SUMMARY OF ANNUAL STRATEGIC REPORT 2021

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Shifts in the International System's Balance of Power

Growing US-Chinese Competition in the International Arena

The struggle of international powers for hegemony over the existing international system is one of the most dangerous forms of conflict, which has a negative impact on regional and international peace and security. Transformations in the international system are often preceded by a major war erupting between a ruling power and a rising power.

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

Since President Biden took office in early 2021, his administration has prioritized its standoff with China, as it poses a primary threat and is the strongest competitor to Washington and challenges it for the leadership of the international system. The following factors have significantly contributed to the Biden administration's view of China as a major threat to the global leadership, in need of containment:

Washington's fear of losing its global hegemony	China Challenging US hegemony	Beijing's actions to create an alternative global economic model

US-China Containment

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

01

Biden's Policies to Contain China's Global Ambitions

- The formation/revival of military alliances
- The promotion of alternative projects to compete with the Belt and Road Initiative
- The continuing policy of encircling China with crises and challenges
- Countering China's influence in Latin America

02

Chinese Policies to Initiate a Transformation Within the International Order

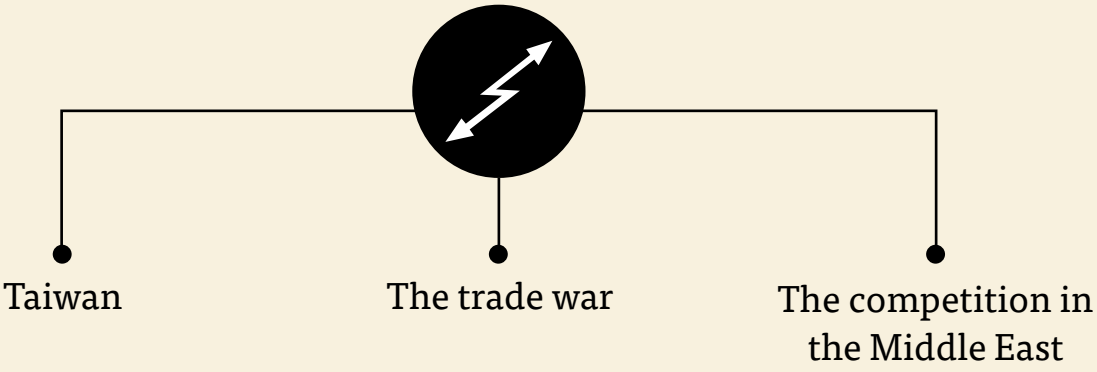
Continuing to reduce the military gap with the United States

Enhancing the Chinese presence in Latin America

Strengthening the policy of heading toward the Middle East

Expanding the Shanghai Cooperation Organization

Hotspots and Issues of Tension Between the United States and China



Conclusion: The Outcomes of US-China Competition in 2022

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

01 **Outcomes:** The continuation of the US policy to contain China; the change of strategic competition from economic to political aspects; escalating tensions between America and China.

02 **The most likely scenario:** *Careful escalation*; this means the continuation of mutual escalation between the two parties in a very limited manner that does not lead to war in 2022. Each party is aware of the other's red lines and works to win points in the hotbeds of tension and conflict zones around the world. This is the most likely scenario, given each party's expectations of the potential dangers emerging from sliding into war. Their intensified competition to secure the greatest degree of global power and leadership will be based on careful escalation in light of the multiplicity of competition arenas and the various tools of confrontation at their disposal.

Transatlantic Relations: Security and Strategic Challenges in the European Arena

In 2021, transatlantic relations oscillated between hope and tension. At the beginning of the year, the Biden administration sent a positive message for both transatlantic reengagement and a commitment to support multilateralism. From the US perspective, there is still a need for a critical approach to counter Chinese influence worldwide in light of timid responses from France and Germany. Beyond the aforementioned differences in approach in addressing the Chinese question, transatlantic tensions notably increased after two incidents: the US withdrawal from Afghanistan and the signing of the AUKUS deal. There is a gap in the strategic thinking between the two sides of the Atlantic. On one side, Europe's search for a strategic identity independent of the United States is indicative of a lack of loyalty from Washington. On the other side, there is a European perception of rising uncertainty vis-à-vis US commitment to European security.

