

MONTHLY REPORT



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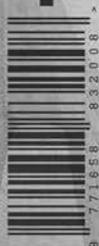
Your window on Iran from inside and abroad

January 2022



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January 2022

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EXECUTIVE SUMMARY

At the beginning of 2022, the nuclear talks were given huge attention, especially by regional actors. They hoped there would be a breakthrough to end the world's anticipation for a solution to one of the most complicated issues in this century. All parties are convinced that reaching a solution to revive the nuclear deal dilemma is the best way forward. However, bridging closer the diverging points of view remains elusive. The United States hints at its intent on partially lifting the sanctions in return for Iran complying with its obligations — proving its goodwill. However, this US gesture has not convinced Tehran. But Iran, which has realized Washington's limited room for maneuverability, is exerting pressure to secure more gains, driven by support from Russia and China amid their dispute with the United States in both Ukraine and the South China Sea, respectively.

The Iranian position remains unchanged as its fate hinges on the nuclear deal. At the political level, the country is still buckling under the same social problems and facing the same challenges inherited from past administrations. In the context of the Raisi government's attempts to win the confidence of the Iranian street and address critical health, social and economic problems in light of social discontent indicators pointing to a surge in popular outrage, President Ebrahim Raisi visited several Iranian provinces and met with locals, in the hope of reassuring the Iranian people and showing his commitment to fulfilling his promises to improve the country's living and economic conditions. But the extent of the deteriorating living conditions inside Iran suggest otherwise. Observers attribute the continuation of the aforementioned problems to the government's mismanagement.

At the ideological level, the ideological contradictions and military clashes between the Taliban and the Islamic State (ISIS) have raised Iranian concerns about the recent developments in Afghanistan, particularly regarding a potential ISIS spillover. At the same time, it does not want the Taliban to exclusively take over power in the country for fear of its interests and those of the Shite community being harmed. While the Iranians allege that they stand against extremism and intellectual intimidation, at home, they are marginalizing Sunni jurists and scholars, and interfering in Sunni affairs, in a blatant violation of the Iranian Constitution.

On the economic front, Iran's economic and living challenges remain difficult, putting pressure on different aspects of Iranian day-to-day life. The prices of food items and medicine have soared, and poverty rates have reached dangerous levels not seen during past phases when Iran was sanctioned. This presents a genuine challenge to the survival of the Iranian political system. Some of these challenges are temporary and can be resolved, such as the financial challenges by removing their root causes such as US sanctions and the consequences of the coronavirus pandemic. Other chronic challenges will take years to overcome and require serious strategies such as the challenges related to the environmental and agricultural sectors. In addition, issues such as unemployment, corruption, poverty and poor economic growth need time and specific policies in order to be effectively resolved. To address such challenges, the Iranian government raises slogans related to creating a resistance economy or ensuring that the economy is self-reliant so that growth and social development can be achieved. But the reality on the ground shows that such slogans have only achieved poor economic results, figures, and indicators. The Iranian government also relies on increasing its non-oil exports to neighboring countries, while offering financial inducements. This is in addition to entering into long-term partnerships with Russia and China to shore up the economy and resist sanctions.

At the military level, the Iranian leadership attaches huge importance to increasing its readiness and preparedness to counter renewed threats and create a state of deterrence against potential enemies. The Iranian naval forces carried out a joint military drill in the Indian Ocean with the participation of Russia and China. This drill reinforced the Iranian desire to enhance its rapprochement with Russia and China, especially in the military and security domains. The Military File attempts to decode the mystery surrounding the Iranian planes in Myanmar and the potential impact of rapprochement between the two countries.

Regarding Arab affairs, there seems to be signs of tensions looming between Iran and the Gulf states. These tensions coincided with the resumption of the nuclear talks with the major world powers regarding the Iranian nuclear program and the emergence of many complexities in managing this file, reflecting the impact of international developments on regional affairs. The Houthi attacks targeting the UAE are one of the manifestations of the aforementioned tensions. Solutions are becoming more complicated for Iran in the nuclear talks. Thus, Tehran is attempting to demonstrate its ability to reshuffle the

cards and put pressure on the international community. By contrast, the Gulf states seek to open new trajectories in order to secure levers to ensure solutions and approximations that are not contrary to their interests. Among the major moves was the visit of a joint GCC delegation to China and this move is likely to impact Gulf relations with Tehran. The aforementioned is added to active GCC moves at the regional level to avert escalation.

The Iranian position supportive of the Houthi militia in Yemen exposes its two-faced rhetoric. The Iranian military establishment supports the terrorist acts and the Houthi escalation against Saudi Arabia and the UAE while Iranian diplomats call for dialogue and establishing good relations with neighboring countries.

With regard to the Syrian arena, Iran is attempting to maximize the scope of its clout in Syria. It is attempting to impose more control over the economic sectors in the country and cultivate an appropriate environment inside Syrian territories, especially in light of the back-to-back Russian pressure on it and the increasing divergence of interests between itself and Syria despite its continued cooperation to support the Bashar al-Assad government.

Internationally, an atmosphere of distrust is preventing the United States and Iran from holding direct dialogue. Mediators within the P4+1 group are seeking to use all means possible to revive the nuclear deal. Meanwhile, the two countries are continuing to impose mutual pressures at several levels to strengthen their respective negotiating positions in Vienna. It seems that the negotiations have reached a crucial phase. There is talk about an imminent conclusion of a deal. However, the negotiations with the Americans from the point of view of the Iranians do not mean capitulation. It is the red line set by Khamenei in the context of Iran's relationship with the United States.

As to the state of Iran-Europe relations, they seem to hinge on the outcome of the ongoing nuclear talks in Vienna. The Europeans, in their interactions with Iran, have largely depended on the carrot and stick approach. At times, Europe steps up political pressure on Iran by pulling out Tehran's human rights record and highlighting its involvement in terror activities. At others, Europe sends health assistance and attempts to mend diplomatic relations with Iran to draw it toward the Western sphere. By contrast, Iran's policies largely revolve around reactions and political squabbles with the Europeans in the hope of urging them to be more autonomous from their American ally and prompting them to make satisfactory concessions during the nuclear talks.

Internal Affairs

With regard to internal affairs, the file discusses four aspects. The Ideological File focuses on Iranian concerns about the Taliban government. It also touches on the persecution and marginalization of Sunni scholars, which aims to tighten the noose around any competitors to the Shiite sect. The Political File sheds light on the negative indicators related to the Raisi government and the administrative problems which it is facing and attempting to overcome. As for the Economic File, it includes the indicators of the Iranian economy's performance in the new year and the major challenges facing it in 2022 and how the Iranian government intends to address these challenges. The Military File touches on the joint military drills held between the Iranian, Russian and Chinese naval forces and the significations of such drills. It also casts light on the emergence of indicators pointing to a possible military relationship between Iran and Myanmar and the possibility of cooperation between the two countries growing in light of the isolation both sides are suffering from.



The Ideological File

The previous Ideological File cast light on the developments related to the Shiite religious elites in general and the Iranian ones in particular and their impact on the religious and political landscape in Iran and the implications for the Shiite community in the region.

This month's ideological file sheds light on the tensions between the Taliban and the Islamic State-Khorasan Province (the ISIS offshoot in Afghanistan), the incessant clashes between them and Iran's close monitoring of these battlefield clashes and the ideological differences. The file also discusses the discrimination against Sunni scholars by the ruling elite in Iran. The file seeks to find answers to questions related to the dimensions of those issues such as the outcomes of the battles between the Taliban and the Islamic State, the Iranian positions toward it and the reasons behind the marginalization of Sunni scholars in Iran and interfering in their religious and political affairs and the repercussions of this on Iranian religious thought.

The Taliban and ISIS: The Iranian Concern

The Iranian embassy in Afghanistan has warned of growing ISIS control over Afghan territories following the terror outfit's defeat in Iraq and Syria. It said that the international community should be vigilant about this.⁽¹⁾ By contrast, the Taliban is attempting to allay Iranian concerns. The Taliban's Minister of Information and Culture Mawlawi Khairallah expressed the group's readiness to give precedence to the common Islamic culture among the Islamic peoples, including Iran.⁽²⁾

For its part, the Taliban believes that it is in dire need of its neighbors, including Iran, especially in light of US sanctions and the embargo imposed by the international community, and the Taliban's intention to conduct genuine revisions in its previous ruling strategy before the US invasion in 2001. Thus, reassuring the Iranian side and attempting to establish political and economic relations away from sectarian tensions is an objective for the Taliban. As to the likelihood of this strategy's success in light of the sectarian differences, it is likely that the Taliban, as well as the Iranians, would pursue pragmatism and realpolitik, particularly in light of the isolation imposed on both sides and their awareness that any Sunni-Shiite battle will impact both of them, not just one side without the other.

Yet, the Iranians believe that, as some of their officials have commented, that the Americans do not want the Taliban to have absolute authority over the country and that they want to create problems and tensions for the Taliban. Yet, the Americans turn a blind eye to the increasing clout of the Islamic State-

Khorasan Province. According to them, this would impact, in case it continues to grow, the national security of Iran, Russia and China.⁽³⁾

But we cannot confirm whether these are Iran's true convictions or are merely remarks made in the context of the Iran-US mutual antipathy. This is because another perspective holds that Iran's strategic interest lies in keeping the Taliban-ISIS dispute raging, weakening the group and preventing it from gaining full control over power for fear of impacting the interests of Iran and the Shiite community.

In the same context, the Taliban government's Minister of Interior Sirajuddin Haqqani said that "the Islamic State is involved in carrying out bombings. To thwart their schemes, the Islamic Emirate has embarked on reformist projects to rectify the thought of all those who have links to ISIS. They don't enjoy popularity or strong positions within society."⁽⁴⁾

Haqqani accused some elements of the former government of working under the umbrella of ISIS. At the same time, he denied that al-Qaeda undertakes any activities in Afghanistan.⁽⁵⁾ As to the reformist projects referred to by the interior minister, the Taliban has expelled more than 3,000 of its fighters with suspected links to ISIS.⁽⁶⁾

Therefore, the Taliban is serious about confronting ISIS notwithstanding the weak international and regional cooperation it has in this confrontation. This would perhaps continue until it proves its seriousness about confronting ISIS, or for other reasons. But it is worth mentioning that the ideological variations between the Taliban and ISIS are major and deep. Each group has its own interpretation of Islam, whether on fundamental issues or minor issues, which makes it likely that the confrontation between them will drag on.

Anti-Proximity: Iran and Hijacking the Religious Sphere

It seems that the Iranian government is keen to form alliances on confessional lines and prevent any serious attempts at proximity (between Islamic sects and healing the Sunni-Shiite sectarian rifts. In a step aimed at proximity and coexistence from a Sunni Friday prayer leader in Iran's city of Azadshahr, Mowlavi Hossein Gorgij, lauded Umar Ibn Al-Khattab, the second Muslim caliph, when he pointed to the marriage between the third Shiite imam and Shahrbanu. He said: "Mother of imam Zayn al-Abidin was daughter of Yazdegerd. Umar Ibn Al-Khattab allowed Imam Hossein to marry her following the conquest of Iran. Nine imams came from the same lineage. Consequently, if we don't accept the legitimacy of Umar's caliphate rule, we then would question the imams' respect and parentage."⁽⁷⁾

But he was met with dismissal, ouster and defamation by the Iranian government. The representative of the supreme leader of Iran in the province of Golestan sacked Gorgij and appointed Mawlawi Nematullah Mashouf who refused to take over his office in protest against Gorgij's dismissal. The IRGC's intelligence arrested him. The decision of dismissing Gorgij and appointing Mashouf was taken without consulting Sunni dignitaries and scholars. This sparked massive protests in the Sunni provinces.⁽⁸⁾



The protests staged by supporters of the dismissed scholar continued until the time of preparing this report in some Sunni provinces. This sparked clashes between the police and protesters. Gorgij, after being dismissed by Khamenei's representative, called for refraining from stirring up internal differences and urged the people not to be influenced by the tense atmosphere. Pictures were published showing him attending Friday prayers after his dismissal. Reports have circulated that Mawlawi Gorgij came under pressure to attend Friday prayers and that he was summoned to the office of the Galikesh commander in Azadshahr with the aim of intimidating him and exerting pressure on him through the security services. Gorgij defended himself and attributed his remarks during the Friday sermons to the insults hurled at the Muslim caliphs on roads and at alleyways, who were slandered by people with disparaging remarks and placards. He delivered his sermon to remind the people of the virtues of Umar Ibn Al-Khattab to bring closer the points of view.⁽⁹⁾

