS.

REPORT

ABOLISHING THE POSITION OF THE GRAND MUFTI IN SYRIA: Significance and Implications



Religion is routinely employed in politics to confer legitimacy. Politicians, opposition groups, whether militant or peaceful, are well aware of this fact and of the centrality of iftaa (issuing religious edicts) in the collective mind of the people. Therefore, this reality should be considered when analyzing the details of the decree issued by Syrian President Bashar al-Assad to abolish the position of the grand mufti in the country.

The decree stipulated that "Article 35 of the law regulating the work of the Ministry of Religious Endowments — by virtue of which the general mufti of the country is designated — shall be abolished." At the same time, the decree enhanced the powers of the Jurisprudential and Scholarly Council affiliated with the Ministry of Religious Endowments...

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The Political File

The control of the “conservatives” over the Iranian Parliament, the mass exclusion of the “reformists” before the presidential election and the “conservatives” engaging in disputes with former President Hassan Rouhani and threatening to depose and impeach him were the most significant events in the Iranian arena in 2020.

The Annual Strategic Report released by the International Institute for Iranian Studies (Rasanah) in 2020 predicted that the pressure on Rouhani's government would continue through 2021 and the "conservatives" would continue to defame the "reformists." It also predicted that the "conservatives" would do everything in their power to win the presidential election — which happened in 2021. The "conservatives" imposed the utmost pressure on the Rouhani government in its last year in office. They pursued this strategy even after his presidential term had ended. When it comes to the "conservative" plots to take control over the decision-making centers within the Iranian governing apparatus, the Guardian Council and security services carried out an extensive engineering process during the presidential election, not seen since 1979, in favor of Ebrahim Raisi. He was the favorite candidate of the supreme leader and the "hardliners." In this file, we offer a reading into the issues that shaped the major political developments in Iran throughout 2021. At the end of the file, we touch on the future of the political situation in Iran in light of the "conservatives" control over the political scene.

In Its Last Year, the Rouhani Government Faced Tougher Scrutiny

Former Iranian President Hassan Rouhani attempted to end his last year in office quietly, without sparking collisions or tensions with his political rivals in the "conservative" camp. But there were a host of factors that encouraged the "conservatives" to exercise the toughest pressure and level the harshest criticisms at the Rouhani government. The primary factor was the presidential election, for which the "conservatives" paved the way to victory by tarnishing the image of their rivals in the "reformist" movement since the latter were the principal backers of Rouhani. In addition, Rouhani had worked tirelessly to convince the supreme leader of starting nuclear talks to return to the nuclear deal, hence leading to the lifting of US sanctions imposed on Iran. This meant that Rouhani was a stone's throw away from ending the dilemma of the nuclear deal and lifting US sanctions before the end of his presidential term. But the "conservatives" always insisted on delaying the issue of the nuclear deal until a new government was formed.

Blaming Rouhani for the Internal Crisis

To ramp up the pressure against the Rouhani government during its last months in office, the "hardliners" downplayed the damage caused to Iran because of the sanctions imposed against it. They argued that 30 percent of the problems and crises hitting Iran were because of US sanctions. The rest of the crises were caused by mismanagement. Rouhani categorically rejected these accusations.⁽⁴⁵⁾ Moreover, Rouhani considered that the nuclear law known as the "Strategic Action Plan to Lift Sanctions and Protect the Iranian Nation's Interests" passed by the Iranian Parliament thwarted the trajectory of the talks regarding Iran's nuclear program and prevented the lifting of the sanctions imposed on his country.⁽⁴⁶⁾ In principle, Rouhani wanted to say that the US sanctions imposed on Iran — as well as the policies of the "hardliners" whether in Parliament or in other state apparatuses — were the major factor causing the crises in Iran. This position of Rouhani is backed up by data and the current realities in Iran since Trump's withdrawal from the nuclear deal in 2018. Indicators confirm that the US withdrawal

from the nuclear deal and the re-imposition of US sanctions were highly costly for the Iranian people. They indisputably led to the decline in living standards and caused severe damage to the Iranian economy.

The “conservatives” did not stop pursuing Rouhani even after his presidential term came to an end. In September 2021, a parliamentary committee called for filing an official complaint with Iran’s judiciary against Rouhani on charges of negligence in relation to the deterioration of the value of the national currency and the stock market crisis resulting from the sale of government bonds. Nearly 500,000 religious schools, university students and other social segments lodged a series of complaints with the Iranian Parliament — apparently pressured by Rouhani’s foes — in which they demanded that the former president be taken to court over several files, including the depreciation of the national currency, the appointment of spies and dual nationals to sensitive posts and the infiltration of enemies into Rouhani’s negotiating team which concluded the 2015 nuclear deal. This is in addition to accusing Rouhani of being involved in the killing of more than 200 Iranians during the unrest that engulfed the country in November 2019 over the hiking of fuel prices.⁽⁴⁷⁾

These moves and the multiple complaints against former Iranian President Rouhani indicate the intent of the “hardliners” within the Iranian ruling system to mar Rouhani’s reputation and deny him any future role in Iran’s political process. The same was the case with several of Rouhani’s predecessors such as former President Mohammad Khatami, who is banned from travelling and speaking to the media, and President Mahmoud Ahmadinejad, who shifted from being Khamenei’s and the “conservatives” loyalist to a pariah. But it seems that the supreme leader has a different way of dealing with Rouhani following the end of his presidential tenure. In the last days of December 2021, a meeting between the supreme leader and Rouhani, which lasted for more than an hour, was widely reported in the media.⁽⁴⁸⁾

Leaking Zarif’s Audio Recording: The Significance of the Timing

During the final months of the Rouhani government, another crisis emerged, prompting the “conservatives” to unleash more criticism and put more pressure on Rouhani. An interview of the Iranian Foreign Minister Mohammad Javad Zarif was leaked. The interview was one in a series of interviews titled “Beyond the Government,” which aimed to chronicle the tenure of Rouhani for inclusion in the presidential archive.

In the leaked audio recording, Zarif revealed several issues — the details made public were rather minimal — including the nature of security coordination between the IRGC and the Iranian Ministry of Foreign Affairs. He revealed the extent of Quds Force Commander Qassem Soleimani’s control over Iran’s foreign policy. Zarif said, “The battlefield is the priority for the regime and it outlines the country’s foreign policy.” Zarif also said that diplomacy has always been sacrificed for the sake of the IRGC’s military operations throughout the region. The former foreign minister also said that the Quds Force was more than an IRGC wing. It also had the “most powerful say” over foreign policy in general, and nuclear policy in particular. From Zarif’s viewpoint, the Quds Force believes that its missions and powers extend beyond regional and military issues. Its leaders also believe that they have the legitimacy to interfere in internal and foreign



affairs. In another important part of the interview, Zarif said that the “conservatives” in Iran attempted to obstruct the 2015 nuclear deal through taking several steps. These steps began with Soleimani travelling to Russia and ended with the attacks targeting the Saudi embassy in Tehran. Zarif also accused Russia of not wanting Iran to reach an agreement in relation to its nuclear program and accused the IRGC of conspiring with Russia to thwart the nuclear deal, which greatly derailed Iran’s diplomacy.⁽⁴⁹⁾

This audio leak sparked huge controversy inside and outside Iran, which prompted President Rouhani to call for an inquiry into what he described as a “conspiracy,” and called for those responsible for the leak to be arrested. He also believed that publishing the leaked audio was a blow to the successes that were achieved during the nuclear talks.⁽⁵⁰⁾

The timing of the leak indicated a host of significations and scenarios that are inextricably linked to the events that Iran has been witnessing such as the nuclear talks which the Rouhani government sought to make successful but stumbled into opposition from the “hardliners” within the Iranian government. The other event was the presidential election held in June 2021 and the efforts exerted by the “conservatives” to cast aside their “reformist” foes and pave the way for winning the election. Based on these two events, it could be said that Zarif’s audio was leaked for one of the following reasons:

- The first reason is that Zarif’s rivals leaked this interview to finish his political career and prevent him from entering the presidential race. The status of Soleimani was

exploited to defame Zarif within Iran's state apparatuses, especially in the Guardian Council which is tasked with vetting presidential candidates. In this regard, Zarif repeatedly announced that he would not enter the presidential race. This audio leak spelled the end of all the attempts of "reformists" such as former President Mohammad Khatami and Hassan Khomeini (grandson of the founder of Iran's political system) to convince Zarif to contest the presidential election. During a closed-door parliamentary session about the audio recording, Zarif officially announced that he did not intend to enter the presidential race. This was done to spare himself from the electoral equation and to reassure his "hardline" foes that he would not run.

- The second reason is that this leak was deliberate — to show that Zarif is a person who is critical of the situation in Iran, perhaps to encourage the Iranian street to participate in the presidential election given the importance of voter turnout for the political system, especially when it comes to proving its legitimacy.
- The third reason is that the timing of the leak was intended to send a message to the Biden administration so that it seizes the opportunity before the tenure of the Rouhani government ends to reach a nuclear settlement and to avoid the imminent change in Iran: the election of a "hardline" government which would embrace a much tougher line in relation to the Iranian nuclear file. But if the aim of the leak was to call on Western countries to reach a settlement with Iran over its nuclear program, these countries are well aware of the fact that the "hardliners" continuously insisted on delaying the talks until a new Iranian president was elected. Furthermore, Zarif's audio leak and his talk of having no real role in Iran's foreign policy could be another factor that put off Western countries from moving ahead with the nuclear negotiations since they would have been a waste of time under the Rouhani government.
- The fourth reason is that the leak was a diplomatic maneuver to clear the Foreign Ministry of the practices and misadventures of the IRGC, which is accused of committing crimes on behalf of the Iranian government overseas.

Aside from the reasons behind the leak of the interview, it could be said that the content of the interview revealed to the world the differences raging within Iran's state apparatuses. It also indicated the dangerous role that Iran's embassies play abroad and the role of the IRGC in curtailing the powers of the Foreign Ministry and employing it to serve the needs of Iran's spheres of influence.

New "Hardline" Government and Ongoing Challenges

The efforts of the "conservatives" to wrest control over all the decision-making centers within the Iranian ruling system took clear shape in the parliamentary election held in February 2020. The Guardian Council disqualified most candidates, especially the "reformists" and "moderates." This angered President Hassan Rouhani, who leveled criticisms against the Guardian Council. He said, "Elections cannot be held this way."⁽⁵¹⁾ Ahead of the electoral campaigns of the presidential election, the "reformists" had warned the Guardian Council of the consequences of repeating what happened in the parliamentary election, in reference to the major disqualification of candidates and how it contributed to the low percentage of voter turnout.⁽⁵²⁾

Engineering the Electoral Process

The Guardian Council continued to pursue the old strategy of disqualifying “reformist” candidates. It played a major role in steering the election (toward the “conservatives”) when it announced that only seven candidates were qualified to enter the presidential race from the total of 592 candidates who had registered their candidacy — on top of the list was Ebrahim Raisi who won the presidency.

It seems that the Iranian establishment resorted to this policy after it became aware of the changes in Iranian society and the shift in the public mood. In addition, the government reached the conviction that as a result of the multiple setbacks suffered by it, the woeful failure to improve the economic conditions, and the excessive repression of popular protests which Iran has been witnessing since 2017, the presidential election could see a turnout lower than the parliamentary election held in February 2020. In light of this, Iranian officials resorted to the so-called revolutionary legitimacy to ensure the survival of the political system and downplay the calls for boycotting the election.

The “hardline” nature of the ruling system is a critical factor in the selection of Iranian presidents. Thus, the “hardliners,” including the supreme leader, lean more towards choosing a new “conservative” president, who would be obedient and more in line with their orientations. Thus, they picked Ebrahim Raisi as he studied under the Supreme Leader Ali Khamenei in the religious seminary and was appointed to run the Razavi Shrine in Mashhad. Khamenei gradually improved Raisi’s image and elevated him to the most senior positions when he picked him as chief justice to replace Sadiq Amoli Larijani. Forecasts indicate the possibility of Khamenei elevating Raisi to the presidency to prepare the ground for him to become the next supreme leader.

Criticisms and Accusations Besiege the Guardian Council and Security Services

A barrage of stinging criticisms were leveled against the Iranian ruling elite because of “engineering the presidential election.” A huge number of candidates, especially the “reformists” and their allies, the “moderates,” were disqualified. The “reformist” camp in Iran believed that the Guardian Council’s approach/behavior towards the election and elected institutions not only breached the rights of citizens and violated national sovereignty, but it also rendered the election meaningless. As for President Hassan Rouhani, he warned that the Guardian Council’s practices would lead to popular participation in the election declining, which would impact national interests, national security and the political system’s image worldwide.⁽⁵³⁾ Other “reformists” said that the Iranian ruling elite shifted from the phase of engineering elections to the phase of selection.⁽⁵⁴⁾

The Guardian Council faced severe criticisms from Sadiq Amoli Larijani, one of its senior members and the chief of the Expediency Discernment Council. He decried the disqualification of some candidates, including his brother Ali Larijani, blaming the security services for influencing the decisions of the Guardian Council after submitting false reports about the candidates. Less than three months after Raisi was elected president, Sadiq Amoli Larijani resigned from the Guardian Council. The supreme leader appointed the “hardline” cleric Ahmad Hosseini Khorasani in Larijani’s place.

It seems that the security services' involvement in the disqualification of candidates for presidential elections is not something new. Heydar Moslehi, the former Minister of Intelligence of Iran (2009-2013) revealed in a televised interview days before the last presidential election that he advised the Guardian Council to disqualify the late "reformist" figure Hashemi Rafsanjani in the 2013 election under the pretext of preserving the Iranian political system and because officials from among the ruling elite concluded that Rafsanjani would win the election if he contested it.⁽⁵⁵⁾

In response to the mass exclusion of candidates, several activists launched multiple campaigns inside and outside Iran against the presidential election — describing it as a "farce." This prompted the supreme leader to issue a fatwa rendering unlawful the boycotting of the election⁽⁵⁶⁾ since a boycott would chip away at the Iranian political system's legitimacy.

It is clear that the main aim behind cutting out heavyweight politicians from the Iranian political landscape was to direct votes in favor of one candidate: Ebrahim Raisi. To achieve this end, even those who were close to the supreme leader were disqualified such as Ali Larijani who was expected to be Raisi's most powerful opponent because of his "moderate" views and the possibility that the "reformists" would vote for him.

It seems that the "hardliners" plans to make Raisi the favorite to win were well-considered and well-crafted. Two candidates — Saeed Jalili and Alireza Zakani — dropped out of the presidential race and announced their support for Raisi. Their withdrawal aimed not to scatter the votes and ensure that Raisi would win the election in the first round. Even the televised presidential debates among candidates were not like those in the past. The five "conservative" candidates did not spout vitriolic criticisms against each other, primarily focusing on criticizing the Rouhani government. Meanwhile, the two candidates leaning towards the "reformists," Abdelnasser Hemmati and Mohsen Mehralizadeh, who dropped out of the presidential race in favor of the former, focused on directing criticisms at their rivals. The "conservative" candidates helped Raisi defeat Abdelnasser Hemmati, who leveled stinging criticisms against these candidates during the debates. Hemmati accused them of being merely a prop-up for Raisi. He was correct about this as some of them dropped out of the race in favor of Raisi and the latter rewarded some "conservative" candidates after winning the election. He appointed Mohsen Rezaee, who came in second place in the election, as his deputy for economic affairs. He also appointed Ghazizadeh Hashemi as chairman of the Martyr Foundation. Alireza Zakani, who withdrew from the race in favor of Raisi, was appointed as the head of Tehran Municipality.

Results of the Presidential Election and the Cabinet Lineup

As a result of the measures pursued by the "conservatives" to determine the identity of the winner, the outcome was to a big extent expected. The election saw Raisi winning the presidency. He captured 18 million votes, far ahead of all his rivals. Mohsen Rezaee came in second with 3.4 million votes and Abdelnasser Hemmati with 2.4 million votes. Amir-Hossein Ghazizadeh Hashemi took the last position by winning 1 million votes of the total 28.9 million votes. Voter turnout reached 48.8 percent⁽⁵⁷⁾ of the total eligible voters of 59,310,307. This was the lowest turnout in the history of Iran's presidential



elections since 1979. For the first time in the history of the revolutionary government, the last presidential election produced a new phenomenon to protest against the exclusionary policies of the Iranian leadership and express anger at its practices. There was an unprecedented surge in invalid and blank votes. Voters deliberately left voting tickets blank, voting for none of the candidates. The number of invalid votes exceeded the number of votes won by Mohsen Rezaee.

Sharing Senior Positions Between the “Hardliners” and the IRGC

Less than two months after winning the presidential election, on August 11, 2021, Ebrahim Raisi submitted his cabinet lineup to the Iranian Parliament. After two weeks of deliberations, the Parliament voted to grant confidence to 18 of the proposed ministerial nominees, excluding one minister, who was the minister of education, for lacking the expertise and experience required for running this important ministry.⁽⁵⁸⁾

In his cabinet lineup, Raisi relied on “conservative” figures.

A number of them had worked under former President Mahmoud Ahmadinejad and a number of the ministers were among those close to Raisi and who worked with him whether in the Razavi Shrine in the city of Mashhad or during his term as Iran's chief justice. The cabinet lineup did not include any women. However, Raisi appointed Ansieh Khazal, the former director of Al-Zahra University and an Arabic language professor to the post of vice president for women and family affairs.⁽⁵⁹⁾

Raisi's presidential victory was expected to give room to the IRGC to strengthen its clout within the ruling institutions, hence continuing its security grip inside Iran and fomenting tensions in the region through supporting aligned militia groups with money, weapons and military hardware.

It appears that disqualifying candidates favored by the IRGC such as Mohammad Saeed, the former chief of Khatam Al-Anbiya Construction Headquarters and the withdrawal of the former Minister of Defense Hossein Dehghan was based on promises

made to the IRGC that it would have a significant level of participation in the new government. Despite the warnings of Khomeini, the founder of the Iranian political system, to the IRGC against engagement in politics, it seems that the IRGC's control over the economy and its role in the country's security and foreign policy domains and the limitless support it receives from the Supreme Leader Ali Khamenei motivate it to tighten its grip over the state's apparatuses through playing a central role in Iran's political life. Table 1 highlights the IRGC's influence in the new Iranian government.

Table 1: Major Positions Granted to IRGC Commanders and Affiliates in Raisi's Government

Name	Position	Former Position in the IRGC
Mohammad Mokhber Dezfali	First vice president	Assistant to the head of the Mostazafan Foundation
Mohsen Rezaee	Vice president for economic affairs	Former IRGC chief
Ahmad Vahidi	Minister of Interior	Former commander of the IRGC's Quds Force
Rostam Ghasemi	Minister of Roads and Urban Development	The Quds Force's deputy commander for economic affairs
Ezzatollah Zarghami	Minister of Cultural Heritage, Handicrafts and Tourism	Former IRGC general
Abedin Khorram	Governor of East Azerbaijan	Commander of the IRGC's East Azerbaijan Ashura Corps
Saeed Mohammad	Raisi's advisor on free trade and industry and special economic zones	Advisor to the IRGC chief, and the former commander of its Khatam Al-Anbiya Construction Headquarters
Yaghoubali Nazari	Governor of Razavi Khorasan	Commander of the IRGC's Imam Reza Corps

Name	Position	Former Position in the IRGC
Ahmad Mohammadizadeh	Governor of Bushehr	Commander of the IRGC's second naval zone
Mehdi Dosti	Governor of Hormozgan	Former deputy director of the IRGC's Khatam Al-Anbiya Oil, Gas, and Petrochemical Holding.
Mohammad-Taghi Shahcheraghi	Governor of Qom	IRGC commander in Tehran governorate

Prepared by: Center for Studies and Research, Rasanah IIIS, 2022.

Challenges and the Street's Position Toward the Government's Performance

After the “conservatives” success in engineering the election in favor of Raisi and leading the political scene in Iran, the ball is now in their court. The Raisi government is facing a litmus test before the Iranian public. It is now presented with the challenges and thorny crises that the former President Hassan Rouhani was accused of causing because of the failure of his economic plans and his failed bet on the nuclear deal and US sanctions. This is in addition to his failure to address a host of issues such as improving the deteriorating economic conditions, the inability to halt the declining value of the national currency, mismanagement in the aftermath of the droughts which hit Iran, poor policies contributing to the eroding legitimacy of the Iranian political system, the failure to improve relations with neighboring countries, and the failure to wipe out corruption. Moreover, Rouhani failed to address the consequences of the coronavirus pandemic, was unable to take advantage of the confidence it gained from the “conservatives” to make progress, failed to restore the street's confidence in the Iranian political system and, more importantly, failed to reach a settlement regarding the Iranian nuclear program, which is the chief source of the crippling economic crisis and international isolation facing the country.

Until December 2021, more than five months had passed since Raisi took power. During this period, his government faced multiple criticisms over appointments and faced accusations of nepotism, which contradicted his electoral slogans on fighting corruption and reliance on qualified personnel. Criticisms are no longer confined to social media platforms. Several newspapers and media outlets have criticized this matter. Thirty-five lawmakers warned of appointments based on family relationships, and reiterated the necessity of preventing this and criticized the fact that qualified individuals were overlooked in forming the government in favor of agency personnel.⁽⁶⁰⁾

Iranians have not felt any tangible change under Raisi and his promises have not materialized. On the occasion of the first 100 days of the government's tenure, an opinion poll conducted by Iran's Keyou Analytics revealed more than half of Iranians (50.4 percent) were dissatisfied with the government's performance. With regard to the economic conditions during the first 100 days of the Raisi government's tenure, the results showed that on average Iranians gave the government 2.4 on a five-point scale, a low to medium grade. Nearly 78 percent of Iranians were dissatisfied with the performance of the government when it comes to controlling prices which continue to soar.⁽⁶¹⁾

As for the nuclear file, for which Raisi hopes to reach a settlement in order ease the economic squeeze which Iran is experiencing, he has yet to make headway despite resuming negotiations in November 2021 after a five-month pause. The stalemate in the nuclear talks is caused by what the Western countries consider impossible demands and which Washington describes as "procrastination" by the Iranians. On top of the demands come lifting all the sanctions imposed on Iran and offering guarantees that Washington will not pull out of any new deal with Iran.

Even the multiple visits to the Iranian provinces, considered by some as the defining characteristic of the Iranian President Ebrahim Raisi, during the first months of his tenure were criticized not only by the "reformists" but also by the "hardliners." They argued that the visits would not contribute to addressing the consecutive crises which Iran has been facing for years. The "hardliners" downplayed the importance of inspection visits. Iranian lawmaker Mahmoud Ahmadi-Bighash described these visits as "makeshift solutions." He also blasted Raisi meeting several Iranian citizens and directly asking them about the problems they were facing, considering this a disaster, especially if the government was unaware of such problems in the first place.⁽⁶²⁾

Conclusion: The Future of the Political Situation in Light of the "Conservatives" Control Over the Scene

In light of the developments in Iran's political arena during 2021, and the way the "conservatives" seized control of the executive branch of government point to the possibility of ongoing popular rejection of the Raisi government in the coming period. This rejection may die down only in case the president succeeds in taking tangible steps to restore public confidence in the Iranian political system, make noticeable improvements when it comes to civil liberties, the economic situation and openness to the world. For the first time in years, the president of the republic will be — in intellectual, ideological and political terms — close to the "conservative" institutions wielding massive clout within the Iranian political system. Thus, Raisi will be an important part of the "conservative" circle within the Iranian political system. He will find huge acceptance from the supreme leader and "hardline" bodies within the political system.

Despite the criticisms directed by the lawmakers toward Raisi over the past few months, in general the Parliament is expected to be less confrontational with the new government, which will enable Raisi to easily and comfortably pass big decisions and laws. In spite of the hindrances placed by the "conservatives" in the path of the nuclear negotiations, the government will work on bringing closer the viewpoints between

itself and the “hardliners” to reach a solution that settles this issue. This is due to the importance of reviving the nuclear deal to improve the economic situation — a situation that has become a major concern and challenge to the last two presidents who ruled Iran over the past 16 years.

The “conservatives” control over the Iranian Parliament, Raisi’s winning of the presidency and appointing the former judge and intelligence officer Gholam-Hossein Mohseni-Eje’i as chief justice raised the concerns of human rights activists about human rights worsening in Iran over the coming period.

It is expected that the coming period will witness a steep decline in civil liberties and a harsh crackdown on the protests against the policies of the Iranian political system.

As for Iran’s foreign policy, the Iranian government is expected to focus on the nuclear talks and ways to find common ground with the United States to conclude an agreement on its nuclear program. The deteriorating economic conditions along with Iran’s desire to reach a solution for its nuclear file may lead Raisi to de-escalate tensions abroad, especially with regional countries.

In the end, in case the Supreme Leader Ali Khamenei is unable to continue performing his duties or in case of an emergency, Raisi will have a major role in choosing the next supreme leader. Maybe he himself will be chosen as the next supreme leader, especially given that Khamenei was the president of Iran before becoming the supreme leader after the death of Khomeini in 1989.

See also

REPORT

RAISI

SIDELINES RIVALS TO APPOINT “HARDLINERS” TO KEY POSITIONS

New Iranian President Ebrahim Raisi and his team face an uphill battle to circumvent Western sanctions due to Tehran’s non-compliance with the terms of the nuclear deal concluded with world powers in 2015, known as the Joint Comprehensive Plan of Action (JCPOA). The United States withdrew from the deal in 2018, reinstated tight sanctions on Iran, but insisted that Tehran should comply with the deal. Raisi will try to untie Iran’s economy from the fate of the nuclear deal, so that it functions whether or not the sanctions remain in place.

As a first step, he is sidelining political rivals, so that only his “hardliner” supporters are involved in making future policy decisions.

Read more at www.rasanah-iiis.org



The Economic File

The 2020 Annual Strategic Report concluded with a series of forecasts, and most of these materialized in 2021.

These included: no significant improvement in Iran's economic conditions after Joe Biden took over the US presidential office, a limited improvement in some economic indicators such as modest growth, driven by a slight increase in oil exports, a limited improvement in the balance of payments, a deepening budget deficit and the pursuit of some populist policies by the new government reflecting the platform of the "hardline" religious movement in Iran. Furthermore, the forecasts included continuing pressure on the livelihoods of the Iranian people and this came about in light of increasing poverty rates, record-shattering inflation rates, and an unprecedented decline in the value of the national currency. The aforementioned were due to certain financial policies that were pursued by the Iranian government in 2021.



The Economic File in 2020 forecasted that the negotiations between Iran and the West would be delayed to the second half of 2021, amid the possibility of seeing a partial lifting of the sanctions by the end of the year due to the worsening economic situation inside Iran. This did not happen until the end of the year. Even though the negotiations started in late November 2021, they have not produced any outcomes due to Iran's intransigence and refusal to make concessions in order for the sanctions to be lifted.

This is despite the fact that the domestic front continues to suffer from economic crises and the suffering of the Iranian people continues, reflecting the lack of responsibility and economic rationality by Iran's decision-makers.

The current file will touch on three main developments in order to provide a comprehensive picture of Iran's economic performance in 2021. In addition, the file will look at the immediate and future implications of this performance. The three main axes are the following: First, the growth of the economy and the main sectors and activities in Iran. Second, the changes related to inflation, unemployment, national currency, and the social ramifications. Third, the developments related to the Iranian state's commercial and economic performance. Finally, the future scenarios for Iran's economy during 2022.

The Growth of the Economy and the Main Sectors and Activities in Iran

Before discussing Iran's economic growth throughout 2021, we will briefly look at the potential of the Iranian economy, its strengths, and weaknesses in general. This is in addition to looking at Iran's growing economic challenges and how the Iranian government has dealt with these through approaches based on economic resilience. This will be followed by a detailed analysis of Iran's economic growth in 2021.

Strengths and Weaknesses of the Iranian Economy

As for the economic strengths of Iran, these include its geographically strategic and commercially beneficial location linking South and Central Asia to Europe through the Strait of Hormuz, the most important route for the passage of trade and oil in the world. In addition, it has vast natural and mineral resources such as oil, gas and iron, and a young and cheap workforce. Finally, it has an industrial and agricultural competitive advantage that has allowed it to dominate the markets of some neighboring countries.

Meanwhile, the Iranian economy has many weaknesses, the most dangerous of which is its structural problems such as the decline in economic freedom, the "ideologization" of the economy, widespread corruption, internal divisions, and ongoing disputes with the West. This is added to capital flight, brain drain, and dependence on unstable sectors such as oil exports, which are vulnerable to sudden fluctuations and the modest growth of the productive sectors such as industry. Iran has refused to sign international financial and economic agreements such as the Financial Action Task Force (FATF), and others.

The consequences of US sanctions and the coronavirus pandemic are considered to be the most urgent economic challenges facing Iran. The Iranian political system responded to these challenges through pursuing economic resistance policies, offering local alternatives as much as possible — albeit at a lower quality and prices that increase day after day — and attempting to meet the basic needs of the Iranian people such as providing food and medicine to ensure the continuation of the political system. In addition, it attempted to secure the largest amount of hard currency to compensate for the national budget deficit through exporting to neighboring countries and Eastern allies such as China and Russia and activating its smuggling networks in collaboration with front companies operating overseas and run by the IRGC and the Quds Force. This

is in addition to the state-run charitable endowments (waqf) and corporations that generate revenues and promote the profile of clerics among the ordinary Iranian people.

The Evolution of Economic Growth in 2021

In 2021, the Iranian economy saw a slight improvement in GDP after two years of economic recession which began with the new US sanctions in 2018 and the coronavirus pandemic. This growth, estimated at 2 percent, was mainly driven by an increase in oil exports to China and non-oil exports to neighboring countries and Central Asia and the initiation of a nationwide coronavirus vaccination campaign. It is worth noting that the Iranian statistical centers estimated higher economic growth rates through the first half of the current year 1400 HS. ^(*) compared to the rates announced by international financial institutions. However, the growth achieved throughout the year was insufficient and intangible. It did not positively impact the livelihoods of the Iranian people or extend its positive impact to other economic indicators such as inflation, unemployment and the budget deficit which will be discussed in detail in the coming axes. Growth was primarily limited to one sector, which was the oil sector (see Table 1). On the other side, the services and agricultural sectors remained in the grip of recession, the biggest sectors in terms of employment, with an estimated 25 million workers employed in these two sectors.

**Table 1: Changes in GDP Growth and
the Growth of the Primary Economic Sectors in 2020 and 2021**

Rate of change (%)	2020	2021
Nominal Gross Domestic Product	\$174.5 billion	\$190.2 billion
Change in the real GDP	3.4 %	2%
Industrial sector	8.4%	3%
Agricultural sector	4.5%	-3%
Services sector	0%	-3.7%
Government spending	-2.3%	3.5%

(*) The Iranian fiscal year begins on March 21 of each Gregorian year. According to recent statistics published by the Central Bank of Iran, Iran's gross domestic product (GDP) grew during the first half of the year by 3.3 percent at a fixed rate in the Iranian year 1395 AH. According to the data of The Statistical Center of Iran, GDP grew by about 5.9 percent at a fixed rate in the Iranian year 1390. The contribution of the oil sector to GDP reached 58 percent according to the Central Bank of Iran, and 41 percent according to The Statistical Center of Iran. For further information see: Iran Chamber of Commerce, <https://bit.ly/3sFPX8>

Rate of change (%)	2020	2021
Private spending	-0.5%	1%
Imports of goods and services	-29.2%	4%
Exports of goods and services	-5.4%	25%

Source: Economist Intelligence Unit.⁽⁶³⁾

The services sector accounts for the largest segment shaping the structure of Iran's economy, or over 50 percent of GDP. On the other side, there is a smaller share for each of the productive sectors (industry and agriculture) in contributing to GDP.

The growth of both the services and agricultural sectors went down by -3.7 percent and -3 percent respectively in 2021, according to the estimates of the British magazine *The Economist* (see Table 1). This may have occurred due to Iran being hit with the fifth wave of the coronavirus pandemic, which negatively impacted private business as well as religious tourism. In addition, the country experienced a wave of severe drought during the summer of the year – the worst in five decades. The drought negatively impacted agricultural production, resulting in poor crop yields and contributing to soaring prices. Meanwhile, the industrial sector grew by 3 percent in 2021, chiefly due to the growth of the oil industry, amid the ongoing damage to vital industries such as the country's automotive and spare parts industries in general.

US sanctions led to a contraction in imports and a scarcity of raw materials, as well as a shortage of production inputs and spare parts. As a result of the scarcity of foreign currency and government restrictions on imports from abroad, Iranian imports went down by an average of 32 percent during the years 2018/19 - 20/21. Imports began recovering slowly in the second half of 2021.

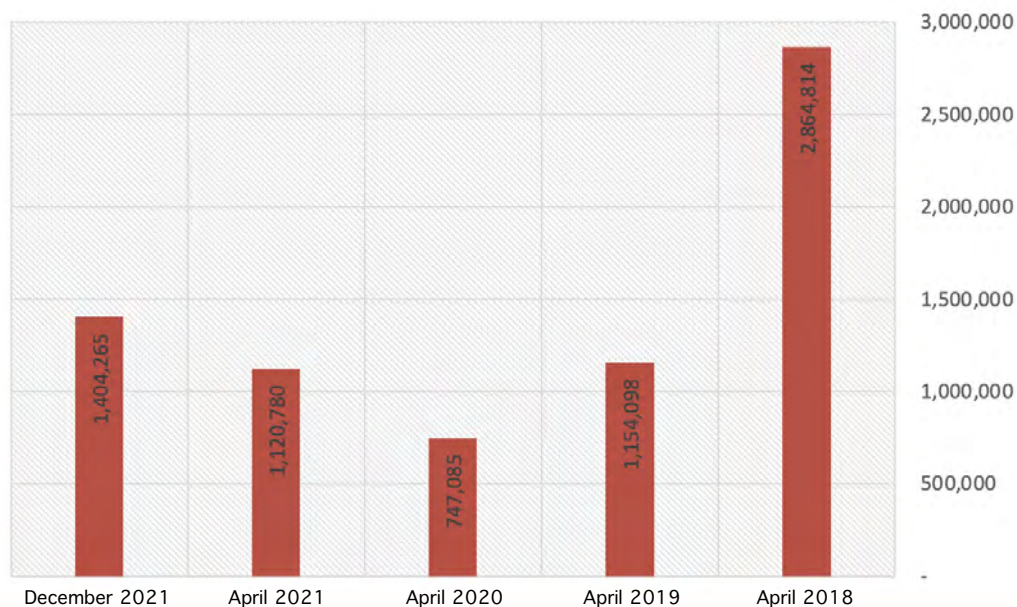
Exports of oil, petrochemicals and oil derivatives were among the most important locomotives of economic growth throughout 2021. Iran compensated for the decline in its exports of crude oil — compared to the era preceding the imposition of sanctions — by exporting manufactured oil products that are classified as non-oil exports, such as petrochemicals, gasoline, and other petroleum derivatives.^(*) The provenance of these exports is hard to trace and they were sometimes smuggled to neighboring countries such as Afghanistan and others.

Despite the surge in the rates of crude oil exports and its condensates in the second half of 2021 — most of which were exported to China — the rates are still less than half of those posted in April 2018 before the imposition of US sanctions (see Figure 1). Iran

(*) Petrochemical exports constitute the lion's share of Iran's non-oil exports. During the nine months from March to December 2021, they accounted for 42 percent of the total value of non-oil exports, or nearly \$15 billion out of \$35 billion.

has lost, according to the Iranian petroleum minister, more than \$120 billion since the implementation of US sanctions in mid-2018.