The Crisis in European-American Relations

01

After the US troop withdrawal from Afghanistan and the AUKUS nuclear submarine deal (between the United States, the United Kingdom, and Australia), the fall of 2021 witnessed a turbulent period for transatlantic relations. This turbulence arose after a period of reconsideration on the European side regarding the nature of the transatlantic partnership.

02

Following the US withdrawal from Afghanistan in August 2021, the Biden administration declared that, in the future, America will only militarily intervene to address vital security issues related to the country's national interests. This new political approach opened an interesting debate amongst EU member countries and led to the following question: what should be their priority? Better EU defense integration and/or active NATO membership?

03

Concluding the AUKUS trilateral security pact (Australia, the United Kingdom, and the United States) for the Indo-Pacific provoked European resentment over creating an alliance that does not make any considerations for the European Union. This pushed them to enhance the so-called "strategic autonomy" and "European defense" projects so that they become responsible for their own national security.

04

The rising tensions between Russia and Ukraine will impact the Atlantic partnership, given that the direct dialogue between the United States and Russia indicates once again the European side's weakness in its own geographical neighborhood.

Disputes Among EU Member Countries

01

The decline in collective spending on European defense is particularly worrying. The EU, however, wants to be optimistic and stresses that the European Defense Fund, which aims to pool investments in order to develop joint capabilities, is a success, with around 50 projects in the pipeline and a budget of 8 billion euros for the period 2021-2027.

02

The main impediment for the development of a common European defense force is financial. Indeed, while national military spending has swelled, common spending has collapsed. With a total amount of 4.1 billion euros, European "cooperative defense" fell by 13 percent and reached its lowest level.

03

There is European and NATO concern about Turkey in light of the following: the sale of Russian S-400s, the military situation in the Eastern Mediterranean. There is a rising concern over Turkey's military confrontation against Greece and France in the Eastern Mediterranean, which will lead to differences between NATO members.

04

The question of Europe's role in the world is a dividing issue in Europe: Germany, Italy, Spain and even Poland agree that there is no contradiction between strengthening Europe and strengthening NATO. They have pointed out that Europe's economic strength will also reinforce its political power rather than the establishment of a shared defense project.

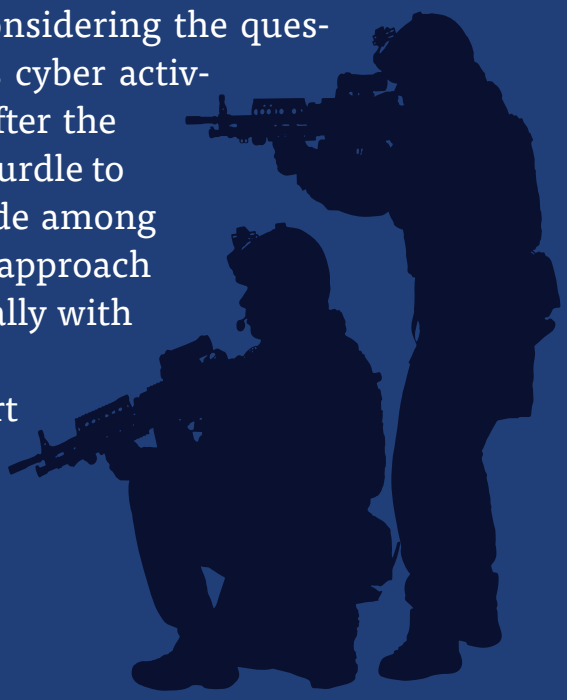
NATO's Predicament and Europe's Military Role Abroad

• The idea of European strategic autonomy aims to transform the EU from an economic power into a geopolitical player on the world stage independent of the United States. Nevertheless, the conflicting interests of European countries and their respective focus on promoting their bilateral ties with Washington remains a key impediment in achieving the goal of European strategic autonomy.