After interfering in the affairs of the Sunnis, in violation of the Iranian Constitution which stipulates that the four Sunni schools of jurisprudence shall enjoy full respect and their adherents are free to exercise their religious rites according to their jurisprudence, according to Article 12 of the Iranian Constitution. This is not the first time that the government has cracked down on Sunni scholars. There has been a rap sheet of crackdowns, the aim of which is to hijack the religious sphere in favor of a specific religious interpretation which serves the government's agenda and ideology. The Teachers and Students Society in the Ain Al Uloom Religious Seminary in the city of Saravan condemned this flagrant violation of the Iranian Constitution. It reiterated that the banning of Gorgij from delivering Friday sermons runs counter to the constitution and is considered as interference in the religious affairs of the Sunnis.⁽¹⁰⁾

The objections of Sunni scholars and the protests of the people prompted the Special Courts of the Clergy to summon some Sunni figures and scholars in an attempt to intimidate them for fear that matters would get out of the government's control.⁽¹¹⁾

The government attempted to contain the Sunnis' anger in the Sunni provinces. One of the officials, in a meeting with Sunni scholars and clerics, stated that the distribution of resources and services and achieving justice in the country is a comprehensive approach. He pointed to Raisi's visit to the Sunni province of Sistan and Balochistan and his face-to-face meeting with the locals, which indicates the significance of this approach for Raisi.⁽¹²⁾

In a nutshell, the Iranian government is not serious about the issue of proximity between the Sunnis and Shiites. The government's embracing of proximity is merely superficial in order to maintaining the image of the theocratic political system. If the government was serious about healing the sectarian rifts at home, it would have outlined a law that protects the sanctity of all sects and religions from violation. But it seems the government is keen on the policy of divide and rule to enhance its sectarian legitimacy.

Conclusion

It seems that the ideological contradictions and the military clashes between the Taliban and the Islamic State group are so deep-rooted that they raise concerns among international and regional actors who have interests in Afghanistan. Iran is fearful of the expansion of ISIS control. At the same time, it does not want the Taliban to exclusively take over power, fearing the interests of it and the Shiite community would be impacted. In the same context in which the Iranians claim to stand against extremism and intellectual intimidation, they at home exclude Sunni scholars and jurists and interfere in their affairs — in blatant violation of the Iranian Constitution, which holds that the decision making of the Sunni sect — with its four schools of jurisprudence — is independent.

The file concludes that Iran seeks to influence taqlid incubators and enhance the legitimacy of the ruling religious elite and the Wilayat-a Faqih version by creating crises over sectarian and identity-related issues by targeting the Sunni sect and its figures. This comes as the government is keen on the policy of divide and rule for fear that the Iranian people would unite against the political system, transcending sectarian and confessional barriers. The government does not want this to happen, seeking the exact opposite — making each side feel that it is targeted by the other. The report also concludes that it is likely that the Taliban-ISIS standoff will continue to take center stage on the Afghan landscape, while ruling out the possibility that the Taliban solely would weed out ISIS. This is because of the Taliban's incomplete security and intelligence capabilities, the lack of Western logistical support and the shortage of expertise required for such battles. However, the Taliban seems intent on ending the ISIS presence, exerting control over the religious and political authorities for it to address the more important issues and enhance religious and political legitimacy at home and overseas.

The Political File

Although five months have passed since the Raisi government took over the presidency in Iran last August, the country is still buckling under the weight of the same social problems. It is still facing problems and challenges inherited from the previous administrations. In our Annual Strategic Report, we gave a comprehensive overview of Iran's domestic policies and the Iranian government's tireless attempts to restore the Iranian street's confidence and address the deteriorating health and social conditions. This deterioration is in light of indicators pointing to a surge in popular outrage and further economic decline. Voter turnout reached its lowest level during the last presidential election.

In January, Raisi continued to visit Iranian governorates and meet locals in the hope of reassuring the Iranian people and identifying the root causes of the problems, according to his remarks. These visits occurred as Raisi feels that his supporters, let alone his critics, expect that he delivers on his promises and initiates the urgently required reform in the country. Therefore, in this file, we explore the Iranian political landscape during this month by addressing two topics: the Raisi government's moves in regard to managing domestic affairs, and the exact nature of the administrative problems facing the Raisi government.

First: The Raisi Government's Domestic Efforts

Raisi visited the province of Qom where he met a host of religious and administrative officials, including seminary teachers, taqlid clerics and even the provincial council. During these meetings, Raisi reiterated that his government's foremost concern is to resolve the problems facing the Iranian people. ⁽¹³⁾ He noted that the visits he makes to the provinces fall within the framework of the government's agenda. Raisi said, "These visits have many blessings since closely following up on the people's problems is effective in resolving them."

However, Raisi's remarks about identifying the roots causes of the problems and resolving them remain questionable as most of the people he met reiterated the desperate need to address the crisis of rapidly deteriorating living conditions and to help Iranians struggling under the crushing weight of inflation and poverty.

During his visit to the province of Hormozgan, Raisi spoke about exploiting the available resources in the province. He said, "Hormozgan is a commercial, industrial, agricultural and touristic province. We have excellent potential in

this province and at Bandar Abbas Port. Poverty in this region, given all these valuable resources, is meaningless.”⁽¹⁴⁾ He pointed out that the solutions to the problems in the province rest on exploiting the available resources which are abundant, especially in the fields of tourism and industry. Raisi’s recent visits included a stop at the outskirts of the city of Mashhad where he spoke to residents about problems related to marriage, unemployment, and housing since these are the most urgent issues for the youth. He also touched on the plans of his government to revitalize the rural economy to prevent more emigration from rural to urban areas, which has worsened problems in the latter via the creation of shantytowns. In light of government plans, past and present, not being fully executed, Raisi addressed the criticism leveled at him by saying, “We are well aware that the issue will not be resolved by merely words. This matter should be addressed in the government’s budget, the division of capabilities and the distribution of resources.”⁽¹⁵⁾

The Raisi government is continuing to face several challenges, especially those related to managing the dangers stemming from the floods and torrents that hit Kerman Province. The Iranian press sought to throw its weight behind the Raisi government to show his keenness to follow up on the aforementioned incidents in the province. It mentioned that despite Raisi visiting Russia, he followed up on the floods and torrents hitting the province and instructed the provincial governor to take efforts to care for those impacted and for makeshift shelter to be provided.⁽¹⁶⁾

Raisi has been criticized for dismissing the difficulties facing the implementation of his plans. Budgetary allocations are dependent on good management and political efficiency. It is clear to observers that the social problems in Iran are not only related to marriage, housing, and unemployment, but extend to include health, and the environment as well as administrative issues. The Iranian people are full of anger over how the government runs domestic affairs, especially given that socio-economic conditions have deteriorated to unprecedented levels.

Second: The Nature of the Administrative Problems Facing the Raisi Government

Raisi made consecutive remarks about the country’s economic, social and political indicators improving and lauded the efforts of his government. He believes his government has succeeded in reducing inflation and containing the coronavirus pandemic. He has repeatedly stated that the country needs to renounce despair in order to rise again. Despite his claims, the country’s economic and social deterioration has continued unabated. The inflation rate remains high. The Iranian people were impacted by the coronavirus pandemic in several waves. A number of indicators point to rising popular outrage which is a danger for the entire Iranian political system, and even the government’s own research confirms this danger. Taji Rostumwandi, the Iranian deputy interior minister, spoke of this, adding that the results of an opinion poll reflected alarming trends, including the desire of the Iranian people to see fundamental changes in the country as well as their inclination toward a secular system.⁽¹⁷⁾ In addition, poverty rates have reached record levels. According to a report



prepared by the government, the poverty rate stands at 35 percent, while several economic analysts assert that the rate is up to 70 percent.⁽¹⁸⁾

The aforementioned figures are not the only evidence of the Iranian people's growing discontent. The policies adopted during the visits of President Raisi to Iranian provinces generated criticism rather than praise and support for the president.

Most of the criticism focused on the government delving into the finer details of provincial affairs, which creates a negative attitude towards it. This is in addition to the government preventing some professors from giving lectures at universities, as journalist Ahmad Zaid Abadi highlighted in the editorial of Arman Melli newspaper.⁽¹⁹⁾ Several

voices inside and outside Iran have likened Raisi's policies and his outreach in some provinces to the populist policies of former President Mahmoud Ahmadinejad which in reality did not pay off. In

fact, they were merely cosmetic, with the aim of deflecting attention and gaining the sympathy of the Iranian street. The comparison between Ahmadinejad and

Raisi has become more pronounced in local media outlets, especially when discussing the unprecedented outflow of immigrants from Iran as it is claimed to be a direct consequence of the government's policies. Economic expert Hossein Zaghfar described the government's policies in an editorial in Tejarat newspaper as strikingly similar to those of Ahmadinejad and implemented by

Iranians who served in his government.⁽²⁰⁾

Figures and polls suggest the opposite of what President Raisi is claiming. Voices condemning his economic and administrative policies have begun to emerge. However, to be fair, five or six months are not sufficient to make an absolute judgment about his government. Maybe Raisi is relying on the future when US sanctions are lifted and the national currency and the economy bounces back. Nonetheless, Raisi's promises, or the projects established during his past visits to different regions have not led to evident changes on the ground. The government's mismanagement, especially related to resource exploitation, which Iran's geography is replete with, cannot be attributed to US sanctions.

Raisi's visits to local provinces have short-term benefits such as raising his profile and support among the Iranian people. However, the promises he made have little prospect of materializing. Inflation figures are surging and poverty levels continue to staggeringly rise. As days pass by and the desired reform becomes even less likely, social outrage resurfaces once again along with a rise in people leaving Iran and a crackdown on dissent, especially the silencing of academics.

Conclusion

President Raisi's visits to local provinces aimed to instill hope in the Iranian people and contain their anger. He continued to point to the efforts of his government and its positive results in terms of containing the coronavirus pandemic and reducing the inflation rate. But the deteriorating living conditions at home suggests otherwise. Furthermore, the brain drain in Iran and the high poverty rates are attributed to the government's mismanagement. The government is exercising its authority in the finer details of Iranian life, with restrictions imposed on individual freedoms, and the banning of professors from delivering lectures. In addition, the government has made hollow promises which have not materialized on the ground.

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 Economic File in the 2021 Annual Strategic Report cast light on the chronic inflation crisis biting the Iranian people over the past two years. Particularly, the causes of the crisis and the consequences for individuals and society in general were addressed in the report. The January 2022 Economic File, meanwhile, reviews the latest updates regarding Iran's economy in early 2022 and discusses three main topics: the salient short and long-term challenges impacting economic performance; the government's response to the ongoing economic crises and the future of Iran's economy for 2022.

Economic Reality in Early 2022

In its latest report on global risks in 2022, the World Economic Forum (Davos) identified five major risks facing Iran in 2022 after conducting opinion polls with experts and entrepreneurs.⁽²¹⁾ The major risks were: "employment, livelihood and crises," "widespread youth disillusionment," "prolonged economic stagnation," "natural resource crises," and "biodiversity loss and the collapse of the ecosystem."

Iran enters the new year showing an improvement in some economic indicators. There has been an improvement in the GDP growth rate, the balance of payments, the trade volume and an uptick in oil sales. However, other indicators have worsened such as inflation and unemployment. In addition, the economic crises of the past year remain unresolved such as: the budget deficit, the widening government debt, the plummeting national currency, capital flight, and the loss of billions of dollars due to the US sanctions on the oil sector. Furthermore, living conditions and poverty rates continue to deteriorate. (See figure 1).

Though the 2 percent GDP growth rate is insignificant and unstable, the difference is that it switched from negative to positive growth primarily driven by oil exports to China and a spike in exports to neighboring countries. However, the GDP growth's strong reliance on oil exports make it volatile on the other hand and subject to fluctuations at any time as the positions of buyers and prices may shift. The average inflation rate for January 2022 compared to the previous month stood at over 43 percent.⁽²²⁾

At far higher rates, inflation hit the prices of food items, medicine, and housing. The local currency, the toman, lost 80 percent of its value since the start of the US sanctions on Iran in 2018.