Figure 1: Crude Oil and Gas Condensate Exports (April 2018 - December 2021)



Source: UANI.^[64]

Iran's exports of crude oil and gas condensate together declined to about 1.1 million barrels per day in April 2021, compared to over 2.8 million barrels per day in April 2019. The majority of oil exports went to China followed by unknown countries that were not tracked. This is in addition to some neighboring countries such as Syria, the UAE and Venezuela. This industry is urgently in need of investment to develop and continue production. Investments were estimated at least \$200 billion before the US sanctions.

Overall, the aforesaid indicates that there was an insignificant growth in Iranian GDP in 2021 due to the oil sector and an upsurge in non-oil exports. But this growth did not extend to other sectors such as agriculture and services, the biggest sectors in terms of employing Iranians. It also did not result in improving other macroeconomic indicators related to the livelihoods of people as discussed in the following heading.

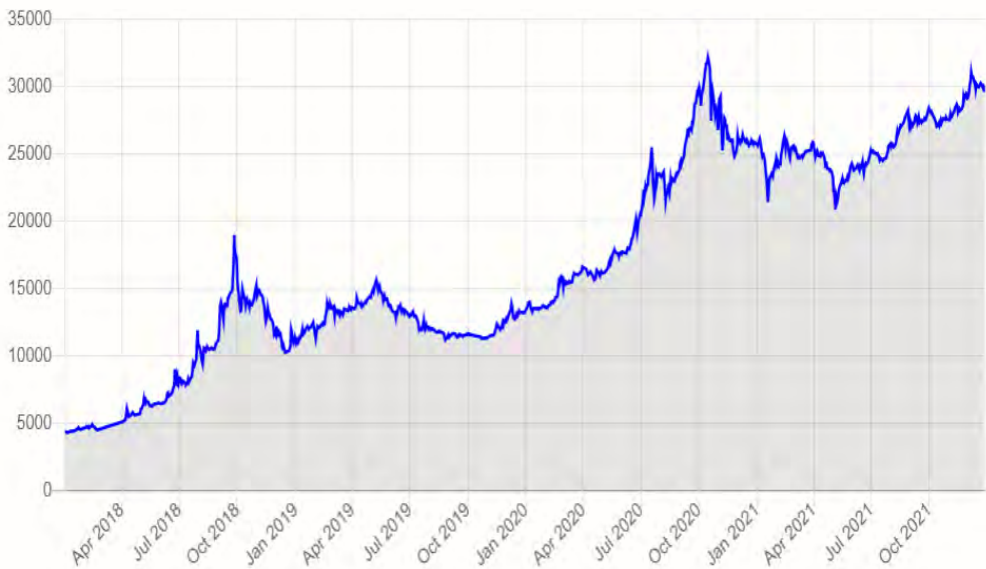
The Changes Related to Inflation, Unemployment, National Currency and the Social Ramifications

The Iranian currency endured a set of sharp depreciations against foreign currencies in 2021 and before. There were several factors that caused such slumps, including US sanctions, the government's excessive injection of liquidity, and finally the consequences of the coronavirus pandemic. In addition, the currency was impacted by the internal

and external upheavals and events throughout the year such as the Taliban takeover of Afghanistan in August 2021 (see Figure 2) and the rise in food prices globally. All these factors combined led to a trade balance deficit and a scarcity in the country's hard currency revenues.

This resulted in increasing the cost of imports and production inside Iran, hence triggering a rise in prices, especially food prices, to unprecedented levels. It also increased the poverty rate and the number of destitute in Iran. The coronavirus pandemic and the high prices of primary foods, such as wheat and oil, worldwide exacerbated inflation in Iran in 2021 because local agricultural production was insufficient, specifically after a severe drought hit the country last summer. It is considered the most severe drought in five decades. This is in light of a large proportion of the country's agricultural production depending on irrigation through rainwater.

Figure 2: Iranian Toman to Dollar (January 2018 - December 2021)



Note: Price of one toman to one US dollar.

Source: Bonbast.com.^[65]

The toman lost more than 85 percent of its value since the beginning of 2018 until the end of 2021.^[66] The exchange rate of one dollar reached 30,000 toman at the end of 2021, compared to about 4,000 toman at the beginning of 2018, i.e., an increase of 650 percent against the toman. In addition to the impact of US sanctions, the currency rate was negatively impacted by the Taliban takeover of power in August and the disruption of Iranian exports to Afghanistan. Prior to the Taliban coming to power, Kabul was a vital hub of foreign currency smuggling into Iran.

The currency setbacks impacted the inflation rate in Iran. This became evident over the past three years since the US withdrawal from the 2015 Iranian nuclear deal. But it

became much more apparent in 2021. The average consumer price index was posted at 58.3 percent over the 12 months ending in August 2021,⁽⁶⁷⁾ according to leaks to the Iranian media about a tally prepared by the Central Bank of Iran on the state of inflation in the country and by approximate comparison. ^(*)It is the highest rate recorded by the Central Bank of Iran since World War II, specifically since 1943. The danger of this surge lies in increased pressure on livelihoods, and poverty worsening, especially as the major price surges impacted the prices of food, healthcare, medicine, and housing. Food prices surged 58 percent in December 2021 compared to the same month in 2020. There was also a surge of at least 50 percent per square meter of housing, particularly in the capital, Tehran, and nearly 40 percent for healthcare.

For a closer picture, Table 2 shows the significant upsurges in the prices of basic foodstuffs. The poorer classes mainly consume rice, legumes, vegetables, and oils. A family of three needs nearly 11 million tomans (\$367) to live a decent life, while the average income of a working family is 4.2 million tomans (\$140) according to the Supreme Labor Council.⁽⁶⁸⁾ This means there is a gap of about 7 million tomans every month.

Table 2: Surges in Food Prices in Iran (September 2021)

Item	Rate of rise
Iranian rice	56%
Vegetable ghee	90%
Oil, sugar, pasteurized and powdered milk	70%
Peeled peas, cucumber, eggplant	59%
Lentils	50%
Tomatoes	132%
Onion	102%
Carrot	294%

Note: The table illustrates examples of surges of food items in September 2021, compared to September 2020.

Source: Hamshari Online.⁽⁶⁹⁾

Society and the quality of everyday life in Iran were negatively impacted by the decline in the national currency's value and the soaring cost of living. The poverty rate also surged in the country. The poverty line (the lowest income level needed to meet

(*) The statistics of Central Bank of Iran are based on the Iranian calendar (March 21st -January 21st) unlike the International Monetary Fund which is based on the Georgian calendar (January-December

the minimum needs of living) reached 1.2 million tomans per month in 2020. About 35 percent of Iranians, nearly one in three, lived under this line, according to the Iranian Parliament.⁽⁷⁰⁾ Amid the spike in inflation in 2021, it was certain that the poverty rate would surge in 2021 compared to the rate posted over the last year (2020) (see Table 3). On the other side, real wages and productivity went down due to the deep recession, high inflation, unemployment and the fact that there was a large number of unemployed people — estimated at 2.4 million. The unemployment rate in the age group from 18 to 35 years was 17.6 percent in the first half of the Iranian year 1400 HS.

Yet, there was a surge in emigration, with Iranians searching for a better life. Tallies show that the emigration rates of Iranians tripled during the period from 2017 to 2020, according to the Iranian Migration Observatory (IMO).⁽⁷¹⁾ Price hikes and lower real wages usually bring benefits to the rich and the owners of productive capital. They, therefore, become richer while the poor get poorer and class distinctions between members of society widen as well as other psychological and security implications for society.

Table 3: Indicators of Economic Performance in Iran

Local currency	Decline by more than 85% (between 2018 and 2021)
Food prices inflation	58% (in December (year-on-year basis 2021))
Medicine prices inflation	40% (in December (year-on-year basis 2021))
Unemployment rate in the 15-24 years old age group	25.7% (During the second quarter of the year 1400 HS)
Unemployment rate in the 18-35 years old age group	17.6%
Portion of the Iranians under the poverty line	35% (in 2020)
Iranians emigrating abroad	Tripled (between 2017 and 2020)
Local capital flight	\$100 billion (since the imposition of sanctions)

Data sources: Statistical Centre of Iran, Central Bank of Iran (unofficial statistics), Iran Migration Observatory, Ministry of Labour and Social Affairs (Iran), and Financial Tribune.

Prepared by: Center for Studies and Research, Rasanah IIIS, 2022.

The Developments of Iran's Commercial and Financial Performance

The Iranian government has relied on foreign trade to shore up its currency and internal stability since the imposition of US sanctions. Since Ebrahim Raisi took over as president of Iran, he has been promoting economic diplomacy via his Foreign Minister

Hossein Amir-Abdollahian in an attempt to increase Iranian exports by focusing on Iran's neighboring countries, circumventing sanctions, forming trade partnerships and formally entering into regional organizations such as the Economic Cooperation Organization (ECO) and the Shanghai Cooperation Organization. Iran initiated the process to join the latter in December 2021.

The pillars of Iran's foreign trade during the period of US sanctions depended on the markets of China and the UAE in the first place, followed by the markets in neighboring countries such as Iraq, Turkey, and Afghanistan. In recent years, Iran's commercial plan was to boost trade with neighboring countries. By contrast, Iran lost most of its major partners in the European and Southeast Asian markets such as Korea, Japan, and Taiwan. The current trade performance, i.e., for the year 2021, improved compared to 2020, but it was still far below pre-sanctions levels. This caused the trade balance surplus to plummet from \$33 billion in 2018 to only \$3 billion in 2020, and a deficit in the second half of 2021. In addition, the government introduced restrictions on imports to curb the decline in the national currency's value by controlling the gap between exports and imports.

Apart from oil exports estimated alone at \$31.5 billion in 2021, the non-oil trade performance in Iran posted growth compared to the past year. Imports exceeded exports to make up for the local production shortage. Iran's total non-oil trade reached \$72 billion during the last nine months of 2021, (*) posting a 38 percent growth in terms of value and 11 percent growth in terms of weight compared to the same period last year. Exports reached \$35.1 billion, growing 40 percent, while imports hit \$37 billion, up 37 percent compared to the same period last year.⁽⁷²⁾ This produced a trade balance deficit of nearly \$2 billion (see Table 4).

**Table 4: Iran's Foreign Trade With Its Biggest Partners
(March 21 to December 21, 2021, in Dollar Billion)**

Exports	Imports		
China	10.2	The UAE	11.5
Iraq	6.8	China	8.4
Turkey	4.1	Turkey	3.1
The UAE	3.4	Germany	1.4
Afghanistan	1.4	Switzerland	1.3
Total exports to the world	\$35.1 billion	Iran's total imports from the world	\$37 billion

(*) March 21-December 21, 2021.

Exports	Imports		
The most important export- ed items	Petrochemicals, natural gas, meth- anol, polyethylene, alloys, iron pipes, gasoline	The most important imported items	Corn, soybeans, sunflower, bar- ley, wheat, sugar, palm oil, carbon electrodes, refined vegetable oils

Data source: The Iranian Customs Administration

Prepared by: Center for Studies and Research, Rasanah IIIS, 2022.

Regarding the financial performance of the Iranian government during the fiscal year 1400 HS (March 21, 2021 to March 2022), Raisi's government inherited a fiscal deficit from its predecessor, Rouhani's government. The deficit continues to increase. According to the Iranian Parliament's Research Center, the budget achieved less than half of its targeted revenues during the first four months and a half of the fiscal year. It forecasted a fiscal deficit of at least \$10 billion by the end of the fiscal year on March 20, 2022.⁽⁷³⁾ The International Monetary Fund estimated a net budget deficit of 6.45 percent of GDP in 2021⁽⁷⁴⁾ one of the highest deficits in the Middle East. This growing deficit was due to a shortage of revenues from selling oil and collecting taxes.

Iran finances its deficit through local borrowing, the sale of assets, and stocks and bonds as well as via injecting liquidity to fill the deficit gap, run state apparatuses, and pay salaries. Hence, liquidity grew over the 12 months ending in November 2021 by 42 percent compared to the same period in 2020,⁽⁷⁵⁾ a staggeringly high rate when compared to the country's low economic growth and high inflation rates. Yet, the Iranian government issued Islamic bonds (sukuk) for a period of four months starting from March 21 to August 6, 2021, more than 20 percent of the officially allocated amount of bonds in the entire 2021 budget. ^(*) Iran only resorted to external debts if there was an extremely urgent need. It borrowed from allied countries such as Russia. Iran's external debt is estimated at nearly \$11 billion, while the government's public debt is estimated at tens of billions and is said to account for 33.6 percent of GDP in 2021, according to the International Monetary Fund.

The first budget bill of the new government was introduced in the Iranian Parliament in December 2021 to be debated and approved in the new fiscal year that begins in March 2022. The bill indicated some of the future approaches and directions of President Ebrahim Raisi. It included boosting spending on internal security and defense, which combined make up nearly one-fifth of the budget, the largest portion of the overall budget, canceling the subsidized dollar price allocated for the purchase of critical items such as food and medicine — set at 4,200 tomans — in favor of the market exchange rate of 30,000 tomans per dollar. This is in addition to a huge taxation increase such as departure taxes on people who travel abroad. On the other side, the budget included more realistic forecasting than the previous budgets: a relatively high inflation rate would continue, liquidity would not be injected, no borrowing from the central bank,

^(*) March 21-December 21, 2021.

and ration cards to be replaced with cash subsidies for households to prevent the former being channeled to those that are not in need of it.

Finally, the first budget bill under Raisi forecasted oil exports at 1.2 million barrels per day. This rate is less than half of the pre-sanctions export rate and nearly half of what was forecasted in the 2021 budget. This means that the Iranian government believes that the sanctions will continue during 2022 and via its budget sent a message to the outside world that Iran will not rely on the lifting of sanctions. By forecasting a low oil export rate, the Iranian government wants to send the message that it depends on Raisi's ability to manage

the economic situation even without renewing the nuclear deal. Therefore, there is no need to make concessions in the ongoing nuclear negotiations with the West.

Conclusion: The Iranian Economy's Forecast for 2022

We can describe 2021 as a continuum of 2020 in terms of the ongoing poor economic performance of Iran in general — though some macroeconomic indicators witnessed a very limited improvement over the past year. But there was a bigger decline in many other indicators, especially those directly impacting the living standards of the Iranian people. Daily life became much more difficult for the Iranian people in 2021 compared to 2020.

It is not likely that economic growth in Iran will pick up and the other economic and living indicators will improve without US sanctions being lifted. This is because sanctions — over the course of history — have slowed down the drivers of economic growth such as local investment and have led to a complete halt in foreign investment, capital flight, especially from the industrial sector. There was also little public and private consumer spending as the Iranian economy essentially depends on oil exports. This led the government to grapple with an increasing budget deficit and a shortage in revenues due to an embargo on the country's oil exports. In addition, the purchasing power of citizens declined as the national currency declined more than 80 percent since the sanctions were implemented. Yet, inflation has reached record levels. One of the important drivers of growth, such as imports, contracted at an average of 32 percent through 2018/2019 to 2020/2021.

On the other side, continuing to depend on high Chinese demand for Iranian oil to boost economic growth is uncertain in the short run. This will depend on the stability of the





Iran's Economy

2021

Sources: International Monetary Fund, World Economist Outlook (October 2021), Economic Indigence Unit, Iran (December 2021 & January 2022), Worldometers : Bonbast, and Iran Statistical Center. (<https://bit.ly/3AgPMon>).



1.6
million km



85
million people



0.7%
Population growth



75.5%
Live in urban areas



Toman, the official currency

(30,000 for one USD/ in the black market, by the end of 2021)



2%
Real GDP growth



17%
Unemployment rate
(age group 35-18)



58%
Food-price inflation
(In the last nine months of the year)



44%
average consumer prices



10.6% - 6.45%
Budget deficit-to-GDP ratio
(Estimated)



34%
General government
debt-to-GDP ratio



70.6%
Population below poverty line
(Estimated)



\$100+ billion
capital flight from Iran
(since the start of sanctions)



\$120+ billion
losses of oil sector
(since the start of sanctions)



\$34 billion oil exports



\$11 billion external debt

Chinese economy itself — which is uncertain in the short run amid rapid global crises, and the future course of Iran's nuclear negotiations with the West in light of Tehran's inflexibility.

Reaching a nuclear deal that satisfies all the concerned parties, would result in the lifting or easing of sanctions and this is the key to improving the economic situation in Iran in the future. Less than 12 months after the lifting of sanctions, the signs of economic recovery would begin to emerge for both the economy and the Iranian people. There would be an injection of tens of billions of dollars into the government's treasury due to oil sales doubling to the outside world and Tehran would be able to access its frozen assets overseas estimated at \$120 billion. Furthermore, Iran would likely achieve a current account surplus, which would help stabilize the toman. This in addition, to an injection of foreign and industrial investments into various economic sectors and a diversity of imports such as food items and advanced machinery. The aforementioned would boost growth rates, reduce prices and unemployment rates and really improve the living conditions of the poorer segments in Iran.

There are urgent economic needs that place pressure on the Iranian government to find solutions, particularly in light of the ongoing nuclear negotiations with the West. For example, there is an urgent need to develop the oil industry and gas fields; both are the most important sources of hard currency for the country. The sectors need over \$200 billion in the form of investments. The country planned to secure the sum in phases in collaboration with European companies in 2016 following the signing of the nuclear deal. But the plan was not implemented because of the reimposition of all sanctions in 2018 and the withdrawal of all investments. Capital was withdrawn from the oil industry and other industries, which suffered from dilapidation and a shortage of spare parts such as the automotive industry and aviation. This flight also led to worsening socio-economic conditions, and the differences between classes widening, and record-breaking hikes in the prices of food and other essential items. Based on the foregoing, there is no doubt that Iran will continue to seek to reach a nuclear deal with the West in the near future. Iran does not seek compensation for its losses over the past three years, but just to stop these losses and resume rebuilding the economy.

See also

POSITION PAPER

The Iran-China 25-Year Comprehensive Strategic Partnership: Challenges and Prospects

China signed a landmark partnership agreement with Tehran on March 27, 2021. The importance of this agreement lies in its timing, the nature of its provisions, its longevity, the amount of investment, and its potential ramifications on the regional and international scenes, especially in light of China's desire to expand its political and economic influence in the Middle East while permitting Iran to join its strategic "Belt and Road Initiative" to reach out to European markets...

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The Military File

Despite the economic sanctions and diplomatic pressure in response to its unauthorized advancements in nuclear technology, Iran did not step back from strengthening its military capabilities and consolidating its forward defense doctrine.

Though military power cannot be accurately assessed by the size of one's professional fighting force or arsenal, Tehran is on the path of using its limited financial and technological capabilities to enhance its military power. In addition to the myriad challenges Iran faces, the new ground realities in Afghanistan and Azerbaijan have led to the emergence of new security threats for Iran. Against the backdrop of a highly competitive geopolitical environment and international rivalries, it will not be easy for Iran to manage these new and old challenges.

The Military File in 2020 expected that Iran would face security challenges on its northern borders due to the geopolitical developments in Azerbaijan. This occurred in 2021 and was compounded by the emerging challenges on the borders with Afghanistan. The file also indicated that Iran might de-escalate tensions with Pakistan and Turkey to protect its vital spheres/interest and ensure the neutrality of these two countries. This is what we currently see through the intensive Iranian visits to Pakistan and Turkey to avoid conflict with Islamabad and Ankara.

Iran has improved its drone force as it has been refining its swarm attack tactics. What started with the devastation caused by Stuxnet has now been escalated against top US technology giants across multiple continents. While Tehran made strides in nuclear know-how, its arms supply chains to proxies in Syria, Lebanon and Yemen remained mostly crippled. Pessimistic considerations in regard to the lifting of US sanctions were reflected in Iran's budget for the fiscal year 2022-2023.

The Military File in 2021 focuses on four aspects: Iran's latest military capabilities; the Iranian supply chains of weapons and drugs; the developments regarding cyber skirmishes; and nuclear power.

The Development of Iran's Drone

Iran's Capabilities

Iran's ongoing quest to remain competitive with the world's advanced countries in producing military hardware attracted attention in 2021. The most significant step by Iran was the unveiling of Shahed-136 and its swarm attack launcher during an air defense drill. Copying the external dimensions of Israel's Harop loitering munition, Iran has confirmed what was already known about the drone's system. Visual images unveiled in January confirm the presence of the suicide drone in the Houthi militia's arsenal deployed to Yemen's Al-Jawf Province.⁽⁷⁶⁾ The delta-wing drone's training visuals kept emerging throughout the year except for the unique launching system, enabling it to be used in swarm attacks. Tehran claims that Shahed-136 has a range of 2,000 kilometers, making it the most far-reaching suicide drone. However, it is never wise to take Iran's claims at face-value. Given the fact that it is in the possession of the Houthi militia, this means it can be used to attack not only Saudi Arabia but other Gulf states and Israel as well.

As for the swarm-launcher, it definitely is a qualitative addition to Iran's arsenal. With its five racks which can be installed on a mobile carrier, the drone can crowd or saturate an enemy's air defense systems.⁽⁷⁷⁾ It is hard to tell if the drone swarm is only meant to weaken the enemy's defenses or if they are interconnected to be able to choose their targets. A clip from a wargame suggests that the swarm launch capability in the current



rack-configuration is limited and a work in progress. There is no denying that the IRGC had earlier exhibited its capability of attacking a target with a drone swarm attack like the 2019 attack on the refinery facilities of Aramco. Another noteworthy aspect is Iran's decision to provide Shahed and Qasf drones to its proxies across the Middle East, and being able to successfully deliver them despite sophisticated surveillance mechanisms in place.

Iran's Drone Trends

The 2016 Azerbaijan-Armenia war followed by the 44-day conflict in 2020 probably helped Iran retrieve debris of Israel's Harop drones that were destroyed in the conflict. Debris from a crashed Harop drone on the Syria-Israel or Lebanon-Israel border might have also helped Iran reverse engineer the UAV. Similarities of Shahed-136 to Harop aside, the unanswered question of its capabilities is more important. Though Iran is not the leading country in drone research, its readiness to proliferate drones is what makes it uniquely destructive. Hence, the United States and Israel formed a working group "on the growing threat of Unmanned Aerial Vehicles [UAVs] and Precision Guided Missiles" produced and proliferated by Iran.⁽⁷⁸⁾

Though drones deployed by the Houthi militia are powered by Chinese and German engines, particularly for their propeller-driven Samad-3 drones, Iran seems to have acquired the Ranesh-1 (Propulsion-1) micro turbojet engines.⁽⁷⁹⁾ Tehran's access to the black market or friendly countries which do not face layers of sanctions remains notable. In 2021, Iran's military commanders referred to artificial intelligence and robotics,

more frequently in their speeches, signifying the country's focus on cutting-edge technologies.⁽⁸⁰⁾ In 2021, Iran also unveiled the Taha 1400 drone-mounted electronic warfare system as part of its air defense system, which is said to encompass "a large operational area." It was also claimed that the drone carrying the system is untraceable even though it is not stealth.⁽⁸¹⁾ Yet another highlight has been a new surveillance radar and command-and-control (C2) system as well as a new variant of its Mersad-16 surface-to-air missile system. Alborz, the 3D phased array radar, is claimed to have a range of 450 kilometers with the capability to track 300 targets simultaneously, including low-altitude ones with small radar cross-sections.⁽⁸²⁾

Another notable achievement was the Gaza UAV, designed similar to the US Reaper. It is claimed to have an endurance of 35 hours, a service ceiling of 35,000 feet, an operational radius of 500 kilometers for reconnaissance and surveillance but can carry 13 bombs in attack configuration.⁽⁸³⁾

Iran has discovered a new customer for its military technology, which happens to be Ethiopia. The Red Sea rim state seems to have Iran's Mojaher-6 UAV,⁽⁸⁴⁾ which is also being license-produced in Venezuela.

Smuggling Weapons and Drugs

Weapons

Iran's forward defense doctrine relies on mercenaries fighting its enemies far away from its geographical frontiers, which necessitates effective support. No doubt, it prioritizes sharing technical know-how and the provision of vital parts for the assembly of weapons such as drones. The capabilities of its proxies are diminishing because of active targeting on Iranian weapon-producing garages or facilities in the region. Throughout 2021, Tehran actively engaged in endeavors to keep its mercenaries in Syria, Lebanon, Yemen, and Iraq well-armed.

In December, a fishing dinghy was seized by the US Navy with a large cache of assault rifles and ammunition aboard. The fishing boat, captured in the Arabian Sea off the coast of Oman and Pakistan, was ferrying 1,400 Kalashnikov-style rifles and 226,600 rounds of ammunition. The five-member



Yemeni crew did not have the opportunity to desert the ship and were captured. The weapons were Iranian made, which were destined for Yemen's Houthi-controlled parts.⁽⁸⁵⁾ Iran denied that the weapons aboard the vessel had anything to do with it. The US Navy claims to have captured 8,700 illicit weapons in the Red Sea and the Arabian Gulf.⁽⁸⁶⁾

While the seizure of Iran-supplied or Iranian weapon parts on fishing boats on the high seas is a routine occurrence, their proliferation beyond Yemen and into the African states overlooking the Red Sea is not. The Global Initiative against Transnational Organized Crime revealed that Iranian weapons for mercenaries in Yemen are smuggled into Somalia. "Based on the data from more than 400 weapons documented in 13 locations across Somalia over eight months and inventories from 13 dhows intercepted by naval vessels."⁽⁸⁷⁾

Drug Smuggling to Enhance Financial Capabilities

In 2021, there were heightened instances of drug smuggling to the Gulf states from Syria, Lebanon, and Iran. Over 67 tons of drugs worth more than \$189 million were captured in the Arabian Gulf in 2021.⁽⁸⁸⁾ The seized drugs included heroin (6,550 kilograms), methamphetamine (4,052 kilograms) and hashish (56,834 kilograms). The narcotics might have originated from Afghanistan or Iran, with their sale believed to have helped the IRGC in covering the expenses of some of its clandestine operations. Iran's military has long been involved in drug smuggling and facilitating the global black market.⁽⁸⁹⁾ Every time, a haul is made by the Gulf states' customs officials, unique ways to smuggle expensive narcotics are discovered. The seizure of weapons and drugs is critical to cutting off the resources of militants and diminishing their will to continue fighting.

In Syria, Israel remained engaged in targeting Iran's supply chain of weapons. The number of strikes against Iran's weapons depots in Syria was recorded slightly higher than the previous year.

"According to military estimates, Iran has been unable to transfer its weapons systems through the region — either by air, sea or land — roughly 70 percent of the time, thanks to Israeli intervention, and its ability to do so is limited the rest of the time. As a result, the number of advanced or strategic weapons systems in Syria is decreasing, the IDF believes."⁽⁹⁰⁾

Taking Cyber Skirmishes to the Next Level

The steady incline in Iran's cyber capabilities resulted in attacks targeting critical infrastructure in the United States besides launching tit-for-tat attacks against Israel in 2021. In October, the Advanced Persistent Threat (APT) actors affiliated with the Iranian government exploited Fortinet and Microsoft Exchange ProxyShell weaknesses, giving them early access to systems to launch data infiltration, ransomware, extortion, and encryption operations.⁽⁹¹⁾

"The Iranian government-sponsored APT actors are actively targeting a broad range of victims across multiple US critical infrastructure sectors, including the Transportation Sector and the Healthcare and Public Health Sector, as well as Australian organizations," read the joint warning of the Cybersecurity and Infrastructure Security Agency, the

Australian Cyber Security Centre, the United Kingdom's National Cyber Security Centre and Federal Bureau of Investigation.⁽⁹²⁾

"FBI, CISA, ACSC, and NCSC assess the actors [that] are focused on exploiting known vulnerabilities rather than targeting specific sectors. These Iranian government-sponsored APT actors can leverage this access for follow-on operations, such as data exfiltration or encryption, ransomware, and extortion," explained the joint warning which represents the highest-level of recognition of the dangers posed by Iran's hacking operations.

Since the discovery of the hacking group's malicious exploitation of Fortinet and Microsoft Exchange weaknesses, the identified flaws have been plugged. The tri-nation agencies have still advised caution.⁽⁹³⁾ The multinational advisory followed Microsoft's identification a day prior of an Iran-aligned group – Phosphorous – which was found using ransomware to generate revenues or disrupt adversaries.⁽⁹⁴⁾

"To date this year, Microsoft has issued more than 1,600 notifications to over 40 IT companies in response to Iranian targeting, compared to 48 notifications in 2020, making this a significant increase from years past," the software giant said in its detailed assessment of the Iranian threat while recommending solutions.

In its ongoing invisible war in cyberspace, Iran has also been on the receiving end with its fuel distribution network, train system and aviation sector facing hacking attacks.⁽⁹⁵⁾ The Iranian side retaliated by leaking details about the Israeli army. In November, the Iranians chose massive online retaliation by launching attacks against global giants, not only making illicit money but also accessing crucial information. The scope and scale of the hacking operations leave no doubt that the cyber disruptors are no ordinary enthusiasts but state actors. With no likelihood of a cyber ceasefire, the escalation can have devastating effects for the region and the world.

Latest Developments of Nuclear Program

The year 2021 began with Iran enriching uranium to 20 percent purity and ended with a discreet launch of a satellite carrier with three devices into space. Amidst the snail-paced eighth round of nuclear talks in Vienna, Tehran sent a message of defiance. Iran acknowledges that the country's HEU stockpile at 60 percent purity is estimated to weigh almost 25 kilograms while its Uranium-235 at 20 percent purity weighs approximately 210 kilograms.⁽⁹⁶⁾ Through these public breaches of the Joint Comprehensive Plan of Action (JCPOA), Iran has cleverly managed to reduce its nuclear breakout time, making it much easier and quicker for it to enrich 90 percent-weapon grade uranium. Iran's capability to produce more sophisticated and faster centrifuges became more pronounced and in 2021, it might have already started operating 1,000 IR-6 centrifuges by December 30 in compliance with the new nuclear law.⁽⁹⁷⁾ Though the Biden administration is keen to revive the JCPOA, the shortened breakout time is the elephant in the room. The assumption is that if Iran quits the JCPOA and the NPT, it will need one year at least to enrich uranium from 3.67 percent to 90 percent or above for weapon-grade use. Once it has the right amount and quality of radioactive material, Iran will need another two years to fabricate a nuclear device with radiation protection

until it is fired and the correct trigger mechanisms are in place to have it precisely explode at the right altitude and impact range.

Conclusion: The Future Scenarios for 2022

The year 2022 may see Iran's drones getting upgrades to match its rivals' capabilities. The primary focus of the IRGC will be to refine tactics and their integration into the battlefield setting. It already faces a myriad of challenges in battlefield resource management in light of the harsh conditions facing the country. So far, Tehran's primary focus has been on making exaggerated claims regarding the capabilities of its weapons systems to build up domestic support and proliferating certain systems to its proxies in the Middle East. With serious supply chain disruptions and a worsening economic crunch, Tehran will have to shift its focus towards improving its tactics. Whether Iran and the United States reach an agreement to revive the JCPOA or not, Tehran's nuclear program will remain in Israel's line of fire.

Iran's hacking ability is a double-edged sword as what it has been trying to achieve through diplomacy and blackmail could be lost in the anonymous battleground. An over-zealous cyber hack may spark a skirmish which may lead to devastation far worse than what Stuxnet was designed for. By equal measure, Tehran could inflict an overwhelmingly devastating blow to its enemies, leading to a chain of counter-attacks. No less devastating can a cyber skirmish be than an actual physical clandestine operation. So far, there is no global regime or arms control mechanism to halt cyberspace attacks.

If the talks in Vienna remain fruitless and end in a stalemate, it is more likely that Iran will resort to escalation and pressure international community through threatening to withdraw from the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Iran is well aware of the adverse consequences if it decided to withdraw from the NPT. For example, the international community could refer the Iranian nuclear file to the UN Security Council and re-impose the sanctions that were in place before the nuclear deal. This would also further increase the international isolation of Iran, as is the case with North Korea, which Tehran does not want. However, Iran seeks to prolong the negotiations in order to be able to achieve a nuclear enrichment capability that would enable it to manufacture nuclear weapons if it was forced to withdraw from NPT.

It is also expected that tensions in Iraq, Syria, Lebanon, and Yemen will escalate faster than in the past two years. In light of the casualties of Iranian militias in Yemen and Iraq, the confrontations may move to other areas, such as targeting shipping lines and



**NEW
BOOK**

Silent Victims



***Iran and the Recruitment of
Child Fighters in the Middle East***

Ahmed AL-Maimouni

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The Social File

This file addresses the social developments in 2021 and their implications for the political, social and economic landscape in Iran. The Social File of 2020 answered questions regarding the status of Iranian women and their political and civil rights.

waterways. The predictions for 2022 seem gloomy and their indicators deserve special attention.

In addition it looked at issues such as drug addiction and the execution of athletes. In this file for 2021, we will provide an overview of Iran's performance in three important indexes: the Multidimensional Poverty Index (MPI), the Social Risk Index (SRI) and the Gender-related Development Index (GDI). In the conclusion, this file will address the future of Iran's social status.

Multidimensional Poverty Index

Poverty impacts societal health, education, and standards of living. While no MPI data is available for Iran, especially in 2021, the following social indicators reflect the difficulties facing the Iranian people.

Poverty

Iran's economic growth rate is forecasted at 10 percent in case the 2015 Iranian nuclear deal, otherwise known as the JCPOA is revived. Economic sanctions against Iran will persist, and economists warn that there is no way to save the country financially without reviving the nuclear deal.⁽⁹⁸⁾ Under the sanctions, the number of people living below the poverty line in Iran, (making less than roughly \$5.50 per day) doubled over the summer of 2021 compared to the summer periods in the previous two years. By the end of this year, poverty rates in Iran increased by 10 percent, while the inflation rate stands at 45.4 percent.⁽⁹⁹⁾ A third of Iran's population lives below the poverty line, as social welfare and subsidy programs have faced massive cutbacks.⁽¹⁰⁰⁾

COVID-19

Iran experienced a number of COVID-19 waves that heavily impacted the country's socio-economic and political spheres. Iran's government implemented limited protocols to mitigate the health pandemic and agreed to import vaccines during the middle of the year. While vaccines were available by the end of the year, declining economic activity and the mental health impact of the pandemic led to higher suicide and divorce rates



in 2021.⁽¹⁰¹⁾ This was despite the efforts by the Iranian Parliament to limit the social fallout, including an increase in homelessness, street children, drug addiction, and unemployment.⁽¹⁰²⁾

Vulnerable Employment

The declining level of economic activity because of the coronavirus pandemic and the sanctions led to an employment-to-population ratio of 37.7 percent in Iran in April to June, with a disproportionate negative impact on women.⁽¹⁰³⁾ A high fiscal deficit and low government revenues led to a 9.6 percent increase in the rate of unemployment in the summer. This led to 2.5 million more unemployed people in Iran in the same period, including 200,000 additional unemployed people earlier in the spring. Overall, less than 24 million Iranians were employed by the summer, the rate of unemployment increased by 10.7 percent in urban areas, and by 6.5 percent in rural areas by the summer.⁽¹⁰⁴⁾ The rate of unemployment for those aged between 18 to 35 in the summer stood at 17.6 percent. 12.9 percent for men and 14.6 percent for women. Women aged 15 and responsible for earning a living faced a higher rate of unemployment of 17.7 percent.⁽¹⁰⁵⁾ By the spring, only three out of every 10 Iranians were employed, and the number of unemployed who had educational qualifications spiked to 13.4 percent.⁽¹⁰⁶⁾

Social Risk Index

Social risks cover various elements such as anti-government protests, the number of prisoners, drug abuse, divorce/shifting marital patterns, and housing shortages, which impact society at large.