• The Europeans are concerned about Russia as some European countries launched dialogue with Moscow such as the Russian-French bilateral dialogue, highlighting the lack of coordination among the European countries.

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

• This new Chinese challenge will be at the center of NATO's agenda in the coming future. This is especially true considering the question of China's military technologies and its cyber activities as well as its rise as a regional power after the US withdrawal from Afghanistan. The main hurdle to tackle this new challenge is the internal divide among NATO members, particularly differences over approach on how to address China's challenge (potentially with some Russian support to Beijing).



• In November 2020, NATO released a report that emphasized for the first time the centrality of the US-China rivalry for the future of global affairs.

Conclusion: The Future of NATO and European Strategic Autonomy

01 NATO is experiencing an unprecedented crisis yet "there is no reason to believe it will challenge (at least not by itself) the raison d'être of the organization." Nevertheless, it signals the end of an era for NATO and the end of a lack of strategic thinking behind Western military interventions in the broader Middle East as witnessed over the past two decades.

02 Strategic autonomy, i.e., the objective of the EU to act more independently in the context of its foreign and security policy, may not be at the center of the new European strategic vision. In its strategic compass, this idea is defined as "the ability to work with partners to safeguard one's values and interests."

03 The question of strategic autonomy is not limited to the domains of security and defense. "Whereas in trade, the EU is already strategically autonomous, when it comes to finance and investment work remains to be done." More broadly, asymmetrical responses by non-state actors or hybrid activities are factors that make conventional responses still necessary but no longer sufficient to protect the security of NATO and the European countries. This is why this issue of strategic autonomy will be at the center of European efforts during the first six months of the year 2022 under the French presidency of the Council of the EU.

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

The coronavirus pandemic had massive ramifications on the global economy, which has experienced cycles of sluggishness and severe recession. Optimism about a relative recovery appeared in 2021; however, returning to normal stability is still doubtful as the virus and its variants are still present and many restrictions and measures of social distancing have not been lifted yet. The pandemic led to slow growth and an increase in unemployment and inflation rates, hindering supply chains and increasing shipping costs. As vaccine coverage has been expanding, the global economy is likely to witness further recovery in the upcoming phase. The coronavirus pandemic was not the only crisis facing the global economy, the world witnessed soaring energy prices due to a shortage in supplies. This was the result of a decline in investments in alternative energy sources due to the increase in prices and global demand —which is because of a decline in strategic reserves. Moreover, Russia politicized the gas card in light of its tense relations with the United States and the European countries. This crisis has also directly impacted the global economy.

The Global Economy and the Coronavirus Pandemic

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

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

There were massive losses in all key economic sectors that are critical to drive economic growth such as in the trade, industry, and tourism sectors. This led to a cut in incomes, employment and growth, exacerbating poverty rates.

But in 2021, in light of the decline in the spread of the coronavirus pandemic, the surge in vaccinations and the resumption of production and returning to normal life, the average global economic growth rate bounced back.

02

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

- Labor shortages, a decrease in the supply of raw materials, and high energy and food prices hindered supply chains to Asian countries and accordingly impacted major commercial centers such as the United States and the United Kingdom.
- The measures taken to address the coronavirus pandemic achieved relative economic growth. The upsurge in liquidity, however, led to an increase in global demand and inflation.
- Increase in stockpiling and global consumption enhanced high prices across the world.

03

The Global Economy After the Coronavirus Pandemic

The economic ramifications of the pandemic will be less severe than 2020 at the level of economic growth, given the medical advances and the widening geographical coverage of vaccine programs.

Some of the ramifications continue in 2022 in light of inflation and the high cost of global trade.

Returning to stable growth rates will bring about high rates of government debt.

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

01

The Ongoing Energy Crisis and Alternative Energy Directions

- Many factors led to an increase in oil and gas prices, including a decline in investments. This led to an increase in costs for industries in the United States, Europe, and China.
- Though many countries adopted ambitious plans to shift from conventional energy to alternative energy, there are still challenges halting this transformation such as the high cost and storage of generated energy.