Figure 1: Indicators of Iran's Current Economic Situation



Sources: International Monetary Fund, World Economist Outlook (October 2021), Economic Indigence Unit, Iran (December 2021 & January 2022), Worldometers, Bombast, and Iran Statistical Center. (<https://bit.ly/3A6PMon1>).



Prepared by: Rasanah IIIS.

Among the 18–35-year-old age group, unemployment reaches 17 percent and among the younger segments and those educated it is over 25 percent. Nearly one-third of the Iranian people live below the poverty line, according to the latest official statistics released by the Iranian Parliament. Some experts inside Iran, meanwhile, point to more dangerous poverty levels, which currently impact 60 million Iranians due to soaring prices,^[23] accounting for over 70 percent of the Iranian people. The poverty line or breadline is the minimum level of income needed to cover basic needs, i.e., to keep people alive. The higher the poverty level, the more problems emerge in the health, social and security domains.

On the other side, Fitch Ratings, a leading provider of credit ratings, forecasts that a nuclear deal will be reached by mid-2022, which will lead Iran to recover from its current stagflation. Inflation will go down to 8 percent and economic growth will increase to 4.4 percent during the same year^[24] on the condition that a nuclear deal is reached.

The Major Challenges Facing the Iranian Economy in 2022

Iran enters the new year with its economy facing a host of serious challenges in diverse fields that impact the country's economic performance in general and living conditions in particular. These can be detailed as follows:

■ **Agriculture and water:** Rainfall shortage and the high cost of agriculture are the major challenges facing the agricultural sector and these challenges will continue into the future. Iran was hit with a severe wave of drought last year, which was considered the severest in five decades. It led to a decline in agricultural production and a sharp increase in food prices. In addition, underground water reserves decreased, and US sanctions caused the prices of agricultural necessities to soar. Popular protests over the shortage of agricultural and even drinking water have been recurrent over the past years in several cities such as Ahwaz and Kermanshah and recently in Isfahan in November 2021. Home to almost 85 million people, Iran's population primarily relies on domestically produced food. Up to 3.7 million Iranians work in the agricultural sector, accounting for 15.4 percent of the total workforce.

■ **Industry:** The oil, auto, petrochemicals and steel industries are among the major industries in the country. These industries face significant problems related to securing liquidity and financing, exchange rate fluctuations, US sanctions such as the embargo on oil exports, steel and petrochemicals and the flight of foreign investment, which has been the main pillar of the auto industry in the country, the second-biggest industry in the country after oil. In addition, there are problems related to the shortage of raw materials and the high cost of circumventing US sanctions to import these essential goods. Nonetheless, the petrochemicals industry is faring the best in light of US sanctions, accounting for nearly 40 percent of Iran's non-oil exports. About 8 million Iranians work in the industry, making up nearly 35 percent of the workforce in Iran. They were impacted by the disruption hitting the industrial sector due to US sanctions.

■ **Trade:** Decline in consumer purchasing power and the high cost of commercial transactions pose a challenge to the growth of domestic and foreign trade—in addition to the ongoing exchange rate fluctuations.

- **Tourism and the coronavirus pandemic:** The tourism sector has relatively improved compared to the past two years, especially religious tourism after lifting the ban imposed on international travel and the initiation of vaccination programs. But the fifth wave of the coronavirus pandemic and the high costs of hospitality in Iran curb the growth of this sector. Millions of Iranians work in this sector.
- **Living conditions and high prices:** This challenge means that those who earn incomes have a certain level of financial security compared to those who are unemployed. Even the annual increase in wages of state employees, up to 25 percent, cannot ensure an improvement in living standards, given that price hikes are surpassing 40 percent. This has contributed to the erosion of the middle class and an increase in the number of people living in poverty. It goes without saying that the strength of the middle class is the mainstay of any society's progress and stability.
- **Poverty:** It is the outcome of a host of challenges combined and poor economic performance. According to official statistics, nearly one-third of Iranians fell below the poverty line in 2020, while Iranian analysts put the figure at 60 percent, 70 million people, in 2022 due to soaring prices as previously mentioned.
- **Annual budget deficit:** The Raisi government inherited a financial deficit from the Rouhani government, which is continuing due to the scarcity of revenues. The revenues available barely reach half of the targeted revenue base set in the budget for the current period. Therefore, it is likely that the financial deficit will reach at least \$10 billion by the end of March 20, 2022.⁽²⁵⁾ This is because the revenues of taxes and oil exports; the budget's two main sources, have been disrupted due to US sanctions and the coronavirus pandemic.
- **Poor population growth:** This has become a serious challenge for the Iranian economy and the political system in recent years, amid the harsh living conditions and the doubling rates of young Iranians moving abroad. The population growth rate has declined to 0.7 percent per year and the fertility rate has significantly declined. Every woman of childbearing age gave birth to an average of less than two children in 2020, compared to the average of 6.8 children per woman in the 1980s. Iran, in the meantime needs an average birth rate of 2.2 children per woman to reach the rate of natural replacement of the population. Population experts in the country warn that if the current rates remain unchanged or declines to less than 1.3 children per woman, Iran will fall into the so-called "population gap." When this happens, countries are forced to bring in immigrants to keep economic activities functioning.⁽²⁶⁾

The Government's Reaction to the Challenges and Future Directives/Scenarios

The many challenges facing the Iranian economy will undoubtedly impact the domestic landscape and the international arena. Some of these challenges are temporary and can be addressed, such as the financial challenges, with their causes rooted in US sanctions and the consequences of the coronavirus pandemic. Others are chronic challenges that require years to address and serious strategies, especially those related to the agricultural and environmental

sectors. In addition, challenges such as poverty, unemployment, corruption, and low population growth need time and effective policies to be overcome.

To address the economic and financial challenges related to US sanctions, the Iranian government has embraced policies based on developing a “resistance economy” to ensure self-reliant growth and to achieve welfare for the Iranian people. But the reality and statistics undoubtedly show that these policies are merely sloganistic and have not been effective, resulting in poor economic results, deteriorating figures and indicators — as discussed earlier. Therefore, the government attempts to cast light on alternative strategies.

Among the government’s strategies to address some of the ongoing economic crises and challenges is increasing non-oil exports to neighboring countries and offering monetary inducements. This began in the last years of former President Rouhani’s tenure and has continued under the government of Ebrahim Raisi. It brought about relatively good results. The strategy resulted in increasing the injection of liquidity (foreign currencies) into the economy, and curbed the national currency devaluation — even if it did not prevent it entirely. The liquidity injection is to meet the country’s import requirements while the government controls the level of imports. The aim is to reduce the deterioration of the local currency as much as possible. On the other hand, restrictions on imports have reduced the domestic supply of goods and essential production inputs, thus fueling inflation.

Heading eastwards toward China and Russia is an additional strategy which Rouhani, who preferred to turn westwards before the imposition of sanctions, was prompted to adopt. Raisi has recently focused on this strategy as well to achieve economic and non-economic ends. It appeared in his visit to Russia in January and the attempt of his government to spotlight the Iran-China Comprehensive Cooperation Agreement. Maybe Russia does not have much to offer to Iran on the economic front though it is a security and strategic partner for Tehran — unlike China, Iran’s biggest trade ally and the biggest buyer of Iranian oil presently. In the short term, China will remain an important locomotive of Iranian economic growth. However, this does not mean their partnership does not face any challenges. Rasanah’s research team had discussed the challenges and future of the China-Iran partnership in a position paper that can be accessed via the link.⁽²⁷⁾

For the government to meet the expenditures of the budget, including the wages of state employees, the administrative expenses of state apparatuses, and daily operations, it will depend in its next financial plan (starting on March 21, 2022) essentially on taxes. This is in addition to the government transferring the ownership of assets in the stock market while not putting much reliance on oil revenues theoretically as it assumes that US sanctions will remain in place. In addition, some subsidies will be repealed in case the Parliament approves the move.

The finances of the political system — not solely the government — depend on strong apparatuses, organizations and institutions representing the pillars of the economy such as the IRGC and the bonyads that are exclusively owned by the clerical establishment (The Execution of Imam Khomeini’s Order (EIKO)).

Others include Setad, giant contracting companies such as Khatam Al-Anbiya Construction Headquarters and several media outlets. They are active in most economic fields: agriculture, food companies, petrochemical plants, cars, service companies, and some have full control over customs posts, airports and other potential sources of income that could be used to finance the objectives of the clerical establishment, whether external domestic. The latter will help influence and pacify the poorer segments among the Iranian people and prolong the political system's tenure in power.

However, the legitimacy of the Iranian political system is at stake following the severe blows dealt by tight US sanctions, which created the present economic and living conditions that have a knock-on effect on the day-to-day lives of the Iranian people. The hikes in the prices of food items and medicines and growing poverty rates have reached an alarming and unprecedented level surpassing what Iran experienced under past sanctions. This poses a serious challenge for the survival of the Iranian political system.

The Military File

In 2021, the Iranian strategic environment saw major challenges in light of the tensions with Azerbaijan and the fragile situation in Afghanistan. This put the military forces into the Iranian leadership's focus of attention in anticipation of repelling any nascent dangers that could impact Iranian security. This anticipation was against the backdrop of the deadlock gripping the Vienna talks, which means the continuation of suspense and polarization among the region's powers. At the beginning of this year and in the context of the ongoing uncertainty, the Iranian security forces remained alert and on standby. This was apparent in palpable activities of the IRGC forces. Military drills started, and there were military movements covered by the media in light of the current Iranian orientations. The file also sheds light on suspicious activities and Iranian moves that extend the country's military ties with Myanmar. These moves will be reviewed through two developments: first, the joint naval drills between Iran, Russia, and China, and second, the boosting of military ties between Iran and Myanmar, which have raised new concerns.

The Joint Naval Drills Between Iran, Russia, and China

The waters of the Indian Ocean, on January 21, witnessed joint drills between Iran, Russia and China, the second time in which the three countries have held naval drills. The three-day joint drill dubbed 'Maritime Security Belt 2022' was held in the northern part of the Indian Ocean on an area of nearly 17,000 kilometers.⁽²⁸⁾



The Participating Military Units

The naval drills saw 16 naval vessels from the three countries participating⁽²⁹⁾. For the Iranian side, vessels from the naval forces of the Iranian army and the IRGC partook, totaling 11 vessels. They included Dena, Jamaran and Naghdi and the battleships Zereh and Tabarzin as well as the tender ships IRIS Ganaveh, IRIS Bahregan and the replenishment ship IRIS Shahid Nazeri. For China, the destroyer Urumqi (118) and the replenishment ship Taihu (889) participated. Russia's involvement included the cruiser Varyag, destroyer Admiral Tributs and Boris Chilikin-class fleet oiler.⁽³⁰⁾

Figure 1: The Vessels Participating in the Military Drill.