Protests

Iran witnessed regular nationwide protests against severe water shortages, low wages, delayed wage payments, human rights abuses, and power cuts. Protests by pensioners in several cities due to low state pensions turned particularly challenging in Tehran which witnessed the highest spike in costs when compared to 173 cities worldwide.⁽¹⁰⁷⁾ Meanwhile, teachers protested in more than 100 cities across Iran.⁽¹⁰⁸⁾ In general, the so-called sustenance-based protests dominated the social landscape, with approximately 250 rallies held by pensioners in more than 20 cities, marking a 13 percent increase in such protests compared to previous years. Despite the scattered nature of most small scale protests in the past years, sustenance-based protests this year were more centralized, and issue focused.⁽¹⁰⁹⁾ Labor protests in the first quarter of the year involved 114 strikes and three large guild strikes. At least 46 labor activists were imprisoned to stop the spread of the protests, nearly 1,400 labor activists were fired or suspended from their jobs, and almost 30,000 workers remained uninsured. Most workers' families live either below or near the poverty line, meaning they live on less than \$5.50 per day.⁽¹¹⁰⁾

Prisoners

The UN condemned the arbitrary and secret executions that took place in Iran in 2021.⁽¹¹¹⁾ The lack of government accountability concerning torture and inhumane conditions contributed to higher prisoner death rates. In addition, leaked surveillance footage from notorious prisons, including Evin Prison in Tehran, exposed chilling acts of abuse

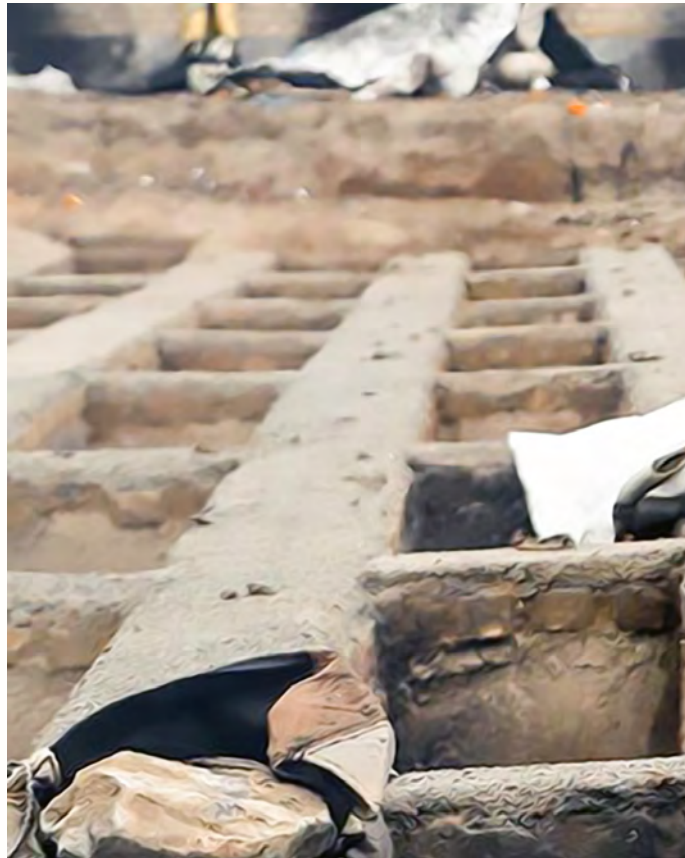
against inmates, and pointed to the routine torture and ill-treatment of men, women, and children. The severe forms of punishment against the prisoners included floggings, electric shocks, mock executions, waterboarding, sexual/gender violence, force-feeding of chemical substances, deprivation of medical care, and frequent beatings.⁽¹¹²⁾ At least 100 executions took place due to drug-related offenses, and 130 for murder charges. The number of executed political prisoners and executed juvenile offenders remained partly unknown, due to the government's refusal to release the exact figures. But the official figures point to more than a dozen known executions, mostly based on unfair trials. One female prisoner who died of a heart attack before execution was still hanged in February. Ethnic minorities in Iran are particularly at risk, mainly Arabs, Kurds, and Balochis, and social and political activists from these groups were routinely executed, often with signs of heavy bruising on their bodies that pointed to severe torture prior to their death. Most members of ethnic minority groups who were executed received unfair trials.⁽¹¹³⁾

Drug Abuse

Opium use increased at alarming rates.⁽¹¹⁴⁾ According to figures, 13 Iranians died daily in 2021 due to illicit drug use. There are nearly 2.8 million addicts in the country, and 1.6 million occasional addicts who use drugs for recreational purposes.⁽¹¹⁵⁾ Nationwide drug abuse rates increased by 6.5 percent compared to the previous year, and close to 3,000 people died due to illicit drug overdose.⁽¹¹⁶⁾ The average age of drug abuse significantly dropped, leading to a larger pool of addicted youth.⁽¹¹⁷⁾

Divorce, Shifting Marital Patterns

One out of three marriages ended in divorce in Iran, exacerbating the country's social problems.⁽¹¹⁸⁾ Marriage rates declined by 36 percent, and divorce rates increased by 28 percent.⁽¹¹⁹⁾ In the past two years alone, the lack of employment opportunities increased the average age of marriage in Iran. More importantly, nearly 70 percent of single Iranians at the age of marriage remained unmarried despite wishing otherwise, while 30 percent chose not to marry at all. Some 11.8 million marriage eligible Iranians remain single due to social, economic, family, and political tensions. White marriages that generally last between one to three years, temporary marriages, and non-marital partnerships have risen considerably.⁽¹²⁰⁾



Housing Shortages

Annual housing costs increased by 52 percent in Tehran, ⁽¹²¹⁾ and average nationwide housing costs increased by 21 percent compared to 2020, and roughly 1.8 percent on a monthly basis in 2021. Rents in Tehran increased by between 51.2 percent to 54.2 percent this year. Nearly 8.5 million Iranian families rent properties and are unable to buy homes, forcing the Iranian government to promise to build 4 million new homes in the next four years. ⁽¹²²⁾

Gender Development Index

The GDI, based on the Human Development Index (HDI) since 2014, shows worrying signs in relation to the Gender Inequality Index (GII). In 2019, Iran ranked 113 out of 162 countries in the GII. ⁽¹²³⁾ There is a lack of relevant data since then for Iran, but official accounts show disturbing signs in the following areas:

Child Brides

The phenomenon of child brides is on the rise in Iran's rural areas, approximately 90 percent of female school students in grades six to eight are already married, and 50 percent of them are forced by their husbands to abandon their education. Most women in these rural areas are reported to suffer from depression and self-harm patterns of behavior. ⁽¹²⁴⁾ In 2020-2021, according to Iran's Statistics Center, the rate of marriage for girls aged 10 to 14 alarmingly accelerated compared to the previous two years, in large part due to poverty. The center admits that there is a lack of reliable figures nationwide, in the absence of which, it is safe to assume that the rate of child marriages has reached



phenomenally high levels in Iran.⁽¹²⁵⁾ Iran ranks only second to Guinea in terms of under-age marriages for girls.⁽¹²⁶⁾

Discrimination Against Women

A new Iranian law dubbed the “Youthful Population and Protection of the Family” law raised the possibility of handing down death penalties, even for abortion. Such legislation was condemned by independent human rights experts. The law restricted access to abortion facilities, contraception methods, voluntary sterilization services, and was seen as a direct violation of women’s rights by increasing the risk of maternal deaths.⁽¹²⁷⁾ Iran continued to debate a new bill to protect women against violence. Poverty, unemployment, and drug abuse were key factors contributing to women facing domestic abuse. Most forms of gender violence remained unreported, but violence against women increased by roughly 38 percent. Women in Iran are at least 14 times more likely to remain unemployed compared to men.⁽¹²⁸⁾ Women in Iran were banned from certain activities including entering sports stadiums, but the ban was lifted in 2021. Women are encouraged by hardline clerics to address their spouses only by their family names as a sign of respect for them. According to the United Nations special rapporteur on the situation of human rights in Iran, women continue to be treated as second class citizens in Iran.⁽¹²⁹⁾

The Future of the Social Situation in Iran

The aforementioned indicators suggest a widening gap between the rich and poor segments and a further increase in poverty rates and social risks. Government spending on social welfare is likely to fall further due to the decline in economic indexes, which will have a significant impact on the low-income segment and cause Iran to experience a series of social problems in the coming year.

In recent years, Iran has registered a significant gender gap in the economic field in comparison to the rest of the world, as reflected by its low ranking in global indexes. This means that Iranian women are more likely to be subjected to discrimination in the work field, with many women experiencing mental health issues, and contemplating suicide because of the negative work atmospheres. and sex trafficking.

The “hardliners” control the three branches of power and dominate over all other state apparatuses, despite this power, they failed to improve the economy, provide much needed public services, and deliver much needed justice. Therefore, it is likely that public anger will increase further, leading to more protests in the coming year.

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Arab Affairs

Iran and the Gulf States

In 2021, Iran-Gulf relations were relatively calm when compared to 2020, which witnessed worrying periods of escalation and heightened tensions due to Tehran's tense relations with the United States, the Gulf embracing unconventional and bolder positions, such as Bahrain and the United Arab Emirates (UAE) deciding to normalize relations with Israel, and Saudi exertions to counter Iran's role in Iraq.

In the 2020 Annual Strategic Report, we discussed three possible scenarios regarding Iran-Gulf relations in 2021, based on Iran's internal, regional, and international variables. We predicted that we would see a period of de-escalation in 2021, instead of further escalation or Gulf-Iran understandings being reached. This prediction came true as there was a period of calm and the exchange of messages regarding possible understandings, in spite of the ongoing escalation in Yemen and Lebanon. The Gulf states and Iran agreeing on common interests is still far off because of the longstanding history of differences, conflict, and mistrust. Converging interests will depend on both sides making significant concessions. The Gulf states see a number of thorny issues that are thwarting relations with Iran, particularly: Iran's ongoing intervention in the domestic affairs of regional countries under the pretext of "resistance;" instigating conflicts; fueling sectarianism; and supporting terrorist militias that oppose national governments and systems. In addition, the Gulf states are concerned about Iran's growing military threat posed whether by its ballistic missile program, its arsenal of drones or by its nuclear program. It is feared that these military capabilities will result in Iran shunning cooperation and will drag the region into an arms race, exhausting its potential and impeding its development. On the other hand, Iran still views the Gulf states within the prism of its historical conflict with the United States and the West and seeks to leverage regional countries so that they embrace its orientations, vision, and submit to its leadership. This file reviews the most significant political, economic and security interactions between the Gulf states and Iran and highlighting their implications.

The Factors Driving the Gulf States and Iran to Move Towards Rapprochement and Overcome Their Differences

The region and the world have been experiencing multiple complexities leading to different and unexpected approaches. International conflict continues in the region, resulting in regional countries interacting with one another. These countries have had to adapt their behaviors and positions in line with significant regional developments. These developments have impacted the behavior of both the Gulf states and Iran internally, regionally, and internationally, and have tested the region's leaders in regard to whether or not they can address or provide solutions to the challenges arising from these new developments to restore peace and stability in the region.

Internal Developments

Regarding the Gulf, the reconciliation forged in the Gulf Summit's 41st session on January 5, 2021 in Al-Ula, Saudi Arabia, indicated a qualitative shift in the Gulf scene. The summit's concluding statement contributed significantly to increasing the level of unity among the Gulf Cooperation Council (GCC) countries in light of the challenges and threats facing them and the region. This unity will allow them to focus on more important issues rather than competing with and limiting one another. The statement issued included the GCC's rejection of ongoing Iranian interference in the domestic affairs of Gulf and regional states. It also condemned Iran's terrorist acts, and stressed the need to stop Tehran supporting, financing and arming sectarian militias and terrorist

outfits, including the provision of ballistic missiles and drones to target civilians and threaten international shipping lines and the global economy. Finally, the statement asserted that any negotiation track with Iran should address Iran's destabilizing regional behavior, its ballistic missile/nuclear program, its arsenal of drones as well as include the Gulf Cooperation Council (GCC) countries in the track to address these outstanding issues.⁽¹⁾ This unified position of the Gulf states sent a clear message to Tehran: it is less possible for it to intervene in Gulf domestic affairs and neutralize Gulf states when it comes to matters concerning Iran. Further, it may push Iran to adopt more flexible positions and work to reconcile with the Gulf states.

Bahrain and the UAE normalizing relations with the Israeli state at the end of 2020 added further pressure on Iran given the fact that its hostile policies pushed its neighbors to establishing relations with "the Zionist entity." Iran is watching Israel getting closer and closer to its regional surroundings and is benefiting from enhanced commercial ties with its neighbors — benefits which Iran should be securing given its proximity to the Gulf states. After the normalization of relations, the UAE and Israel concluded a number of trade agreements, and several Israeli startups working in the fields of artificial intelligence, financial technology and agriculture set up operations in the UAE. Both the UAE and Israel are seeking to make gains from the normalization of relations, especially Dubai, because it is looking for new partners in the fields of tourism, technology and business. In fact, the volume of business exchange between the two sides last August amounted to \$500 million, without including investments in the tourism, aviation and financial sectors. In this context, Elham Fakhro, a researcher at the International Crisis Group, stated that "the main benefits to the UAE were economic." She also indicated that Israel and the UAE "benefited from tourism, cultural exchanges, and concluded agreements in cyber security and diplomatic exchange." About 200,000 Israelis have visited the UAE since relations were established. The volume of trade between Israel and the UAE amounted to \$600 million in the first half of this year, during which Israel exported about \$200 million worth of goods and services to the UAE, and imported about \$370 million. The trade exchange between them is expected to reach \$3 billion in the next three years.⁽²⁾

As for Bahrain, the Israeli Central Bureau of Statistics indicated that the volume of trade reached \$300,000 in the first seven months of 2021.⁽³⁾

Regarding Iran, the prominent internal development in Iran was the election of Ebrahim Raisi on June 19, 2021. He mentioned that a key aim was to strengthen Iran's economy and repair relations with neighboring countries. His remarks indicate that Iran is fully aware of its previous practices. Tehran, therefore, may resort to re-establish its relations with the Gulf states to revive its economy, which relies heavily on the Gulf economies, especially the UAE. The Iranian political system, however, is still not able to address the current obstacles as it needs to make substantial rather than nominal changes for the sake of regional interests and alleviate the harsh living conditions facing the Iranian people, which have deteriorated further due to the economic fallout from the COVID-19 pandemic.

The great progress that the Gulf governments have achieved for their peoples has placed further pressure on the Iranian government, causing it public embarrassment

for its regression in development and its inability to improve living conditions. Iran's economic indicators are constantly declining. The future of Iran's development is uncertain given its hostile policies and the resources it exhausts in instigating conflicts at the expense of growth and prosperity.

Regional Developments

The region has witnessed several developments that may have implications for both the Gulf states and Iran and push them towards taking steps to adapt to or exploit these changes. The regional developments include the following:

Iraq: The results of the Iraqi elections rejected foreign loyalties, and expressed a need for decisions to be taken in line with Iraq's interests rather than prioritizing the interests of other countries. The new Iraqi position undoubtedly serves the interests of the Gulf states to curb Iranian influence and restore Iraq as a balancing force in the region to support stability and security, promote economic development and increase trade exchange. This new Iraqi reality does not serve the interests of Iran, which aims to counter US influence in Iraq, monopolize Iraqi markets, distribute Iranian products, and support the militias that serve its project. The Gulf states, therefore, are seeking to support Iraq in taking independent decisions. In response, Iran is likely to activate its arms. As a result, polarization will likely increase further between the two sides in Iraq, in spite of the fact that Baghdad hosted the first official talks between Saudi Arabia and Iran to explore ways to address the outstanding issues between the two countries.

Afghanistan: Although Afghanistan does not border the Gulf states, Iran is concerned about the support provided by the Gulf states to the Afghan government. The Gulf states are generally accepted by the Afghan people. In addition, the Gulf states have good relations with Pakistan, which has a strong degree of influence in Afghanistan. Iran, therefore, has paid considerable attention to Afghanistan, aiming to maintain its influence to protect itself from any potential ramifications or a power vacuum that is not in its favor.

International Developments

The decline of the US role: Based on the US administration's evaluation that it must reduce its presence in the Middle East, and that regional countries must solve their own problems,⁽⁴⁾ US allies in the region viewed this as Washington abandoning its obligations towards them. This evaluation prompted the GCC countries to find new approaches to serve their interests without depending heavily on the United States as in the past. A manifestation of this was when the Gulf members of the Organization of Petroleum Exporting Countries (OPEC) strengthened their relations with Russia, in spite of US pressure. The historic deal concluded by the UAE with France to purchase weapons worth 17 billion euros, and the news about the UAE suspending talks to purchase F-35 aircraft from the United States,⁽⁵⁾ further illustrate the Gulf countries' intent to explore new approaches.

The Russian and Chinese role: China's and Russia's keenness to fill the power vacuum created by America's withdrawal increases Iran's cards and boosts its policy of "Look to the East." This became clearly evident after Iran was granted full membership to SCO.



The Gulf countries, therefore, have to exert further efforts to strengthen their presence in regional and international organizations to increase their influence and thwart any anti-Gulf positions embraced by the countries belonging to the Asian bloc.

The European role: European interest in taking a role in the Middle East following the American withdrawal puts pressure on Iran, and boosts Gulf partnerships with important European countries such as France, which showed interest in strengthening relations and playing an active role in the region. One of the most prominent French actions was the visit made by the French president to the UAE and Saudi Arabia, during which several commercial contracts were signed between France and the UAE and Saudi Arabia on the sidelines of the visit. The most prominent of these agreements was a contract signed with the UAE to replace Mirage fighters with 80 French Rafale aircraft worth 17 billion euros.⁽⁶⁾ Paris also held discussions with Saudi Arabia about working to solve the crises in Lebanon and Iraq. In so doing, France seeks to preserve its interests amidst the raging struggle for influence in the Middle East, and the visits of the French president were part of France's growing interest in the region. In 2020, the French president paid two visits to Lebanon and a third one to Iraq.⁽⁷⁾

The Balance of Gulf-Iran Relations

In light of the aforementioned international transformations, Gulf-Iran relations are entering a new era of competition. Each side seeks to gain leverage cards to modify the behavior of the other. The regional countries have realized that they must realign their relations to establish a regional and international action force that will help them to face the rising challenges, given the complexities of the Iranian nuclear file talks, the repercussions stemming from the US disengagement, and the attempts of some countries to fill the vacuum left by the United States. The most prominent outcomes of the relations were as follows:

Saudi-Iran Negotiations

After Ebrahim Raisi took over the presidency in Iran, he stated in his first press conference that “There are no obstacles from Iran’s side to re-opening embassies... there are no obstacles to ties with Saudi Arabia.”⁽⁸⁾ He also stated in a televised news conference, “Iran wants interaction with the world ... my government’s priority will be improving ties with our neighbors in the region.” Yet he added, “Saudi Arabia and its allies should immediately stop their interference in Yemen.”⁽⁹⁾ The Saudis view his remarks as a contradiction to his call to re-establish ties with Iran’s neighbors, revealing that Iran’s position has not actually changed. Riyadh sees that Tehran is still not fully convinced of the need to improve its relations and overcome past differences. During 2021, four rounds of talks were held between Saudi Arabia and Iran— under Iraqi mediation. The Saudis described these rounds as “exploratory.” Despite the positive atmosphere that surrounded the talks, substantive solutions to the thorny issues have not yet been reached. Saudi Arabia hopes to secure stability and security in the region militarily and politically, especially in light of its ambitious vision (Saudi Vision 2030) which is based on economic growth, participation, resolving problems in its geographical surroundings, and moving the region to a new historical phase based on honest intentions. Though no tangible success has been made so far in this regard, announcing a new round of talks, and submitting proposals made by Iran to Saudi Arabia — as announced by Iran’s Ministry of Foreign Affairs⁽¹⁰⁾ — indicates that Tehran seeks to mollify Riyadh’s opposition to Iran’s interventions and chaos in the region.

UAE Efforts to Reach an Understanding With Iran

Within the context of the UAE’s new approach to break the ice with Iran, an atmosphere of conciliatory language prevailed in 2021 between the two countries. The foreign ministers of both countries held two phone calls, discussing ways to improve relations. The most prominent aspect of the new Iran-UAE approach was the visit of UAE National Security Adviser Sheikh Tahnoun bin Zayed to Iran, during which he met with a number of Iranian officials, most notably President Ebrahim Raisi, and the President of the Iranian National Security Council, Ali Shamkhani.⁽¹¹⁾ The Iran-UAE rapprochement comes in the context of Iranian fears in light of the normalization of relations between Israel and the UAE, and the military drills that were carried out by the UAE, Bahrain, Israel and the United States in the Red Sea —⁽¹²⁾ Israel publicly stated that these drills were directed against Iran. The UAE probably worked for this rapprochement to ease

Iran's concerns, affirming it will not be part of any Israeli threats against Iran. It is also expected that the UAE will activate its economic diplomacy to convince Tehran of the importance of this relationship instead of escalation and tension.

The Gulf States Continue Working Towards De-escalating Tensions With Iran

At a very critical stage for the Gulf states, the GCC's 42nd Summit was held on December 14, 2021, in Riyadh. The GCC countries realized that they must take independent decisions based on their own economic, political and military interests, in light of the US disengagement from the region, and embrace the orientations outlined during the Al-Ula Summit (the 41st GCC Summit), in order to open up to neighboring countries, including Iran.

The summit's outcomes were as expected. The GCC states called on Iran to renounce violence, uphold the principles of good neighborliness and not to interfere in the domestic affairs of sovereign states. The closing statement of the GCC confirmed the importance of building confidence between the Gulf countries and Iran, in line with the summit's outcomes. The GCC also called on Iran to respond to the UAE's efforts to resolve the issue of the three islands through direct negotiations or resorting to the International Court of Justice. The statement also urged Iran to adhere to the international norms governing relations between countries, and to take into account regional security, the aspirations of the peoples, and to end escalation in the region. The GCC also rejected Iranian interference in the internal affairs of Gulf and regional countries, and expressed condemnation of all terrorist acts committed by Iran. It also emphasized that any talks with Iran addressing its destabilizing regional behavior, missile/nuclear program, and arsenal of drones must involve the GCC countries. The council condemned Iranian actions targeting the security and safety of navigation, marine installations, energy supplies, oil pipelines, and oil installations in the Arabian Gulf and waterways.

Tehran considered that the summit's closing statement reflected the continuation of the unconstructive and improper position of some GCC countries towards it.⁽¹³⁾ It seems that Iran-Gulf relations will continue to escalate for a longer period of time.

The Impact of Iran's Accession to the SCO on the Gulf States

As part of its approach to extend its international influence, strengthen its ability to breach the international consensus against it, and to support its policy of "Look to the East," Iran managed to join the SCO as a full member. Despite the little commercial benefits Iran will gain from joining the SCO — given the international and US embargo against it — it will however help Tehran in strengthening its political and negotiating positions and will be another way to circumvent US sanctions. In fact, any international acceptance is welcomed by Iran, and working with the SCO countries will result in support for its positions, most notably Russian and Chinese support. This may encourage and prompt the Gulf states to attempt to join the SCO and other effective organizations in Asia, to counter Iran's influence.

Conclusion: The Ambiguity and Complexities Regarding Iran-Gulf Relations in 2022

Both Iran and the Gulf states want to turn a new page in their relations, forging regional understandings away from Western influence – according to the Iranian view. However,

the Gulf states are pessimistic about the nuclear talks in Vienna as they feel these will not lead to tangible solutions. The likely scenario, therefore, is that the two sides will hold more talks, with or without the nuclear deal, with its revival expected to take some time given the complexities of the issues and the deep mistrust that has developed over several decades. The next stage can be described as the post-US phase, and the adoption of new regional approaches and solutions to address the thorny issues in the region.

The Gulf states hope that Iran will opt for regional cooperation over instigating conflicts in the international arena that no doubt negatively impact its relationship with the Gulf, and that the Iranian government will fulfill its promises to improve its relations with its neighboring countries for the sake of regional stability and development.

The aforementioned expectation is the most likely scenario for Gulf-Iran relations in 2022, however, the Iranian government due to its economic crisis and internal and international pressures may resort to creating internal and regional crises to export its problems, and justify its poor performance by strengthening its supportive incubators at home and in the region.

The least likely scenario here is that Iran and the Gulf states will forge understandings leading to a comprehensive settlement for the region's thorny issues. This scenario is not possible because the disagreements between the two sides are many and lack an effective broker who is able to place pressure to forge consensual solutions — which may require both sides to make costly concessions.

Iran and Yemen

In the 2020 Annual Strategic Report, we highlighted the most likely Yemeni scenario in 2021, namely the continuation of the Yemeni crisis and military clashes in the event that the nuclear talks between Iran and the West collapsed, and in the case of ongoing Iranian support for the Houthi militia, and if the coordination between Yemeni political elements came to a halt.

We confirmed that the combination of the aforementioned factors would push the Houthi militia to reject the political process and escalate further in 2021. This was indeed the case as the Houthi militia escalated its military operations inside and outside Yemen, specifically on the borders of the Ma'rib province since the beginning of 2021. The Houthis – with the backing and support of Iran – rejected all calls for peace. In fact, Iran has been planning for years to use the Yemeni negotiating file as a bargaining chip to serve its interests and expansionist ambitions. In the following file, we look in depth at Iran's role in Yemen in 2021 from a political, military and cultural angle. We will also discuss the course of the peace process in Yemen and, finally, the prospects for the Yemeni crisis in 2022.

Features of Iran's Role in Yemen in 2021

At The Political Level

Politically, Iranian interferences played a major role in complicating the Yemeni scene in 2021, as the Yemeni scene revolved around the Houthi-Iran relationship. Several regional and international political changes also impacted the Yemeni scene and the nature of the Houthi-Iran relationship.

The Yemeni Crisis: Iran's Card to Pressure the International Community

The relationship between the Yemeni file and Iran in 2021 revolved around the latter's priorities to push forward its foreign agenda, as it is trying to the Yemeni crisis as a card to pressure regional countries and exploit it in the nuclear talks with the major powers. Iran is providing incentives to the Houthi militia to further escalate the situation in Yemen, which is in line with its will and desires, to ease the international pressure as the nuclear talks approach a critical stage. In fact, the tension between Iran and the international community in regard to the nuclear file was apparent in the course of the war in Yemen. This was reflected specifically through the change in Washington's language toward the Houthi militia. This altering of America's language aimed at halting Iran's attempts to change the power equation in the region by directing its proxies to further escalate and threaten the security of the region.⁽¹⁴⁾

Implications of the Regional and International Developments on Yemen and the Iran-Houthi Role

The year 2021 witnessed a number of regional and international developments that were directly reflected in Yemen. Foremost among these developments was the shift in the US stance toward the Yemen file in early 2021, which shifted again by the end of the year. At the start of 2021, the US administration had listed the Yemeni crisis as one of its top priorities. This priority given to Yemen indicated the US desire to strengthen the political and diplomatic track to end the Yemeni crisis.

The US administration took concrete steps toward achieving this goal. First, it took the Houthis off the Foreign Terrorist Organization list and appointed Timothy Lenderking as the United States special envoy to Yemen. This step, however, was misread by the Houthi militia as they considered it to be a US green light for it to carry on with its aggressive behavior, escalating military operations in early 2021. It was also one reason

for the ongoing Houthi escalation against the city of Ma'rib, where Iran exploited the US position and provided support to the Houthi militia in various ways. In this regard, Yemeni Minister of Information Muammar al-Iryani, said on March 1, 2021, "Iran was directly behind the escalation of the Houthi militia against Ma'rib."⁽¹⁵⁾

Another shift that had a clear impact on the Yemeni crisis was when the "hardline" President Ebrahim Raisi took over the Iranian presidency. Raisi initiated his first steps with regard to Iran's foreign policy by holding meetings with Houthi militia representatives headed by the latter's spokesman Mohammed Abd al-Salam. Many observers considered that this meeting was not a transient event. In fact, these meetings conveyed several political messages, revealing Iran's foreign policy priorities, and its determination to use the Houthi militia as a bargaining chip to serve its interests at the expense of the security and stability of Yemen and the region.⁽¹⁶⁾

The death of the so-called Iranian Ambassador to the Houthi militia Hassan Irlo in late 2021 was also an important event that could cast a shadow on the political and military scene in Yemen. This is due to the fact that Irlo was the mastermind of Iran's military and political operations in Yemen. He was accused of directing the war in Yemen to serve Iran's regional interests. This accusation was confirmed to be true later on when the Commander of the Quds Force Brigadier Ismail Qaani described him as the defender of the principles of the Khomeinist Revolution and the so-called "axis of resistance" alliance.⁽¹⁷⁾

At The Military Level

Features of Iran's Military Support for the Houthi Militia in 2021

The Houthi escalation against Ma'rib dominated the military scene in Yemen in 2021. This escalation coincided with various forms of Iranian military support provided to the Houthi militia. The Iranian support varied from arms smuggling and/or media support for escalation purposes, in addition to help by IRGC experts stationed on Yemeni territory to manage military operations inside and outside Yemen. The statements of IRGC leaders with regard to Yemen reflected the direct military role of Iran in Yemen, and the use of the Houthi militia and other militias affiliated with Tehran in the region to serve its project and interests. In this context, the commander of the so-called Khatam-al Anbiya Central Headquarters Gholam Ali Rashid openly stated, "There is an army in Yemen called Ansar Allah and an army in Syria called Hezbollah and an army in Palestine called Hamas and Islamic Jihad, and an army in both Iraq and Syria called the Popular Mobilization Forces, all these armies work as a deterrent force against attacks on Iran."⁽¹⁸⁾

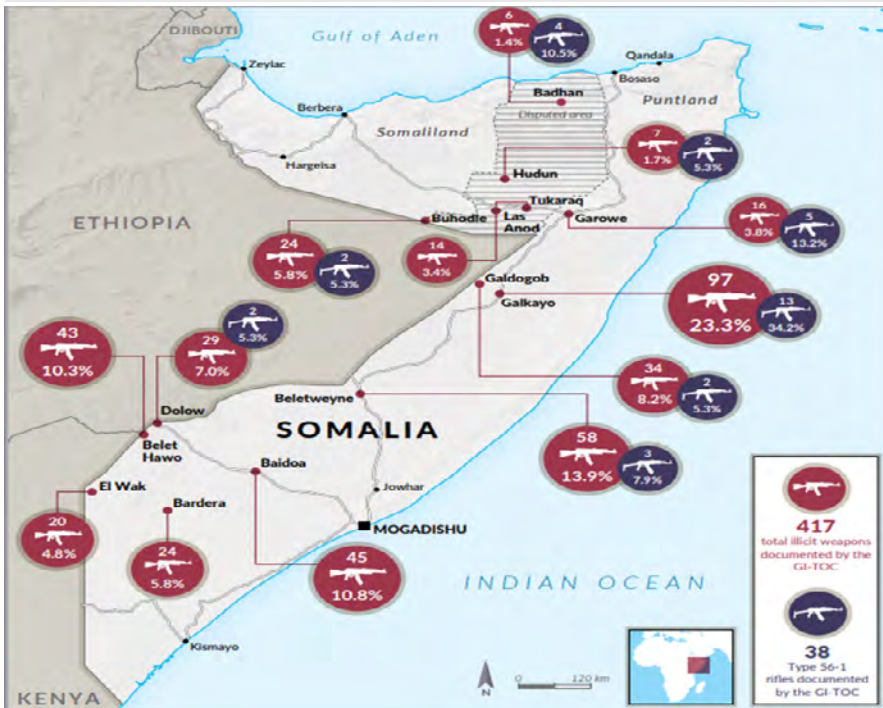
Iran's support for the Houthi escalation, especially in the province of Ma'rib, which claimed the lives of tens of thousands of Yemeni citizens, was within the framework of Tehran's efforts to create a state in the Arabian Peninsula that would serve its interests and its political and expansionist agenda — away from Hodeidah port where aid is received — especially given the natural resources within Ma'rib. The Yemeni minister of information had highlighted Iran's support to the Houthi militia in Ma'rib stating that "this dangerous escalation reaffirms the blatant defiance of the Houthi terrorist militia to the international community's will, and its blind support of the Iranian agenda

that aims to undermine the efforts to calm the situation in Yemen and the region, and increase the pace of the conflict with complete disregard to the high cost of the continued war and the worsening humanitarian suffering of Yemenis.”⁽¹⁹⁾

Iran-Houthi Cooperation With Other Terrorist Organizations

Iran also sought to expand its influence in the region and in strategically important sites through influencing navigation in the Red Sea by exploiting the position of the Houthi militia in northern Yemen. This would enable Iran to utilize this maritime corridor to transfer weapons to terrorist organizations in several African countries such as Tanzania, Kenya, Mozambique, and the Central African Republic. One of the most prominent of these organizations was the Somali al-Shabab militant group, which is linked to al-Qaeda and is considered one of the most extreme and bloodiest terrorist groups. The Global Initiative Against Transnational Organized Crime – a research organization based in Geneva – issued a study in November 2021 indicating that some of the weapons smuggled by the Iranian government to the Houthi militia were being re-smuggled through the Gulf of Aden to Somalia to al-Shabab. This militia in turn used these weapons to fight the divided Somali government. The study was based on a data analysis of more than 400 different weapons in over 13 different locations in Somalia along with stockpiles of weapons on board 13 boats that were seized in a military operation that took place in late December 2020 to August 2021 (see Figure 1).

Figure 1: Weapons Smuggling by the Houthis to Other Terrorist Groups



Source: Global Initiative Against Transnational Organized Crime.⁽²⁰⁾

The study was considered to be the first of its kind in revealing the extent of arms smuggling from Yemen to countries located in the Horn of Africa. According to the study, “Iran has repeatedly denied any involvement in the trafficking of arms to the Houthis. However, a preponderance of evidence points to Iranian state supply.”⁽²¹⁾

In an operation described by Sana’a Center for Strategic Studies as a slap in the face for international efforts to combat terrorism, the Houthi militia released about 70 percent of al-Qaeda fighters from prisons before the militia’s coup against the legitimate government. According to the center, the Houthis released most of the prominent and leading members of al-Qaeda while the ones who remained imprisoned were among those of lower leadership ranks. The center also estimated their number at 400. The most prominent of these leaders who were indeed released included the al-Qaeda leader in Afghanistan during the Taliban government in the 1990s, the son of Alawi al-Burkani, known as “Abu Malik al-Lawdari,” along with the fourth leader of al-Qaeda globally, Saif al-Adel. It is worth mentioning that such deals between the Houthis and other terrorist groups are not unfamiliar, in fact the Houthi militia had previously exchanged prisoners with “Ansar Al Sharia” in 2016, the local wing of al-Qaeda in Yemen which is classified as a global terrorist organization. The Houthi militia released more than 100 al-Qaeda fighters.⁽²²⁾

At the Cultural Level

In 2021, the Houthi militia continued to target Yemeni society culturally through its sectarian practices, such as exploiting religious occasions and holding sectarian conferences in a manner similar to the Iranian government. It also carried out the process of making education ideological and changed the educational curriculum to gain administrative control over educational institutions and expand its popular base in Yemen.