02 The Impact of Climate Change on the Developing Economies

- Estimates indicate that the developing countries are facing nearly 75 percent to 80 percent of the impact of climate change; their losses worth billions of dollars. The developed countries endure the least impact of climate change.
- The developing countries call on the industrial countries to take greater responsibility for climate change. Yet, no effective response to their calls have been made so far.
- The Kingdom of Saudi Arabia has adopted many initiatives in the green economy; the Saudi Green Initiative (SGI) and the Middle East Green Initiative (MGI).
- These initiatives have placed Saudi Arabia at the forefront of the international arena to address climate challenges.

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

Saudi Vision 2030 is considered an ambitious model, which aims to diversify sources of income and investment and achieve economic sustainability.

The geopolitical dynamic transformations and the fluctuations in conventional energy prices have made economic diversification in the Gulf a critical matter to address economic risks.

The Gulf states crafted long-term strategies to end total dependence on oil and gas revenues.

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

Islamist and jihadist groups have suffered decline and retreat in some areas, while experiencing ascendancy in others. The landscape in 2021 altered considerably from 2020. It was marked by a significant decline in the ability of the so-called "Islamic State in Syria and Iraq" (ISIS) (commonly known as Daesh). Its operations were limited to ambush terror attacks and the deployment of fighters to Africa, and other hotbeds to compensate for the lost epicenters in Syria and Iraq — taking into consideration the sociological, religious, and security factors in these regions. ISIS was in conflict with the Taliban group when the latter took over Kabul. Daesh attempted to hinder the group's ruling experience because it viewed the Taliban as a rebellious movement against its religious interpretations. The year 2021 was the year of ultimate failure for the Islamist movements (whether Shiites or Sunnis) in the region. The Muslim Brotherhood (MB) was fragmented; divided into two contesting leaderships with both hurling accusations and seeking to oust each other. The MB faced losses in the parliamentary elections in Tunisia, Morocco, and Algeria. The MB also lost public support as reflected in the many demonstrations which erupted to cast off the movement. In Iraq, the status of the MB was not different from the aforementioned Arab countries. The MB groups affiliated with some Iran-backed militias lost in the parliamentary election in favor of national, secular and Arab currents

ISIS: Between Retreat and Expansion

01

ISIS: Decline in Iraq and Syria

The group has continued to carry out terror attacks without taking over territories. It lacks this ability due to two factors. First, the blows it has suffered because of regional and international intelligence services cooperating with one another against it. Second, the loss of its popular incubators because of the crimes it committed in the territories it controlled.

02

Confronting the Taliban: Khorasan Province and Repositioning Attempts

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

03

ISIS and Africa: Retreat and Expansion

ISIS experienced retreat and expansion in many countries. As to the reasons why ISIS is expanding in Africa, there are multiple factors at play, foremost among these is the fact that the organization has recruited al-Qaeda elements there. ISIS's ideology resonated with al-Qaeda operatives, especially after the group's decline (both at the center and periphery), particularly a decline in its narrative after the elimination of most of its commanders, and it is facing qualitative attacks by the West. Yet, the fragile security situation in Africa, along with an array of internal problems in many African countries such as extensive poverty, high rates of unemployment, political unrest/rebellions, and the lack of a central religious institution that adopt a moderate interpretation of Islam — contributed to the expansion of the Islamic State in Africa. Yet, it experienced setbacks in Sinai, due to strong intelligence apparatuses and systematic well-effective religious rhetoric.

Retreat of Islamist Movements and Parties

The Muslim Brotherhood Splintered

In 2021, Egypt's MB suffered fragmentation, splintering into two groups with two different leaderships, for the first time in its history. The group's effectiveness declined, and its political role halted. Moreover, its ideas waned in Egyptian society compared to 2011.

The Ennahda Party and Its Failure

Ennahda failed in the government and the Parliament. It was unable to resolve social and day-to-day problems. Hence, its popularity plummeted and the people rejected it. In July 2021, Tunisian President Kais Saied ousted Ennahda from the government and the Parliament.