Source: IRNA.⁽³¹⁾

Participation of the Iranian Frigate Dena

On top of the Iranian frigates partaking in the drills was the frigate Dena (see Table 1 for details) considered by the Iranians as the icon of the local defense industry. They call it a destroyer. It is a modified version of the British vessel Vosper Mark which Iran acquired during the reign of the shah. Several modifications to the vessels were carried out under the Moudge (Mawj) class project, starting in 1997.⁽³²⁾

Table 1: Technical Specifications of Frigate Dena

Length	Indentation	Weapons
96m	1,300 tons	<ul style="list-style-type: none"> ■ Fajr 76 mm artillery gun ■ Four Noor anti-ship cruise missile launchers, an upgraded version of the Chinese C-82 missile. ■ Two Mihrab-class surface-to-air air defense launchers. ■ Two three-533mm tube torpedo launchers ■ 40mm Fath artillery cannon ■ Four 30mm cannons

Source: Radio Farda.⁽³³⁾

Figure 2: The Iranian Frigate Dena

Source: .Radio Farda.⁽³⁴⁾

The Iranian Maritime Violations

Iran announced that the drills had several aims such as strengthening the security of maritime trade, increasing capacities to combat piracy and maritime terrorism, and refining the execution of maritime supply and rescue

missions as well as exchanging operational and tactical expertise.⁽³⁵⁾ However, these drills came at time when Iran's statements do not actually reflect its maritime behavior. Iran is accused of violating UN Security Council 2231 and 2216 resolutions related to attacking ships, destabilizing maritime security, and creating hotbeds for maritime disputes through deliberately smuggling weapons and drugs. The Wall Street Journal mentioned in a secret report it published that Tehran dispatched shipments of Russian and Chinese weapons to the Houthi militia from its Port of Jask.⁽³⁶⁾

The Development of Iran-Myanmar Military Relations

Iran's flag carrier, Fars Air Qeshm, flew to Myanmar multiple times in January from Mashhad. The nature of the cargo or identity of the passengers aboard the country's massive 747-200 freighter, otherwise known to ferry mercenaries and arms to Iraq and Syria, were not officially announced. The flights landed at the Naypyidaw International Airport (NYT), which serves the country's new capital, Naypyidaw, located about 320 kilometers from its predecessor Yangon. Though, to stay clear of the prying eyes, the flight did not operate to and from a military base, leaked reports suggest that a handful of men aboard the freighter were affiliated with the IRGC.⁽³⁷⁾ The US treasury blacklisted Fars Air Qeshm and two freight planes operating in support of the Quds Force, an elite military arm of the IRGC.⁽³⁸⁾ The US government specified two Fars AIR Qeshm -owned aircraft of concern including the 'EP-FAA', which has been ferrying goods to Myanmar. A media report claimed that even prior to the military coup in January 2020, Iran's Boeing 747-200F military cargo was at NYT.⁽³⁹⁾

Map 1: Myanmar's Map



Source: ICEF Monitor.⁽⁴⁰⁾

Illicit Activities

The secrecy surrounding the flights suggests that the freighter was ferrying small arms, drones guided missiles or centrifuges if not part of a nuclear reactor to Myanmar. Though Myanmar has not yet been slapped with the UN arms embargo, Iran's rationale for keeping mum about the nature of military-to-military cooperation has more to do with backlash for cooperating with a regime whom it vehemently criticized for persecuting Rohingya Muslims. Though Myanmar maintains its embassy in Tehran, Iran's embassies in Thailand and occasionally India deal with diplomatic matters.

Back in 2017, Iran was vehemently opposed to Myanmar's treatment of its Muslim minority.⁽⁴¹⁾ The persecution was so intense that entire villages were set alight, women were raped, and men were shot dead from point-blank range, forcing hundreds of thousands to escape to Bangladesh or to flee to Thailand and Malaysia.

The then Iranian Foreign Minister Javad Zarif had written to UN Secretary-General António Guterres, to press for global action against Myanmar. "The international community and Islamic countries expect the government of Myanmar to put an immediate end to the ongoing violence against Rohingya Muslim community, allow unhindered access of humanitarian assistance to the violence-stricken regions, bring those responsible for the atrocities to justice, and put in place necessary measures to prevent their recurrence in the future."⁽⁴²⁾ Tehran did not sever relations with the country; probably a key factor was Myanmar held the ASEAN chair.

Possibility of Cooperation to Confront International Isolation

Since both the governments are sanctioned by the US while being close allies of China, it is only pragmatic for them to enhance cooperation. The question arises as to what Iran expects in exchange for military hardware. Myanmar is known for its fledgling role in the global black market, ranging from drug trafficking and human smuggling to the movement of sophisticated technologies otherwise banned without certification. Myanmar can be an invaluable source of western technology and advanced materials for Tehran.⁽⁴³⁾ Myanmar has recently warmed up its relations with Iran's significant ally, North Korea. Like Pyongyang and Tehran, Myanmar fancies nuclear power too.

Though Yangon was suspected of nuclear enrichment-related activities⁽⁴⁴⁾ in the past, it signed the Treaty on the Prohibition of Nuclear Weapons (TPNW) in 2018.⁽⁴⁵⁾ However, the threat-perception after the 2020 military coup can reorient the Myanmar leadership to see North Korea as a model for internal power-grab and geostrategic weight. Despite the mystery surrounding the Iranian freighter, it is too early to conclude if the isolated Southeast Asian has decided to take the same route as Tehran and Pyongyang.

Conclusion

The joint drills between Iran, Russia and China are the second of their kind after the drills carried out in 2019. They reiterated the Iranian desire to strengthen its rapprochement with Russia and China, especially in the security

and military spheres. The move came following Iran's signing of the strategic partnership agreement with China in 2021 and Russia and China's approval of Iran's accession to the Shanghai Cooperation Organization. In addition, Iranian officials, primarily President Ebrahim Raisi, discussed outlining a strategic partnership with Russia, similar to the one signed with China. Despite the ambiguity shrouding the activities of the Iranian planes in Myanmar, it is too early to conclude whether or not Myanmar has decided to follow in the footsteps of Tehran and Pyongyang. Nonetheless, Tehran's cooperation with Myanmar rings the alarm bell in light of the former's efforts to strength ties with like-minded governments and Myanmar's geographic position, it neighbors China and is adjacent to North Korea.



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Arab Affairs

The Arab Affairs file addresses four aspects. The Iran and the Gulf states file reviews the signs of tensions in the beginning of the new year between both sides, coinciding with Tehran's return to the nuclear talks with the P1+4 group. Further, the Gulf states attempted to open channels of communication with the actors to quell the sharply rising tensions and polarization. This was apparent in the visit of a GCC delegation to China. The file also discusses developments related to Gulf-Iran interactions in the region. The second file sheds light on the military and political transformations in the Yemeni arena. The third file discusses the intersections among the Iraqi blocs to shape the identity of the next government and outline the new path of the Iraqi state. The fourth file spotlights Iran's continued attempts to maximize its clout in Syria, and how it is attempting to address the multiple challenges it is facing in the country. In addition, this file looks at Iran's control over the economic sectors in Syria and the mutual escalation between Iranian militias and US forces.



Iran and the Gulf States

Rasanah in its 2021 Annual Strategic Report stated that Iran-Gulf relations witnessed relative calm due to anticipation of a possible breakthrough in the nuclear talks on the one hand, and thawing in relations between Iran and Saudi Arabia and the Gulf in general on the other hand. However, new signs of tension began to appear between the two sides. This coincided with the revival of Tehran's negotiations with the international community regarding its nuclear program and the emergence of new complications in managing this file. At this time, regional developments significantly impacted international affairs. The Houthis' targeting of the UAE was only one of the manifestations of the aforementioned tensions and added further complexity to the already complicated Vienna talks, reflecting an Iranian attempt to fuel instability in the region in order to put pressure on the international community. On the other hand, the Gulf countries sought to open new avenues and secure pressure tools to safeguard their interests regardless of the outcome of the ongoing Vienna talks. This file discusses the latest developments in Iran-Gulf relations through two axes, namely, the significance of the visit of a joint Gulf delegation to China and the implications of this visit on Iran-Gulf relations, and the status of Gulf-Iran diplomatic efforts.

The Visit of a Joint Gulf Delegation to China

On January 10, 2021, a delegation of foreign ministers from four Gulf countries, namely Saudi Arabia, Kuwait, Oman, Bahrain and the Secretary-General of the Gulf Cooperation Council (GCC) Nayef al-Hajraf, undertook a five day visit to China on the invitation of China's Foreign Minister Wang Yi.⁽¹⁾ This visit was significant for being the first of its kind in terms Gulf coordination. This visit reflected a united front to raise the standing and effectiveness of the GCC countries in order to influence and address critical challenges.

This visit, which was not announced well in advance, holds great importance as it coincided with the visits of the foreign ministers of Turkey and China to Tehran, indicating a number of various factors that contributed to this unprecedented visit.

China Is Everyone's Friend

In regard to the aforementioned visits, Chinese statements reflected the country's balanced approach. Following the Iranian foreign minister's visit to Bei-

jing, Chinese Foreign Ministry Spokesman Wang Wenbin said, “China and Iran firmly support each other on issues concerning their core interests.”⁽²⁾

On the other hand, the Chinese foreign minister expressed to the Saudi and Bahraini foreign ministers Beijing’s understanding of the Gulf countries’ concerns about Iran’s nuclear ambitions, and views were shared on the ongoing nuclear talks. The Chinese side reiterated its position that non-proliferation should be ensured at the global level, and that “the fair and reasonable concerns” of regional countries should be taken into consideration. In addition, the Gulf side shared its perspective regarding the dangers of Iran’s nuclear program and Iran’s proxy militias operating in the region.⁽³⁾

Security Versus Economy

In light of international and regional positions, the Gulf countries are seeking to win over the Chinese side by establishing a balanced equation of interests. The Gulf countries believe that China’s determination to strengthen its presence and influence in the Middle East amid the declining US presence represents a radical shift in the regional balance of power equation. Therefore, both the Gulf countries and Iran are aware of the implications of this transformation. The Gulf visit also reinforced the message that China’s need for energy and commercial opportunities should not be at the expense of the concerns of regional countries. It also made clear that the Gulf position on issues related to security is unequivocal, and that the Iran-China partnership agreement, which extends for 25 years, should not be at the expense of the Gulf countries.

The security developments in Turkmenistan may have also played a role in this historic visit. A large part of China’s energy imports come from Turkmenistan. However, the instability as a result of the recent security incidents in Turkmenistan, and Moscow’s control over the situation, has raised concerns in China about the future of this energy supply, which has increased the importance of the Gulf countries as a reliable source of energy for Beijing.

Recently, Saudi Deputy Defense Minister Prince Khalid bin Salman bin Abdulaziz held a virtual meeting with China’s State Counselor and Minister of Defense Lieutenant-General Wei Fung Kha. During the meeting, bilateral relations were reviewed, especially regarding defense and military cooperation and ways to bolster collaboration. They also discussed issues of common interest.⁽⁴⁾ Certainly, the targeting of Saudi Arabia and the UAE by the Iran-backed Houthi militia was on the table. Beijing will have to take the interests of friendly countries into consideration, whether by putting pressure on its “friend” Tehran to stop its escalatory actions or empowering the Gulf countries by providing them with advanced defense systems to counter Iranian weapons. The timing of this meeting comes as the Gulf countries realize that China aspires to gain more influence in the region in its competition with the West. The Gulf countries should use this Chinese aspiration to support their interests and

highlight the security risks and their causes, and open avenues for cooperation with major countries such as China.

The Most Prominent Developments Between the Gulf and Iran

Signing a Saudi Memorandum to Supply Iraq With Electricity

The Saudi move to sign an electrical connection agreement with Iraq to meet its urgent need for power seems to be the result of what the Iraqi prime minister stated regarding the lack of gas supplies from the Iranian side.⁽⁵⁾ Most Iraqi cities suffered near-total power outages for several days amid extremely cold temperatures due to the halt in Iran's gas supplies. The electrical interconnection project between Saudi Arabia and Iraq is expected to cover Baghdad's electricity needs, which amount to about 27,000 megawatts.⁽⁶⁾

Iran's pressure tactic comes at a time when it is trying to keep Iraq within its sphere of influence. However, Saudi Arabia believes that its assistance to Iraq in this context helps the latter to gain independence from Iran by reducing the economic pressures it faces.

Qatari Moves Between Washington and Tehran

The White House issued a statement mentioning that the Emir of Qatar Sheikh Tamim bin Hamad Al Thani would visit Washington on January 31 to hold talks with US President Joe Biden to address a range of issues, most notably global energy security amid concerns about the impact of a cut in gas supplies to Europe in the event Russia invades Ukraine.⁽⁷⁾

This visit coincided with mutual interactions between Tehran and Doha, and a visit by the Qatari foreign minister to Tehran, which was not previously announced.⁽⁸⁾ This visit was preceded by a telephone call with his US counterpart Anthony Blinken, and it also came two weeks after the visit of Iranian Foreign Minister Hossein Amir-Abdollahian to Doha, reflecting that there are Qatari attempts to mediate between the United States and Iran on the outstanding issues between the two countries, most notably the nuclear file, and Iran's demand to lift US sanctions – taking into consideration the stalemate in the nuclear file. Due to Qatar's good relations with both the US and the Iranian side, it was expected, according to some sources, that Sheikh Tamim and President Biden would also discuss the efforts of world powers to save the 2015 nuclear agreement with Iran, and convey the Iranian point of view to find common ground for a solution.