The Ideologizing of Education

The Yemeni educational system was subjected to grave violations by the Houthi militia during 2021 through targeting Yemen’s academics, educators, and students. The Houthis distorted the educational system in Yemen through a process of systematic politicization and tampered with it through incorporating political orientations and sectarian dimensions into it. The Houthis were determined to employ education to serve their sectarian agenda first and foremost by changing historical facts and politicizing the historical narrative. The Houthi militia also used the Qur’an and Hadith interpretations to give themselves a religious cover and legitimacy to control the minds of students in order to consolidate the militia’s ideological concepts. The Information Officer of the Yemeni Teachers’ Union, Yahya al-Yanai, said that the Houthi militia sought to introduce the ideology and doctrine of Khomeini – reflected in Wilayat al-Faqih (guardianship of the Islamic jurist) – into Yemen by manipulating the educational system. The Houthi militia’s religious and sectarian policies in education aimed to embed the concept of a transnational identity which is ideologically linked to Iran. This featured for example changing the name the “Arabian Gulf” to the “Persian Gulf” in educational curricula, as

well as reintroducing the “State of Tabristan” in the curricula, an ancient Alawite state that was once thriving in northern Iran (see figure 2).⁽²³⁾

Figure 2: Changes in the Yemeni Educational Curricula



Source: Orient News.⁽²⁴⁾

Iranian Sectarian Behavior and the War on Yemen's Identity

The Houthi militia has sought to disseminate its sectarian ideas across all the governorates over which it has gained control since its coup against the legitimate government. The year 2021 witnessed a series of Houthi war-like manifestations waged against Yemeni identity, with the militia reviving sectarian rituals that were unfamiliar to the Sunni-Shafi majority. The Houthis harnessed all Yemeni media and various state institutions under their control to create a false identity which they called the “Imaniya” identity (faith identity) which is in fact more of a “Persian” identity rather than a “Yemeni” Arab Islamic identity that is in line with the neighboring countries.⁽²⁵⁾

One of the most prominent manifestations of the sectarian behavior that takes place every year was the Houthi militia's order for Yemenis to celebrate what is known as al-Ghadeer Day – an ideological doctrine that is rooted in Twelver Shiite practice in Iran. Militias affiliated with Iran in the region, including the Houthi militia in Yemen, tried to impose this practice on their citizens. In fact, the Houthis held events and seminars to celebrate al-Ghadeer Day in 2021, in which they propagated Iranian sectarian concepts

and allocated more than 20 areas in the capital Sana'a and its countryside for organizing events and seminars related to this festival. The Houthis also provided shuttle buses in all neighborhoods to transport people to the event and issued strict instructions to all their supervisors in the neighborhoods and government institutions to compel employees from all sects to participate. Anyone who did not participate in the events and seminars was accused of belonging to a terrorist organization.⁽²⁶⁾

The 2021 Peace Process in Yemen

The peace process during 2021 in Yemen was linked to several regional and international developments that were highlighted above. These developments impacted the political and military scene in Yemen. The Houthi militia – as stated previously – engaged in further military escalation following these developments with the backing of Iran. Its escalations continued despite international and regional efforts to bring peace to Yemen – most notably the Omani mediation efforts and the US measures in early 2021 to strengthen the political and diplomatic aspect to resolve the Yemeni crisis. All these efforts are of course in line with the Saudi Arabian Peace Initiative, announced on March 23, 2021, which aimed to broker a ceasefire on all fronts and allow for the reopening of Sana'a International Airport in addition to laying out arrangements that would contribute to reducing the suffering of Yemeni people. The Saudi initiative, which was widely welcomed and praised by many international parties, paves the way for finding a consensual political solution to the Yemeni crisis. However, the peace process in Yemen does not align with Iran's interests. This in turn led the United States to take a more assertive approach regarding the Houthi-Iranian intransigent stance toward the political solution. The United States had revealed that an Iranian arms shipment which was headed to the Houthi militia consisted of drones, advanced ballistic missiles, anti-tank and anti-armor missiles. These were all confiscated by the US Navy. At the political level, the US State Department held the Houthi militia responsible for refusing to participate in the ceasefire talks. State Department Spokesperson Ned Price noted that the Houthi militia was a “diplomatic obstacle” to reaching a political solution in Yemen.⁽²⁷⁾

The Prospects for the Yemeni Crisis in 2022

In light of the circumstances surrounding the Yemeni crisis in 2021, it seems that the Yemeni political scene has become more complex due to several factors. These factors mostly revolve around the Houthis' dependence on Iranian decision-making, and Iran's attempts to use the Houthi militia and the Yemeni crisis to serve its interests, in addition to the collapse of all mediation efforts and peace initiatives. Based on these factors, it is likely that one of the following two scenarios will play out in Yemen in 2022:

First: Ongoing belligerency by the Houthis who refuse to settle the crisis. This will ultimately result in the prolongation of war and military operations against Iran-Houthi domination over the Yemeni scene.

second: A backing down by the Houthis from their belligerent stance toward a political settlement, which will result in either a fragile political settlement or a comprehensive and successful resolution. This will happen through enhancing the coalition's strikes

against the Houthis' vital sites; targeting prominent Houthi leaders; strengthening coordination between the Yemeni military units (including the southern forces). This will hasten the collapse of the Houthis and make them accept the peace initiative. Or this will happen if the Saudi-Iran talks succeed in ending the Yemeni crisis — provided there is a genuine Iranian will to end the suffering of the Yemeni people, or as a result of the nuclear negotiations held in Vienna. However, the major powers need to put more pressure on Iran to include Iranian conduct and interventions in regional countries within the framework of the nuclear negotiations.

See also

ARTICLE

Available in Arabic, English, and Persian

YEMENIS LOST IN IRAN'S CLOUT



Retired Major General
Ahmed bin Ali Almaimouni
Director of Center for Studies and
Research, Rasanah IIIS

When watching the so-called Iranian “ambassador” Hassan Irloo, a member of the Revolutionary Guards, manages the militia’s combat operations to curb any attempt to restore the legitimate government and keep Yemen under Iran’s influence. His visit

aims to create a fabricated sense of Iranian sympathy towards Yemen in a clumsy attempt to show that Iran is the major supporter of Yemen. Saudi Arabia has always been the second homeland for all Yemenis...

aims to create a fabricated sense of Iranian sympathy towards Yemen in a clumsy attempt to show that Iran is the major supporter of Yemen. Saudi Arabia has always been the second homeland for all Yemenis...

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Iran and Iraq

In 2020, Iraq turned into an arena of confrontation and counter-confrontation, with Iran being the common denominator, such as the US-Iran confrontation due to the strategic shift in Washington's position toward countering Tehran's regional influence.

Iranian pressure via its armed militias to expel US forces from Iraq, and the confrontation between the two tracks: the concept of statehood and pan-Arabism envisioned by Prime Minister Mustafa al-Kadhimi and many Iraqi political and religious forces, and the concept of non-statehood supported by Iran and its military, political, economic and religious arms so that Baghdad remains subservient to Tehran. There is also another conflict between Iran's militias in Iraq and the Iraqi Kurdish community which is part of the former's plan to completely control the Iraqi arena.

The 2020 *Annual Strategic Report* predicted that Iranian influence in general would see a downtrend in 2021. This trend materialized, as Iran's influence has not advanced, due to the absence of Soleimani, the conflict between Iran's militias, and the Biden administration imposing severe pressure like Trump on Iran to modify the Iranian government's behavior. The Biden administration resorted to military force against Iranian militia concentrations in the Iraqi arena. Moreover, Kadhimi's quest to achieve full Iraqi statehood, and the impact of the coronavirus pandemic on the Iranian economy contributed to a decline in Iran's overall influence in Iraq. There has been no decline in Iran's military and economic influence given the deployment of Iran-affiliated militias and Tehran's possession of strong pressure cards in the Iraqi arena. However, its political influence declined, as Iraqi voters did not vote for pro-Iranian candidates/blocs in the legislative elections that were held in October 2021.

Iraq-Iran relations will be addressed in 2021 through four axes: the analysis of the repercussions of Kadhimi's efforts to achieve a balance in Iraq's foreign relations at the expense of Iran's influence, Tehran's pressure cards, the factors impacting the Iranian role in Iraq, and the future of Iran's role in Iraq during 2022.

Iran and Kadhimi's Efforts to Achieve a Balance in Iraq's Foreign Relations

Kadhimi's political program is the most defining challenge to Iran's influence in Iraq because it is based on two vital pillars: Iraq's transition to statehood ensuring its independence and sovereignty, and achieving a balance in the country's foreign relations to ensure options for Baghdad in the foreign policy domain. Kadhimi prioritized the first pillar in 2020 and the second one in 2021, because full statehood provides a platform to attain a balance in foreign relations. To achieve the latter, the following moves were undertaken:

Promoting the Return to the Arab World

Kadhimi believes the Arab sphere is critical to Iraq's foreign policy and the Arab countries can play a vital role in rebuilding Iraq. In this context, he visited Riyadh and Abu Dhabi during the first quarter of 2021. The two visits resulted in the conclusion of agreements with the Saudi and Emirati sides in several areas, hastening Iraq's return to its Arab sphere, while reducing Iranian influence in Iraq. The Saudi and Iraqi sides agreed to establish a Saudi-Iraqi joint investment fund, and implement the electrical interconnection project, 85 percent of which has been completed, with the remainder to be completed in 2022.^[28] During his visit to Riyadh, Kadhimi conveyed messages of reassurance to Saudi Arabia that Iraq would not be a backyard for targeting its territories and

interests, indicating that Baghdad stands against any militia attacks targeting Saudi Arabia from Iraqi territories.

Iraq also hosted the Egyptian-Iraqi-Jordanian tripartite summit in June 2021, which resulted in an agreement on the New Levant project to achieve economic integration and geographical linkages between the three countries. The agreement provides that Iraq will supply Egypt and Iraq with oil and in return Iraq will be provided with electricity through Jordan. In addition, Egyptian and Jordanian companies will participate in the reconstruction of Iraq, which has been dubbed as “oil for reconstruction.” Therefore, the outcomes of Kadhimi’s Gulf tour and the New Levant project will reduce Iran’s influence in Iraq and limit its pressure cards against Iraq, especially the electricity card.

Visiting the Eastern Neighbor: Iran

As part of his efforts to achieve a balance in Iraq’s foreign relations, Kadhimi visited Tehran in September 2021, during which he met with senior Iranian officials, led by President Ebrahim Raisi, while the Supreme Leader, Ali Khamenei, did not meet with him, indicating his dissatisfaction with Kadhimi’s internal and external orientations. During his talks with Iranian officials, Kadhimi tried to send messages that Iraq is neither aligned with the East or the West, and reassured Iran that Iraq’s return to the Arab sphere does not mean that relations with Tehran will be frozen. He stressed

the depth of their relations, and thanked Tehran for standing by Iraq in the fight against ISIS and the support it provided in the face of the country’s myriad challenges.

⁽²⁹⁾ Many observers believe that the visit aimed to pacify the Iranian militias to prevent them from further shuffling the cards and exacerbating the Iraqi landscape before the parliamentary elections because Kadhimi fully understands that Iran has pressure cards and a high degree of influence in the Iraqi arena.



Endeavoring to Restore Iraq's Regional Role

Kadhimi sought to restore Iraq's regional role through several initiatives. He organized the Baghdad Conference for Cooperation and Partnership in August 2021, which brought together Iraq's neighbors (Arab and Gulf countries) including Turkey, Iran and France. Iraq was able to bring together conflicting parties under one roof. The two major regional rivals, Saudi Arabia and Iran, due to the latter's expansionist policies, also attended the conference. Egypt and Turkey also participated, despite the rupture between both countries, in order to ease regional tensions. Regarding the second initiative, Iraq played a mediating role between Riyadh and Tehran by hosting direct talks to reach convergence on the outstanding issues, especially in regard to Iran's regional behavior. If these talks lead to positive outcomes, it could mean that Iraq will no longer be an arena to settle accounts and regional conflicts will die down, leading to security and a balance in Iraq's relations. In addition, positive outcomes from the talks will enable Iraq to implement the agreements signed with the Arab and Gulf countries because Iran and its militias are the biggest impediments to their implementation on the ground.

The Completion of the Strategic Dialogue Sessions With Washington

Kadhimi continued to participate in the US-Iraqi strategic dialogue ^(*) which began under the Trump administration. Two sessions were held in Washington, the first in April and the second in July 2021 with the Biden administration. The most prominent outcomes included the understanding that the bases hosting US and international coalition personnel are Iraqi bases as they operate in accordance with existing Iraqi laws. The security relationship will only be for advice and training, and the US combat mission will come to an end in Iraq by December 31, 2021.⁽³⁰⁾ Some observers argue that this outcome is in favor of Iran because it will prompt its militias to fill the vacuum left after the US withdrawal from Iraq. Other observers say that this outcome would possibly result in further Iranian escalation and Tehran would call on its militias to de-escalate until the parliamentary elections were held and a new government is formed, transitioning the country toward statehood.

Through these initiatives, Kadhimi seeks to establish a new approach to restore Iraq's regional role, and to send a message that Iraq is a meeting point for the exchange of interests rather than a field of conflict and an arena to settle scores. In addition, Kadhimi wanted to demonstrate that Iraq has shifted from merely conveying messages to settling conflicts between warring parties and that Iraq is not a subservient country but a sovereign state like any other country. Kadhimi's policies aim to distance Iraq from the policy of polarization and sectarian agendas adopted by Iran and its sectarian arms in the Iraqi arena. Iran is against Kadhimi's policies because they reduce its influence in Iraq. This explains the inaugural visit of Iran's foreign minister to Iraq to participate in the Baghdad Conference. He visited the memorial of Soleimani, indicating that Iran's main concern is to retaliate against US forces for killing Soleimani. He also renewed

(*) The three rounds of talks between the United States and Iraq was held during Donald Trump's presidency. First round was held in July 2020, the second round in August 2020, and the third round in April 2021.

the call to expel US forces from Iraq, although it is an Iraqi sovereign decision while ignoring the widespread presence of Tehran-affiliated militias in Iraq.

Iranian Cards in Iraq

In light of the challenges posed by Kadhimi's internal and external orientations toward Iran's role in Iraq, Tehran resorted to using its cards against the Iraqi government to undermine its influence and to ensure Iraq remained within the Iranian sphere of influence. The cards utilized include the following:

Electricity

The electricity crisis was the most widely used and influential card in Iraq in 2021 because it had a direct impact on the Iraqi government, especially in the summer. It was one of the most important Iranian cards to pressure successive Iraqi governments to keep Iraq subordinate to Iranian influence. Iran's share (gas and electricity) is equal to approximately one-third of Iraq's total electricity production of about 16,000 megawatts, while Iraq's electricity need is about 30,000 megawatts to ensure the supply of electricity throughout the day. The Iranian pressure did not only reduce or halt the export of electricity to Iraq in 2021, further increasing Iraq's deficit from 14,000 megawatts to 19,500 megawatts, but Tehran also activated its militias to blow up power plants as well as transmission and distribution towers.⁽³¹⁾ Iran hindered Iraq's investments in associated petroleum gas (APG) in the Nahr Bin Omar field, which could have provided considerable amount of gas, substituting to a great extent the gas imported from Iran.⁽³²⁾ However, the gas in Nahr Bin Omar could not be used due to the lack of infrastructure.

The Water Card

The water card was also one of the most important Iranian pressure cards against Iraq, because the share of water from Iran amounts to about a third of Iraq's annual water revenues of about 70 billion cubic meters. Iran utilized this card by controlling the water flowing into Iraq from the Karun, Karkheh, Sirwan, Small and Great Zab rivers, or by cutting off the share of water completely until the flow rate dropped to zero.⁽³³⁾ Iran was fully aware of the impact of this water card on Kadhimi and his government, as reducing or cutting the water supply to Iraq could turn fertile lands into barren lands and result in Iraq transforming from an agriculturally rich country into a net importer of produce, particularly of Iranian goods. In addition, unemployment would increase in the agricultural sector, which would contribute to public opinion turning against Kadhimi.

Destabilizing Activities in Iraq

Iran's armed militias escalated tensions against US targets in Iraq, bombing its diplomatic mission and military bases such as the Ain al-Assad Air Force Base in Anbar, Erbil Air Base and Balad Air Base, and Camp Victoria near Baghdad Airport. Furthermore, the militias attacked the logistical support columns of the Global Coalition Against ISIS in Iraq, and Washington's civilian contractors. In addition, they attacked those calling for Iraq's transition to statehood. Iran's militias in Iraq have used Katyusha missiles and Iranian-made explosive-laden drones. In July 2021, the Pentagon's statistics indicated



that the number of attacks against US interests by drones and missiles amounted to about 55 attacks since January 2021,⁽³⁴⁾ and one attack includes dozens of missiles. The use of drones is a qualitative shift in the rules of military engagement as they can evade the US defence systems that Washington installed Iraq to protect its interests from Iran-backed militia attacks.

By using these cards, Tehran sought to publicly undermine the ability of Kadhimi's government to manage Iraq's escalating crises such as the country's security, electricity, water and unemployment crises. The intention was also to fuel protests against the government, leading to its overthrow or to impact the orientations of the Iraqi people. If the Iranian plan worked, it would have driven the Iraqi people to vote for the currents affiliated with Iran in the legislative elections and negatively impact the possibility of Kadhimi being designated as prime minister once again after the elections in October 2021. This would have further complicated the Iraqi scene and thrown Iraq into a vortex of violence and chaos, ensuring its subordination to Iran, and reinforcing the perception that Iran can influence the Iraqi arena whenever it wants to.



Factors Impacting Iran's role in Iraq

In addition to the impact of Kadhimī's internal and external orientations on Iran, other factors also impacted Iran's role in Iraq in 2021, most notably:

The Divisions Between Iran's Militias in Iraq

The divisions between Iran's militias represented one of the most important obstacles to the extension of Iranian influence in Iraq in 2021, because they are critical to implementing Tehran's expansionist schemes. They possess weapons and are geographically deployed, especially in oil-rich areas. The divisions between Iran-affiliated militias was openly acknowledged by the Iranian ambassador to Baghdad.⁽³⁵⁾ These divisions exposed the falsity of Iranian claims of cohesion between its militias and this posed an additional challenge to Iranian influence in Iraq. Differences erupted among Iran's most powerful militias such as Asa'ib Ahl al-Haq and the Iraqi Hezbollah, and in Tehran's most influential sphere of influence because of its importance in its grand regional strategy. Iran is concerned because these militias played a significant role in tightening its grip on Iraq and in other spheres of influence. These divisions negatively impact Iran's

regional influence, and reflect the so-called “militia rebellion” phenomenon against Iran. Asa’ib Ahl al-Haq leader Qais al-Khazali brazenly declared the militia’s rejection of Iran’s guardianship over Iraq.⁽³⁶⁾ This is of significance since Asa’ib Ahl al-Haq was one of the most prominent militias which pledged loyalty to Wilayat al-Faqih.

Iraqi Popular Rejection of Iranian Influence

The year 2021 witnessed a growth in Iraqi popular rejection of Iranian influence. This was evident when the voters dealt a resounding blow to the Shiite alliances by not voting for them, except for the State of Law Alliance. The Fatah Alliance, Iran’s closest ally, fell to fifth position with only 14 seats in the 2021 elections, after it occupied second place with 47 seats in the 2018 elections, meaning that it lost 33 seats in the 2021 elections. There was also a significant decline for the Victory Alliance and the Wisdom Movement, they only won four seats, meaning that they lost 58 seats compared to the number of seats that they won in 2018. On the other side, there was progress for the currents supporting the path of Iraq’s transition to statehood such as the Sadrist bloc which ranked first with 73 seats, and the Sunni National Progress Alliance which ranked second instead of the Fatah Alliance by winning 38 seats in the 2021 elections.⁽³⁷⁾

These results demonstrated the growing awareness of the Iraqi voter of the centrality and importance of Iraq and its affiliation with the Arab world, and the rejection of sectarian alliances. They also indicated that the Iraqi citizen has emerged as an influential figure in the Iraqi equation and Sunni voters have regained their confidence in their leadership. In addition, they highlighted the importance of competing Shiite voices and the growing differences between the poles of the Shiite house over whether a path toward statehood or chaos should be pursued or not. Therefore, the elections revealed new characteristics of the Iraqi equation; exposing Iran’s expansionist plans in the country.

Biden’s Use of Force Against Iranian Militia Concentrations in Iraq

Contrary to what the Iranians believed about a possible shift in the US attitude toward Iran if the American leadership changed, Biden continued with his predecessor’s policy toward tackling growing Iranian influence by sending strong messages of deterrence when he ordered two military strikes against Iranian militia concentrations in Iraq: in February and in June 2021, in response to militias targeting US interests. These strikes were equivalent to sending a message to Tehran that it should not test the patience of the Biden administration by further striking US interests because Washington can use armed force to achieve deterrence, and is capable of separating its diplomatic efforts with Iran, such as sitting at the negotiating table to revive the nuclear deal, and military attacks against Iranian militia positions. Moreover, the US response to militia attacks indicated that the Biden administration will not tolerate its forces being put at risk, especially in light of the qualitative improvement in the Iranian weapons used to strike US interests. Drones, according to military experts, can evade the defense systems set up by Washington in Iraq to defend against the repeated missile attacks targeting US interests.

Gulf Support to Establish an Independent Iraqi State

Kadhimi's foreign orientations provided space for the Gulf to support Iraq in its transition to full statehood. Therefore, the level of mutual Gulf-Iraqi visits and the signing of security, economic and trade agreements to strengthen bilateral relations increased. In addition to Kadhimi's visit to Riyadh and Abu Dhabi, Saudi Arabia's Deputy Defense Minister Prince Khaled Bin Salman visited Iraq in May 2021 during which five bilateral agreements were signed in many different fields. The Minister of Interior Prince Abdul-Aziz bin Saud bin Nayef visited Baghdad in September 2021 to coordinate ways to combat terrorism and control the borders between the two countries. The Saudi-Iraqi Coordination Council met in Riyadh in September 2021 which led to the signing of two agreements to organize maritime and air transport, and an agreement to increase the trade volume through the Arar border port. This is part of the Gulf's efforts to restore Iraq to the Arab world and support the path toward statehood that has been embraced by Kadhimi.

Exacerbation of Iran-Turkey Tensions in Iraq

Iraq is one of the most important arenas of Turkey-Iran competition because Ankara and Tehran are competing for influence in Iraq. While Tehran seeks to take complete control over Iraq, Ankara seeks to secure areas of influence in Iraq generally and in northern Iraq particularly. Disputes over Iraq flared up continuously. During February 2021, the Iranian ambassador to Iraq accused Ankara of violating the sovereignty of Iraq against the backdrop of the military operations carried out by Turkey in northern Iraq against the forces of the Kurdistan Workers' Party. This accusation caused a diplomatic crisis when Turkey summoned the Iranian ambassador to Ankara. Then, the Turkish Minister of Interior stated that Iran was hosting Kurdistan Workers' Party fighters on its soil, which prompted Iran to summon the Turkish ambassador to Tehran. These tensions are due the centrality of Iraq in the two countries' strategies and the struggle between both countries to assume the regional leadership mantle. In addition, there is an overlap in their spheres of influence which has contributed to tensions, whether in Iraq, Syria or beyond in Central Asia, Azerbaijan, the Red Sea, and Africa.

Conclusion: The Future of Iran's Role in Iraq in 2022

Upon the aforementioned discussion on Iran's role in Iraq, we conclude the following:

- Iranian influence in Iraq remained the same at all levels, except for the political domain, with Tehran's influence declining because Iraqi voters rejected its blocs in the legislative elections.
- Iran changed from being an active state that extended its sphere of influence to a state that depended on using pressure cards to preserve its influence due to the shift in the Iraqi internal equation thanks to the government prioritizing Iraq's shift to statehood and achieving a balance in the country's foreign relations. This change in the behavior of the Iranian state coincided with a change in the Iraqi popular mood, especially among the younger generation that supports the path toward statehood, and rejects sectarian quotas, the eruption of divisions among Iran-affiliated militias due to the absence of Soleimani from the Iraqi scene and the decline in Iranian financial support.

- The Arab and US role was effective in besieging Iran and limiting its influence. Arab and Gulf interactions with Iraq increased, and the Biden administration used force against Iranian militia concentrations on the Iraqi-Syrian border, contrary to Iran's expectations following the change in American leadership.
- Iraq has entered a new phase of political maturity with an entirely new and different equation from the previous one. The internal and external challenges to Iranian influence in Iraq have increased, especially in the presence of a cross-sectarian national bloc that is against the Iranian project, depriving it of legitimacy and exposing the Iranian political system's lack of suitability to be a model for other countries. This new equation makes it extremely difficult for Iran to achieve its goals and implement its cross-border project, reducing it to a fanciful illusion.

In light of aforementioned conclusion, the future of Iran's influence in Iraq will fluctuate between two states: stagnation and a slight decline if sudden developments occur such as the coronavirus pandemic. There will be no rise in Iranian influence in Iraq in light of the challenges facing Iran in the country such as the growing phenomenon of popular rejection reflected in the cross-sectarian national bloc in Sunni and Shiite provinces, the move toward statehood, the growing divisions between militias over leadership positions, money collection and areas of control and influence, the increase in Arab and international external support for the transition toward Iraqi statehood, the possibility of Kadhimi staying in office or naming a new prime minister supporting the path to complete his quest to build a new Iraq. There will be no significant decline in Iranian influence. Iran has strong pressure cards in the Iraqi arena including its militia deployments in Iraqi governorates and the use of the electricity card, especially given that Iraq's electricity crisis is expected to continue during 2022. It is also unrealistic to imagine that Iran will easily concede ground that will lead to a decline in its influence without intense internal, regional and international pressure to crowd out Tehran at all levels, especially since it has suffered financial and human losses in its quest to expand its spheres of influence over the past years and because of Iraq's centrality in its stratagem.

Iran and Syria

In 2020, the Iran-Syria relationship was impacted by a host of political, security and economic developments.

One of these was the increasing Israeli airstrikes on Iran-linked bases and militias in Syria. Regional tensions during the year along with approaching US presidential elections at the time provided actors in Syria (Iran, Syria, and Russia) with an opportunity to find consensus with other international and regional actors. This was forecasted in Rasanah's 2020 Annual Strategic Report. Another noteworthy development that took place in 2021 was the Arab-Syria rapprochement and its impact on Arab relations. This file analyzes the different international and regional positions on the Iran-Syria relationship, the varying extent of pressures exerted on Iran's role in Syria and the increasing calls to curb its influence in the country.

Exploring Iran's Influence in Syria

During 2021, Iran's influence fluctuated, it rose and declined as the following will indicate:

Constant Tactics to Strengthen Iran's Military Posture

To avoid hostile airstrikes against its sites and deployments, Iran accelerated its military buildup in Syria and adopted some new military tactics. Examples of these were digging tunnels⁽³⁸⁾ and smuggling weapons including short and medium range ballistic missiles and drones. After being delivered to Damascus International Airport by civil planes, the weapons are trafficked into the country within humanitarian aid convoys or by sea through Latakia's port in closed containers.⁽³⁹⁾ For Iran, digging tunnels or creating local militias such as Hashemiyoun and Rab'allah were part of its long-standing strategy of concealing its exact positions from intelligence services and to protect Iranian headquarters, warehouses and leaders from airstrikes.⁽⁴⁰⁾

Iran also reshuffled its military leadership, expelling the commander of its Quds Force in Syria, Jawad Ghafari, whose real name is Ahmad Madani. Iran also removed 20 of its security leaders responsible for the deployment of its affiliated militias in Syria. According to Iran's official narrative, Ghafari's task was over, hence, he was removed. Analysts, however, had different views on these recent Iranian moves. Some analysts believed that there were disputes between Moscow and Tehran that eventually led to the aforementioned changes.⁽⁴¹⁾

Iran's new strategy in Syria came amid key security developments in the region, most importantly Mustafa al-Kadhimi's decision to form a team of Iraqi officers outside the control of the Popular Mobilization Forces tasked with Arab-Syria rapprochement.⁽⁴²⁾ The new Iranian moves in Syria also related to Syrian and Russian pressures on Tehran. Syria, Russia and Israel aimed to curb Iran's influence and militias in Syria and mitigate international concerns over its influence there.

Iranian Military Escalation Against International Forces

America's al-Tanf military garrison in Syria was frequently attacked in 2021. Some reports blamed the Iran-allied militias in the country for these attacks. These consecutive attacks sent several messages, including Iranian power projection in the period preceding the resumption of the Vienna talks about Iran's nuclear program. Another important message was to pressure Washington to withdraw from al-Tanf or reduce its presence in the east Euphrates area in order for Tehran to cement its influence all the



way to Beirut. Outside Syria, the fact that pro-Iran groups lost in the legislative elections held in Iraq on October 10, 2021 was a driver for Iran-backed militias and parties to launch the attacks against al-Tanf, with the objective of projecting Iranian power.

Iran's Soft Power Strategy to Boost Its Influence

After enhancing its military presence in Syria, Iran's attention was more focused on strengthening its non-military influence in the country as reflected via ground realities. For example, Iran established cultural/ religious centers, universities, Hussainiyas, purchased real estate and restored holy shrines.⁽⁴³⁾ In another evident Iranian effort to enhance its soft power in Syria, the Head of Iran's Hajj and Pilgrimage Organization Alireza Rashidian signed a memorandum of understanding (MoU) for sending 1,000 Iranian pilgrims per year to Syria to visit shrines and other sacred Shiite sites.⁽⁴⁴⁾

Iran also opened a consulate and an attached economic office in Aleppo.⁽⁴⁵⁾ For Iran, the city is an economic link to the coastal city of Latakia where Iran has begun to establish an economic corridor to the Mediterranean. From Basrah's crossing point of Shalamija, Iran plans to build a railway link to Latakia's port in Syria. Besides, Iran eventually opened a commercial center in Damascus two years after the announcement of the project. Iran is relying heavily on both its consulate in Aleppo and its commercial center in Damascus to boost its investments in Syria's market, as Iranians were unhappy over their 3 percent share in the market while Turkey's share stood at 30 percent.⁽⁴⁶⁾

The reciprocal visits amid significant regional developments between Iranian and Syrian officials cannot be overlooked when analyzing the Iran-Syria relationship over the year. The recent visit made by Syria's foreign minister to Tehran which coincided with the resumption of the Vienna talks was an attempt by Iran to demonstrate its influence in Syria during the course of the nuclear talks. The visit also coincided with intensive Israeli attacks on Iran's position in Syria and signs of Arab rapprochement with Syria which may impact Tehran's influence in the country.

For Tehran, these developments are concerning. Thus, it used official regular visits to Syria to send messages to the United States, Israel and Arab countries that Iran-Syria relations will persist in the face of any challenge and that any attempt to separate Damascus from its closest ally, Iran, will fail.

Hurdles and Challenges Facing Iran's Role

Iran's role in Syria was subject to many obstacles in 2021 including the following:

Russia's Active Diplomacy

In 2021, Russia made efforts to find a solution acceptable to all the parties to the crisis in Syria. These efforts came amid several developments in the region that directly or indirectly impacted the situation in Syria and Iran's influence in the country. The most notable of these were President Bashar al-Assad remaining in power and the arrival of new presidents in the United States and Iran. Both had different approaches regarding regional affairs and the nuclear talks in Vienna. Given these circumstances, Moscow was trying hard to find a solution that takes into account the interests and concerns of all the parties in Syria.

In this quest, Russia's Foreign Minister Sergey Lavrov paid a visit to some Gulf and Arab states with the mindset that Iran's influence in Syria cannot be weakened unless Damascus' political and economic relations with Arab countries were restored. Then Russian President Vladimir Putin met with his US counterpart during the US-Russia Summit in Geneva to reach understandings on a range of political and humanitarian issues. After the meeting, major developments related to Syria took place including the project to satisfy Lebanon's gas and electricity needs and rapprochement between some Arab countries and Damascus.⁽⁴⁷⁾

The separate visits of Assad and Israeli Prime Minister Naftali Bennett to Moscow were also part of Russia's efforts to broker a comprehensive consensus for the Syrian president. Russia's biggest concern was to curb Iran's role in Syria, especially in Daraa, an area which is critical to the delivery of electricity and gas to Lebanon. Putin's telephone conversation with Raisi which was held immediately after Assad's visit to Moscow indicated that core issues were discussed between the Russian and Syrian leaders including Iran's influence in Syria. In fact, the phone call was followed by strategic moves in relation to Syria. Iran took some steps to calm tensions in Syria and to reach a compromise with Russia.⁽⁴⁸⁾

Arab-Syria Rapprochement

In 2021, there were signs of emerging Arab rapprochement with Syria. This was evident in the Jordanian-Syrian engagement at several levels, the UAE foreign minister's visit to Syria and the call for Syria's return to the Arab League. Syria was also included in economic projects with some Arab countries. Economic needs in addition to security concerns in Jordan resulting from the presence of Iranian militias on the Syrian-Jordanian borders were the key drivers toward Amman's openness towards Syria. Jordan was seeking an understanding with Syria due to the need for economic development. Thus, Amman held talks with Washington and Moscow on Syria, resulting in the re-opening of the Nasib-Jaber crossing to allow the passage of people and cargo. Moreover,



Photo: SANA/AP

Jordan, Syria and Lebanon inked a deal to supply Lebanon with electricity from Jordan through Syrian territory and to supply Lebanon with Egyptian gas through Jordan and Syria.

As for the UAE, its policy of rapprochement with Syria intended to push for Syria's return to the Arab League and to entice Damascus away from Iran. In principle, the UAE policy aims to confront Iran's influence not via direct confrontation neither by insisting to expel all Iran's forces from Iraq and Syria but through using soft power tools to create new interests, i.e., projects, to compete with Iran's influence and with the latter's hard power in several Arab capitals.

Saudi Arabia, on the other hand, despite its sharp criticism of the Syrian regime, is unlikely to stand in the way of rapprochement with Damascus. The current Saudi position of refraining from restoring ties with Syria can be interpreted as a means of exerting pressure on Assad to make more concessions regarding Iranian influence and other files related to human rights and war crimes, including the use of chemical weapons.

Yet, it is impossible or at least doubtful that the UAE and Jordan will succeed in curbing Iran's influence by approaching Syria in the foreseeable future for two reasons. First, Iran's deep-rooted influence in Syria goes well beyond the military domain to encompass political, economic, and social domains as well. Second Assad is likely to balance his relationship with Iran even though he has established good terms with a number of Arab countries. It is believed that Assad expelled Jawad Ghafari to reduce Iran's influence in Syria in response to requests from Arab capitals.

Moreover, Iran is likely to turn the Arab openness toward Syria from a challenge into an opportunity. Iran has already welcomed Arab rapprochement with Syria on the one hand, increased its official visits to Damascus, launched economic projects in Syria and received Syrian officials including the Syrian Foreign Minister Faisal Mekdad on the other hand.⁽⁴⁹⁾

Competition With Russia

Iran-Russia competition in Syria has been on the rise in recent years. In 2021, the conflict between the two countries was mainly in the military domain. The Russian-Iranian dispute over the T4 airbase was clear before Tehran eventually evacuated its forces from the airbase and transferred them to al-Shayrat airbase near the Syrian-Lebanese border after an agreement with Russia.⁽⁵⁰⁾

Both Iran and Russia sought to strengthen their presence in the areas where US troops were stationed. Thus, Moscow established a number of training camps in eastern Syria, sent military reinforcements to the cities of Qamishli and Al Hasakah and expelled Hezbollah-affiliated militia members away from its spheres of influence in Syria. Russia also expanded into Iran's spheres of influence such as Palmyra, Al Bukamal and Deir Ezzor with the aim of using this as a bargaining chip in the talks with the Western countries and Israel regarding Tehran's nuclear program. Russia's influence can also be used in reaching potential understandings with the Iranians. For Iran, Russia's military presence in the aforementioned areas can help reduce missile attacks launched by US drones on Iranian spheres of influence in Syria.

Conclusion: The Future of Iran-Syria Relations

In light of the developments that impacted the relationship between Iran-Syria in 2021, it can be concluded that Syria is facing a new reality with overt or covert moves in the country and the region to reduce Iran's influence. Russia is using these moves to make gains without fully ending Iran's role in Syria or building international consensus against Tehran — given the fact that these two countries have common interests as previously mentioned. Apparently, Iran is aware of the regional rejection of its presence in Syria and the pressure on its influence in the country. Therefore, it used another tool to maintain its influence beyond a heavy military deployment. Economic projects and interactions in Syrian society have been used by Iran as part of its soft power policy along with sponsoring sectarian militias.