The Statements of Iran's Foreign Minister Regarding Tehran's Desire to Restore Relations With the Gulf States

In a remarkable statement to Al-Jazeera, Iranian Foreign Minister Hossein Amir-Abdollahian stated that Tehran is ready to restore relations with Saudi Arabia at any time. He added, "Our dialogue with Saudi Arabia is positive and constructive, and within days our representatives of the Organization of Islamic Cooperation will return to Jeddah, and this is a positive step." However, he stressed that

Tehran believes in the importance of a broad regional dialogue that includes Saudi Arabia, Egypt and Turkey to solve regional problems.⁽⁹⁾ He also said in an interview at the National Conference on Iran and Neighboring Countries held in Tehran that his country welcomes the reopening of Saudi and Iranian embassies in the two countries, adding that the way is open for Riyadh to restore diplomatic relations with Tehran.⁽¹⁰⁾

Despite the GCC statements that the Gulf countries are looking forward to a new era of good relations with Iran, the Iranian side has continued to undertake destabilizing actions in contradiction to its statements. According to the peoples of the Gulf, these statements are negated by the Houthi militia's hostilities against the Gulf countries. They are aware that the weapons used by the Houthi militia are provided by Iran and that the group acts in accordance with Iranian directives. This also contradicts Tehran's warm reception of the head of the UAE National Security Council in Tehran, Sheikh Tahnoun bin Zayed Al Nahayan. This visit was followed by Houthi attacks on vital installations in the UAE city of Abu Dhabi.

The inconsistencies between Iranian statements and actions represent the latest policy blunder in Iran's long history of accumulated mistakes. This has made Iranian policies captive to a hostile pattern, which prevents the country from coexisting with others. The guardians of the Iranian political system are afraid of the ramifications of introducing bold revisions that may impact the credibility of the entire system. The new government finds itself following the same old policies. Although Iran issues seemingly reassuring statements, its rhetoric rarely matches reality, highlighting its dualistic policy.

Conclusion

In light of China's growing desire to conclude a strategic partnership and augment its commercial ties with the Gulf countries, the Chinese government may have to modify its traditional foreign policy approach and place greater focus on enhancing stability and reducing tensions between Iran and regional countries. This seems likely given that the 25-year cooperation agreement with Iran grants China the advantage of importing Iranian oil in exchange for goods. However, at the same time, China seeks to deepen ties with the Gulf countries as a commercial partner and an energy supplier. Therefore, it will have to carefully balance its foreign policy relations in the region.

On the other hand, reaching a consensus formula between the Gulf countries with Iran is still difficult, given Iran's contradictory positions. However, Gulf efforts remain ongoing to create new avenues to put pressure on Tehran and to explore opportunities for cooperation in the hope that Tehran will positively respond. The complexity of the Vienna talks, which may reach a dead end, and the Iranian government's failure to withstand the pressure of sanctions may allow Qatar to play a mediating role between Tehran and Washington to reduce regional tensions.

Iran and Yemen

At the beginning of 2022, the Yemeni crisis witnessed strategic transformations politically and militarily. Yemeni forces were able to liberate several areas that were under the control of the Houthi militia, quelling the Houthi escalation in the Ma'rib Governorate through enhancing military coordination with the Coalition to Support the Legitimate Government and Yemeni communities. Yemeni forces aim to restore all Yemeni governorates under the umbrella of the Yemeni state and the legitimate government. These transformations at the military level coincided with a shift in the international position towards the Houthi militia. The international community has adopted an unprecedented decisive stance against the militia after the latter has thwarted many calls for peace and launched attacks against Ma'rib last year which claimed the lives of tens of thousands of Yemenis including child soldiers who were recruited by the militia. There was also an unprecedented external escalation against the UAE and Saudi Arabia. January witnessed several terrorist attacks carried out by the Houthi militia inside Yemen and abroad reflecting an aspect of the duality of Iran's policy; the Iranian military establishment supports the Houthis' terrorist acts and escalation while the Iranian Ministry of Foreign Affairs adopts a diplomatic approach in line with the Iranian government's political and negotiating interests. This file discusses three main topics, namely the military shift, the implications of the Houthi escalation against the UAE and Saudi Arabia, and finally the Iranian position on Houthi terrorist attacks.

The Military Shift

At the beginning of January, the Giants Brigades, a Yemeni military formation consisting of about 15 brigades, launched a large-scale military operation in southern Yemen called "Operation Cyclone Al Janoob." Through this military operation, it was able, with the support of the coalition forces, to restore three districts in Shabwa and liberate the Houthi-controlled town of Harib in the Ma'rib Governorate. The Giants Brigades arrived at the outskirts of the districts of Abdiya and Juba in the Ma'rib Governorate. These rapid victories demonstrated a great change in the balance of power on the ground due to the superior fighting capabilities of the Giants Brigades and the significant public support for this formation since the start of the "Operation Cyclone Al Janoob." On the other hand, this represented a significant setback for the Iran-backed Houthi militia.⁽¹¹⁾

The geographical area liberated by the Giants Brigades during January is estimated at approximately 2,255 square kilometers. Many observers considered these operations as a strategic gateway to an upcoming operation in several directions. Military expert Mohammed al-Aubali described the victories of the Giants Brigades as a strategically crucial milestone. He said, "This is a major military and operational transformation, and we are in the process of a pivotal change in the map of control over the land that will contribute positively and significantly to the consolidation of military gains on the ground for the benefit of our forces." He added that this operation completely prevented the Houthi militia from using Ma'rib as a card to further the Iranian government's political interests.⁽¹²⁾

Operation Cyclone Al Janoob was directly backed by the forces of the Coalition to Support the Legitimate Government led by the Kingdom of Saudi Arabia. The coalition was compelled to modify its military strategy following the rumors spread by some Yemeni sources that certain Yemeni communities conspired with the Houthi militia to enable the militia to take easy possession of three strategic governorates since last September.⁽¹³⁾

The Implications of the Houthi Attacks and the Shift in the International Political Track

The rapid change in the military and operational theater, resulting in the liberation of large areas of Shabwa and Ma'rib, was a painful blow to the Houthi militia and its supporter the Iranian government. The operations to liberate the aforementioned areas undermined the Houthi militia's attempts to control the oil-rich Ma'rib Governorate. It suffered heavy losses (personnel and equipment) over the course of one year. Furthermore, the operations led by the Giants Brigades, with the support of the coalition's air force, sent a message to the Houthi militia and the Iranian government that intensive coordination and joint-efforts are taking place on the ground between the coalition countries and Yemeni combat forces, and this momentum will not stop until the legitimate government is restored and all the governorates are liberated from the Houthis.

The Houthi militia tried to stop these operations, or at least limit them through targeting vital areas in both the UAE and Saudi Arabia. This gives a clear indication that the militia is facing a difficult and unprecedented situation. Such terrorist acts that target civilian sites are part of the Houthis' and the Iranian government's attempts to raise the morale of their fighters and supporters at home and abroad. They also attempt, through launching such attacks, to put pressure on the UAE to halt its support for military operations.

The UN Security Council, the United States and more than 120 countries and international organizations condemned the Houthi terrorist attacks against civilian targets in the UAE and Saudi Arabia.⁽¹⁴⁾ The widespread international condemnation reflects the threat posed by the Houthi militia and the Iranian government's risk to international peace and security. This condemnation

came after the Houthi militia targeted the UAE in January in attacks which claimed the lives of civilians from India and Pakistan. The Houthis enhanced escalation further by launching a ballistic missile attack against the UAE but it was intercepted by the UAE Defense Forces on January 31, 2022, with the debris falling in uninhabited areas.

Many observers described the widespread international condemnation against the Houthi militia as a shift in the international position in regard to dealing with the Houthi militia. This increased the international pressure on the Houthi militia and its Iranian sponsor after the militia launched these attacks. Therefore, calls have arisen to officially re-designate the Houthi militia as a terrorist organization by the United Nations and all responsible countries and organizations.⁽¹⁵⁾

The Iranian Position on the Houthi Terrorist Attacks

After the consecutive defeats suffered by the Houthi militia by the Giants Brigades, the Iranian government began to move to save its proxy in the occupied capital, Sana'a. The meetings of the Houthi militia spokesman Mohammed Abdel Salam with the Iranian President Ebrahim Raisi and Secretary of the Iranian Supreme National Security Council Ali Shamkhani confirmed the fact that the strikes and the field victories of the Arab coalition confused the Iranian government's calculations. The successive victories forced the Iranian government and the Houthi militia to try to shuffle their cards and look for a lifeline.

On the other hand, the Houthi militia spokesman's endorsement of the terrorist operations that targeted Abu Dhabi and Saudi Arabia from Tehran was an affirmation of the militia's absolute loyalty to the Iranian government. It works for the Iranian government and is ready to destroy Yemen to achieve Iranian interests without any regard for the plight of the Yemeni people.

It is worth noting that many Iranian media outlets encouraged and welcomed the terrorist operations of the Houthi militia, but many Iranian officials were quick to call for saving Yemenis when the coalition forces launched a strong campaign to retaliate against the group's attacks.⁽¹⁶⁾

In this context, Iranian media outlets reacted following the Houthi militia suffering successive defeats. The Iranian newspaper Kayhan threatened, on its front page, the UAE by announcing a possible Houthi-led attack targeting Burj Khalifa, "the largest tower in the world." It explicitly stated, "Evacuate the commercial towers, Ansar Allah's [the Houthis'] missiles are on the way (see Figure 1)."⁽¹⁷⁾

Many observers believe that this Iranian behavior indicates the extent of Iranian support for the Houthis and its incitement of further terrorist attacks, not only in Yemen, but throughout the region. This is supported by what the so-called Houthi ambassador to Iran Ibrahim al-Dulaimi said in his interview with Al Masirah TV, operating from the southern suburbs of Lebanon. He threatened to target all Arab countries in the region, stressing "the continuation of targeting

Figure 1: Front Page of Iranian Newspaper Kayhan Featuring an Explicit Threat to the UAE



all Arab countries, including the UAE.” Iran’s behavior reflects the government’s attempt to prolong the Yemeni crisis, reinforce sectarian strife in the region, and use the Yemeni crisis to achieve political gains, most notably to impose pressure on regional countries and weaken them, and gain bargaining chips for Iran’s nuclear negotiations.⁽¹⁸⁾

Conclusion

The successive Houthi losses on the fighting fronts were reflected in the behavior of the militia and the Iranian government. The losses pushed some Houthi leaders to talk about the possibility of launching talks with certain Yemeni parties, implying perhaps the Southern Transitional Council. At the same time, the Houthis have not halted their missile attacks whether inside or outside Yemen, aiming to achieve more military victories which will generate more political gains to be used in negotiations. The Iranian government is following a similar approach. The Iranian Ministry of Foreign Affairs calls for de-escalation and dialogue, while the Iranian military and media outlets are supporting the Houthi militia to impose further escalation and alter the dynamics to prolong the Yemeni crisis. Iranian interests lie in gaining bargaining chips and placing pressure on regional and international powers to achieve more political and negotiating gains at the expense of the security and stability of Yemen and the region. The Houthi terrorist attacks on the UAE and the Kingdom of Saudi Arabia are an indication that the group is going through its most challenging stage since the outbreak of the Yemeni crisis as a result of significant losses and setbacks on the battlefield. This calls for building on the successes of the coalition forces by putting further pressure on the Houthis, and working to preserve the gains and successes that were achieved during the last period. This is in addition to enhancing cooperation between members of the coalition forces and the Yemeni political components to open new military fronts in northern and southern Yemen to push the Houthi militia and the Iranian government to accept Saudi Arabia’s peace initiative to resolve the Yemeni crisis.

Iran and Iraq

Rasanah's Annual Report for 2021 reviewed the outcomes of the efforts of the Iraqi government headed by Mustafa al-Kadhimi to achieve a balance in the country's foreign relations, counter Iranian influence in Iraq and limit Iranian pressure cards in the Iraqi arena as well as the factors impacting the Iranian role in Iraq. This file will discuss the impact of the victory of the Sadrist bloc in the Iraqi parliamentary election on the Iranian role in Iraq and the attempts by Iranian militias to form a consensual government that preserves Iranian influence. This file will also address Kadhimi's continuation of his internal and external policies to build a new Iraq.