According to ground realities, southern Syria and the eastern Euphrates will remain areas of conflict and compromises among Syria, Iran, and Russia. It is expected that Israeli airstrikes will continue against sites and targets belonging to Iran in Syria. Iran on the other hand will not be concerned by such attacks, as they do not impact its influence and interests in Syria and may respond with drone attacks against the US military base in al-Tanf. The future of Iran's military presence in Syria (to keep or withdraw its forces) will be determined by a number of developments. The most important of these are the outcome of the Vienna talks between Iran and world powers and a potential Russian-American-Israeli agreement to intensify pressure on Iran with regard to its presence in Syria. Mekdad's visit to Iran revealed growing concerns in Tehran over the recent developments in Syria. Iran is worried about the challenges facing its military influence in Syria and the Arab rapprochement with Assad. Yet, it is unlikely that the current conditions in Syria will force Iran, in the short or medium term, to make core changes to its military presence. In the event that Iran faces mounting escalations or pressures, Iran may stage a nominal/tactical rather than a strategic withdrawal from Syria so that the course of its project and its long-term goals in Syria and the region are maintained.

The future scenarios for Iran's relationship with Syria in 2022 are as follows:

- **Growing influence:** This scenario seems very likely in case Iran and world powers reach an agreement in Vienna and sanctions on Iran are lifted without addressing Tehran's regional behavior in 2022, so Iran will have more room to expand its influence in the region. Thus, Iran seeks to secure more cards to enhance further its strategic presence in Syria amid the regional and international interactions in the country and to threaten Israel's security to leverage the United States into making compromises during nuclear negotiations.
- **Decreasing influence:** Iran's influence in Iraq and in Yemen has been facing challenges and hurdles. In Iraq, Iran-allied groups suffered a resounding defeat in the 2021 parliamentary elections. In Yemen, the Arab coalition is targeting pro-Iran Houthis. In Syria, however, Iran is likely to face further efforts to curb its influence as Israel is expected to intensify its raids against its positions, and Russia and the United States have both already started to take action on the Syrian file to curb Iran's influence.

Along with external challenges, Iran is facing public anger at home in response to its regional role, growing political and economic crises and tense relations with many partners. These increasing challenges will be hard to manage if the Vienna talks do not lead to a deal with Iran. The recommendations of some Iranian officials to decrease troop numbers in Syria revealed cracks within the Iranian government with regard to military deployment there.

In the aftermath of the US withdrawal from Afghanistan, US officials decided to keep part of its troops in Syria. This aimed to prevent the further expansion of Russian or Iranian influence in the country. The areas controlled by US troops in Syria are of strategic importance to Washington as they are close to the positions under its control in Iraq. Furthermore, the US presence in Syria enables it to keep Iran's influence there under check and to hinder Tehran's efforts to build a gas pipeline to the Mediterranean through Iraq and Syria. Moreover, if the efforts made to revive the nuclear deal with Iran are in vain, the US presence in Syria will allow it to confront any subsequent

military escalations or clashes as was the case when Latakia's port was targeted in early December 2021.

- **Iran' influence remains fixed:** In this scenario, Iran's influence in Syria will remain the same in 2021. In light of Iran-Syria relations and engagements during the last 10 years, this scenario is the most likely. Iran has always managed to deal with constant regional and international opposition to its expansion and regional and international pressure to return to the 2015 nuclear deal. Iran is likely to maintain its expansionist strategy while dealing with its challenges by making symbolic changes to its military posture in Syria by shifting from the Israeli borders to other areas, particularly in Aleppo and the eastern Euphrates area.

Iran and Lebanon

In 2020, two important developments shaped both the foreign and internal relations of Lebanon. The first one was the political and economic crises that emerged amid internal divisions among the country's key political actors.

These disagreements hindered the formation of a government strong enough to address the challenges facing the country. The second one was the complicated domestic problems which resulted from foreign interference in the country. Iran's interventions in Lebanon, through its proxy Hezbollah, impeded reforms, obstructed foreign assistance and influenced Beirut's relationship with the international community. Iran's ongoing interference in Lebanon is primarily aimed at enhancing Hezbollah's power to serve its interests in the country and implement its expansionist schemes in the region.

In its 2020 Annual Strategic Report, Rasanah forecasted that 2021 will be a more complicated year for Lebanon with more Iranian interactions and escalations impacting both the country's internal and foreign relations.⁽⁵¹⁾ This forecast was accurate. Lebanon's political, security and economic crises deepened in 2021 — despite the fact that the Lebanese government was eventually formed. In addition, the country's foreign relations were severely impacted by Iran's regional role and the negotiations over its nuclear program. For this year, Rasanah's *Annual Strategic Report* analyzes the Iran-Lebanon relationship in 2021 in light of three main developments.

The Iran-Hezbollah Relationship and Its Impact on Lebanon

By using Hezbollah, Iran was able to consolidate its influence in Lebanon as the following demonstrates:

Obstructing Efforts to Form the Lebanese Government

The obstacles to form a new government in Lebanon in 2021 were not surprising as Hezbollah had hindered such endeavors in the past. Iran has always exerted backstage influence in Lebanon — by creating obstacles or providing support — to control the political arena in the country. During Saad al-Hariri's tenure as Lebanon's prime minister



from October 22, 2020 until his resignation in July 2021, Hezbollah worked to hinder the formation of a new government. Due to its obstruction, Hezbollah impeded the much needed talks between Lebanon's new government and the IMF in light of the economic suffering of the Lebanese people. However, after the Iran-France understanding to form a Lebanese government, Iran's approach totally changed. "The efforts and assistance of Iran, France and Hezbollah to form a strong government in Lebanon can benefit this country," Iran's President Ebrahim Raisi said.⁽⁵²⁾ Lebanon's Prime Minister Najib Mikati, who led the process to form the government, managed to succeed despite the efforts of Hezbollah and other allied parties such as the Amal Movement to thwart its formation. Hezbollah and its allies, however, did not stop to hinder the political process in the country. Hezbollah prevented government meetings by escalating its threats against the government and called for the judge investigating last year's huge blast at Beirut Port to be dismissed. Hezbollah with its ally, the Amal Movement, also jointly boycotted the government's meetings. These complexities created by Hezbollah and its allies will lead to further tensions and difficulties for the Lebanese government.

Iran's Provision of Social Services for Lebanon

Amid the Lebanese multi-dimensional crisis, Iran – using its proxy Hezbollah – exploited the country's crises through providing social services and granting financial aid to enhance its popularity among the Shiite communities inside and outside Lebanon. Iran aimed to boost its influence as the 2022 parliamentary elections in Lebanon are approaching. Hezbollah used the fuel shortage, power outages and problems facing the Lebanese health sector to provide much-needed social services and financial support to the Lebanese people. Hezbollah's Secretary-General Hassan Nasrallah announced that the group will import fuel from Iran to satisfy Lebanon's energy needs. Moreover, the



Iranian Foreign Minister Hossein Amir-Abdollahian, offered, during his visit to Beirut, to build two power plants in Lebanon. For Iran, exploiting the energy crisis and offering solutions is a prominent part of its regional policy. Iran used this policy in many regional countries where economic and social crises erupted. This policy not only helps Iran and its proxies to achieve their goals but also undermines the power of sitting governments and enhances Iran's influence.

Power Projection and Security Threats

In 2021, Tehran adopted a policy of power projection in Lebanon including threats to escalate or launch attacks. An example of this policy was the mutual escalation between Hezbollah and Israel inside Lebanese territory. This policy aimed in the first place at sending a message to the Lebanese and regional actors that Lebanon is part of Iran's regional spheres of influence.

Hezbollah opted for a low-level escalation in Lebanon by targeting Shebaa Farms, an area near Israel's borders with Lebanon with a barrage of rockets. This escalation was seen as an attempt to counter the international pressure on the Lebanese group, as the latter is widely condemned for its role in complicating the socio-economic, political and security crises in Lebanon. The attacks were also interpreted as an Iranian message confirming that assaults against Israel from Lebanese soil will continue. This analysis is supported by the statements made by the commander-in-chief of the IRGC Major General Hossein Salami and Hezbollah's Deputy Secretary-General Naim Qassem who stressed that the response to Israeli threats will continue. For both men, Iran's Lebanese proxy has all the capabilities needed to directly threaten Israel's security.

In the aftermath of the Tayouneh incident, Nasrallah declared that Hezbollah has 100,000 trained fighters willing to defend Lebanese territory.⁽⁵³⁾ The statement, however, was met with skepticism due to the fact that the resources funneled to Hezbollah via Iran have declined. Thus, it seems that the statement was intended to send implicit messages including the projection of the group's military power, to cover up its weaknesses, and assert its political influence in Lebanon as well as to boost morale among its supporters. The latter objective was critical for Hezbollah in light of the domestic criticism it has faced due to its role in many incidents including those that unfolded in Khalde, Chouaya, and Tayouneh. Hezbollah, amid these incidents, wanted to demonstrate that it was not a small "resistance" force but rather had power comparable to standing armies.

Nasrallah's announcement of the number of fighters in Hezbollah's ranks was also intended to send a message to those who believe the group will not win the majority of seats in the upcoming parliamentary elections. Some US and European analysts have betted on the results of the parliamentary elections to change the dynamics of Lebanese politics, particularly in light of the decline in popularity of Hezbollah and its allies in Lebanon.

Attacking the Judicial Body and Hindering the Investigations Concerning Beirut Port

Since Hezbollah managed to suppress the nationwide protests on October 17, 2020, by violently cracking down on protesters and intimidating them, the same approach was used by the group to obstruct the investigations into last year's devastating explosion at Beirut Port. Hezbollah escalated tensions to remove the chief investigator in the Beirut

Port blast case Tarek Bitar. Nasrallah explicitly demanded Bitar's replacement, arguing that he was politicizing the investigations and indirectly targeting the group.

Hezbollah's escalation included making explicit threats to the entire Lebanese government and setting the dismissal of Bitar as a condition for the continuation of government meetings. The group also used violence as a pressure card to achieve its goal, calling on its supporters to take to the streets in an attempt to press the government to dismiss the judge.

Starting a Diplomatic Crisis With Lebanon's Arab Neighbors

Along with the economic crisis and political deadlock that had persisted during the year in Lebanon, a diplomatic crisis emerged between the country and some Gulf states. The Lebanon-Gulf crisis ran much deeper than the statements made by some Lebanese official. Rather, the tense relations between Lebanon and the Gulf states resulted from the realities in the country and Hezbollah's dominance over Lebanese politics. Moreover, Hezbollah's efforts to turn Lebanon into a place for trafficking drugs and arms and training pro-Iran militias was a major cause of the recent crisis.

Saudi Arabia and France made efforts to solve the diplomatic row, announcing a joint initiative. These bilateral efforts were followed up by several positive moves by Mikati. Yet, the signs of a breakthrough in relations with Lebanon did not last long. In December, Hezbollah participated in a missile attack on Saudi Arabia, using Sanaa's airport as a missile launch site.⁽⁵⁴⁾ The assault aimed at embarrassing and defying the Mikati government.

Hezbollah Facing Challenges in Lebanon

Despite Hezbollah boasting of its political and military power in 2021, the group faced a host of internal and external challenges, such as the following:

Intra-Disputes Dividing Hezbollah's Alliances

Disputes among pro-Hezbollah alliances in Lebanon resurfaced as the threats against Hezbollah and the Amal Movement were gradually escalated by both Lebanese President Michel Aoun and Gebran Bassil's Free Patriotic Movement (FPM), indicating that the latter was considering to end its political alliance with Hezbollah. The disputes happened over what unfolded at Tayouneh and the FPM's electoral law amendments.⁽⁵⁵⁾

While some analysts believe that the disputes between Hezbollah and the FPM will widen further, it is unlikely that relations between the two groups will be severed completely. In fact, the two Lebanese groups (Hezbollah and the FPM) are still united by common interests. Hezbollah cannot abandon the political support provided to it by the FPM in regard to many internal and regional issues. The FPM on the other hand cannot abandon its biggest ally. Yet, amid the ongoing rift between the two groups, a question arises: how will political power be shared between Hezbollah and the FPM when the term of the current government ends?

Declining Popular and Political Support

Hezbollah no longer enjoys the same staunch support and popularity in Lebanon. Rather, the group is facing public anger due to its role in worsening Lebanon's crises

along with its corruption and illicit activities such as smuggling drugs. The recent clashes in a number of Lebanese cities are proof of Hezbollah's declining popularity.

Moreover, there are tensions between Hezbollah and Prime Minister Najib Mikati over the group halting cabinet meetings. In light of the domestic crises and deteriorating foreign relations, Mikati has to find a way out of the current impasse, as the current situation leaves no room for maneuver or manipulation with the 2022 parliamentary elections approaching.

The relationship between Gebran Bassil's FPM and Hezbollah faced tensions following the Lebanese Constitutional Council's move not to make a decision on the appeal filed by the FPM to repeal the amendments made to the electoral law which were approved by the Lebanese Parliament in late October. Bassil, who is facing political pressure from his own group to stop supporting Hezbollah which is perceived to be the main cause of Lebanon's dilemmas since 2019, also accused Hezbollah and the Amal Movement of plotting against the FPM. These disputes among Lebanese groups will certainly agitate further the anger of Iran and Hezbollah in Lebanon.

Regional and International Leverage Against Hezbollah

Regional and international powers have taken practical steps to address Lebanon's crisis, whether in relation to the 2022 Lebanese parliamentary and presidential elections or Hezbollah's role in the country and its impact on the region. This was evident in the statement of the 42nd GCC summit and the Saudi-French statement on Lebanon. The latter stressed that arms should be limited to the state. The visit of the United Nations Secretary-General Antonio Guterres to Beirut also reflected international concerns over Lebanon. The increasing level of Israeli threats to Hezbollah and Iran and Australia's move to designate both the military and political wings of the group as terrorist organizations were part of the international efforts to mobilize global public opinion against Iran's destabilizing role in the region. These efforts were made amid growing regional and international concerns over President Raisi's agenda that aims to strengthen Iran's axis of resistance alliance in the region by increasing Tehran's defense capabilities and doubling the allocation for the IRGC in the country's 2022 budget.

Conclusion: Scenarios for Iran-Lebanon Relations in 2022

Lebanon has been experiencing a financial crisis, political paralysis, and public outrage since the Beirut Port explosion. In addition, international aid to the country was postponed until Lebanese politicians undertook serious reforms. If the international community's approach is merely limited to pushing the Lebanese government to carry out reforms and curb Iran's influence in the country, it is unlikely that this approach will prove effective. Due to Hezbollah's policy in 2021 aiming to preserve Iran's influence in the country and the region, the Lebanese government faced a boycott from the Gulf states and its ineffective political and security solutions turned into a complete failure.

As much as the next presidential elections scheduled in late 2022, the upcoming parliamentary elections will be a game changer for Lebanese political parties. Until then, Hezbollah will not be a bystander. Rather, it will enhance its power and strengthen its fragile alliances. In light of the current situation in Lebanon, the major concern lies

in the possibility of Hezbollah obstructing the parliamentary elections until a deal is made to elect a Hezbollah-allied president; several signs were apparent in 2021 which support this scenario.

At this point, there are three potential scenarios facing Lebanon in 2022:

- **Growing influence:** If Hezbollah manages to end the political tensions with its other allies in Lebanon through either forming an agreement or intimidating them, it will win in the nearing parliamentary elections. The group will also be able to achieve this in case public and external pressure against it is mitigated.
- **Decreasing influence:** If the regional and international pressure against Iran's interference in Lebanon continues, Hezbollah's hold over the country may loosen, eventually curbing Iran's influence there. This scenario is likely if the economic plight further worsens, public anger towards Hezbollah's role in complicating the situation in the country mounts and the dispute between Hezbollah and its political allies remains unsettled.
- **Stagnation:** In this scenario, Hezbollah's clout will neither increase amid the growing public discontent and regional and international pressure to hold the elections on time, nor will it decrease completely due to Iran's need to maintain its influence and strategic gains in Lebanon via the group. The most likely scenario is that Iran will work to maintain its clout in the country while its proxy, Hezbollah, will eventually forge settlements by de-escalating tensions at home and abroad.

See also

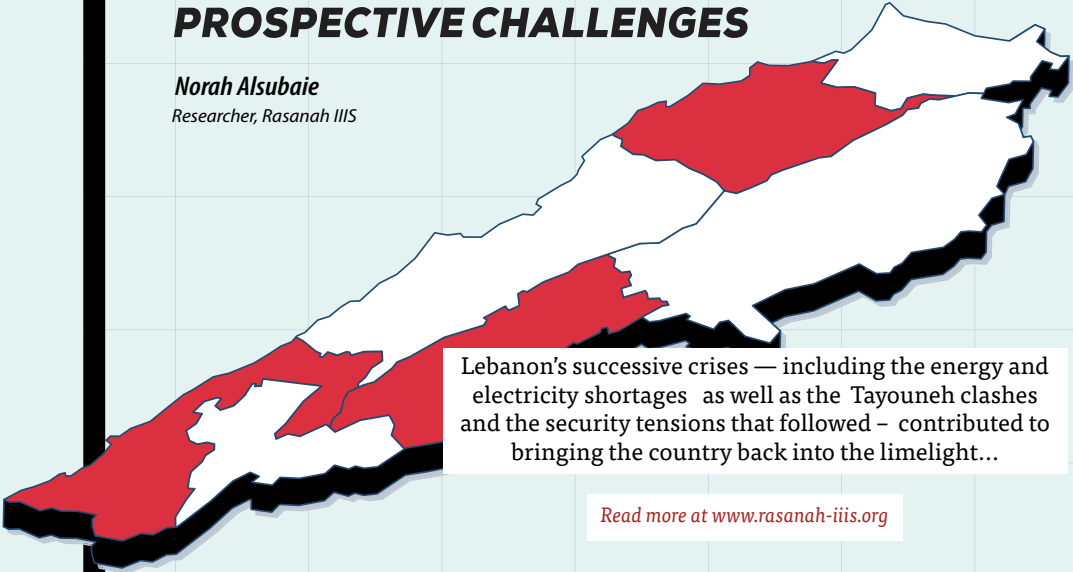
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Norah Alsubaie

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International Affairs

Iran and the United States

With the advent of 2020, it was expected that we would see a turnaround in the crisis-ridden relationship between the United States and Iran in light of Biden's election win and his adoption of a policy of engagement instead of policies of confrontation and unilateralism which were pursued by his predecessor Trump.

This was the conclusion of our Annual Strategic Report in 2020, which also referred to the fact that Biden had important levers in his hand, including Trump's legacy through which he could exercise pressure on Iran in case it did not respond to diplomatic efforts. At the same time, Iran was in dire need of lifting the sanctions which has contributed to its internal crises. Diplomacy and negotiations have been the cornerstone of the relations between the two sides throughout 2021. Eight rounds of talks were held in Vienna between April and December 2021.

But in light of the distrust and divergences in positions in regard to reviving the nuclear deal, the United States and Iran attempted to go to the negotiating table armed with a host of levers to boost their negotiating positions. Against this backdrop, Biden did not abandon Trump's legacy of sanctions and imposed more sanctions on Iran. He ratcheted up the pressure on Iran to curb its regional movements and tightened the noose around its neck—in addition to this, he worked to converge transatlantic viewpoints on Iran. Amid Biden's exertions, Iran has taken its nuclear program further away from international oversight. It has seriously tested its own ability to withstand pressure, overcome sanctions, and form relations, regionally and internationally, away from traditional US allies. The moves of the two sides have added more complexity to the path of negotiations and led to further divergences in viewpoints — with the year 2021 ending without reaching a settlement in relation to reviving the nuclear agreement. This has impacted the other contentious issues between the two sides, some of which date back decades.



This file attempts to cast light on the direction of the relationship between the two sides based on the interactions between them in 2021. It will also clarify the consequences and outcomes of the interactions, as well as the prospects of the relationship over the coming year. The report discusses the following points: active diplomacy and mutual pressure tactics employed by the United States and Iran; mutual escalation and pressure without direct confrontation at the regional level; moving on opposing trajectories at the international level; and the directions of US-Iran relations during 2022.

Active Diplomacy and Mutual Leverage Between the United States and Iran

Iran — under the influence of the “hardliners” who control the Parliament — introduced a new law indicating its shift away from its nuclear commitments. The law is known as the “Strategic Action Plan to Lift Sanctions and Protect the Iranian Nation’s Interests,” which was ratified by the Parliament in December 2020. By virtue of this law, Iran began to reduce its obligations under the Additional Protocol which grants the International Atomic Energy Agency (IAEA) wider powers in regard to monitoring nuclear sites.

But when the Biden administration took over, it embraced the approach of understanding and diplomacy with Iran instead of hostility and confrontation. This was in the context of a new strategy to address Iran, which was in line with the United States “reconsidering its priorities in the Middle East.”

Given that former President Hassan Rouhani’s government faced tremendous pressure and sought to revive the nuclear deal to make important gains ahead of the presidential election in mid-2021, Rouhani and Zarif laid out proposals to push forward the diplomatic path. The European sides seized on the positive signals and mediated to initiate talks to revive the nuclear deal. The talks began in Vienna in April 2021 between Iran and the P4+1 — with an indirect US presence — to revive the nuclear deal.

In parallel with the diplomatic efforts, Iran escalated its steps to violate its nuclear commitments; Tehran refrained from renewing its agreement with the IAEA on surveillance cameras at its nuclear facilities and threatened to delete the cameras’ data in case Washington did not lift the sanctions. It also prevented IAEA inspectors from accessing the Karaj nuclear site after the sabotage attack against it in April 2021. Tehran also launched a new series of sophisticated centrifuges to enrich uranium up to 60 percent purity. It also ramped up the production of metallic uranium. The Iranian Parliament also took a hard line in regard to the aforementioned nuclear law to ensure its details were implemented and observed. ⁽¹⁾

These nuclear violations indicated that the “hardliners” did not want Rouhani and his “reformist” movement to take advantage of reviving the nuclear deal before the presidential election. The “hardliners” were supported by the fact that Khamenei did not consent to the Rouhani government moving ahead with the talks⁽²⁾ and the “hardliners” also called into question Western motives. Therefore, though the Rouhani government was a stone’s throw away from reaching a nuclear settlement, it was forced to hand over the nuclear file to the new President Ebrahim Raisi who took over power in early August 2021.

For its part, the Raisi government did not abandon the course of nuclear talks. But it rather decided to take a harder line, increasing Iranian demands and gaining more

time. In this context, the Iranian Foreign Ministry announced that Iran “will pursue its peaceful nuclear program based on its needs, sovereign decisions and within safeguard obligations’ framework until the full and unconditional implementation of the JCPOA by America and other parties,” Iran’s Foreign Ministry Spokesman Saeed Khatibzadeh said.”⁽³⁾

The Raisi government managed to build a more radical internal consensus based on the practical and effective lifting of all the US sanctions at once with “tangible” guarantees and rejecting any amendments to the previous nuclear deal. Iran returned to the negotiating table as part of the seventh round of talks, in which Tehran submitted its drafts regarding the lifting of sanctions and its nuclear obligations. The drafts indicated that Iran had slightly regressed from the progress it had made during the previous rounds of talks held during the tenure of Rouhani. On the other side, the rest of the parties to the deal coordinated two drafts with the United States and the delegations returned to the talks. The parties hoped — as the negotiations proceeded — that the gap would be plugged and tangible progress would be made.

Despite Washington’s keenness on pursuing a diplomatic path, it warned against the measures taken by Iran in regard to its nuclear program, as well as its procrastination and lack of seriousness. Washington threatened it would withdraw from the negotiations and it would not continue forever while Iran is gaining more time and ramping up its nuclear measures. The United States also reiterated its commitment to preventing Iran from possessing a nuclear weapon and exercised pressure on the IAEA to refer the Iranian file to the UN Security Council to restore international pressure and consensus against Iran, taking advantage of the European concerns about the nuclear measures taken by Iran.⁽⁴⁾ Ahead of each meeting of the IAEA Board of Governors, Iran revitalizes talks with the IAEA concerning the monitoring and inspection of its nuclear sites to stave off a decision against it from the Board of Governors. Though the two sides reached an agreement that allows monitoring to continue, Iran was maneuvering and obstructing the inspectors. This prompted the IAEA to issue a statement in which it condemned Iran for not cooperating, fueling the suspicions against it and US mistrust regarding its nuclear intentions.

In parallel with the diplomatic path — throughout 2021, and in light of Iran’s mounting nuclear measures (moving away from its commitments) — the Biden administration continued the pressure on Iran by imposing more sanctions. US Deputy Secretary of the Treasury Wally Adeyemo echoed this position to impose further pressure on Tehran. He said that Washington will abide by the strict application of its sanctions against Tehran and that the easing of sanctions will only happen if Iran agrees to observe its nuclear commitments once again. The official also reiterated that the United States will track any Iranian efforts to evade sanctions or misuse the international banking system to finance its terrorist operations.⁽⁵⁾

On the other hand, Iran felt after Trump’s departure that it had been partly relieved of US pressure and the possibility of facing a military attack. Iran, therefore, tested mechanisms to circumvent some sanctions through pursuing the policy of “resistance” instead of “diplomacy.” It also attempted to send a message to the Biden administration that it has the capacity to endure sanctions for a long time, and that the clock is ticking

against Washington, as any delay in reaching a settlement would grant it an opportunity to achieve a nuclear breakthrough⁽⁶⁾—especially as Iran's oil exports increased during 2021. There is no question that Raisi represents the discourse of resistance and believes that Iran should focus on circumventing the sanctions instead of attempting to get them lifted through political negotiations. In this context, the new Iranian government held several deliberations regarding enhancing Iran's economic relations and trade cooperation agreements, while working to find practical alternatives for financial exchange. Iran discussed with a number of countries a roadmap for economic cooperation and outlined a strategy to repay its debts, including a barter agreement—oil for goods. The Raisi government also adopted a program dubbed “energy diplomacy,” the essence of which is based on working to increase gas exports and trade exchange, especially with neighboring countries — Iraq, Turkey, and Afghanistan in particular.

Mutual Escalation and Pressure Without Direct Confrontation at the Regional level

Throughout 2021, the United States did not hesitate to confront Iranian provocations and attacks across the region through military deterrence and coordination with regional powers to counter Tehran's subversive behavior. In this context, the United States conducted military strikes against the positions of Iran-affiliated militias in response to Iranian rocket attacks targeting US forces' outposts in Iraq and Syria. The United States also prevented Iran from providing military assistance to the Houthis in Yemen, and the Arabian Gulf saw mutual escalations between the US Navy and IRGC forces. The confrontations extended to the Gulf of Oman.

Yet, the departure of former Israeli Prime Minister Benjamin Netanyahu and the election of a new prime minister provided more room for coordination between the Biden administration and Israel on Iran. The manifestations of such coordination included the meeting between Biden and Bennett and they asserted during the meeting that if diplomacy failed, they were ready to consider other options.⁽⁷⁾ The talks between the two governments resulted in the appointment of the former US Ambassador to Israel Dan



Shapiro to the US State Department's Iran policy team. He was given responsibility over the regional aspects concerning the Iranian question as well as authority to coordinate with Israel. The United States and Israel also conducted joint maneuvers in the Red Sea to test the possibility of closing down the Gulf of Aqaba and preventing the infiltration of any Iranian vessel into it. In addition, they launched a mechanism for regional cooperation in the face of Iranian drone capabilities, as well as joint preparations for countering Iranian nuclear ambitions in case the Vienna talks fail.

In the same context, the United States attempted to allay the concerns of the Gulf states through holding several meetings and senior Biden officials visited the Gulf to brief Gulf officials on the outcomes of the nuclear talks. This move was in light of the Gulf states' concerns about their exclusion from the talks, and the possibility of not including outstanding issues such as Iran's ballistic missile program and its regional belligerency in the new settlement. Robert Malley, the head of the US delegation, held a meeting via videoconference with Gulf officials to share with them the outcomes of the ongoing nuclear talks with Iran. The US Secretary of State Anthony Blinken and the GCC member countries discussed ways to form a joint approach in order to permanently resolve the ongoing dispute in Yemen and to effectively use diplomacy to achieve a mutual return to the nuclear deal and end Iran's hostile behavior in the Gulf. They coordinated their efforts within the framework of the US-Gulf Cooperation Council Working Group, in its second meeting held on November 17, 2021. At the regional level, Washington offered \$47 million in immediate aid to the Lebanese army. Washington believes that supporting the Lebanese army would be a means to counter Hezbollah and would boost the army's role in the Lebanese political system in the future.

On the other side, when Biden came to office, Iran displayed behavior reflecting a step away from conflict. It resorted to open dialogue with regional powers including Saudi Arabia to avoid including its regional behavior (interventions) in any of the nuclear talks as well as to avoid the participation of some countries of the region in the talks. At the same time, Iran wielded indirect political and military pressure over the United States in Iraq, whether through launching attacks or presenting demands via the entities affiliated to it, such as the expulsion of US forces from Iraq. It also exercised pressure through sporadically mounting attacks on oil tankers and cargo ships. This included the attack on a vessel partially owned by Israel in the northern part of the Indian Ocean on July 3, 2021 and another attack on July 30, 2021, on a ship that left two crewmembers dead.

Additionally, at Raisi's inauguration ceremony, Iran received leaders of the "Palestinian resistance" forces in Gaza. They met with senior Iranian officials, where the latter reiterated Iran's support within the context of its axis of resistance alliance. The new Iranian government relies on this alliance in its regional policy in spite of speaking of its readiness to open dialogue with neighboring countries. Iran also continued its efforts in Afghanistan to maintain its clout under the Taliban government. The US withdrawal from Afghanistan marked an important geopolitical gain for Tehran. In response to Israeli threats to strike Iranian nuclear installations, Tehran conducted maneuvers and announced that if Israel committed any foolish act, it would be directly attacked. Tehran also continued its cyberattacks against the United States and Israel.

Moving on Opposing Trajectories at the International Level

The Biden administration considered rearranging its alliances in the face of Iran, whether with European parties or regional powers. This was considered in order to place Washington in a better position in regard to the Iranian file. If a united front with US partners and allies is achieved, the necessary tools would be available for reaching an agreement to counter Iran's missile and regional activities, according to US State Department Spokesperson Ned Price and Antony Blinken during a hearing before the House Committee on Foreign Affairs.⁽⁸⁾

There is no doubt that the United States under the Biden administration and in light of Iran's nuclear breaches was clearly able to win support from European parties — unlike under the Trump administration. In addition, the United States exercised pressure on some countries like South Korea and Japan to deprive Iran of its financial assets and the revenues of its oil sales. It also slapped more secondary sanctions on the parties cooperating with Iran.

In the face of the transatlantic rapprochement, Iran's interest in boosting and enhancing ties with the non-Western world increased — as part of a vision which is based on notion that the world is not limited to the West. Thus, the Iranian government ushered in a policy of “turning eastwards,” including boosting its ties with China and Russia. The two countries provide an effective diplomatic and political cover in the Vienna talks. In this context, the foreign ministers of China and Iran signed a 25-year strategic partnership agreement on March 27, 2021. The Secretary of the Supreme National Security Council of Iran Ali Shamkhani said that the signing of the partnership agreement marked a roadmap for strategic cooperation between Iran and China, which would also form part of Tehran's resistance policy.⁽⁹⁾ Iran is likely to sign a similar agreement with Russia, in addition to reactivating economic diplomacy and signing trade agreements and financial exchange deals outside the American-dominated SWIFT system to avoid further US sanctions. The aforementioned moves are a source of concern for the United States, especially in light of the mounting competition in the global arena with China and Russia. The Iranian moves eastwards resulted in its accession to the SCO. Iran conducted joint naval drills involving Russia, the Republic of Azerbaijan and Kazakhstan in the Caspian Sea earlier in September 2021. Iran, China and Russia are to hold naval drills in early 2022 in the Arabian Gulf. Iran considers these maneuvers to be a bulwark against the United States compromising regional security.⁽¹⁰⁾ In parallel, Iran deepened its ties with South American countries, particularly Venezuela and Cuba. Tehran has called for forging an alliance that rejects US hegemony.

Conclusion: Potential Breakthrough in the Nuclear File and Obstacles for Resolving the Roots of Disagreements

Despite the mutual distrust, the two sides are clinging to diplomacy as a framework to revive the nuclear deal. Diplomacy is mutually beneficial to both sides. For the United States, it believes that diplomacy is the best option for curtailing Iran's nuclear ambitions and preventing it from reaching the nuclear threshold. It also spares it a costly confrontation at a time when it is giving greater attention to the confrontation

with China in Southeast Asia. However, the United States has alternatives to deter Iran, whether by continuing to slap sanctions on the Iranian political system or carrying out military strikes against Iranian nuclear sites in collaboration with its allies. Such options could be considered should diplomacy fail. For Iran, reviving the nuclear deal is crucial to achieving stability and avoiding crises. Therefore, though the nuclear talks were a source of great contention between the “reformists” and “hardliners,” Raisi’s approach has not been very different from Rouhani’s. The policies being pursued by Raisi already started under Rouhani, especially in relation to accepting the principle of diplomacy as a means to resurrect the nuclear deal, considering it the best option to address the mounting crises at home and tackling Iran’s crisis-ridden foreign policy.

But in order to reach a better nuclear deal, avoid making substantial concessions and lifting all the sanctions imposed on Iran, Raisi is attempting to test the ability of his government to deal with challenges. The Raisi government is also seeking to forge a network of foreign relations, including bolstering ties with neighboring countries, to circumvent US sanctions and avoid proceeding to the negotiating table empty-handed. At the diplomatic level, Raisi succeeded in making some gains and forged some relations in the framework of his policy “Look to the East.” He was aided by the US withdrawal from Afghanistan. This is in addition to pressing on with Iran’s policy of nuclear ambiguity through taking more measures away from international oversight. In reality, the results of the Iranian moves for the so-called “resistance” against US sanctions were limited. Iran’s political system is expected to face further pressure and greater international isolation.

Therefore, it is expected that in the short run, the trajectory of talks will continue. Maybe the talks will end up with the nuclear deal being revived through reaching an interim agreement as a starting point leading to the full revival of the nuclear deal. Reaching this point may require mutual concessions until a deal is reached that ultimately dissipates fears about Iran’s nuclear program.

In the long run, however, it is likely that the root causes of the longstanding disagreements and hostility between the United States and Iran will remain unaddressed. There is still a confidence gap between the two sides, especially in light of the possibility that the United States will not be able to include crucial matters in the ongoing talks including: amending the deal to prevent Iran from becoming a nuclear power in the future, controlling its regional behavior, and restricting its ballistic missile program. This comes in light of the “hardliners’” control over the branches of power in Iran. They have redlines when it comes to the relationship with the United States, which they will not violate. Yet they have a mission to revive the principles of the 1979 revolution, most notably independence and resisting US hegemony, which means that Iran will take advantage of resurrecting the nuclear deal and pursue its traditional policies.

Iran and Europe

The Europe-Iran relationship drew attention at the international level, as the European Troika – Germany, France, and Britain – are primary actors in the nuclear deal with Iran. They officially represent European interests, especially the continent's economic interests with Iran.

In fact, the European Troika has become the diplomatic communication channel between Washington and Tehran, in light of the latter's intransigence and rejection to negotiate directly with any US administration.

Rasanah's 2020 Annual Strategic Report forecasted five possible scenarios, the most prominent of which expected there to be an improvement in the relationship between the Iranians and Europeans following a breakthrough in regard to the nuclear talks. However, the second scenario turned into reality, which forecasted an extension of the period for the talks, with no party achieving a breakthrough in the talks, whether Tehran or any of the Western parties.