Sadr's Electoral Victory and the Defeat of Pro-Iranian Alliances

Against the backdrop of pro-Iran alliances experiencing resounding losses in the early parliamentary election held in October 2021, the Shiite alliances were divided into two blocs: the Sadrist bloc which came first in the new Iraqi Parliament with 73 seats led by Muqtada al-Sadr, and the bloc led by the Coordination Framework which includes pro-Iran alliances such as the Fatah Alliance led by Hadi al-Amiri and the State of Law Coalition led by Nuri al-Maliki, Iran's closest and strongest allies in Iraq. The first bloc supports the path toward independence, full Iraqi sovereignty and the country returning to its Arab fold. The second bloc seeks to obstruct the path toward full statehood and prevent the formation of a national government in order to keep Iraq mired in the non-state phase. This is because a weak Iraq will allow Iran to continue supplying illegal weapons to its militias, thereby enabling these groups to influence Iraqi government decisions and enhance its influence in Iraq.

The political developments in Iraq reveal that the first bloc which supports the transition toward national sovereignty and limiting the influence of Iran's militias on Iraqi decision-making is likely to be successful, although the problem of the largest bloc to nominate the prime minister was not resolved until the end of January 2022, which intensified the conflict between the two Shiite blocs. The first episode of this conflict emerged when Sadr's supporters wore shrouds in the first parliamentary session on January 11, 2022, sending a message to the supporters of the Coordination Framework that they are prepared to sacrifice their lives to build an independent Iraqi state. The following indicators reflect the increasing likelihood that the forces calling for statehood will prevail in Iraq:

■ **Halbousi's reelection as Parliament speaker:** After Sadr was able to establish internal alliances with two Sunni parties, Taqadum led by Muhammad al-Halbousi and Azm led by Khamis al-Khanjar, and with the Kurdistan Democratic Party (KDP), which is expected to play a central role in the coming years, Sadr succeeded in winning a parliamentary majority. Muhammad al-Halbousi was reelected as speaker of the Parliament for the second time in a row, winning 200 out of 228 votes. Hakim al-Zamili, a hawk of the Sadrist movement, also won the position of first deputy speaker and the Kurdish Shakhwan Abdullah, one of the leaders of the KDP, won the post of second deputy speaker.

■ **The expectation of reelecting Salih for the second time:** Many observers expect the possibility of a repetition of Halbousi's scenario. However, the KDP rejected Barham Salih in favor of the former Foreign Minister Hoshiyar Zebari and nominated Rizgar Mohammed Amin, who was a judge in Saddam's court, as an independent candidate for several reasons; most notably the support of the Sadrist bloc, which played the most prominent role in the reelection of Halbousi— since he is one of the symbols of national progress and a regionally and internationally accepted figure. The Patriotic Union of Kurdistan traditionally determines the presidential post while a member of the KDP holds the position of the second deputy speaker of Parliament and the Ministry of Foreign Affairs or the Finance Ministry.

■ **Sadr's insistence on forming a national government:** Sadr strongly rejects the formation of a consensus government and has insisted on forming a national majority government. It is worth recalling a tweet by Sadr on January 11, 2022, "Today there is no room for sectarianism or ethnicity, but a national majority government." He further stated, "Today there is no room for militias." ⁽¹⁹⁾ Based on the aforementioned, Sadr has decided the form of the next government, and to dismantle and disarm militias, as well as to reject sectarian quotas and fight corruption and strengthen state institutions. Sadr's rejection of a consensual government is because of the fact that this form of governance previously had failed to move Iraq toward statehood. This was because there was a lack of accountability and reliance on a sectarian, non-national base, while a majority government functions under the umbrella of a national base and is accountable to state institutions.

The aforementioned developments reveal a shift in the Iraqi equation to the disadvantage of the Shiite segment reflected by Sadr's electoral victory and his initial acceptance of forming a broad coalition, including the most powerful man in the Coordination Framework, Hadi al-Amiri. Moreover, there is an increasing likelihood that Kadhimmi will head the government for a new term as he has become a symbol of Iraq's path toward statehood and full sovereignty, and seeks to move Iraq closer to the Arab sphere. However, Sadr's path is beset with obstacles due to the fact that the pro-Iranian parties insist on a consensual government, and because Iran retains powerful pressure cards

in the Iraqi arena through which it can complicate the scene and blow up the Iraqi arena, most notably through the proliferation of illegal weapons. It is likely that Iran will employ pressure tactics in Iraq following Sadr's rejection of the participation of the State of Law Coalition in the broad coalition. This may bring Iraq back to square one, especially if Shiite-Shiite clashes erupt, particularly as the Coordination Framework rejected the outcomes of the first session of Parliament and stressed that it is the largest bloc. In addition, Amiri warned of the dangerous repercussions if his party is excluded, prompting Sadr to accept the nomination of a government closer to a consensus formation to keep Iraq from entering a political vacuum. If Kadhimi is reelected as prime minister, the Coordination Framework will continue to support Nuri al-Maliki. However, if there is a new prime minister, the Coordination Framework may favor another candidate.

Iranian Militia Actions to Form a Consensual Government

Iran's political groups and armed militias moved in more than one direction to pressure Sadr to form a consensus government to preserve its gains and support the implementation of the rest of its plans, as follows:

- **Sending Qaani and Kawtharani to Iraq:** Iran sent Quds Force Commander Ismail Qaani and Lebanese Hezbollah representative Mohammad Kawtharani to Iraq to bring the views of the two major Shiite alliances closer on the issue of nominating the new prime minister and preserving the unity of the Shiite house by mediating between Sadr and the Coordination Framework.⁽²⁰⁾ However, Qaani and Kawtharani's visits to Iraq did not achieve significant results in light of Sadr's adherence to the formation of a national majority government.

- **The militia's complication of the Iraqi arena:** Iranian militias in Iraq targeted the headquarters of the Sunni and Kurdish alliances affiliated with Sadr with missiles and explosive devices. The headquarters of the Alliance of Progress and the Alliance of Azm came under two separate attacks, in addition to targeting the KDP headquarters with grenades. Three missiles struck within the vicinity of the US embassy in which two Americans sustained minor injuries. The US embassy stated that these attacks were carried out by terrorist groups seeking to undermine the security of Iraq⁽²¹⁾ in reference to the armed militias. Balad Air Base was also attacked by drones.

The militias and their sponsor Iran fear that the tripartite alliance – the Sadrist bloc, the Sunni alliance and the Kurdish alliances – will form a national majority government that seeks to limit arms to the state, thereby impacting the future of the militias and thwarting their interests. Therefore, Iran's proxy militias may resort to complicating the arena by sending a message that they will not stand idle in the face of attempts to control their weapons, especially since the aforementioned alliances have weakened the position of Iran's allies in the equation of nominating the new prime minister. Iran's weakened position in Iraq's political equation is a new phenomenon in the post-Saddam

Hussein era. Therefore, Iranian loyalists are seeking to pressure Sadr to form a consensual government. Given Sadr's strong rejection, Iran and its militias have two options, either to abandon Maliki and Amiri and join Sadr's broad coalition that supports a national majority government, which would be an acknowledgment of Iran's declining political influence in Iraq, or to use violence and drag Iraq into chaos by altering the dynamics to ensure that the country remains subordinate to Iran.

Kadhimi Proceeding With His Policies to Build a New Iraq

While Iraq is currently in the process of nominating its prime minister, and as the United States announced at the end of December 2021 that it had ended its combat missions and will limit the tasks of its remaining forces to advisory and training roles only, Kadhimi continues to implement his political program internally and externally to build a new Iraq in order to restore the country's positions as an influential player in regional affairs. Kadhimi's program includes the following:

- **Internally:** On January 14, 2022, the Iraqi Federal Integrity Commission indicated that about 98 arrest warrants had been issued against a number of senior Iraqi officials including a current minister, four former ministers, a former agent and nine former deputies, current governors and 13 former governors. The orders also included 21 current and 22 former director-generals. Twelve orders were issued against members of provincial councils. Iraq is ranked 12th among the most corrupt countries in the world.⁽²²⁾ The commission continues in its efforts to combat corruption and has repeatedly announced corruption operations since the beginning of Kadhimi's term to emphasize the fight against corruption and to ensure the building of a new Iraq.

- **Externally:** Iraq approved a framework agreement for the project to install a pipeline to transfer Iraq's crude oil from Basra to Jordan's Aqaba port on the Red Sea as part of the outcomes of the Jordanian-Egyptian-Iraqi tripartite summit held in June 2021. In addition, during the virtual meetings of the Saudi-Iraqi Coordination Council, Saudi Arabia and Iraq agreed on January 10, 2022 to sign a security memorandum of understanding between the ministries of interior of both countries. This will include joint military exercises, training courses and sharing experiences in the field of strategic planning and Riyadh's promise to continue to support Iraq's efforts in cooperation with the Global Coalition to Defeat ISIS.

These efforts represent Kadhimi's vision to transition Iraq toward statehood by strengthening and building Iraqi institutions, fighting corruption at home, and achieving a balance in foreign relations so that Iraq will have allies and shift from being a dependent state and an arena for settling accounts into an independent and effective state in the regional environment.

Conclusion

As detailed in this file, Halbousi's reelection signifies a great victory for the Sadrist bloc over the Coordination Framework backed by Iran, indicating Iraq's move toward statehood and gaining control over the proliferation of illegal arms in the country. This also represents a new start for the political process in Iraq, whether by reelecting Kadhimi or nominating a new prime minister who supports Iraqi sovereignty. However, Iran and its armed militias continue to hinder the nomination of a prime minister who calls for Iraqi independence. In addition, the chances of Shiite-Shiite clashes are increasing as Sadr insists on forming a national majority government while the Coordination Framework calls for a consensual government in order to perpetuate Iraq's dependence on Iran. The new path requires significant efforts from Arab actors to effectively support Iraqi sovereignty and the building of a new Iraq.

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Iran and Syria

In 2021, a conflicting dynamic emerged between Iran and regional and international powers as Tehran sought to strengthen and expand the influence of its militias in Syria amid regional and international pressure to limit Iran's presence in the country. The January 2022 file discusses Iran's vision and its plan for maximizing its influence in Syria and how it intends to confront the multiple challenges it faces in the country. This file will discuss three dimensions: Iran's plan to monopolize Syria's key economic sectors, Russian diplomacy with Riyadh, Damascus, and Tehran, and the mutual escalation between Iranian militias and US forces in Syria.

Iran's Dominance Over Syria's Economic Sectors

Despite other powers seeking to reduce Iran's military presence in Syria, its economic and commercial influence was not curbed. This confirms what was mentioned in Rasanah's 2021 Annual Strategic Report. Going forward, Tehran will seek to enhance its economic and social influence to compensate for its declining military influence in light of Russia's intensified efforts to forge international openness toward Damascus as well as in light of Syria's strategy — endorsed by Russia — to maintain Iran's relations but with reducing its military presence. Following the visit of the Transport and Urban Development Minister Rostam Qasemi to Syria in January, Damascus announced that both countries had concluded agreements to launch new projects and implement previously agreed ones with the Syrian government.⁽²³⁾

The most significant projects agreed between the two countries related to the establishment of a joint bank and free trade zones. During the visit, the implementation of the railway linking project between Iran and Syria through Iraq was discussed. In line with Iranian ambitions, the project offers the prospect of linking Iran to Syria through Iraq and from there to the Mediterranean. The railway starts from the Iranian city of Shalamcheh, extending to the Iraqi city of Basra and from there to Syria. Iran had previously agreed with Iraq to implement the Shalamcheh-Basra railway line in December 2021. Iran expects that the project will be completed within two years, costing about \$120 million, divided equally between Iran and Iraq.⁽²⁴⁾ However, the railway line between Iraq and Syria is likely to take more time to complete.

Although the visit was ostensibly economic in nature, it was primarily motivated by political objectives. Iran's interest in strengthening its relations

with Syria at this time reflects its awareness of the ground realities; Arab countries and China seek to strengthen their economic relations with Damascus in order to participate in the country's reconstruction. Therefore, Iran's moves aim to ensure that it remains a key party in the country's reconstruction process. This means that Iran is vying for the lucrative projects offered by the Syrian government and is directly competing with Russia which is steadily acquiring control of Syria's key economic facilities. As a result, since the new government took over power in August 2021, Iran has been exerting efforts to ensure the continuation of mutual visits with Syria, and to conclude economic agreements in several areas to strengthen its presence inside the country, especially given that Tehran anticipates Damascus' prospective return to the Arab sphere. The new Iranian government reflects Iran's "Look to the East" policy.