This file examines the nature of Iran-Europe relations in 2021, and reviews the most prominent political and diplomatic points of tension, taking into account the suspension of significant economic relations due to the exit of European companies from Iranian markets since 2018 in response to US threats to impose sanctions on them if they continued to operate in Iran. The file also explores points of cooperation between the two sides, whether to fight the coronavirus pandemic or in other fields. Moreover, it emphasizes that most of the disagreements between the Iranians and Europeans do not go beyond the nuclear or human rights file.

Overall, this file reviews the intertwining relationship in regard to three axes: the outcome of tensions over the nuclear deal, the track of European engagement with Iran, and Iran's positions and aspirations regarding its relationship with Europe. The file concludes by looking at the prospects for the Iran-Europe relationship in the near future.

The Outcome of Tensions Over the Nuclear Deal

Since early 2021, the European parties sought to revive the nuclear deal by persuading the Iranian and US parties to return to the negotiating table, prompted by the arrival of a new US administration determined to counteract the Iranian nuclear peril through diplomatic means. Iran, in return, undertook measures that violated the terms of the nuclear deal, such as ratcheting up its uranium enrichment purity levels, and denying access to its surveillance cameras at some of its nuclear sites, in addition to suspending the voluntary implementation of the Additional Protocol, i.e., ending all inspections by the UN watchdog of Iran's nuclear facilities.

The Europeans showed a keenness to include the files they considered to be a priority in the nuclear talks. These files included the Iranian ballistic missile program and Tehran's regional behavior. Undoubtedly, the issue of long-range ballistic missiles is a key priority for the European side, given the danger they pose to regional and international security. In the context of reducing regional tensions and intensifying pressure on Iran, and achieving some, if not most, of the negotiating demands, the Europeans, led by French President Emmanuel Macron, called for regional parties such as the Kingdom of Saudi Arabia to be involved in the negotiations with Iran.⁽¹¹⁾

On the other hand, Iran escalated tensions by carrying out further violations of the nuclear deal. It announced enriching uranium up to a 60 percent purity level, although this move was in response to an external attack targeting the Natanz site. The arrival of a more hardline Iranian administration compared to its predecessor made the situation

between Iran and the West, in general, much more complicated due to its proximity to the inner circle of the Iranian supreme leader. Successive skirmishes occurred between the IAEA and Iran since the latter suspended its commitment to the Additional Protocol, and Tehran violated the three-month agreement it signed with the agency to allow some oversight of its nuclear activities. Table 1 illustrates a series of the most prominent European demands and statements denouncing Iranian transgressions and responses to the IAEA reports.

In the Iranian nuclear file, the two sides are steered by different motives toward the nuclear talks. Eight rounds of nuclear talks were held, which have not yet yielded a breakthrough so far. Six rounds of nuclear talks took place under former President Rouhani's government, while the new Iranian administration had been procrastinating in returning to the negotiating table since assuming power in August until the end of November. Tehran has concentrated on obtaining guarantees during the nuclear talks, such as ensuring that Washington does not withdraw from any future deal and it lifts the sanctions imposed on Iran. On the other side, the Western parties sought to reach an adequate settlement within a few weeks before the end of January 2022, while the Iranian party reacted by ignoring any "fabricated deadlines."⁽¹²⁾

Table 1: Demands/Statements Denouncing Iran's Nuclear Violations

Statement/Event	Date	Reasons or Motives
European Troika's statement of condemnation	4 January, 2021	Iran raised its uranium enrichment level to 20 percent
European Troika's official demand to stop Iranian violations, especially the production of uranium	12 February, 2021	Iran announced raising its level of uranium enrichment
IAEA concludes an interim agreement with Iran	21 February, 2021	Iran notified the IAEA of its intention to suspend the Additional Protocol
European Troika's statement of indignation and condemnation	14 April, 2021	Iran announced it had raised its enrichment rate to 60 percent
European Troika foreign ministers' statement of condemnation	29 June, 2021	Iran's movement toward the production of uranium enriched to up to 20 percent

Statement/Event	Date	Reasons or Motives
IAEA signs an agreement with Iran	13 September, 2021	Inserting new memory cards into surveillance cameras at nuclear facilities
US-EU announcement	30 October, 2021	Western countries concerned about Iran's nuclear breaches
IAEA publishes two reports detailing Iran's nuclear breaches	24-26 November, 2021	The meeting of the IAEA Board of Governors
IAEA reaches an agreement with Iran	15 December, 2021	Replacing the agency's cameras at the Karaj centrifuge facility

Prepared by: Center for Studies and Research, Rasanah IIIS, 2022.

The European Approaches Toward the Iranian Issue

EU foreign dealings with Iran depend on a carrot and stick approach. It provided health aid and cooperated with Iran in fighting the coronavirus pandemic, while it kept open the diplomatic channels in order to address thorny issues, including Iran's nuclear file and ballistic missile program. The Europeans' need for Iran stems from their desire to monopolize economic investments/gains in and from Iran. They will not be able to reap these gains without containing Iran and encouraging its openness to the West. At the international level, the European goal of interfering in the Iranian issue is to maintain their political influence in the region, which cannot be achieved without preventing Iran from falling into the arms of China and Russia.

Furthermore, Europe tried to find commonalities with Iran. After emphasizing cooperation to fight the health pandemic, both parties attempted to cooperate in the security field, specifically in the Indian Ocean. The first meeting of the commanders of the naval forces of the Indian Ocean countries was held in Paris. Iranian Navy Commander Admiral Shahram Irani announced on November 16 that his country would soon open the Indian Ocean Security Center in Chabahar. "According to the Paris summit approvals, Iran and Australia have been jointly assigned to head the **IONS**," he added.⁽¹³⁾

The Indian Ocean Naval Symposium, commonly known as IONS, includes 24 countries bordering the Indian Ocean and eight observer nations, including China, Russia, Germany, the Netherlands, Spain, Italy, Japan, and Madagascar. This nominal cooperation appeared in light of the sharp rifts between the European parties, specifically



Britain, due to Iran's moves to obstruct the flow of oil tankers through its destabilizing activities, such as its killing of a British citizen on board a vessel in the Arabian Sea which was operated by an Israeli company.⁽¹⁴⁾

In a different aspect, the Europeans exerted pressure on Iran in regard to human rights violations. The European Council renewed its sanctions on Iran for another year, until April 13, 2022, and it included eight Iranian officials and three Iranian government entities in its sanctions list, due to the crackdown on protestors in November 2019 by the Iranian government. In relation to the Ukrainian case, the relevant authorities to the Ukrainian plane crash case rejected the final Iranian decision, which considered the whole incident to be the outcome of mere "human error." Moreover, Ukraine, along with the other concerned countries, is determined to seek appropriate compensation for the victims' families from Iran. Demonstrations condemning Iran's repression against protestors continued in many European countries.

On a more severe level, the trial of the Iranian diplomat, Asadollah Asadi in Belgium, was an unprecedented development as it represented the first trial of an Iranian government official in the European Union regarding terrorism-related offenses since the 1979 revolution. Asadi received a 20-year prison sentence after it was proven that he had planned a terrorist attack against a gathering of Iranian dissidents in France. In addition, the trial of Hamid Nouri was held in 2021. A former judge in the Iranian judiciary, Nouri was arrested on charges of participating in the execution of political prisoners in 1988. The trial is significant because it is the first trial against an Iranian

official on charges of “crimes against humanity.” Therefore, President Ebrahim Raisi, who is accused of killing prisoners, may face the same end.

In sum, it turns out that the European approach in dealing with Iran rests on two pillars: diplomatic efforts to return to the nuclear negotiations and the exertion of pressure whenever needed, especially in fields related to human rights abuses and terrorism.

Iran's Positions and Aspirations Regarding Its Relationship With Europe

Iran routinely accuses the Europeans of being subordinate to their allies: NATO and the United States, yet it keeps the channels of communication open with them. Despite its projection of political opposition to the West, Iran fully realizes that its deteriorating economy cannot survive and neither can its international isolation end without negotiations with the Western parties under the nuclear deal. While the Europeans adopt a tug-of-war policy with Iran, Tehran uses its available cards to reap more privileges/gains from negotiations with the Western parties, the most prominent of which is undoubtedly Iran's upsurge in uranium enrichment levels to unprecedented levels up to 60 percent.

In light of Europe's ongoing condemnations of Iran's nuclear violations, Tehran has always responded with sarcasm and blamed the European parties for not fulfilling their obligations under the nuclear deal, such as the European countries failing to activate the INSTEX financial mechanism, although the failure was partly due to Iran's refusal to join the FATF. Furthermore, Iran has criticized the trials taking place in Europe against Iranian diplomats or former officials of the Iranian government. Significantly, its embassy in Brussels protested against the trial of Asadollah Asadi under the pretext that the Belgian judiciary violated the international law of diplomatic immunity and the 1961 Vienna Convention.⁽¹⁵⁾

On the other hand, Iran keeps pointing to its “Look to the East” policy to show its indifference to the West, although this policy may not be achieved under US sanctions. Iran continues to conduct missile tests that provoke the world, particularly the Europeans. The latest test was the launch of a missile into space, which France condemned because it violated Security Council resolutions, as the missile was believed to be capable of carrying nuclear weapons.⁽¹⁶⁾

Moreover, Iran exploited the Afghan refugee crisis to pressure its European counterparts and gain more negotiating privileges in light of the international concern about the situation in Afghanistan since the US withdrawal and the Taliban's control over Kabul. Iran tried to criticize the EU position concerning the refugee crisis, which was evident during the participation of Iran's ambassador to Belgium, Gholam Hossein Dehghani in a virtual seminar held by the International Centre for Migration Policy Development (ICMPD) where he criticized the West's policies in the field of migration and blamed the European side for closing the door on refugees.⁽¹⁷⁾

In a nutshell, Iran's tough stance is evident in the official reactions expressed in media outlets and in its diplomacy. In response to European leverage, Iran exploits all cards available to reap more gains in the negotiations, accusing the European Troika of political shortcomings, and exploiting the crisis of Afghan refugees. However, Iran is

aware of the importance of maintaining a channel of communication with Europe and the need to engage in nuclear negotiations to rehabilitate its shattered economy. In this regard, Table 2 shows the general Iran-EU trade statistics during the first 10 months of 2021, according to the Financial Tribune platform.⁽¹⁸⁾

Table 2: Iran-EU Trade, January-October 2021

Trade Exchange	Value	Percentage Increase/ Decrease
Iran-EU	€ 3.38 billion	5.27% increase
Iran-Germany	€ 1.39 billion	3.89% decrease
Iran-Italy	€ 499.75 million	10.69% decrease

Prepared by: Center for Studies and Research, Rasanah IIIS, 2022.

Conclusion: A Conditioned Partial Breakthrough Linked to the Revival of the Nuclear Deal

The European side, in general, has been practicing the same carrot and stick approach with Iran for years to contain the Iranian nuclear threat, as well as its ballistic missile program, and to prevent Tehran from moving closer to Russia or China. In addition, it has pursued this approach in the hope of reviving the nuclear deal in order to reenter the Iranian market and to make the most of new economic opportunities there. On the other hand, Tehran is conscious of its need for the European side to help in breaking its international isolation, reaching a settlement that guarantees the lifting of US sanctions, which is critical to reviving its ailing economy. Iran's political system needs the Europeans in order to survive; and to avoid collapsing as a result of internal and international crises/threats.

The future of the Iran-EU relationship is conditioned on the outcomes of the Vienna nuclear talks. Either these talks will lead to a political breakthrough that satisfies all parties to the nuclear deal, or they will remain complex and stagnate, prompting the Western parties to explore other options than the diplomatic track. The complexity in the second scenario is linked to the Europeans' priority to include Iran's ballistic missile program in the nuclear negotiations, yet they are fully aware of the need to include first the nuclear program. They hope to forge a nuclear deal and then address Iran's destabilizing activities in the region. They are likely to reap economic benefits

from Tehran once US sanctions are lifted gradually. Iran, however, does not seem keen to allow the Europeans to reap their desired goals, given the fact that the requirements of the Iranian market are much more complex than they were in 2015.

Iran's top demand is that the United States should provide guarantees that it will not again withdraw from the nuclear deal — because a US withdrawal from the deal again will affect Iran's industrial projects and the vitality of its financial, economic and military sectors. The current political situation and the priorities of the two parties concerning their strategic goals mean that the nuclear file is a vital meeting point, followed by the ballistic missile program, the economic sanctions on Tehran, and finally, its destabilizing interventions in the region.

See also

STUDY

India-Iran Relations

Assessing Prospects and Challenges



Nadeem Ahmed Moonakal
Research Analyst, Rasanah IIIS

Relations between India and Iran have evolved into a complex state of entente over time. The regional security calculus that connects India to Iran through the Gulf of Oman and global geopolitical interests have frequently overshadowed the strong civilizational ties between the two countries. This, in turn, has led to apprehensions in India's and Iran's bilateral engagements, based in part on the lack of continuity in the conduct of cross-border relations...

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Iran and China

In 2021, China-Iran relations were impacted by several political changes; Ebrahim Raisi taking office; his adoption of a “hardline” approach along with his efforts to strengthen Iran’s relations with the East.

In addition, the Chinese Communist Party approved Chinese President Xi Jinping's third term, and he confirmed China's support for Iran. This year also witnessed the victory of US President Joe Biden, whose administration faces the challenge of ensuring Iran returns to the 2015 nuclear deal, but Iran insists that all the sanctions must be lifted before it does so. China had helped Iran in circumventing the sanctions.

Cooperation and collaboration between Iran and China in 2020 paved the way for deeper bilateral integration, culminating in further cooperation and understandings in 2021. It seems that bilateral relations took an upward trend, and the continuation of this trajectory ultimately depends on the assessment each country makes towards the other in terms of respective impacts on regional and international affairs.

This file reviews the developments in Iran-China relations, analyzing the ebbs and flows by examining the reasons behind Beijing's direct and indirect support regarding the nuclear deal. It also discusses the Strategic Cooperation Agreement signed between the two sides, Iran's accession to the Shanghai Cooperation Organization, and China's attempts to expand its influence through health diplomacy. It also sheds light on the Chinese position in regard to US moves toward Tehran, and its role in issues related to Iran such as oil and sanctions. This is in addition to discussing the impact of China's ties with Saudi Arabia, Afghanistan, and Israel on Beijing's relations with Tehran. Finally, the file forecasts the possible scenarios for Iran-China relations amid Tehran's growing crises at the regional and international levels, and questions whether the two countries will be able to adapt in light of current developments and whether they will resort to taking new steps.

China's Support for Iran in the Nuclear Deal

China has been supporting Iran since the United States withdrew from the nuclear agreement in 2018. This support continued in 2021, when Iran reduced its nuclear commitments that were stipulated under the nuclear deal. In 2021, eight rounds of talks were held regarding the revival of the nuclear deal. The talks stopped at the sixth round, when Iranian President Ebrahim Raisi was elected, and then they resumed on June 19.

Chinese Direct Support

In 2021, talks were held between Iranian and Chinese officials on the nuclear deal. Chinese President Xi Jinping promoted these talks on May 24, 2021 by saying that his country has always supported and will continue to support the nuclear deal and its full implementation since it was a multilateral deal.⁽¹⁹⁾ Regarding China's moves, it seemed that the United States could not, until 2021, classify Beijing as an exporter of materials to Iran, contributing to its development of a nuclear bomb.

As it continued to enrich uranium at high purity levels, increase the number of centrifuges, and carry out other nuclear activities, Tehran restricted IAEA monitoring of its nuclear sites. Therefore, IAEA inspectors were unable to enter the nuclear site which Iran accused Israel of attacking in June and damaging the cameras there.⁽²⁰⁾ On December 15, Tehran agreed to replace the surveillance cameras in Karaj, but continued to deny IAEA inspectors access to view the footage/data from the cameras.⁽²¹⁾



China Within the “Consensus Front” on the Nuclear Deal

The nuclear talks suffered further setbacks in 2021. There was a rapprochement between Iran and China, and the two countries along with Russia announced that they had reached a “broad consensus” on the nuclear deal, which indicated a unified trilateral front against the United States and the European Union.

During the nuclear talks, China was keen to maintain close relations with Iran, given its inclusion in the P4+1 group. In the seventh round of nuclear talks in Vienna, the first since Raisi took over the Iranian presidency, China’s permanent mission to the United Nations and other international organizations stressed on the need to settle the Iranian nuclear issue.⁽²²⁾ Then the eighth round of talks began on December 27. While Tehran refused to discuss any new commitments outside the framework of the deal, the European countries called on it to make rapid progress on the outstanding issues.⁽²³⁾ However, Tehran insisted on the lifting of sanctions before halting its nuclear activities.

Steps to Deepen Cooperation Between Iran and China

China carried out several moves to establish firmer relations with Iran in 2021. Iran responded positively to China’s endeavours as Tehran wanted to secure an international outlet to meet its needs. Iran and China signed the Strategic Cooperation Agreement and Beijing approved Iran’s membership to the Shanghai Cooperation Organization, and it supplied Tehran with vaccines to combat the coronavirus pandemic.

The Multifaceted Agreement

Iran and China signed a 25-year Strategic Cooperation Agreement on March 27, 2021, covering a variety of economic and security related matters. Iran’s Foreign Ministry spokesman Saeed Khatibzadeh described it as a “deep, multifaceted and complete,” document. Tehran believes that this document will help it to confront Washington’s

influence in the Middle East and help in easing the pressure on its economy due to the crippling US sanctions.⁽²⁴⁾ However, the importance of this document has been exaggerated; it can provide Iran with an opportunity to establish a form of political balance in the face of US pressure, but Beijing is known for adopting a cautious approach and not tying itself down to binding commitments. Thus, China may embark on implementing the details of this document to serve its interests, provided that it does not conflict with its interests with the Gulf states.⁽²⁵⁾

Joining the Economic Power Bloc: The Shanghai Cooperation Organization

By joining the Shanghai Cooperation Organization on September 16, Iran became the ninth permanent member of the organization along with other economic powers, namely China, India, and Russia. Iran may seize the opportunity to generate more influence by increasing its dependence on the East. However, this accession will not enable Iran to violate US sanctions⁽²⁶⁾ because it will have narrow space to maneuver around the three mentioned economic powers, especially since China seeks to achieve its geopolitical interests via the organization.⁽²⁷⁾

China's Expansion Through "Health Diplomacy"

Iran in particular acknowledged China's help when it provided vaccines to fight the coronavirus pandemic. China fulfilled Iran's need for vaccines. However, Tehran exploited the health crisis by turning the management of the epidemic from a health issue into a political issue to achieve its agenda; it boycotted Western aid and called for the manufacturing of a domestic vaccine. In February 2021, about 250,000 doses of Chinese vaccines were sent to Iran.⁽²⁸⁾ On April 15, about 400,000 doses donated by the Chinese Red Cross were sent to Tehran.⁽²⁹⁾ This help by China was in the framework of projecting its soft power and managing its international relations. International powers have described China's provision of vaccines to Iran as its attempt to expand its geopolitical influence under the cover of "vaccine diplomacy."⁽³⁰⁾

China's Position on US Moves Towards Tehran

Iran, China, North Korea and Afghanistan were mentioned in the first speech of US President Joe Biden to a joint congressional session, 100 days after taking office on January 20, 2021.⁽³¹⁾ Iran is located in a region where Biden has made competition with China the



main focus of his administration's foreign policy. Accordingly, Iran's ability to sell oil and circumvent the sanctions — in collaboration with China — was affected.

Oil Strategy

China allocated nearly \$400 billion in investments to develop Iran's oil, gas and petrochemical industries and improve the country's land transportation in exchange for discounted energy prices and cooperation in the Belt and Road Initiative. On July 22, Iran announced the launch of the Jask port on the Sea of Oman, and the export of oil from this port enables Iran to stay away from the pivotal Strait of Hormuz.⁽³²⁾ It has also focused on expanding Chabahar Airport, which would add air capacity to its nearby naval airport. China intends to establish a regional listening center which would enable it to intercept signals within a range of about 3,000 miles. The US Central Command's forward headquarters in Qatar is located within this range.⁽³³⁾

Implications of US Sanctions on Iran

The United States began 2021 by imposing further sanctions, including those related to human rights violations and involvement in terrorist activities. The most prominent of these sanctions were imposed on institutions of the Iranian Supreme Leader Ali Khamenei on January 13. In addition, the Iranian Maritime, Air and Aviation Industries were sanctioned as well as entities related to Iran's shipping and steel industry on January 15. Sanctions were also imposed on institutions and people accused of smuggling oil to the IRGC. On October 29, the US Treasury announced the imposition of sanctions on Iran's drone program, and individuals associated with it, including prominent leaders of the IRGC.⁽³⁴⁾

China criticized US sanctions on Iran, especially on those sectors in which it had an involvement. China called on the United States to cancel all the sanctions that conflict with the 2015 nuclear deal, including the sanctions against itself.⁽³⁵⁾

Intersections of Iran-China Relations in the Middle East

Several developments in 2021 contributed to the intersection of China's relations with Iran and also with other geopolitically important countries in the Middle East. These developments may impact many regional and international problems. Regarding China's relations with Saudi Arabia, Afghanistan and Israel, Iran is pursuing an uncompromising approach that lacks diplomatic flexibility. Iran rejects China's establishment of relations with countries that it views as enemies. China deals with Iran's reaction and its criticism in this regard without affecting its interests, whether with Tehran or its enemies.

The Implications of Saudi-China Relations on Iran

By the end of 2021, Iran noticed that Saudi Arabia was still the main source of crude oil exports to China. It also started to indicate that its relations with China were impacted by the latter's relations with Saudi Arabia.⁽³⁶⁾ If China replaces Iranian oil with Saudi oil, Iran's foreign reserves will be hit hard. The data of the Iranian Chamber of Commerce indicates that in the first eight months of 2021, the rate of Iranian oil sales to China

decreased in comparison with a significant growth in the volume of Saudi oil sales to China.⁽³⁷⁾

The Chinese Corridor to Afghanistan

The China-Pakistan Economic Corridor (CPEC) — related to the Strategic Cooperation Agreement — is part of the One Belt, One Road Initiative, which Beijing hopes to expand to Afghanistan and Russia. China's goal is to create a corridor for expanding its geopolitical and economic clout. Although China celebrated the US withdrawal since this has provided it with an opportunity to engage economically with Afghanistan, it is concerned that the Taliban threat will extend to Pakistan and Central Asia, a region in which China has invested heavily and sought to build alliances. Therefore, Beijing could slow down its investments in infrastructure, which would impact associated projects in Iran.⁽³⁸⁾

The Imminent Threat to China-Israel Relations

Given Israel's broad economic ties with China, it is still unclear whether Tel Aviv will raise China's relations with Iran or not, especially with regard to Beijing-Tehran military, security, and intelligence cooperation.⁽³⁹⁾ Israel is working to make its dialogue with the United States consistent with the latter's new foreign policy priorities. China has climbed the list of US foreign policy priorities, whereas the priority of the Middle East has fallen on the list. Thus, Iran-China relations add a complex challenge to Israel's policy, due to overlapping threats to both Israel and the United States.⁽⁴⁰⁾

Conclusion: The Future of Iran-China Relations in 2022

By reviewing Iran-China relations in 2021, it can be concluded that their relations are expected to witness several developments in 2022. The nature of their relations and newly emerging variables that have internal, regional and international ramifications help in forecasting the following scenarios:

Observers believe that Iran's nuclear negotiating team is buying time for the sake of achieving political goals, rather than presenting a realistic plan regarding Tehran's return to the nuclear deal. There are expectations that there will be a lot of joint work between Iran and China in the nuclear industry in line with the Strategic Cooperation Agreement, which will only be hindered if China does not comply with its commitments under the agreement or if IAEA inspectors resume their inspections of Iranian nuclear sites.

Regardless of Iran's real motives for joining the Shanghai Cooperation Organization, its freedom to maneuver inside the organization will be relatively limited due to the threats of US sanctions facing member countries and due to the fact that Moscow and Beijing pursue their own geopolitical interests through the organization, particularly focusing on security threats. China, just like the United States and Russia, adopted "vaccine diplomacy" as a tool of "soft power" and as part of its "health diplomacy" in its relations with other countries.

If the 2015 nuclear deal is revived, it will enable Tehran to resume selling its oil publicly. As a result, Tehran will no longer need China, and Iran will stop granting China preferable oil prices. The United States is likely to lift sanctions on Iran if it managed

to make China leverage Iran. China, however, will not take this step unless the United States mitigates its pressure on issues related to Taiwan, Tibet, Hong Kong, the Uyghurs, and the South China Sea.

For Iran, managing foreign affairs amid intertwining regional intersections is very difficult. Tehran was surprised by China's cooperation with Saudi Arabia. China also pursued cautious relations with Afghanistan and Israel. Therefore, Tehran's hopes for enhancing relations with China are limited.

The most likely scenario for Iran-China relations in 2022 is that China will put economic, technological and military resources at Iran's disposal through investments and facilitate Tehran's emergence as a regional power to provide China with a foothold in the Middle East. However, this scenario is conditioned by several factors: First, China will not choose to challenge the United States in the Middle East given the fact that both countries confront each other on various other issues related to the South China Sea, Taiwan, and Tibet. Second, Iran sponsors terrorist groups such as the Hamas Movement, the Houthis, and the Popular Mobilization Forces, and its scattered militias across the region pose a threat to Chinese investments. In addition, the Chinese government is likely to face official and popular criticism at internal, regional and international levels due to its relations with Iran. Therefore, China will not support Iran with no limits; it deeply considers its national interests when looking at the feasibility of relations with Tehran. For example, Beijing chose to prioritize its national interests and forged cooperation agreements regarding ballistic missiles with Saudi Arabia which provoked Iranian consternation.

ARTICLE

IRAN'S POLICY IN AFRICA

Between Ideological Dimensions
and Economic Enticement



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Iran's influence in Africa regularly attracts the attention of Israeli experts and, to a lesser extent, the Gulf States. In Europe, on the other hand, this matter remains under addressed; attention focuses more on Iran's regional influence in the Levant or on its nuclear program. Iran has cultivated strong relations with several African countries; some are old, whereas others are new. Since the second half of the 20th century, Iran's Shah Mohammad

Reza Pahlavi (1979-1941), an ally of the United States, began to develop a strategy of influence towards Africa. In the midst of the Cold War, the objective was then twofold: to limit the spread of communism in Africa, hence political and financial support was provided to several African states (Sudan, Zaire, Somalia, Ethiopia, Senegal, South Africa), and strengthen Iran's presence in the waters of the Gulf, the Indian Ocean and even on the coasts of East Africa...

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Iran and Russia

In 2021, Iran and Russia moved towards strengthening their bilateral relations. Their mutual antagonism towards the United States has been a common basis for both countries to cooperate bilaterally and via multilateral and regional organizations.

The US withdrawal from the region and the domestic developments taking place in Syria and Afghanistan were major focus areas for Iran-Russia cooperation, however, their interactions in the Caucasus remained tense in 2021.

Russia's support for Tehran's membership and active involvement in regional and intergovernmental organizations like the SCO and the Economic Cooperation Organization (ECO) reflected their converging economic and political considerations. Both countries reviewed past agreements and discussed possible new ones.

This part of the Annual Strategic Report will address Iran-Russia relations by analyzing the developments that have taken place in the political, economic, and military spheres. The regional geopolitical changes in 2021 and the convergences and divergences between Iran and Russia during the course of the year will also be analyzed.

Iran-Russia Political Relations

Convergences Regarding Regional Political and Security Developments

In 2021, Russia extended its support for Tehran in regard to its nuclear program and backed its demands for US sanctions to be lifted.⁽⁴¹⁾ In November 2021, when the US threatened to confront Iran at the IAEA, the Russian ambassador to the nuclear watchdog Mikhail Ulyanov criticized Washington for risking the prospect of reviving the Iranian nuclear deal.⁽⁴²⁾

Russia supported Iran's full membership to the SCO.⁽⁴³⁾ Iran's membership in the SCO reflects President Ebrahim Raisi's foreign policy orientation to "Look East" which prioritizes deepening economic, political and military ties with Russia and China. Moscow intends to project the SCO as a Eurasian power bloc to counter Washington's influence in the region. Hence, Iran's membership for Russia makes sense given its anti-US rhetoric and positions and quest to oust the United States from vital spheres.

In light of the changing regional balance of power equation after the US pullback, Russia and Iran intend to deepen their strategic ties. In October 2021, Iran's Foreign Ministry spokesperson Saeed Khatibzadeh revealed that both Russia and Iran intended to sign a strategic partnership agreement known as the "Global Agreement for Cooperation between Iran and Russia." In addition, he revealed that both countries had identified common goals and the initial tenets of the partnership had been agreed upon.⁽⁴⁴⁾

Russia and Iran also reviewed the domestic developments taking place in Afghanistan.⁽⁴⁵⁾ Both countries have similar concerns and share skepticism about the Taliban. Both countries have called for an inclusive Afghan government and intend to safeguard their influence in Afghanistan despite the security crisis in the country. Russia and Iran also closely followed the developments taking place in Syria and both countries continue to dominate the geopolitical landscape in the country. The Assad regime is dependent on the airpower support provided by Moscow and the IRGC's extensive military support in southern and eastern Syria. Iran-Russia cooperation in Syria is likely to continue in 2022.

Russia-Iran Divergences and Their Implications

In 2021, amid rising tensions in the South Caucasus due to disagreements between Iran and Azerbaijan, the Russian foreign minister called for restraint and urged all parties to avoid the build-up of military forces and provocative exercises. Azerbaijan and Turkey had carried out joint military exercises in September 2021 as tensions between Iran and Azerbaijan escalated. Later in October 2021, Iranian ground forces carried out a military exercise on the Azerbaijan border which further escalated tensions between the two countries. Iran over time has tried to project itself as a guarantor for Armenia's security and Russia played an active role to defuse tensions between Armenia and Azerbaijan. Russia has been trying to balance its relations between Turkey, Azerbaijan, Iran, and Armenia, however, the future of this balancing act hinges on the success of the Nagorno-Karabakh deal and geopolitical situation in the Caucasus amid contentions between Iran, Israel, and Turkey.⁽⁴⁶⁾

Iran and Russia have also been competing for more influence in Syria in recent years, and in 2021, the security and political developments in Syria led to some divergences between both countries.⁽⁴⁷⁾ Both countries have been vying for more economic contracts in various fields such as mining, oil, and construction. Russian companies managed to secure more economic contracts than Iranian ones. In 2021, Iran exhibited its products in Damascus and the exhibition featured nearly 164 Iranian companies covering vast areas such as security, construction, and petrochemicals.⁽⁴⁸⁾ Tehran's plan to secure lucrative economic contracts and deals in Syria conflict with Russian interests.

Major Visits Between Iran and Russia

In 2021, several diplomatic visits took place between Iranian and Russian officials and both countries made significant progress in relation to several important bilateral issues. Table 1 highlights the significant official visits between the two countries in 2021.

Table 1: Major Visits Between Iran and Russia in 2021

Date	Officials/Representatives	Aim/Agenda
January 26, 2021	Iran's then Foreign Minister Mohammad Javad Zarif met Russia's Foreign Minister Sergey Lavrov in Moscow.	To discuss the situation in Nagorno-Karabakh after the November 2020 ceasefire as well as to discuss the developments in Iran's nuclear negotiations and the domestic security situation in Syria. The discussion also focused on the developments in the Arabian Gulf region.

Date	Officials/Representatives	Aim/Agenda
April 13, 2021	Iran's then-President Hassan Rouhani met Russia's Foreign Minister Sergey Lavrov in Tehran.	To discuss regional developments and cooperation in Syria, Yemen, and Afghanistan. The discussion also focused on prospects for greater military and defense cooperation.
July 26, 2021	Iran's Navy Commander Admiral Hossein Khanzadi met Russia's Navy Commander Admiral Nikolai Yevmenov in Moscow. Iran's Ambassador to Russia Kazem Jalali, Iran's deputy chief of staff for strategic and naval training, and Iran's military attaché to Russia also participated in the meeting.	To discuss ways to expand maritime cooperation between Iran and Russia. The meeting also focused on increasing the presence of the Iranian and Russian navies in strategic maritime locations and exchanging combat experiences between both naval forces.
September 16, 2021	Iran's President Ebrahim Raisi met Russian officials and authorities in Dushanbe, the capital city of Tajikistan, on the sidelines of the SCO summit.	To discuss the domestic developments in Afghanistan and coordinate between Tehran and Moscow in the interactions with the Taliban.
October 5, 2021	Iran's Foreign Minister Hossein Amir-Abdollahian met Russia's Foreign Minister Sergey Lavrov in Moscow.	To discuss mechanisms to increase bilateral cooperation. The discussion also focused on the situation in Afghanistan, Syria, Yemen, and the South Caucasus. Both foreign ministers also discussed the developments in the Vienna talks and Iran's cooperation with the IAEA.
October 18, 2021	The Chief of Staff of the Iranian Armed Forces Major General Mohammed Hossein Bagheri met the Chief of the General Staff of the Russian Armed Forces Valery Gerasimov, in Moscow.	To review the state of military cooperation between Iran and Russia.

Date	Officials/Representatives	Aim/Agenda
October 19, 2021	The Chief of Staff of the Iranian Armed Forces Major General Mohammed Hossein Bagheri met Russia's Defense Minister Sergey Shoygu in Moscow.	To discuss the convergences between both countries in Syria and increase military cooperation.
October 30, 2021	The Chief of Staff of the Iranian Armed Forces Major General Mohammed Hossein Bagheri met the Deputy Commander-in-Chief of the Russian Navy Vice-Admiral Vladimir Lvovich Kasatonov in Saint Petersburg.	To discuss naval cooperation between Iran and Russia and participation in joint military exercises.
November 22, 2021	Iran's Foreign Minister Abdollahian met the Russian President Vladimir Putin's Special Envoy for Syria Alexander Lavrentiev in Tehran.	To discuss cooperation between Iran and Russia in Syria.
December 22, 2020	The Special Advisor to the Iranian Foreign Minister Ali Asgher Khaji met the Russian President Vladimir Putin's Special Envoy for Syria Alexander Lavrentiev in Nur-Sultan during the 17 th meeting of the Astana peace process.	To discuss the situation in Syria, especially in the southern regions and Idlib and the resumption of the work of the Syrian Constitutional Committee.

Prepared by: Center for Studies and Research, Rasanah IIIS, 2022.

Iran-Russia Economic Relations

Iran and Russia took significant steps in 2021 to increase trade relations amid the crippling impact of US sanctions on the Iranian economy. Iran's Ambassador to Russia Kazem Jalali revealed that the net worth of Iranian exports to Russia grew from \$390 million in 2019 to \$800 million in the last financial year.⁽⁴⁹⁾ As per the official data from Iranian customs, bilateral trade between Iran and Russia reached \$1.168 billion in the first seven months of the Iranian calendar year. Out of this total, \$317 million included Iranian exports to Russia and \$851 million included Iranian imports from Russia.⁽⁵⁰⁾

As per the trade representative of Russia in Iran, Rustam Zhiganshin, Russian exports to Iran increased by 16 percent and Russian imports from Iran increased by 14 percent.

The overall trade turnover between both countries increased by 15 percent year-on-year during the first six months of 2021.⁽⁵¹⁾

Iran-Russia Long-Term Deal Regarding Comprehensive Cooperation

Iran and Russia focused on renewing the long-term comprehensive cooperation agreement that was signed 20 years ago between the two countries. During a meeting at the Iranian Cabinet's Economic Coordination Board in November 2021, President Ebrahim Raisi emphasized the importance of forming policy that achieved "economic growth without inflation" and the need to raise finances without borrowing from the Iranian Central Bank. During the meeting, President Raisi also underlined the importance of continuing economic cooperation with "big and friendly countries like Russia." He described the prospects of economic cooperation between Tehran and Moscow as "clear and constructive" and stressed the need to follow up on the agreements signed between the two countries during the Iran-Russia Joint Cooperation Commission meeting.⁽⁵²⁾ President Raisi held a telephone meeting with Russian President Vladimir Putin on November 16, 2021, and discussed the details and the finalization of the comprehensive long-term cooperation agreement between both countries.⁽⁵³⁾

The Head of Iran's Trade Promotion Organization Alireza Peyman Pak stressed the need to establish export consortia between Iran and Russia to boost bilateral trade.⁽⁵⁴⁾ In a meeting held between Russian and Iranian officials on November 16, 2021, major Russian companies were introduced to Iranian officials in order to increase trade cooperation. Both countries also initiated plans to establish joint plants for food processing.