Although these economic projects will reap significant rewards for Iran, several obstacles remain. Firstly, Beijing intends to strengthen its economic relations with Syria. Secondly, many of Iran's economic plans, including its agreements and investments in Syria, have not reached the stage of completion. In spite of the numerous visits undertaken by Iranian delegations to Damascus, these projects have never materialized on the ground, whether because of the Syrian government's procrastination, or because of the reluctance of Syrian consumers to purchase Iranian goods which are not popular in Syrian markets. In addition to the above, Iran is facing intense competition from Russia and Turkey as Tehran has lost out on projects in Syria in favor of these two countries. Iran is concerned over its relatively smaller share of the lucrative Syrian market. Therefore, it is now in a race against time to sign the largest number of agreements in order to secure its economic future in Syria.

Finally, the biggest challenge, especially facing the railway link project between Iran, Iraq and Syria, is the qualitative security and strategic impediments in Syria. There are two routes for this railway link project: the first route passes through Syria's Upper Mesopotamia which is under American and Russian influence, impeding Iranian ambitions. The second route passes through the Syrian region of Badia where ISIS cells remain active, thereby hindering Iran's desire to use the region as a logistical corridor for its strategic project. In addition to the foregoing, the announcement of the activation of the Iranian railway project coincided with Syria's inclusion in the Chinese Belt and Road Initiative, which raises a question over the future of Iran-China economic competition in Syria, particularly in the country's highly coveted reconstruction and infrastructure sectors.⁽²⁵⁾ In addition, Latakia port, which receives goods delivered by rail for transport via the Mediterranean, has witnessed competition between Iran and Russia to gain control over it. The bombing of Latakia port at the end of last year and the beginning of this year deepened the differences between Tehran and Moscow.

Russian Diplomacy With Riyadh, Damascus, and Tehran

Russian efforts regarding Syria have been ongoing since 2021. At the beginning of 2022, Moscow sent its special envoy for Syria Alexander Lavrentiev on an official visit to Riyadh and Damascus. This reflected new Russian efforts to settle the relationship between the Kingdom of Saudi Arabia and the Syrian government led by Bashar al-Assad. Lavrentiev's visit coincided with Iranian President Ebrahim Raisi and Assad's advisor Luna al-Shibl visiting Moscow. This makes Syria an important common denominator in the existing communication between Iran, Russia and Saudi Arabia.

These reciprocal visits triggered many questions about the nature of Russia's moves and their potential outcomes regarding the tripartite relationship between Riyadh, Damascus and Tehran. Given its timing, as it coincided with Raisi's visit to Moscow, Lavrentiev's visit to Riyadh is definitely based on Russia's intention to make the Syrian government return to its Arab sphere. Russia is trying hard to convince other parties, including Saudi Arabia, of its seriousness about bridging the gap between Damascus and Riyadh, especially given the previous Saudi statements about rejecting the normalization of relations with the Syrian government. Such statements had been made by Saudi Arabia's Permanent Representative to the United Nations, Abdallah Y. al-Mouallimi and Saudi Foreign Minister Prince Faisal bin Farhan who confirmed that Saudi Arabia has no intention of dealing with Bashar al-Assad. He emphasized the need for a real political process in Syria that leads to the implementation of international resolutions and limits Iran's interference and behavior in the Arab region. Lavrentiev's visit to Riyadh would not have been undertaken if certain developments had not happened. It is possible that Moscow received positive messages from the Iranian president, which will accordingly reduce Saudi Arabia's concerns about Iran's behavior in the region.

In spite of Russia's desire to achieve some progress on the Syrian file, it is impossible that there might be a change in Saudi Arabia's position in regard to Syria. It is still unlikely that Saudi Arabia will restore its full diplomatic presence in Damascus, given the existing tensions between Tehran and Riyadh, especially in Yemen. Moreover, Assad's failure to take a clear position on implementing the international conditions for forging a political solution in Syria and the Syrian regime's refusal to address the reasons that led to the freezing of Syria's membership in the Arab League has only further strained relations between Riyadh and Damascus.

Mutual Escalation Between Iranian Militias and US Forces in the Iraqi-Syrian Theater

Military attacks have not stopped in Syria and Iraq since 2021 and continued in 2022 between Iran and the United States. Both sides have military bases and deployments. Iran carried out serious military escalations against US troops in January 2022. Iranian militias launched airstrikes against the military base of

US-led coalition forces, Al-Omar oil field, and in northeastern Syria. In response, the coalition forces launched air and ground raids on different occasions. The missile launchpads of Iranian militias were destroyed as well as Hezbollah's and the IRGC's military barracks in Mayadin, Hatlah, and Alhuseineah.

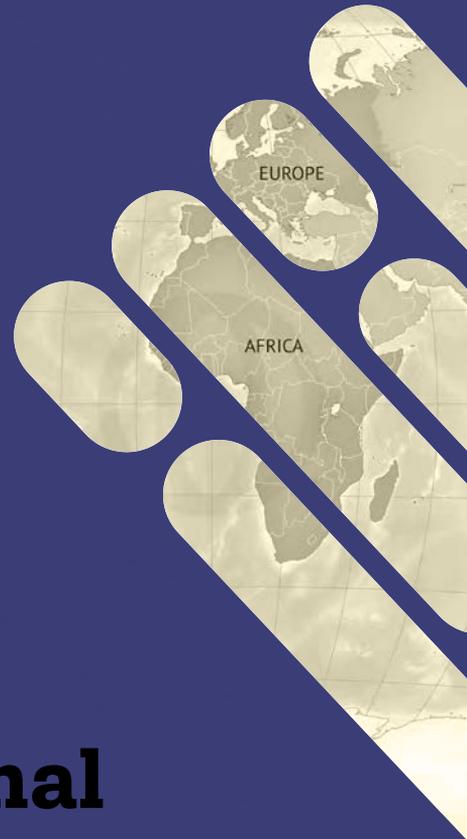
The escalation by Iranian militias against US targets and interests in Syria and Iraq coincided with the second anniversary of the assassination of Iranian Quds Force Commander Qassem Soleimani. Politically speaking, this military escalation between Iran and the coalition forces is a clear manifestation of the stalemate characterizing the nuclear negotiations in Vienna between Tehran and the P4+1 – which resumed in November 2021. Tehran has always worked to escalate militarily in Iraq to pressure Washington in the negotiations. It is not unlikely that Tehran will employ this military escalation lever once more in Syria to leverage other signatories in the nuclear deal to achieve a new deal in its favor.

Conclusion

It can be said that Iran is relying heavily on the “qualitative presence” of its influence in Syria by expanding and focusing it greatly on the economic and commercial fields to create a favorable environment within the Syrian territories, especially in light of the continued Russian pressure. The mutual interests of Moscow and Tehran may diverge if the latter continues using Syria as a battlefield for its regional and international bargaining chips.

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International Affairs

In relation to international affairs, the file highlights the developments related to US-Iran relations through the prism of the ongoing Vienna nuclear talks, the mutual sanctions and pressures and the two sides' coordination attempts at the international level. The second aspect of this file discusses the developments related to relations between Tehran and the European countries, with the future of this relationship dependent on the outcomes of the nuclear talks.



Iran and the United States

In spite of the progress made in the eighth round of the Vienna talks, with their intensification during January 2022, an atmosphere of mistrust still prevents the United States and Iran from carrying out direct dialogue. While the mediators in the 4+1 group seek to overcome the obstacles to revive the deal, the two countries continue their mutual pressure on more than one level to secure cards to strengthen their relative negotiating positions, and it seems that the talks have reached a decisive stage. There is talk of reaching an agreement. The supreme leader stressed that the talks with the Americans does not mean surrendering to the United States, a red line set by Khamenei, in the context of Iran's relationship with Washington. However, there will be consequences if an agreement is reached.

This file will attempt to monitor the developments of US-Iran relations and the directions of the relationship by addressing: firstly, the developments in the Vienna talks ; secondly, the sanctions and mutual pressures; thirdly, confrontation at the regional level, and fourthly, US coordination with its allies at the international level.

Developments in the Vienna Talks

Since the return to the talks within the framework of the seventh round, which began on November 29, 2021, the new Iranian negotiating team put forward additional proposals to the draft proposals that the Rouhani government had reached during the first six rounds between April and June 2021, most notably the lifting of sanctions, and the preservation of Iranian nuclear capabilities, meaning not to destroy Iranian centrifuges, but to keep them under the surveillance of the International Atomic Energy Agency (IAEA) and Iran. The additional proposals mention the need for guarantees so that Iran can start its trade with international partners without facing ramifications because of US sanctions, and that the United States will not withdraw from any future agreement.⁽¹⁾

The United States has reservations about these Iranian demands, and believes that Iran deliberately stalls the talks to gain time. Meanwhile, concerns are growing about its nuclear program. The United States also has reservations about the guarantees which Iran is demanding. US Secretary of State Anthony Blinken said that one of Iran's demands is to ensure that the United States does not withdraw from any future agreement. The US administration will not provide such a quick and decisive guarantee. Given the divergence of positions, the issue of concluding a temporary agreement was put on the table, allowing the release of part of Iran's frozen funds abroad, and facilitating a limited sale



of oil for Iran's return to its nuclear obligations. However, Iran rejected the proposal and insisted on reaching a longer-term agreement that secures its interests, most notably the lifting of US sanctions as well as verification that sanctions have been lifted. Moreover, Iran insists that it is not under time pressure with regard to the negotiations.⁽²⁾

It seems that there is still a crisis of confidence between the two sides. There are American suspicions that Iran is closer than ever to achieving a nuclear breakthrough. Iran's ambiguity and its attempts to procrastinate explain the remarks of US State Department Spokesperson Ned Price, "nothing will be agreed until everything is agreed."⁽³⁾ Given Tehran's policy of procrastination, the United States says that it is working on preparing "alternative options" if diplomacy fails to resolve Iran's nuclear file.

On the other hand, there is controversy within Iran about carrying out direct dialogue with the United States. Iranian Foreign Minister Hossein Amir-Abdollahian stated that his country is ready to negotiate directly with the United States, but the Secretary of Iran's Supreme National Security Council Ali Shamkhani said that Tehran sees no necessity to change the negotiation method with the US delegation in the Vienna talks that depends on the exchange of unofficial papers. The supreme leader entered this controversy in order to protect the political system from embarrassment as talking to the United States contradicts its avowed anti-US position. Therefore, he clarified that "negotiating with the enemy does not mean reconciliation and surrender."⁽⁴⁾

However, the American and Iranian parties are still keen to prevent the negotiations from collapsing and desire to ensure that they move forward and that all obstacles are overcome. The US President stressed that at present it is not appropriate to abandon the negotiations. The arrival of the deputy foreign minister of South Korea to Vienna signaled the imminent resolution of the issue regarding the release of Iran's frozen funds. It seems that the parties have reached an agreement under which South Korea pays Iran's arrears to the

United Nations, allowing Iran to regain its right to vote in the body as part of confidence-building measures. There is also talk of a breakthrough on various disputed issues and the prospect for reaching a final agreement within weeks.

Sanctions and Mutual Leverage

Iran maintained its policy of confrontation and economic resistance. The government believes that this policy is effective because its exports are increasing under the sanctions, and the ways to circumvent the sanctions have become wide and varied. This fact is supported by the increase in oil sales and revenues in recent months, and it is confirmed by the announcement of China that the volume of its imports of Iranian oil amounted to 1.9 million barrels by the end of the year 2021.⁽⁵⁾ There was also the release of some Iranian funds either through direct transfer or credit lines. In addition, the European Union's import of Iranian goods increased by 81 percent at the end of last year.⁽⁶⁾

The Iranian policy of confrontation is mainly due to US laxity in enforcing the sanctions leading to disputes within the Biden administration. Some believe there has been complacency regarding the strict imposition of sanctions on Iran, most notably the financial sanctions and the sanctions on vital exports such as oil exports. It probably aims to build confidence and provide an opportunity to revive the nuclear agreement, which is a priority for Iran. Furthermore, the Biden administration in general is convinced that the sanctions are futile in changing Iran's behavior.

However, this does not mean that the United States will not commit to the sanctions. The Biden administration continues to impose some sanctions. The US Department of Justice announced that an Iranian-American citizen was arrested on charges of "conspiring to illegally export US goods and technology" to end users in Iran, including the Iranian government.⁽⁷⁾ In response to the Iranian Foreign Ministry updating the list of sanctions imposed on US individuals involved in the killing of Soleimani, the US administration quickly warned Iran that it will face severe consequences if it attacks any US citizen, including any individual whom Tehran imposed sanctions on.

The United States also expressed its concern about Iran's recent space launch, given that the test is a cover for Iran's missile tests. Iran uses technologies in space launch devices that are very similar to the technologies used in ballistic missiles, including long-range systems. The United States believes that this test runs counter to UN Security Council Resolution 2231. It is worth noting that this Iranian behavior is surprising, as Iran has been continuously keen to de-escalate tensions, and not to provoke the United States and the West by any missile tests during the period of the nuclear talks.

Ongoing Regional Confrontation

As the nuclear talks approach their final stage, there is concern on the part of some regional powers, most notably Israel, which is concerned about the advances in Iran's nuclear capabilities, while the Gulf countries are eager to see regional stability. The United States is keen to coordinate its position with the aforementioned regional powers. US officials hold continuous talks with

the officials of these countries to create a positive atmosphere for the ongoing diplomatic efforts in Vienna, preempt obstructions, and to continuously coordinate and confront any diplomatic challenges. In this context, a meeting was held between US National Security Advisor Jake Sullivan and his Israeli counterpart, and Saudi Arabia attended the rounds of Vienna talks. However, this did not stop the United States from confronting Iran's behavior and threats. The US military announced that it had seized a ship in the Gulf of Oman coming from Iran, run by a Yemeni crew, carrying tons of a chemical substance that may be used in the manufacture of explosives. This operation is the first of its kind this year and is part of US efforts to implement an arms embargo on the Houthis.

On the other hand, Iran continued to threaten and request the United States to withdraw from the West Asia region, and its militias targeted the UAE and Saudi Arabia with drones.

Meanwhile, Iran continued to develop its relations with regional countries as part of its policy to consolidate relations with neighboring countries to mitigate the impact of US sanctions and create channels of economic/commercial cooperation, circumvent US surveillance/international financial systems, and benefit from those regional countries that have similar orientations to itself.

At the international level, in this context, economic relations with Pakistan moved forward, leading to the conclusion of a barter agreement between the two countries. Iranian President Raisi concluded a gas agreement with Turkmenistan.⁽⁸⁾ Raisi also intensified his visits to some countries in the region, and these visits included discussions to advance cooperation in the economic, trade, energy, transportation and transit fields. Therefore, these visits sent a message that Iran has room for maneuver.

Coordination With Allies to Achieve Some Balance in Relations

The United States has succeeded in achieving consensus with the European powers about its position on Iran, especially since the two sides share concerns about the Iranian nuclear program. The United States has indicated that it is preparing, in coordination with the European powers, alternative plans to deal with Iran's nuclear file if the Vienna talks fail.

On the other hand, Iran pursued further coordination with Russia and China. In this context, the Iranian foreign minister announced during his visit to China that the Iran-China 25-year cooperation agreement had come into effect, sending a message that Tehran has alternatives and a measure of balance in its tense relations with the West, not only through China, but also Russia as illustrated by Raisi's recent visit to Moscow. There is also a proposal on the table that the two countries may sign a 25-year strategic agreement similar to the agreement with China. It also agreed with Russia on doing business through local currencies away from the dominance of the dollar as is the case with China.⁽⁹⁾

The cooperation between this axis: Iran's discussions with China and Russia were not only limited to economic cooperation and coordination of positions on common issues, but more importantly included the Iranian nuclear file



and military cooperation. Russia and China are preparing to resolve the issues surrounding the revival of the nuclear deal to execute the arms deals signed by the two countries with Iran during the past year. The military drill carried out in the Arabian Sea between the countries of this axis indicates the level of progress in relations at the military level and the effective coordination to create a balance in West Asia against the influence of the United States.

Conclusion

In light of the Biden administration's neglect of its commitment to impose pressure and sanctions on Iran, the Raisi government found room for maneuver and was able to list some of its demands on the talks' agenda and add them to the draft proposals that were discussed under the Rouhani government. Iran received significant support from Russia and China which enabled it to include its demands in the negotiations.

Undoubtedly, the policy of procrastination and the nuclear ambiguity pursued by Iran has succeeded in determining the direction of the nuclear talks. The remaining differences relate to technical issues which will be addressed in the next stage of the talks such as Iran abandoning its nuclear development, resuming its nuclear obligations, as well as the lifting of sanctions and measures for verifying this — which are reportedly progressing.

It seems that the priority of controlling Iran's nuclear program is the first concern of the United States, and its main goal in the Vienna talks. Given the US desire not to escalate and confront, the loss of confidence in the effectiveness of sanctions and the priority of diplomacy adopted by the Biden administration, the latter is ready to provide some incentives to Iran to revive the nuclear agreement. This may be the reason why South Korean officials are in Vienna. South Korea holds \$7 billion in revenue from Iranian oil exports.

However, it cannot be denied that the huge loss of confidence between the two sides prevents direct dialogue and negotiations between the two sides. It also casts a shadow on the Iranian government, which does not want to give the impression that it has abandoned its long-established hostile position toward the United States.

Therefore, even if an agreement is reached between the two sides during the next stage, normalization of relations is not expected, not only due to the great deal of hostility and loss of confidence, but because the issue of enmity with the United States is part of the legitimacy of the existing political system and its basic discourse on which it has depended to promote its ideology among its supporters at home and abroad. In addition, Iran pursues a regional policy and international alliances hostile to the United States, most importantly the alliance with China and Russia, which participate in wide-ranging strategic competition against Washington on the international level.

Iran and Europe

Iran-Europe relations are still dependent on the outcomes of the ongoing nuclear negotiations in Vienna. As discussed in Rasanah's 2021 Annual Strategic Report, the Europeans have adopted several strategies in dealing with Iran, most notably the carrot and stick policy; sometimes using political leverage against Iran over its human rights violations and its support for terrorist groups, and at other times providing Tehran with health aid to improve their mutual diplomatic relations in order to persuade the Iranian republic to move closer to the West. On the other hand, Iran's policies are reactionary and based on political squabbling, hoping to push the Europeans to be more independent from their Atlantic ally, the United States, and make meaningful concessions in the nuclear talks.

By January 2021, the delegations participating in the nuclear talks concluded the eighth round and returned home for discussions. The Western parties highlighted that time is running out and the deadline is just around the corner. Iran, in response, showed indifference, confirming that the Iranian delegation is eager to prolong the negotiations — if needed. In this part of the Iran Case File, we cast light on Iran-Europe interactions, discussing a few major developments: Iran faced accusations of espionage; the two sides are at a crossroads due to human rights violations and involvement in terror activities ; and the two sides are also at a convergence point when it comes to the nuclear negotiations despite their ongoing political squabbling.

Iran Faced With Accusations of Espionage

It is not the first time that Iran has faced accusations of espionage, especially from the United Kingdom. In 2021, Facebook confirmed that the Islamic Republic of Iran Broadcasting (IRIB) attempted to interfere in the 2014 Scottish independence referendum and other elections held in the West using fake accounts on social media. In the same vein, Facebook's parent company Meta Platforms removed a network of faux accounts originating from Iran which targeted Instagram users in Scotland with content supporting independence from the UK.⁽¹⁰⁾

The fake accounts aimed to fuel instability in the UK political arena, using all means available such as impersonating public figures or pretending to be part of the UK community through posting about sports and tourism. A study by the UK-based Henry Jackson Society (HJS) found that Iran-based fake accounts had attempted to impact the results of the Scottish parliamentary elections in favor of the parties calling for independence from the UK using disinformation.⁽¹¹⁾ Further, Denmark accused Iran and other countries of

espionage and establishing relationships with students, researchers, and tech companies to obtain information about the country's technology and spy on the Danish government.⁽¹²⁾

According to intelligence reports, Iran is one of the main countries facing accusations of espionage and exploits social media platforms to promote its agenda and spread disinformation about its opponents. Iran uses its cyber force to retaliate and gain more bargaining chips for the nuclear talks and reap more political gains, although these cyber skirmishes undermine Tehran's international image as the Iranian government is increasingly viewed as a violator of international laws and norms.

Human Rights Violations and Terrorism: The Main Point of Divergence

Iranian organizations are often associated with terrorism in Europe. According to a report by German daily *Die Welt*, the Hamburg Islamic Center – affiliated with Iran's Supreme Leader Ali Khamenei — has connections with terrorist entities and represents "Iran's terrorist arms in Europe." German intelligence concluded that its Blue Mosque is in direct contact with Khamenei and receives direct orders from him and is used as a tool to "export Iran's Islamic revolution" abroad. As a result, the Hamburg Shura removed the Iran Islamic Center from its executive board.⁽¹³⁾

As Hamid Nouri, former Iranian judge, is still under trial over his involvement in the 1988 executions of political prisoners, Iran's Judiciary Media Center reported the story of Nouri to the Iranian people at home but with its own perspective, casting doubt on the whole case.⁽¹⁴⁾ In the report, the judiciary did not recognize Hamid Nouri as a suspect, raising questions regarding the amount of money spent by the European judiciary, especially in Sweden, for this case to proceed. Further, the report questioned the ability of the prosecution to secure tangible evidence to convict him. Finally, the report impugns Sweden's judicial integrity, indicating to the Iranian people at home that the People's Mujahedin Organisation of Iran (PMOI), an Iranian opposition movement in exile, is behind this trial.

The trial is still ongoing with consecutive testimonies being heard which confirm that Nouri was a former judiciary official and involved in the 1988 executions. If Nouri is found guilty and he receives a final verdict; this will be the first link leading to exposing other Iranian officials engaged in mass executions, most prominently Iran's President Ebrahim Raisi. This is the reason why such a trial concerns the Iranian political establishment just like the trial of former Iranian diplomat Assadollah Assadi who was convicted of terrorism — discussed in Rasanah's 2021 Annual Strategic Report.

The Nuclear Talks: A Point of Convergence Despite Political Squabbling

Despite the fact that mutual tensions are still rising over humanitarian and security issues, Iran and the Europeans keep diplomatic channels open. Whenever possible, the two sides try to find a good opportunity to collaborate and enhance their relations. They, however, mainly aim to reach an agreement in the ongoing nuclear talks in Vienna. On one side, we find Iran committing

human rights violations; the French-Iranian academic Fariba Adelkhah was sent back to Evin Prison from house arrest. This move provoked Paris, which described it as unjustifiable and called on Tehran for the immediate release of the academic.⁽¹⁵⁾ On the other side, the two countries held discussions to boost legal and judicial cooperation, the Iranian judiciary's Human Rights Council Secretary Kazem Gharibabadi said.⁽¹⁶⁾ Iran has always been exploiting dual national detainees as bargaining chips to reap more gains at the nuclear negotiations in Vienna.

Iran and the Europeans are fully aware of the fact that forging a complete convergence is impossible. The Europeans, therefore, attempt to conciliate Iran and contain the potential dangers of its nuclear and ballistic missile programs, working hard to prevent Iran from drawing closer to Russia and China. They send health aid, hoping that cooperation on the coronavirus pandemic will lead to a rapprochement in their relations. Many European countries sent coronavirus vaccines to Iran. More recently in January 2022, Greece sent 200,000 AstraZeneca vaccines to Iran.⁽¹⁷⁾ Despite their cooperation on some issues, their mutual relations are still dependent on the future of the nuclear talks in Vienna.

Conclusion

As observers are awaiting the outcome of the nuclear talks in Vienna between Iran and the great powers, tensions and mutual leverage still exist between Iran and Europe. London has accused Tehran of spreading disinformation using fake accounts to mislead UK citizens. Denmark has also accused Iran and other countries of espionage and stealing information and research regarding technology. Further, Iran-affiliated organizations in Germany, operating under the direct supervision of Iran's Supreme Leader Ali Khamenei, are suspected of facilitating terrorist activities. Despite the rising tensions and disputes between the two sides, they continue to focus their diplomatic efforts on resolving the nuclear crisis. To this end, each side works to secure more bargaining chips, whether through placing pressure or raising the concerns of the other side.

Endnotes

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