Mutually Beneficial Partnerships

In 2021, during several bilateral meetings, the delegations from both countries reviewed the annual trade indices and outlined mechanisms to boost customs cooperation. Amid the lockdown in Russia and Iran and also the impediments caused by the coronavirus pandemic, Tehran reviewed the prospects of creating a green customs corridor with Russia.⁽⁵⁵⁾ The active cooperation between Tehran and Moscow as per Russian authorities will help in circumventing US sanctions and delivering vital goods to Iran. Iran and Russia also finalized cooperation agreements in the civil aviation sphere. The Russian Federal Air Transport Agency, Rosaviatsia, and the Civil Aviation Organization of Iran signed an MoU on September 6, 2021, to deliver Russian civil aviation equipment to Iran.⁽⁵⁶⁾ Russian civilian aircraft are of inferior standards when compared to those manufactured by Western companies and Moscow is facing declining demand for its aircraft, hence making it a priority to seek greater cooperation in the aviation field with Iran.⁽⁵⁷⁾

Iran-Russia Energy Cooperation and Its Future Prospects

Iran and Russia took several steps to expand energy cooperation and partnerships in 2021. The natural gas discovery in the Chalous gas field in the Caspian Sea provided an opportunity for European countries to lessen their dependence on gas from Russia. However, Russian and Chinese companies quickly carved out a huge share in the Iranian Chalous gas field for long-term development and as per certain reports, some Russian



officials believe that this is the final move for Moscow to secure wider control over the European energy market.⁽⁵⁸⁾ The gas field, which has 3.5 trillion cubic meters of gas, was part of the strategic cooperation partnership discussions with Russia. Iran for a long time has tried to accelerate gas exports to Europe, however, amid

US sanctions Tehran's energy exports have largely been limited. Despite this aim, Iran lacks the necessary technology and infrastructure to extract gas and US sanctions have deeply impacted the prospect of Iranian partnerships with other countries.

In 2021, the Russian engineering company Technopromexport pledged to invest up to \$1.36 billion for the development of the Sirik power plant, however, as the project remained stalled for the past four years, a new contractor was selected and approved by Russia and Iran.⁽⁵⁹⁾ In June 2021, the construction of the power plant resumed and as per reports, the project will be completed in the next four to five years.⁽⁶⁰⁾ Amid the worsening electricity crisis in the country, Iran is seeking joint power projects with partners like Russia as it lacks the finances to fund such projects on its own.

Iran-Russia Military Relations

Iran-Russia Defence Cooperation

In 2021, Iran and Russia continued to cooperate on the military front in Syria. Iran's Chief of Staff for the Armed Forces General Mohammed Hossein Bagheri met the Russian Defence Minister Sergey Shoygu in October 2021 and confirmed that Iran is likely to buy some new Russian weapons in the coming years. Iran has for a long time depended on Russia for weapons and ammunition that it has been unable to produce domestically.⁽⁶¹⁾

In 2021, several reports indicated that Russia would supply Iran with Kanopus-V, an advanced spy satellite that would boost Iran's ability to monitor and track potential military targets. Kanopus-V by design is manufactured for civilian use, however, some experts believe that its military implications and uses of the satellite for military purposes cannot be discounted.⁽⁶²⁾ The satellite is equipped with a high-resolution camera that would help Iran to monitor the developments in the Arabian Gulf and its military assets in Iraq and Syria. Some reports also revealed that Russian experts went to Iran to train the ground crews that would operate the satellite from the city of Karaj. Some experts also expressed concerns that Iran might share the satellite's imagery with its affiliated militias in the Middle East that have continuously targeted US interests and bases.

Russia-Iran Joint Naval Exercise

In February 2021, Iran and Russia embarked on a joint naval exercise dubbed "Iran-Russia Maritime Security Belt 2021" in the Indian Ocean Region (IOR). Covering 17,000 square kilometers, the joint naval exercise comprised various tactical drills, target practice, and rescue operations and featured several indigenous Russian and Iranian corvettes, frigates, tankers, and patrol ships.

Conclusion: Strategic Cooperation in Tandem With Competition

Iran-Russia relations in 2021 indicate that both countries will continue to enhance bilateral relations in 2022. Iran could face some competition in certain areas like energy in the coming years, especially as Tehran is keen to export to European markets, however, Iran would not be able to transport gas to Europe as the available options for Tehran would be highly expensive.

On the military front, in 2021, the economic sanctions and the plummeting value of the Iranian national currency severely impacted Iran's ability to expand its military resources and procure new weapons. Iran in the coming years is likely to turn to Russia or China to sign arms deals and increase defense cooperation.

While Russia has strategic considerations behind its quest to deepen its ties with Iran, Moscow has responded cautiously to the larger global and regional geopolitical changes and is likely to diversify its partnership with the GCC member countries and balance its relations between Iran and Israel. In 2021, Russia increased its defense cooperation with other regional powers like Saudi Arabia and the UAE and is likely to continue this trend in 2022.

In short, Iran and Russia will engage bilaterally to finalize the clauses of the strategic partnership agreement and diversify cooperation in 2022. Russia will continue to provide diplomatic support to Iran so that Tehran gains some sanctions relief and the Iranian nuclear deal is revived. Both countries are likely to make further moves to entrench their spheres of influence in Syria and the South Caucasus in 2022.

See also

STUDY

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HORIZONS OF THE STRATEGIC

Russian-Iranian Self-Serving Partnership in Syria



Dr. Ahmed Daifullah Algarni
Vice President of Rasanah IIIS

While the world is busy fighting COVID19-, Russia and Iran are striving to keep Syria in perpetual chaos for their own interests. This became obvious during their official visits to Syria. Russia's Defense Minister Sergei Shoigu visited Damascus on March 2020 ,23 and Iran's Foreign Minister Mohammad Javad Zarif met with Syria's President Bashar al-Assad on April 2020 ,20. During his visit, Shoigu urged Assad not to support the Iranians in their escalatory actions in the country, stressing that Russia will not allow the Russian-Turkish ceasefire deal on Idlib to be broken....

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Iran and Turkey

For years, Turkey and Iran have been averting disputes and forging common interests because the two countries are ideologically deeply divergent and their political idols (Ataturk and Khomeini) reflect completely opposing poles.

In the 2020 Annual Strategic Report, Rasanah suggested that the relationship between the two sides remained balanced with the possibility of confrontation or cooperation. This prediction was evident in 2021, although bilateral relations stagnated due to the factors that will be explored in this file.

The fierce competition between the two regional powers in several areas, such as Syria, Iraq, and the South Caucasus, is not a secret. This competition resulted from conflicting strategic goals and differing national interests, while there was also an overlapping of interests/influence in their respective spheres of influence. Blatant ideological differences were apparent given the fact that Iran adopts revolutionary Shiite Khomeinism, while Turkey adopts Kemalism and pragmatic Islamism. Many critics believed that the only fields of cooperation between the two sides was in the energy and economic sectors, however, both were driven by different motives to strengthen their bilateral relationship in other fields. Cooperation in the field of counter-terrorism was apparent, although cooperation did not extend beyond this.

This part of the file discusses their bilateral relationship, particularly looking at whether it leaned toward confrontation or cooperation, and the nature of their bilateral relationship, as well as a general evaluation of this relationship. An accurate analysis of the Iran-Turkey relationship in 2021 requires an understanding of the prominent issues which caused political tensions/polarization between the two countries in 2021. Three major developments in Iran-Turkey relations will be reviewed, concluding with possible future scenarios for their relationship in 2022. The three major developments were as follows: rivalry leading to clashes in the Iraqi arena, the Afghan issue/refugee dilemma, and the exacerbation of tensions over Azerbaijan. It is worth noting that the mutual competition in Syria did not stop, but it was not identified as a prominent development impacting their relations, neither positively nor negatively.

Rivalry Leading to Clashes in the Iraqi Arena

Turkish and Iranian interests have conflicted ever since Saddam Hussein's government was toppled in Iraq. Nevertheless, they succeeded in averting a direct conflict for years. However, the Sinjar District in the northwestern Iraqi triangle along the Syrian and Turkish borders has become an open conflict zone. The conflict stems from the conflicting strategic visions of the two countries. The Turkish vision denounces the



presence of the Kurdistan Workers' Party (PKK) in northern Iraq. It has been trying for decades to uproot the party's fighters which have continuously found refuge in the rugged terrain of the Qandil Mountains in northern Kurdistan. Turkey launched attacks in the Sinjar Mountains, specifically under the pretext of the deployment of PKK forces in the mountain range.

The PKK, in cooperation with fighters affiliated with Kurdish groups from Syria, extended its control over the Sinjar Mountains following its liberation from ISIS in 2015— with the help of the Global Coalition Against ISIS. Moreover, Shiite militias in Iraq were deployed in the areas surrounding the Sinjar District after they partook in the “battles of liberation.” On February 10, 2021, Turkey launched Operation Claw-Eagle 2 in Gara-Amadiyah District in Duhok governorate,⁽⁶³⁾ to rescue 13 Turkish prisoners held by the PKK. Some Iranian officials condemned this operation, denouncing “Turkey’s undermining of Iraqi sovereignty.” The situation developed into mutual media accusations exchanged between the Turkish and Iranian ambassadors to Iraq before diplomatic tensions reached the point where each country summoned the other’s ambassador.

The Iranian foreign minister at the time, Mohammad Javad Zarif, succeeded in appeasing the Turkish side when he visited his Turkish counterpart in Istanbul, Mevlüt Çavuşoğlu. He tweeted that the mutual relationship is “as before, constructive engagement on bilateral and regional issues. Ultimate aim: Apply Iran’s and Turkey’s experience of 400 years of peace to our region. Together, anything is possible.”⁽⁶⁴⁾ Each party has its own specific interests in Sinjar, the conflict there made their discord quite evident. The Sinjar Mountains are of critical strategic significance, particularly for the supply of arms and the smooth transit of Iranian militias. Turkish intervention is a blatant challenge/threat to Iranian interests. Sinjar, a stronghold for the PKK, is deemed a threat to Turkey’s national security.

To counter Turkey’s operations, Iran pushed its Shiite militias in Iraq to embrace confrontational approaches against Turkey. Shiite factions from the Iran-affiliated PMF, such as AAH, HHN and KH, met with IRGC leaders to discuss what they described as Turkey’s intention to “storm” the Sinjar District. Then they sent three armed factions, nearly 15,000 fighters, to the Sinjar District to counter Turkish interference.⁽⁶⁵⁾ It is worth noting that these factions objected to the Iraqi government’s agreement with



the Kurdistan Regional Government signed in October 2020, which stipulated the evacuation of all armed forces from the region, including PMF and KPP forces, and assigned the security administration of the region to federal forces exclusively.

Overall, the Iraqi arena remains a conflict zone for Turkey and Iran due to the Turkish government's efforts to eradicate the KPP from the region and Iran's schemes in the Sinjar region, particularly its military operations and armament supplies for its militias in Iraq and Syria, which have further complicated the situation in the region. The intertwining of interests further aggravates the conflict between the two players – the Iraqi government and the KPP forces that also have defended the Yazidi community. In addition, the overlapping and meshing of interests between the various actors have aggravated tensions with the Kurdistan Regional Government represented by the Kurdistan Democratic Party (KDP) led by Barzani.

The Afghan Issue and the Dilemma of Refugee Flows

The urgent Afghan situation represented a battlefield and a meeting point for Iranian and Turkish interests after the US withdrawal from Afghanistan and the Taliban's control over Kabul, the capital. Undoubtedly, the atmosphere in Afghanistan is somewhat disadvantageous for Iran and Turkey, because their territories are suitable stop-gap places for fleeing Afghans who intend to escape Taliban rule and eventually settle in the West. The refugee problem is an untimely political obsession, given that the social conditions in both countries are complex due to the outbreak of the coronavirus pandemic and the faltering of their economies, in Iran due to the stifling US sanctions, and in Turkey due to the devaluation of the national currency to an unprecedented low level. Turkey has more than 3.6 million Syrian refugees, while nearly 3 million Afghan refugees lived inside Iran before the Afghan crisis, according to the statements by former Deputy Iranian Foreign Minister Abbas Araghchi.⁽⁶⁶⁾

The Afghan political crisis caused a new wave of Afghan refugees to enter Iran and then Turkey, which prompted Turkey to close its borders with Iran. Ankara was worried that the new wave of refugees would aggravate its economic crisis which is plaguing the country, and Iran just like Turkey worked to prevent the flow of refugees into its territories. Turkey announced a cement wall project for the border strip, with construction commencing in 2017 on parts of the Turkish-Iranian border. The Turkish government strives to prevent the infiltration of what it describes as “PKK affiliated terrorists” through the rugged Kurdish areas adjacent to the border and equally aims to thwart the infiltration of illegal immigrants and refugees of different nationalities, Afghani or Iranian. However, the length of the 560 kilometer border and the ruggedness of the adjacent areas have enabled many refugees to penetrate Turkish territory, knowing that the construction process is still in full swing.⁽⁶⁷⁾

The two neighbors are endeavoring to turn the regional problems caused by the Afghan issue into political and diplomatic gains internationally. They are using the Afghan refugee issue against Western powers in order to extract advantages, whether now or in the future. Turkey is exploiting the refugee issue politically, either in the context of its relationship with the United States, especially with regard to the sanctions imposed on its defense industry, or in order to increase the dependency of NATO member

countries on its critical role. With regard to Iran, the Iranian government is pushing to achieve immediate returns at the international diplomatic level by declaring that US hegemony has “caused instability in the region.” At the same time, Iran is striving to benefit from the Vienna negotiations which it is participating in directly with the P4+1 group and indirectly with the United States.

On the other hand, both parties are hedging against the political vacuum that will be left after the US disengagement from the region, so they are racing to extend their political influence and ensure good relations with the countries that impact Afghanistan’s political decision-making. Turkey, which initially decided to securitize Kabul airport, eventually backtracked after the severity of the Taliban’s opposition to its plan became clear. The mutual discourse between the two has remained calm with an emphasis on building bridges to achieve mutual benefits. Iran, for its part, is intensifying its diplomatic pressure through establishing contacts with influential countries in Afghanistan, such as China, to stress the need to form a comprehensive and representative government, and to address its worries concerning affiliated parties being entirely excluded from the decision-making circles. Iran realizes that normalization of relations with the Taliban and extending the hand of friendship to the group have become a *fait accompli* if it wants to ensure security on the eastern side of its borders. Both parties, Turkey and Iran, recognize the importance of extending a helping hand to the Afghan government, with the ultimate aim of reaping benefits from it such as contracts related to reconstruction and economic investment.



The Exacerbation of Tensions Over Azerbaijan

The significance of Azerbaijan is rising gradually, especially after the victories accomplished against Armenia and its restoration of vast territories in the Nagorno-Karabakh region with the help of its Turkish ally. Moreover, the conclusion of a Russian-coordinated agreement between Armenia and Azerbaijan to construct the Nakhichevan Pass, linking the territories of East Azerbaijan with its Nakhichevan Province, located to the west of the Armenian lands, means cutting off the direct access road between Iran and Armenia.

In the context of the Turkish-Iranian relationship, the rise of Turkey's role and the increase in the deployment of its forces in Azerbaijan, particularly at the lines of contact with Armenia in the Nagorno-Karabakh region, is a serious threat to Iranian national security. As for the developments in regard to the Azerbaijan-Turkey relationship, there has been an improvement at the economic level, especially in the energy field. Azerbaijan is a strong competitor to Iran in this field due to its shoreline to the Caspian Sea and its control of huge reserves of oil and natural gas. Due to its direct geographical linkage with Azerbaijan, Ankara can avoid using the transit corridor through Iranian lands to reach the South Caucasus. On the other hand, Azerbaijan blocks Iran's direct entrance to Armenia via its territory and to the markets of the Eurasia region.

In 2021, tensions in the Azerbaijani arena increased when the IRGC carried out a military maneuver on the outskirts of the Azerbaijani border. The IRGC justified the maneuver because of Azerbaijan's complicity with Israel and the presence of the latter's forces in Azerbaijan, which is a threat to Iranian national security.⁽⁶⁸⁾

It is apparent that there were several motives that led Iran to project its military power, particularly the change in regional security arrangements in light of Washington's withdrawal from Afghanistan and Tehran's attempts to reformulate the military consensus established following the Azerbaijan-Armenia agreement last year, as it is the biggest loser in the face of regional powers, whether Turkey and Israel or even Russia and the United States.

In addition, Iran fears the growing Turkish and Pakistani roles in Azerbaijan, as the three countries carried out joint military maneuvers in the Caspian Sea before Iran's maneuver, dubbed as the "Three Brothers-2021." The spark that ignited Iranian anger was the imposition of customs duties on Iranian trucks heading to Armenia through the newly recovered lands by Azerbaijan. Despite Azerbaijan's assertion that these duties were imposed on all trucks entering the country and not only on Iranian trucks, this was not enough for Iran to accept the fait accompli and accept the loss of its regional privileges.

In general, the Turkish-Iranian relationship is complicated by conflicting interests and clashing visions in the Azerbaijani arena. Iran continues to assiduously focus on its national security, especially since close ties between neighboring and competing countries in the region have begun to form, particularly between Pakistan, Turkey, and Azerbaijan, at the expense of Iran's influence and national unity. Moreover, the achievements and prosperity of the Azerbaijani state make it a model that has attracted the attention of Iranian Azeris. On the other hand, Turkey's presence in Azerbaijan is

growing, achieving for itself multiple political and economic gains, particularly access to the Caspian Sea, investment opportunities, and its emergence as a major transit point for Azerbaijani natural gas and oil. In addition, Turkey is encouraging the language-partnering Central Asian countries to follow the example of what it achieved with Azerbaijan, thus extending its influence to these countries, an area of multiple conflicts between many regional countries, most notably Turkey and Iran

Conclusion: The Iranian-Turkish Future Relationship

The three aforementioned prominent developments highlight the conflict and overlapping interests between Turkey and Iran. At the level of the interrelationship, the two sides paid great attention to the refugee crisis as they were concerned about addressing its causes, especially political instability, as represented in the Afghan case. The two sides cooperated in the fields of border security and counter-terrorism. Furthermore, one of the priorities of the new Iranian government is to strengthen commercial partnerships with neighboring countries, but this goal in the relationship with Turkey faces many obstacles. Iran is still suffering from the impact of wide-ranging US sanctions and both countries were badly affected by the coronavirus pandemic. Such developments can disrupt economic hopes and reduce the level of bilateral trade.

Regionally, the two sides are engaged in frantic competition. The conflict in northern Iraq is high on the agenda of both sides for the sake of their national interests, and the rise of the Taliban in Afghanistan led to both sides working to extend their political and economic influence in the country at the expense of the other. The conflict on Iran's northern borders gets further complicated as Turkey has the upper hand in Azerbaijan. Iran's struggle for influence with Turkey does not only include Azerbaijan but extends beyond the Caspian Sea and the South Caucasus to include Afghanistan and the countries of Central Asia. Pakistan's close ties with Turkey exacerbate their conflict further.

Internationally, both countries have contended with several international developments; the new US administration in the White House in January 2021 – since the announcement of its electoral program — insists on reviving the JCPOA with Iran. Moreover, the Biden administration has many objections about the NATO ally, Turkey, in terms of its involvement in Syria. Moreover, the Biden administration has taken different positions on other thorny issues and in regard to the question of the balance of power in the region. Its policies, therefore, have a significant impact on the course of the relationship between the Turkish and Iranian parties. However, the Syrian crisis did not witness significant changes that impacted the balance of power between Turkey and Iran. Therefore, the status quo remained as it was without modification since early 2021, with the possibility that developments might possibly occur in the near future.

Finally, Iran-Turkey relations are likely to take a middle path, oscillating between direct confrontation and complete harmony, with significant fluctuations that may impact the stable relations and rapprochement witnessed between them over the past four years. The relative harmony between Iran and Turkey that evolved — due to the tough stance of some regional powers such as Saudi Arabia and Egypt against their

growing influence in the region — may decline further as the GCC states have reunited and amid rising expectations of a potential Turkish-Gulf rapprochement.

Their relations may be subject again to ebbs and flows in the Syrian crisis, at intermittent intervals between tension and calm. The United States is expected to re-engage military in Syria. As for Azerbaijan's issue, Iran will probably keep silent about Turkey's gains, i.e., it will not react as any Iranian intervention in this regard infringes Azerbaijan's national sovereignty. Iran, therefore, cannot achieve its desired changes in Baku without violating international norms and laws or unless Armenia gains military superiority over Azerbaijan, which is unattainable under the current realities. Nevertheless, the two sides will be keen to reap the fruits of economic relations and trade if US sanctions against Iran are lifted. They will also try to ease their disputes as much as they can and enhance their mutual cooperation in the security and border fields.

Iran and Pakistan

For Iran, Pakistan, a nuclear-armed Sunni majority country which has traditionally aligned itself with the Gulf states, remained of significance in 2021. Bilateral relations improved in the geopolitical and strategic spheres, and Tehran is close to improving its economic ties with Islamabad.

Pakistan has fully observed US sanctions on Iran, contributing to bilateral trade shrinking by 70 percent over the last decade. In the absence of a payment regime between the two countries and the porous shared border populated by underprivileged communities, smuggling has been thriving, reaching its peak last year. The two countries are aware of the trafficking of goods and currency and signed a barter trade agreement in October, another sign of Tehran's low expectations regarding the revival of the nuclear deal and the lifting of US sanctions. During Prime Minister Imran Khan's government, strategic ties with Iran continue to strengthen, symbolized by reciprocal visits by top commanders and joint military drills. The Taliban takeover of Afghanistan further compelled Iran to increase diplomatic interactions with Pakistan as both seriously mistrust one another and have conflicting interests regarding their shared war-torn neighbor.

The 2021 Annual Strategic Report discusses the Iran-Pakistan relations, reviewing three topics: trade, barter and smuggling, chequered strategic relations, and Shiite pressure groups

Trade, Barter, and Smuggling

Iranian attempts to develop economic interdependence with Pakistan through trade have not been very successful. Due to earlier UN and renewed US sanctions, both countries were unable to agree on a payment mechanism. The two countries lack a bilateral banking channel. Until 2008-2009, Pakistan used to be amongst Iran's top 10 trading partners, but this standing declined in the following years.⁽⁶⁹⁾ Both countries signed a barter trade agreement during the meeting of the Joint Economic Committee in Tehran on November 6.⁽⁷⁰⁾ Pakistan and Iran aspire to increase the volume of barter trade to \$5 billion by 2023.⁽⁷¹⁾ In 2004, Tehran and Islamabad signed a Preferential Trade Agreement but it was never activated due to the sanctions imposed on Iran.⁽⁷²⁾ Another pressing issue for Iran's economic plan is the completion and operationalization of the Iran-Pakistan gas pipeline, which according to the 2019 bilateral agreement must be activated by 2024. Islamabad still differs over Tehran's stipulated high gas tariffs. Another facet of the Iran-Pakistan economic connectivity is the relaunch of the Islamabad-Tehran-Istanbul (ITI) train alongside the transport corridor operated by Pakistan's National Logistic Unit.⁽⁷³⁾ The trilateral freight train dates back to the Cold War when Iran was geopolitically aligned to the United States as were Pakistan and Turkey. From logistical challenges to operational issues such as security and the availability of freight and fluctuating relations amongst the stakeholders, the trilateral train cannot facilitate ambitious goals.⁽⁷⁴⁾ Hauling more than a dozen containers on its 6,540 kilometer journey, the train from Islamabad to Istanbul will run through Quetta into Taftan at the Iranian border and on to Tehran, before completing its route to Istanbul via Ankara.

The volume of formal trade between the two countries rests at a meager \$360 million.⁽⁷⁵⁾ Almost the entire province of Balochistan and the populous parts of Sindh, particularly the southern areas, showed increasing dependence on smuggled goods from Iran, including petroleum products, dairy items, and cooking oil.⁽⁷⁶⁾ Due to Pakistan's uneven development and lack of infrastructure, much of its energy-rich but sparsely populated province of Balochistan finds itself integrated with the illicit economy controlled by

Iran. Smuggled Iranian products are not only cheaper but also abundantly available. The Balochi provincial government and traders' associations occasionally warn people against purchasing low-quality Iranian products. Contrary to common perceptions, a significant portion of smuggling takes place on the high seas where Iranian and Pakistani fishermen exchange goods and ferry them. The list of smuggled items is swelling due to the imposition of heavy taxes in Pakistan and their subsidized prices in Iran. Ironically, Iran's impoverished Balochi tribesmen and the Makrani people in Pakistan are key beneficiaries of the fledgling black-market. Via the black market, Iran manages to funnel in hefty sums of US dollars, banned technological equipment and ensures the free movement of mercenaries, many of whom were dispatched to Syria. Abdul Malik Baloch, the former chief minister of Balochistan, was quoted by the BBC as saying, "If we completely halt smuggling from Iran, people will starve to death and the economy will grind to a halt."⁽⁷⁷⁾ Yet, a half-hearted attempt to curb smuggling and increase revenue collection led to the closure of 609 petrol pumps out of 2,094 points of sale and 4.5 million liters of petrol were seized, which appears to be a drop in the ocean considering that fact some 1.8 million liters of Iranian oil are smuggled daily. Every year, Pakistan suffers a revenue loss of PKR 200 billion due to the smuggling of Iranian oil alone.

Islamabad's ongoing attempts to install a sophisticated barbed fence along the shared Pakistan-Iran border are slow, marred by financial constraints and the socio-economic concerns of the communities living on the border which have depended on smuggling for four generations. Islamabad not only needs financial help to swiftly complete the fence but also needs to create alternative income streams for the remote and impoverished communities that live on the shared border areas.

Chequered Strategic Relations

Iran pursued military ties with Pakistan more confidently. While Pakistan's Chief of Naval Staff Admiral Muhammad Amjad Khan Niazi made a rare official visit to Iran and toured various facilities, the chief of staff for the armed forces of Iran also visited Pakistan. His visit not only included meetings with the heads of Pakistan's three armed forces (army, navy, and air force), he was also given rare access to the country's fighter jet manufacturing and overhauling facilities in Kamra. The Iranian delegation showed keen interest in the Pakistan Air Force's JF-17 Thunder fighter jets. If the nuclear deal is revived and US sanctions are lifted, Iran plans to purchase a few squadrons of fourth generation fighter jets. The capable JF-17 fighter jet, developed jointly by China and Pakistan, is one of the potential contenders alongside India's Tejas. Russia's Su-35 and MiG-35 top Iran's shopping list, nonetheless.

During his three-day visit, Iran's Major General Mohammad Hossein Bagheri also called on Prime Minister Imran Khan besides meeting Pakistan's Chief of Staff General Qamar Javed Bajwa, and the Chairman of Joint Chiefs of Staff Committee General Nadeem Reza.⁽⁷⁸⁾ In his earlier visits, Bagheri was not accorded a hearing with the country's chief executive. During the era of Prime Minister Nawaz Sharif, General Bagheri had publicly threatened to hit militant bases inside Pakistan. Islamabad refrains from using media outlets to express its discomfort with its southwestern neighbor.⁽⁷⁹⁾



After his three-day visit, Bagheri stated that soon Iran and Pakistan will hold a joint naval exercise.⁽⁸⁰⁾ On December 5, three Pakistani warships docked at Bandar Abbas for a four-day naval drill. It was the Pakistan navy's second visit to Iran, while the first was on April 3.⁽⁸¹⁾ Bagheri surprised many when he said that Iranian pilots were being trained in Pakistan.⁽⁸²⁾ He described his successful visit to Pakistan as a "new stage in strengthening the military, defense and security."⁽⁸³⁾

Despite the positivity of military diplomacy, Iran expressed outrage at Pakistan's alleged role in the Taliban taking over Kabul, especially when the Panjshir Valley also fell. Iran's Foreign Ministry's Spokesman Saeed Khatibzadeh stated, "Last night's attacks are condemned in the strongest terms...and the foreign interference that you referred to must be investigated. We are investigating it."⁽⁸⁴⁾ Iran's state-run media outlets publicly alleged that Pakistan had sent troops to Afghanistan for the Taliban to run over the opposition's last mountainous holdout.

Despite this tension, Tehran participated in a Pakistan-hosted special conference of Organisation of Islamic Cooperation (OIC) countries to address Afghanistan. Afghanistan remains a potential flashpoint for Iran in its relations with Pakistan.

Pakistan's joint military drills with Azerbaijan and Turkey – dubbed the Three Brothers-2021 – also irked Iran, sparking outrage from Iranian media outlets as well as from Iranian officials. The wargame was a contributing factor to Iran's largest-ever military build-up on the Azeri border.

Shiite Pressure Groups

Iran takes advantage of Pakistan's relative freedom of speech and open social media space. Iran's existing clout in Pakistan can hardly be attributed to the hard work of its diplomats. Instead, pro-Iran journalists and political figures have been pushing Iran's

narrative more forcefully since 9/11. Tehran can mobilize its Pakistani online assets to convey certain messages via trending hashtags.⁽⁸⁵⁾ The modus operandi is cunningly systemic, deploying its cyber activists on multiple apps to maximize outreach and swiftly influence social media algorithms.⁽⁸⁶⁾ Such cyber campaigns were carried out by Iran successfully on numerous occasions in 2021, such as the ones eulogizing Qassem Soleimani's role as a military commander to seeking the release of Zainabiyoun fighters who were arrested by Pakistan's security agencies upon their return from Syria or the ones maligning public figures for their critical views towards Iran and Tehran's cyber proxies creating derogatory social media trends about Pakistan's allies such as the UAE and Saudi Arabia.

Such online campaigns are launched on social networking platforms such as Signal which allow Iran's operators to disseminate propaganda on short notice and for longer durations. Then the topic, time and date of the campaign is communicated to the second tier of social media managers through WhatsApp groups led by the Imamia Students Organization (ISO), which is a Pakistani Shiite student organization funded and steered by the respective offices of Khana-e-Farhang-e-Iran. Since WhatsApp limits the number of people in one group to 256, the ISO members form other city-specific groups to spread the word about the topic, time and date of the campaign on Twitter and Facebook, leading to a social media storm.

To reach a wider audience and active supporters, ISO members and their sympathizers move to Telegram where the limit for a group is 200,000. Memes, videos, and propaganda audios are also shared through these platforms which eventually are destined for Twitter handles and Facebook pages. At this stage, the average Twitter user is likely to be influenced by the storm and either tries to contribute to the topic raised or retweets or likes it, either way contributing to the transmission of the intended message.

Probably, nowhere can Iran as easily manipulate public opinion or public perception on a matter than in Pakistan. Neither in Turkey, Azerbaijan nor in Central Asia is it possible for the Iranian state to manipulate public opinion and shape it according to its agenda.

Conclusion: The Future of Iran-Pakistan Relations in 2022

Iran's relations with Pakistan in 2021 seemed less about their shared national interests but more about Tehran's desire to undercut Islamabad's ties with its Gulf allies. The Pakistani government did little to change its financial dependence on Saudi Arabia and other Gulf states during the course of the year. The loss of revenue resulting from the soaring smuggling trade on the coastal and land border only temporarily raised the alarm bell. The grand figure of jacking up bilateral trade from below \$400 million to \$5 billion is ridiculously fanciful. The Pakistani government cannot transform the economy of southwestern Balochistan and the southern regions of Sindh, with both sucked into an unhealthy addiction to cheap but low-quality goods from Iran. Struggling to regain its position on the whitelist of the FATF and to steer clear of US sanctions, Pakistan has drifted too close for comfort towards Iran.

On the strategic front, Tehran may have an exhaustive shopping list to purchase Islamabad's military hardware, but it seems a bridge too far for Pakistan to cross.

For instance, the sale of a squadron or two of JF-17 Thunder fighter jets will result in Islamabad facing the ire of its allies in the West and the Gulf. The latter may react to its drastic economic disadvantage.

Though the number of Zainabiyoun mercenaries in Syria has significantly reduced, their training and to-and-fro movements between Pakistan and India continue. Islamabad has never officially acknowledged the existence of such a group though intelligence agencies have been quietly picking up Syrian veterans and surveilling their recruiters and facilitators. Nonetheless, Pakistan's relations with Syria have become warmer with the back-to-back ministerial-level visits and reciprocal weekly flights of the official flag carriers. Islamabad has even started flights to cities other than Tehran to facilitate the travel of pilgrims (zairéen) which is a garb used by Zainabiyoun militants. The current Pakistani government has an overwhelming number of pro-Iran Shiite politicians and technocrats who prove through their actions that cordial relations with Tehran are "sacrosanct."

Iran's operations in the cybersphere have emerged as an area of serious concern in Pakistan's strategic community. The government and most opposition parties do not seem to be alarmed about Iran's systematic grip over political, social, and strategic issues. The derogatory Iranian-backed social media trends appear to be the new normal unless Pakistan's establishment intervenes effectively. With general elections slated for early 2023, the year 2022 will be packed with political activities. Iran will therefore actively seek to shape the political discourse in Pakistan so that it is aligned with its national interests. Pakistan appears aware of its vulnerability to fifth-generation warfare but whether its scope of concern includes Iran is anybody's guess. The alarm bells have already rung a few times. The fate of the Iranian nuclear deal and the volatile situation in Afghanistan are two key factors set to impact Pakistan-Iran relations in 2022. Iran, therefore, is likely to enhance its relations and de-escalate tensions with Pakistan due to the latter's rise to regional balance of power following the Taliban's takeover of Kabul.

Iran and Afghanistan

After 20 years of the Taliban's uneasy coexistence with American forces in Afghanistan following the Taliban leadership's acceptance of talks in order to play a partial role in the country's governance, the sudden American withdrawal from the country in August 2021 placed the Taliban at the forefront of the political landscape, enabling it to seize the reins of power in Afghanistan.

Although the American withdrawal was a happy event for its neighbor Iran, the complexities of the landscape soon led to Iranian fears in regard to the emerging threats and risks. As a result, Iran recognized the need to act to protect its interests, which was clearly demonstrated in the active Iranian policy toward Afghanistan of balancing its relations with the Taliban government. This policy was also based on the Taliban's assurance that it has renounced its previous practices in order to convince the international community and the Afghan people of its legitimacy and competency to rule Afghanistan. The aforementioned developments were reflected in the nature of Iran-Afghan interactions. This file analyzes the nature of relations between the two sides and attempts to forecast the future of the relationship and its scenarios in light of the altered positions of both sides.

The Course of Iran-Afghan Relations

Iran has a different relationship with Afghanistan, distinguished from the rest of Kabul's neighboring countries by virtue of geographical proximity and language, as well as cultural and religious similarities and historical depth based on relations going back centuries.

Iran has traditionally pursued relatively balanced relations with consecutive Afghan governments, even with the Taliban, when it initially came to power in early October of 1994. This represented a new variable in the Afghan arena. Although the Taliban coming to power was accompanied by tensions and disagreements, Tehran's response avoided several points of contention, favoring to pursue its interests in Afghanistan, particularly with certain internal elements. This approach was pursued by Iran in order to avoid harming its strategic interests both at the regional level, particularly its relations with regional actors such as China, Pakistan and India, or at the bilateral level to ensure trade flows continued, and security matters were addressed such as drug smuggling, illegal Afghan immigrants, and cooperation over water flows. Iran also preferred to establish relations with the Taliban to protect the Hazara community, the Shiite minority in Afghanistan.⁽⁸⁷⁾ It also succeeded in balancing its relations with the Afghans by overcoming contentious issues and areas of disagreement, whether with the successive Afghan governments that ruled post-Taliban in 2001, or with the Taliban itself which ideologically and politically differs with the Shiite-majority Iran.

Iran's approach, which was apparent during the period of the previous Ghani government, did not completely contradict the aforementioned, but Tehran cautiously interacted with both sides: the Taliban and former Ghani officials. At the same time, Iran kept open channels of cooperation, especially with the Taliban. This was aided by their joint enmity towards the United States, which influenced the nature of their relations. This shared hostility toward the United States prompted the continuity of cooperation and the development of multiple channels of communication during the years of US presence on Afghan soil.

Pre-Consultative Meetings Between the Taliban and Iran

Tehran followed the developments in Afghanistan, especially those related to the Taliban, and began to sense the dangers of the Taliban's growing expansion internally. Before



the US withdrawal from Afghanistan, Iran intensified its overtures to Taliban officials, which resulted in the holding of a series of meetings and consultative discussions in 2021. These Iranian efforts resulted in a number of Taliban leaders being invited to Tehran to hold further meetings with Iranian officials. The most prominent visit was made by a Taliban political delegation in January 2021, which held talks with the former Iranian Foreign Minister Mohammad Javad Zarif and other Iranian officials.⁽⁸⁸⁾ There was another visit made by the groups' members led by Mullah Abdul Ghani Barader to Tehran at the end of June 2021. The goal of the visit was to consult on a range of issues, including refugees and political and security issues.⁽⁸⁹⁾

The Scene Changed After the US Withdrawal

The US presence in Afghanistan was always a major concern for Iran. US forces stationed on its eastern borders posed a threat to Iran. Tehran perceived the US withdrawal from Afghanistan as a victory for the Taliban, while considering it a defeat for Washington. Tehran has closely monitored and adapted to the rapidly changing scenarios in Afghanistan catalyzed by the withdrawal of US forces and continues to carefully assess the ramifications in light of this withdrawal. This was evident through the remarks made by various Iranian officials before Kabul fell into the hands of the Taliban. Iran's Foreign Ministry Spokesman Saeed Khatibzadeh stressed during a press conference held in late June 2021 that his country was following the Afghan issue seriously, particularly the security and political changes, and was negotiating with various parties in Afghanistan.⁽⁹⁰⁾

The Return of the Taliban and Iran's Positive Stance

There has also been a change in the nature of Iran's political discourse toward Afghanistan. Iran adopted a positive stance, welcomed the US withdrawal and expressed its desire to establish good relations with the Taliban government in the future, emphasizing the need to form a comprehensive Afghan national government and for Iran's territories not to be threatened. Iran's initial response was conveyed by its former Foreign Minister Mohammad Javad Zarif who announced his country's support for the formation of a coordination council and moves toward reconciliation in Afghanistan.

Zarif tweeted hours after the fall of the capital, Kabul, saying that “Violence & war — like occupation — never solve problems. Iran welcomes announcement by @KarzaiH [Hamid Karzai] on forming a Coordination Council by Afghan leaders. We hope that it can lead to dialogue and a peaceful transition in Afghanistan. Iran stands ready to continue its peacemaking efforts.”⁽⁹¹⁾

President Ebrahim Raisi expressed the position of the new Iranian government by saying that the US withdrawal from Afghanistan was a defeat for Washington and should be an opportunity to achieve durable peace in Afghanistan. The Iranian president issued orders to the Supreme National Security Council and the Ministry of Foreign Affairs to closely monitor developments in Afghanistan. He pledged that his country would make serious efforts to restore stability in Afghanistan.⁽⁹²⁾ Iran's Supreme Leader Ali Khamenei called for more unity between Sunnis and Shiites in Afghanistan, which was welcomed by the Taliban.⁽⁹³⁾

Fading of Extremist Ideology

On the other hand, the Taliban's attitude toward Iran has changed. Months after the Taliban captured power in Afghanistan, its traditional narrative toward the Shiite community shifted, indicating its desire to reduce sectarian tensions and abandon its ideological extremism toward Afghan Shiites. The Taliban allocated land for the religious practices of the Afghan Shiites, indicating its tolerance and desire to coexist with different Afghan communities.

Afghan Voice Agency (AVA) published an article on the behavior and approach of the Taliban government after it took over power. It explained that the Taliban's adoption of religious tolerance was one of the most prominent changes in the Taliban's behavior,



which no one expected. Furthermore, the agency mentioned that the Taliban no longer embraced an extremist ideology and now emphasized religious freedom. This was illustrated by the Taliban allowing the performance of religious practices, especially those related to Afghan Shiites, such as the mourning rites during Muharram for which the Taliban ensured complete security. In addition, it designated areas to ensure that these rites could be safely performed.^[94]

The Policy of Containment and Appeasement

As a result of the changes in the political behavior of the Taliban, Iran inclined toward maintaining calm and instructed the Afghan Shiite currents and their affiliates not to oppose the new Afghan government. Iran preferred the option of pacification and the containment of new and changing variables in Afghanistan. This was confirmed by the Iranian government's position toward the first direct confrontations between the two sides, after the Taliban security forces in early December took control of three checkpoints on the common border between the two countries and killed a number of soldiers. Iran's Foreign Ministry Spokesman Saeed Khatibzadeh promptly stated that this incident was only a border dispute that had been contained.^[95] Some Iranian media outlets also played down this incident, and considered it a misunderstanding which was immediately addressed.

Iranian Opportunities and Challenges After the Return of the Taliban

The withdrawal of US forces from Afghanistan and the return of the Taliban to power has provided Iran with a number of opportunities which it will hope to exploit and will use all means necessary to achieve the greatest gains possible. However, these opportunities face many challenges.

Opportunities

- The US withdrawal from Afghanistan contributed to reducing Iranian fears and apprehensions that had lasted for years. Iran also considered this withdrawal to be a strategic victory, especially since it is consistent with its political principles and supports its anti-Washington position. Tehran believes that it leads the confrontation battle against America and what it calls the "Axis of Resistance" alliance against Washington. Given that Iran and the Taliban have a common enemy, it is possible that this vacuum caused by the US withdrawal could generate opportunities and possibilities in its favor.
- The opportunities afforded by geographical proximity and the three land ports between the two sides provide Afghanistan access to essential goods, electricity, petroleum and construction items. In recent years, Iran has been the primary source of Afghan imports.^[96] The annual trade volume between Iran and Afghanistan amounted to about \$2.5 billion. Tehran is also one of the most prominent countries that exports electricity to Kabul at an annual rate of about 237 megawatts.^[97]
- Iran and Afghanistan share great cultural, historical, and geographical similarities, most notably the Persian language and the existence of a Shiite community in Afghanistan. Tehran is counting on cooperating with Tajiks, Hazaras and Uzbeks, while taking advantage of the disunity among the Pashtun community, which forms the backbone of the Taliban. Thus, the success of the Taliban depends on all ethnic

groups supporting them and their involvement in the government, which means there must be cooperation and friendship with Tehran.⁽⁹⁸⁾

Challenges

- The rivalries in the rapidly evolving Afghan arena are a clear challenge to Iran. The Afghan arena is influenced by multiple political, economic, religious, and cultural factors. Neighboring countries or regional and international actors play a critical role determining the extent and direction of the aforementioned factors. At the level of Afghanistan's neighboring countries, Pakistan is Iran's primary competitor inside Afghanistan. On the ethnic level, the Pashtuns, the majority in Afghanistan, are more closely affiliated with Pakistan. The latter is the destination and safe haven for the



Pashtuns, given the fact that they are located along the border with Afghanistan, which gives Islamabad an advantage regarding the ethnic, sectarian and cultural polarization of Pashtuns.⁽⁹⁹⁾ This raises Tehran's fears about Pakistan's position, which still enjoys influence within the ranks of the Taliban. Iran is also concerned that Pakistan's increasing influence will harm its economic interests. Due to the Taliban's close relationship with Pakistan, it will reduce trade barriers between the two countries, and the scope of trade will expand significantly. On the other hand, the economic and political competition between India and China will give the former a chance to be an important trading partner in Afghanistan. In addition, Russia intends to expand its economic presence in Afghanistan, especially in the oil sector.⁽¹⁰⁰⁾

- Iran is concerned about the possible expansion of ISIS activity after the US withdrawal from Afghanistan. In this context, former Iranian Foreign Minister Mohammad Javad Zarif warned in a statement on April 16, 2021 of the growing influence of ISIS in Afghanistan, noting that the organization had claimed responsibility for a number of attacks.⁽¹⁰¹⁾

- For several years, the issue of Afghan refugees in Iran was the major concern between the two sides which has security and economic repercussions for Tehran due to the massive presence of Afghan refugees in Iran; statistics estimated that their number was around 3 million.⁽¹⁰²⁾ The flow of refugees across the border between the two sides, which is approximately 900 kilometers, increased after the Taliban took power in Afghanistan.

- There is also the water issue, or what is known as hydro politics, which is a national security concern for both sides. During the last century, water turned into one of most important strategic commodities. For example, Iran and Afghanistan have been engaged in conflict over the waters of the Helmand River which irrigates the eastern parts of Iran and western Afghanistan. The issue regarding the Helmand River has always been the subject of controversy and dispute between the two parties, especially with regard to water allocations, particularly for use in the delta area.⁽¹⁰³⁾

Conclusion: Mutual Suspicions and Iran's Desire to Reposition and Build Influence

With regard to Iran-Afghan relations in 2022, it is likely that multiple approaches will be employed by Iran to ensure cooperation with the Taliban government — in order to guarantee the implementation of its long-term strategies to control the Afghan space and exclude any competitor to its role in Afghanistan. Therefore, it is expected that Tehran will harness its multiple tools and capabilities through several strategies to position itself in Afghanistan, most notably the similarities Iran has with certain ethnic and religious segments in Afghanistan. Tehran may converge with other segments beyond those that it shares religious and ethnic affiliations with. Tehran bets on the nature of its previous relations with the various sects inside Afghanistan and will work to try to empower its most prominent forces inside Afghanistan by taking advantage of its Shiite network or those who oppose the Taliban internally, such as the anti-Taliban warlords by ensuring their inclusion in official decision-making bodies and giving them more opportunities and channels of influence internally.

It is also expected that Iran's activities will expand and it will harness its soft power internally to achieve positive results, especially through its relief institutions, depending on poverty levels in the country, and they will also likely engage in cultural activities. Iran will also bolster its media influence by establishing and supporting media outlets that can shape the narrative in its favor and adopt its vision as well as its political approach generally.

The refugee crisis is an opportunity that Iran may use for its own benefit. In the past, Iran dealt with any possible threats to its national security via Afghan refugees by recruiting ideologically-oriented and needy Afghan youths to fight in Iran's Shiite militias in Syria. Iran, therefore, is likely to play the refugee card again, given the deterioration of internal conditions in Afghanistan after the Taliban took power and Tehran's intention to institutionalize its pro-community i.e., Afghan Shiites. In addition, it has created the Fatemiyoun Brigade, which will assist Iran in its efforts in Afghanistan when needed.

Another factor which may pose a challenge to Iran is the uncertainty regarding the duration of the Taliban's new policy of tolerance and inclusion of Iranian sects, especially the Hazara Shiites, and to what extent it sticks to the commitments it made in this regard. Since Iran has adopted a flexible policy toward the Taliban, it cannot be ruled out that Iran will pursue other policies if the situation escalates into conflict in case the Taliban violates its commitment to protect the Shiite community in Afghanistan. In this case, Iran may use certain cards such as activating its elements in Afghanistan.

If Iran continues to exacerbate instability within Afghanistan, it is likely that this will create trouble spots and promote an atmosphere of insecurity in Afghanistan. The months following the Taliban's capture of power had seen several sporadic bombings in Afghanistan targeting the Afghan Shiite minority. This may be a pretext for Iran to establish multiple resistance forces in Afghanistan which will defend Shiites or the people that are identified as "the oppressed" in Iran's political rhetoric. This is confirmed by the fact that Iran appointed Hassan Kazemi Qomi as Iran's special representative of Afghan affairs, who previously served as ambassador to Iraq after the fall of Saddam Hussein and the head of the Iranian consulate in Herat, Afghanistan. He was famous for establishing pro-Iran Shiite militias in Iraq.

Iran and Azerbaijan

Relations between Iran and Azerbaijan faced the highest degree of tensions since the latter became an independent state on August 31, 1991. Baku's blitzkrieg through its occupied territories for 30 years caught Tehran and nearly every other important capital by surprise.

Three aspects emerged prominently in their bilateral relations: border tensions, ethno-sectarian concerns, and geo-economics. Though the two countries have no border dispute, tensions have remained awfully high since the fall of Nagorno-Karabakh. Unlike the Iranian supreme leader and the government, Iran's military has not yet come to terms with the fresh strategic realities. The IRGC's posturing and saber-rattling on the border exposed Iran's limited options, particularly its inability to engage in an armed confrontation and its lack of muscle to launch a pro-Iran militancy in Azerbaijan. Unlike Russia and Turkey, Iran was unable to secure a role in the 2020 peace deal between Armenia and Azerbaijan. While Russia was able to reassert itself as a regional guarantor, Iran evidently lost its clout in the South Caucasus. Hence, Iran's 15-million strong Azeri Turk minority is overjoyed as Tehran is faced with declining influence and the prospect of prolonged and noisy unrest if not an outright secessionist movement. Azerbaijan, on its part, is cognizant of the emergence of Khomeinist pressure groups as witnessed in Iran's other neighboring countries (Iraq, Pakistan, and Afghanistan). The mutual mistrust between Baku and Tehran continues to accumulate. While geostrategic alignments are diametrically opposed, Iran and Azerbaijan can possibly find some common ground on a geo-economic plain.

An eventful 2021 ends without any promise of stable Iran-Azerbaijan relations. The following sections review the aforementioned three aspects that characterized bilateral relations over the year.

Border Tensions

The 44-day war over Nagorno-Karabakh left Iran nearly as bruised as Armenia.⁽¹⁰⁴⁾ The IRGC launched "Fatehan Kheybar," its biggest military drill along its northern border on October 1, involving thousands of troops, squadrons of tanks and armed vehicles, formations of artillery and dozens of gunship and utility helicopters. Besides the deployment of a variety of air defense systems and an assortment of drones, Iran's



fighter jets flew sorties with aggressive and interception payloads.⁽¹⁰⁵⁾ It was anything but a military training exercise. “IRGC will attack Azerbaijan with 4,000 missiles, which will completely destroy Baku,” Mohammad Bagheri, the IRGC military commander and Iran’s chief of staff of the armed forces, was quoted as saying.⁽¹⁰⁶⁾ Iran’s threats prompted the armies of Azerbaijan and Turkey to carry out military drills dubbed as the “Indestructible Brotherhood-2021” exercise in the Nakhchivan region. Motorized infantry, special forces, air defense and air-borne assets participated in the drills in the Azeri exclave sandwiched between Armenia and Iran.⁽¹⁰⁷⁾ It provoked the IRGC regional commander in Tabriz, Colonel Hossein Pursmail, to bring Israel into the mix, which was not even part of the military buildup. He remarked, “The repetition of Israel’s threats against Iran through the mouth of the Republic of Azerbaijan is not only not in the interests of Baku but is also a threat to its very existence.”⁽¹⁰⁸⁾ No doubt, Israel’s drones and other weapons systems were instrumental in the Azeri victory against Armenia but so far, there have been no alleged or reported Israeli attacks on Iran. The actual trigger for the massive IRGC exercise was the “Three Brothers” exercise involving Pakistani and Turkish special forces alongside Azerbaijan’s. The units “successfully accomplished the tasks of infiltration behind imaginary enemy lines by land, sea, air, as well as an ambush, attack, amphibious, and airborne training.”⁽¹⁰⁹⁾ The tripartite military exercise perturbed Iran and it shared its concern with Pakistan and Turkey immediately, which was dispelled. There were scores of wargames on Azeri territory involving Turkish troops in 2021. Azerbaijan and Turkey had held a large-scale winter military drill in the first half of February. Iran tested Azeri resolve by operating a truck service to Armenia as usual. The Azeri decision to detain Iranian truckers crossing into the territory en route to Armenia via the Goris-Kapan road exposed Tehran’s disregard for the altered realities. Azerbaijan’s President Ilham Aliyev publicly expressed the country’s concern over the violation of its sovereignty.⁽¹¹⁰⁾ Intense diplomacy led to the diffusion of tensions, but it only seems temporary. Iran’s discomfort with Azerbaijan’s signing of defense pacts with



Turkey on top of deep strategic and economic ties to Israel and more recent joint military training with Pakistan exposes the limits of its soft and hard power alike. While back-to-back flights ferrying arms from Israel and Turkey to Azerbaijan continued throughout the year,⁽¹¹¹⁾ talks regarding the purchase of Sino-Pak JF-17 Thunder Block III fighter jets are touted to be in an advanced phase.⁽¹¹²⁾

Tehran has long felt threatened by the deep military ties between Baku and Tel Aviv. From Iran's perspective, Azerbaijan can be more than a listening post for its foes as it is a suitable location to launch preemptive attacks against its vital nuclear and missile facilities. Over the past decade, Israel and Azerbaijan have become strategic partners with Tel Aviv's imports from Baku soaring to over \$4 billion and Azeri gas catering for 40 per cent of Israel's energy needs.⁽¹¹³⁾

Azerbaijan's most modern military equipment largely comes from Israel, thanks to a \$1.6 billion deal signed in 2012 and a \$5 billion defense contract in 2016.⁽¹¹⁴⁾ Azerbaijan has achieved impressive results using Israel-made loitering munitions such as Harpy, Harop and Orbiter 1K besides Turkish drones.⁽¹¹⁵⁾

Ethnicity, Religion and Nationalism

Azeri-Turks totaling over 15 million of Iran's population is the Iranian establishment's most recently discovered raw nerve.⁽¹¹⁶⁾ After Azerbaijan's victory against Armenia in 2020, Iran's northwestern populace expressed great happiness while also being sharply critical of Tehran's pro-Yerevan approach. Though there were no significant signs of activism amongst Azeri-Turks in Tehran and the northwest in 2021, Iran remains wary of external players taking advantage of their sense of alienation and deprivation.

With the emergence of Azerbaijan in the early 1990s, Iran first felt the tremors of Azeri ethno-nationalism. To its good fortune, the Armenian annexation of Azerbaijan's districts bordering Iran created an effective buffer. Though Azerbaijan did maintain a small border patch with Iran's Azeri population, the nationalistic morale was dampened after its loss of vast areas of land to Armenia.

Under the current circumstances, the prospect of foreign support for ethnic Azeri-Turk separatist groups does exist. Outfits like the Southern Azerbaijan National Awakening Movement or the Guney Azerbaycan Milli Oyanis Herekati (GAMOH) have significant support in Iran's Azeri majority provinces.⁽¹¹⁷⁾ By supporting such elements, Iran's rivals can potentially return the compliment to the IRGC, which relies heavily on backing pro-Iran militias through the region (Afghanistan, Yemen, Iraq, Syria, and Lebanon). The only protest this year in the Azeri-Turkish majority city of Tabriz was to express solidarity with the people of Khuzestan Province who took to the streets to demand water.⁽¹¹⁸⁾ However, Iran's Azeri population became vocal about Iran's hostile approach towards Azerbaijan on social media apps like Telegram, Facebook and WhatsApp. Iran's highly monitored cyberspace forces dissenters to use virtual private networks to ensure privacy.⁽¹¹⁹⁾

The country's largest minority has persistently called for the Azeri-Turkish language to be taught in schools while spoken Azeri has become increasingly Persianized in terms of syntax, morphology, phonology, and basic lexicon since Reza Shah Pahlavi's one-language policy. An Azerbaijani script cannot be read by an Azeri born and raised in

Iran where it is written in Persian script. This Persian-centric approach never changed even after the 1979 revolution as Iran's Constitution declared that "the official and educational language is Persian, but the languages of other ethnic groups may also be used."⁽¹²⁰⁾

Azeri-Turks spread over Eastern and Western Azerbaijan, Ardabil, Zanjan, Gilan, Khorasan and Tehran speak their own language at home and within their community gatherings to keep it alive. Many also rely on Turkish and Azerbaijani entertainment programs via satellite as a major source of learning and staying in touch with their native language.

Before Azerbaijan or other rival powers start interfering with its Azeri population, Iran is working on other options. One of these options is the creation of militias like the Huseynyun, which is styled along the lines of Hashd al-Shahbi or the Fatemiyoun Brigade. The outfit's logo has been making rounds on pro-IRGC online channels.⁽¹²¹⁾ Iran's mainstay for soft power is unquestionably the Shiite mosques in Azerbaijan as well as Azerbaijani pilgrims. In October, Azerbaijan shut down a mosque and office operated by the supreme leader's representative in Baku on the pretext of disregarding COVID-19 precautions and spreading the virus.⁽¹²²⁾ As much as Iran invests in Shiite identity, Azerbaijan fosters secularism and Turkish ethnicity.

The Geo-Economic Chessboard

Azerbaijan asserted itself in 2021 by halting the unauthorized entry of Iranian trucks into its newly liberated territories while they were on the way to Armenia. The arrest of truck drivers caused a major diplomatic crisis between the neighbors, which soon became a pretext for military deployment, initiated by Iran to which Azerbaijan responded promptly. Since the collapse of the Soviet Union, Armenia and Iran have remained key trading partners. Throughout the war and until now, Iran remains a vital source of hydrocarbons, minerals, metals, fertilizers, agricultural products and glassware to Armenia. Yerevan exports electricity, machinery and chemicals to Tehran.⁽¹²³⁾ Iranians flocked to Armenia for the coronavirus vaccination.

Not only has Armenia lost significant land mass to Azerbaijan, it has also lost important logistical arteries to Iran. Armenia is hurrying to build alternate roads to keep trade ongoing via its shrunken 44-kilometer border with Iran.⁽¹²⁴⁾ The southern region of Syunik, or Zangezur as Azerbaijan likes to call it, is a strategically important region as it separates the Azeri mainland from the Nakhchivan Autonomous Republic. Prior to the tripartite agreement (between Azerbaijan, Russia and Armenia in 2020), Azerbaijan was dependent on Iran for logistical and aerial connection to its 5,500 square-mile exclave. As per the new deal, Armenia will provide a land connection – the Zangezur corridor – to Azerbaijan so that it can access Nakhchivan while Baku will oblige Yerevan with a similar one called the Lachin corridor linking Armenia to Nagorno Karabakh. Both the corridors are yet to be operational and details regarding a number of issues like customs facilities, cargo control, and the movement of people need to be hammered out.

"At this stage, we have achieved an agreement on building the rail connection from Azerbaijan through Armenia to the Nakhchivan Autonomous Republic and also an

agreement on the construction of the highway, but the exact route of the highway has not yet been identified," Aliyev told a press conference.⁽¹²⁵⁾

Iran seeks Azerbaijan's cooperation to realize the North-South corridor for connectivity to Europe while Baku seeks to become a reliable energy source for European states. Tehran's strategic alignment rests on Russia and China while Baku presses for closer collaboration with NATO, Turkey and Israel. Azerbaijan commenced its peacekeeping duties in Afghanistan in 2002 under NATO's umbrella and ended it at the end of August 2021.⁽¹²⁶⁾ Baku did this to counter Armenia's membership to the Collective Security Treaty Organization. Both countries lack convergence in geo-economic and geostrategic aspirations. On the eve of the Economic Cooperation Organization summit in Ashgabat, Iran signed a gas transit deal with Turkmenistan and Azerbaijan. The prospect of such a complex arrangement working out is grim as the two Caspian states will likely prefer laying a pipeline instead of opting to depend on Iran.

On December 23, Iran's Foreign Minister Hossein Amir-Abdollahian paid a follow-up visit to Baku after the respective leaders of both countries met in Ashgabat.⁽¹²⁷⁾ Tehran has been wooing Baku for a role in the reconstruction of Nagorno-Karabakh and the strategic cities of Zangilan and Jebrail. Iran is invoking a bilateral cooperation agreement signed during President Ilham Aliyev's visit to Iran in February 2016 whereby Tehran seeks to continue the construction of hydropower facilities and hydropower plants — Khudaferin and Giz Galasi on the Aras River. Tehran has promised Azerbaijan that it will respect its claim over the territory.⁽¹²⁸⁾

Conclusion: Reciprocal De-escalation

If the Armenia-Azerbaijan peace deal passes the crucial test of the smooth functioning of respective passageways in the months ahead, the ensuing interdependence will help reduce tensions. Though the dispute is yet far from settled, the two rival countries will embrace some form of normalcy and peaceful coexistence. It can lead to progress on the North-South transport corridor and towards a better working relationship between Iran and Azerbaijan. Tehran has recognized the fact that Tel Aviv-Baku relations are of a strategic, technological, and economic nature. Iran's only option is to revive Azerbaijan's trust and establish relations based on bilateral mutual interests. President Raisi will have to focus on continuing to reconstruct Azeri districts bordering Iran as a basis for navigating bilateral ties with Baku given the post-war realities. In light of the crushing sanctions and bitter feuds with other neighbors and Israel, Iran cannot afford to ignite a fresh front. Azerbaijan did enjoy supremacy over Armenia's military, but Iran's armed forces are larger and much better equipped. It is also less likely that Azerbaijan will be interested in fanning ethno-nationalistic fervor in Iran's northwestern regions. Instead, Baku will choose to consolidate its gains and strengthen its ties with NATO and Europe. Turkey's Erdogan and Azerbaijan's Aliyev inked the Shusha Declaration in June, both pledging to jointly respond to military threats. Baku will strive to achieve more of the same with other allies. If the nuclear deal is revived, Iran will spend more on military bases in the northwest while expanding ties with Armenia. The ethnic complexities, energy riches and the bitterness of the past can lead to a fresh standoff. The South Caucasus may be the next theater for the Israel-Iran clash in a post-sanctions scenario.

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Conclusion: The Way Forward

It seems like 2022 will be a year packed with changes due to the major transformations and shocks that occurred in 2021. These changes began to emerge at the beginning of 2022. At the international level, it is expected that the fierce competition between the United States and China over areas of influence will continue, especially in the Indo-Pacific region and the Middle East. In 2021, there was an important strategic development aimed at countering Chinese influence in East Asia. This development was reflected in the trilateral security pact known as AUKUS, involving the United States, Britain and Australia. This new security pact confirmed the emergence of a new map of alliances in line with Washington's priorities in the next stage beyond the traditional alliances and the framework of NATO. AUKUS establishes a security alliance in proximity to China's maritime borders and represents a historical shift in the map of global alliances. Its signing indicates a possible worsening of tensions between the United States, which is still the dominant global power, and China, which is a rising competitive power.

There are a number of indicators that point to the return of great power competition in the Middle East. One of these indicators is that Russia is determined to be a major player in this volatile region. The Belt and Road Initiative will increase China's desire to strengthen its economic and trade relations and military sales with Middle Eastern countries, especially the countries in the Gulf. This worries Washington, and leaves us with a Middle Eastern landscape that might experience an arms race, the depletion of resources, and economic wars. The United States' concern will continue to grow in light of regional countries not trusting Washington and pursuing alternative options in an international system that is being reshaped in line with new international variables.

It seems that transatlantic relations are no longer converging. The Europeans do not agree with the US policy of escalation against China because they, particularly Germany and France, have always been eager to build mutual interests with China. Moreover, discussions will continue around the future of NATO and its tasks given the divergent threat perceptions among the organization's member countries. However, in light of the fact that the idea of a joint European defense force is still at a nascent stage, Europe will continue to depend on NATO given the complexity of its relations with Russia and



the emerging challenges from Ukraine, Belarus and the Balkans, and Moscow's potential threats to the eastern borders of some European countries.

Question marks over the future of NATO prompted the Europeans to redefine their concept of international relations to give themselves significance independent from the United States. The latest French initiative is the most prominent move toward achieving the independence of Europe given the French presidency of the Council of the European Union in 2022 and Paris' policy to realize the political economic and military independence of Europe. Following Brexit, France carries many responsibilities as it is the only permanent member of the UN Security Council from the European Union.

In relation to the global economy, in spite of the decline in the economic fallout from the coronavirus pandemic, the emergence of new variants has contributed to increasing economic challenges such as rising transportation and logistical costs. Prices have risen globally, economic growth has slowed down and national debts have increased. During this year, the indicators of the global economy may witness a gradual improvement. This will be seen more quickly in some economies and industrial blocs such as China and the United States, and some oil and gas producing countries which will experience rising demand as a result of the rebound in the global production cycle. It is likely that energy producers such as the Gulf states will adopt strategies that enhance opportunities and revenues in light of continued global demand for oil and natural gas in 2022 along with their moves to increase investments in alternative and renewable energy resources in order to diversify income revenues and evade sudden fluctuations.

In regard to the Middle East, the declining impact of the "Arab Spring" became apparent, perhaps with the exception of Sudan which is still searching for a political break-

through. It is likely that the region will witness a further decline in the clout of political Islamic and armed movements that represent the most significant consequence of the so-called “Arab Spring.” Political Islamic movements faced widespread public disillusionment because of the failure of their political and socio-economic programs. In addition, they failed to adopt a moderate and inclusive religious discourse, thus weakening their popular appeal and grassroots support. Their decline coincided with the gradual return of state apparatuses, which took control over national decision-making and began to perform development and security roles. This was clearly illustrated in the recent Iraqi elections in which the parties aligned with Wilayat al-Faqih regressed and national blocs supportive of Iraqi sovereignty progressed. Libya is another case, where there was a transition toward state-building amid a decline in the influence of militias. Despite the aforementioned developments, the Middle East will continue to be characterized by volatility and uncertainty in the short-term, and a place where international actors will continue to interact with one another.

With regard to Iran, the country witnessed several developments, both at the domestic level and at the regional and international levels. Domestically, the “conservatives” gained exclusive control of all decision-making centers within Iran after Ebrahim Raisi won the presidential election. It is worth mentioning here that there was a systematic suspension of “reformist” candidates and disqualification of presidential contenders — in favor of Ebrahim Raisi. However, the “conservatives” will not be able to meet the promises that they made to the Iranian people and may not fare any better than their “reformist” opponents, especially as the economic crisis continues and reaches record levels. The only option left for the “conservatives” to end the vicious cycle of economic deterioration is to reach a deal with the major powers in relation to the nuclear file. The social situation continues to decline as a result of the pressures and the ongoing economic decline, which will increase the gap between the rich and the poor and lead to a further rise in poverty rates and social risks such as divorce and drugs. At the military level, Iranian forces will continue to be on alert as a result of the emergence of a number of security challenges, especially on Iran’s border with Azerbaijan, to prove their deterrence capabilities and influence. If the economic sanctions imposed on Iran continue, it is expected that Tehran will continue with its maritime movements to impede the global economy. It is expected that Iranian activities related to testing more missiles and space systems will increase given the international community’s lack of concern, and its focus on the nuclear file.

Iran’s policies related to the Arab world are influenced by its desire not to give up its gains. The Iranian political system believes that if it gives up on its hard won gains in the region, it will lose internal popular support over its failed projects and will be in a weaker position in the nuclear talks. Therefore, it is expected that in 2022, Iran will continue the support for its militias in Iraq, Yemen, Syria and Lebanon to prove its ability to deter and influence, especially in light of its declining influence in a number of regional countries. Iran will also continue to enhance its military arsenal with ballistic missiles and drones and will maintain support for its militias, especially the Popular Mobilization Forces in Iraq and the Houthis in Yemen, to further advance its regional project. Its proxies will threaten and target vital facilities in Saudi Arabia and the UAE, especially

after the recent losses suffered by the Houthis in Yemen. It is also expected that Iranian activities related to testing more weapons and space systems will increase and destabilize maritime security in the Gulf and the Arabian Sea. The international community has failed to take action against Tehran despite its repeated violations of international rules and norms. In regard to the Gulf, despite the cautious calm that prevailed in Iran-GCC relations in 2021, reflected in several rounds of Saudi-Iran talks under Iraqi sponsorship, and the visit of the UAE National Security Adviser Sheikh Tahnoun bin Zayed to Tehran in December 2021, Iran continued its interference in the affairs of regional countries. The dispute between Iran and the Gulf states seems to be increasingly intractable, particularly given the lack of involvement of the latter in the nuclear talks, and their concern about the prospects of reaching a new deal without appropriately addressing Iranian ambitions, threats and settling the “outstanding issues.”

Concerning Iran's international interactions, the nuclear talks hosted in Vienna will be the most important of its interactions with the major powers. Raisi's approach will not be different from former Iranian presidents (whether “reformists” or “conservatives”) in dealing with the nuclear negotiations because there is no difference between the political currents of Iran's political system when it comes to the country's foreign policy. Despite the Distrust between Washington and Tehran, the two countries believe in diplomacy as the best option to reach a solution regarding the Iranian nuclear program. Even if the two countries reach an understanding regarding the Iranian nuclear program, whether through signing a temporary or comprehensive agreement, they will not be able to address other disputes such as Tehran's regional behavior, its ballistic missile program and the influence of “hardliners” over domestic decision-making, who oppose US hegemony in the region. If the nuclear talks fail, Iran may face Israeli strikes with US approval, or perhaps a limited, coordinated military strike between Washington and Tel Aviv to limit or delay Tehran's capabilities to develop a nuclear bomb.

Iran's relations with Europe, especially with France, Britain and Germany, received considerable attention from the Iranian leadership. It is expected that this attention will continue as the aforementioned European countries are the main channel of communication between Washington and Tehran, in light of the latter's refusal to negotiate directly with the US administration. The course of Iranian relations with Russia and China is expected to take on an upward trend, especially in light of Iran's economic crisis, no indicators of an imminent revival of the nuclear deal, and Tehran's need for Moscow and Beijing in the nuclear talks. Iran will continue to consolidate its foreign policy of “Look to the East” to place further pressure on Washington and the European countries. This policy was reflected in Iran's accession to the SCO as a full member, and the signing of the Sino-Iranian strategic cooperation agreement which has a duration of 25 years.

With regard to Iran's relations with its eastern neighbor Afghanistan, the position of Iranian officials toward the Taliban indicates that Tehran intends to adopt a flexible approach in dealing with the new status quo following the US withdrawal from Afghanistan; the Taliban's takeover of the country. Iran aims to prevent the eruption of a new front of conflict with neighboring countries, similar to its crisis with Azerbaijan. It is also concerned about the return of terrorist groups to Afghanistan, which may consti-

tute the biggest security threat to Iran. It is expected that Iran will seek in the long term to support Afghan forces and factions to assert their influence within Afghan territory.

The control of the Taliban, backed by Islamabad, over Afghanistan and Pakistan's participation in the drills conducted by Azerbaijan raised the concerns of Iran and prompted it to increase its diplomatic interactions with Islamabad. It is expected that we will witness more rapprochement between Iran and Pakistan to undermine Islamabad's relations with its regional allies, or destroy any future power balances that might pose a threat to Tehran's national security and geopolitical interests.

In light of these great developments in the international environment and the escalating challenges that Iran imposes on the Arab world, the GCC member countries need to overcome their intra-disagreements and strengthen their regional and international alliances, forge effective approaches and policies and comprehensive strategies, as well as develop a joint defense system to make the alliance a strong international competitive bloc. In addition, the GCC must enhance its abilities to address threats and invest in the opportunities available in the international environment. At the same time, if the GCC does the aforementioned, it will be able to impose its strategic deterrence in the face of Iran's hegemony and force the Iranian political system to rationalize its regional behavior and halt its proxy wars.





ANNUAL STRATEGIC REPORT

2021