Morocco's Justice and Development Party and Its Political Downswing

Morocco's Justice and Development Party suffered a severe and decisive loss in the election — a loss that is indicative of multiple messages the Moroccan people wanted to convey. The party came in eighth position, capturing only 13 seats compared to the 125 seats it won five years ago, which enabled it to form the government for the second time.

The Iraqi Islamic Party and Its Consecutive Setbacks

The Iraqi Islamic Party, affiliated to the MB lost the parliamentary election. The party entered the last parliamentary election (October 2021) as part of the al-Aqed al-Watani Alliance chaired by the head of the Popular Mobilization Forces (PMF) Faleh al-Fayyad. The alliance only captured four seats.

Shiite Political Islam

For Shiite Islamist factions, the situation was not so different from their Sunni counterparts. They were also rejected by voters and Iraqi society. Iraqi politicians linked to the PMF and armed factions lost in the 2021 Iraqi parliamentary election to the Sadrist Movement and to some civilian and secular forces.

Conclusion: The Future of Political Islam

The crisis of political Islamist parties and movements is likely to continue if they do not fully comprehend the ground realities away from teachings and impetrations (jurisprudence) of crises and seditions, which they have held on to as the main core of their existence to avoid collapse. It is unlikely that they will carry out carry out the intellectual and philosophical revisions needed to forge reconciliation with the public and political systems.

Regarding violent and armed groups, it is expected that they will step into areas where there is a security and intellectual void, as well as social problems such as mounting poverty and unemployment. This comes amid their retreat in countries like Iraq, Syria, and Egypt's Sinai as long as security, intelligence, and intellectual efforts have succeeded in curbing ISIS in these countries.

The Political Interactions in the Middle East

In 2021, the Middle East and particularly the Arab region witnessed a host of developments and important political interactions that will have a substantial impact on the regional political landscape in the coming period. The importance of the region in the US strategy has changed due to the reshuffling of priorities by the new American administration. Probably, the new US strategy contributed to the significant transformations and interactions on the regional scene.

The Significance of the Middle East in the New US Strategy

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

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

03 The highly intertwined and complex files and the impact of the Middle East on different international interests make it hard for the United States to leave the Middle East while its foes are increasing their spheres of influence in the region. Moreover, the United States is well aware that losing its clout in the region would negatively impact its prestige and role in the international arena in general.

The Easing of Tensions Among Competing Regional Parties and Allies

The easing of tensions among regional parties and allies was considered to be a key regional transformation in 2021. The steps toward reconciliation and rapprochement have come in succession since the Al-Ula GCC Summit held in Saudi Arabia in January 2021. The summit laid the foundations for Gulf reconciliation and ended the rift between Saudi Arabia, the UAE and Bahrain on the one hand, and Qatar on the other. It also paved the way for wider reconciliations across the region, including between Egypt and Turkey — and, to a lesser extent, with Iran.

The move toward reconciliation has been driven by two main factors:

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

Second: The shift in the US strategy when it comes to addressing the disputes in the Middle East with Washington pivoting toward East Asia. The US administration has embraced diplomacy to end disputes and push for a reshaping of the regional environment so that it moves toward reaching political settlements.

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

01

The Iraq Neighborhood Summit (The Baghdad Conference for Cooperation and Partnership) in August 2021, was held in the context of the ongoing moves toward reconciliation and easing tensions in the region. It brought together the main powers in the region such as Saudi Arabia, Egypt, Turkey and Iran and other countries. It was also held in light of Iraqi efforts to restore its regional position.

02

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

Signs of New Regional Blocs

01

Iraq-Egypt-Jordan Bloc (New Levant Project)

- A tripartite summit bringing together Iraq, Egypt and Jordan was held in Baghdad. The talks focused on economic, commercial and security cooperation among the three countries.
- This summit was in light of the so-called New Levant Project, first announced by Iraqi Prime Minister Mustafa al-Kadhimi during his visit to the United States in August 2021. It was envisioned as an economic integration project modeled on European integration. The project brings together Iraq's massive resources, Egypt's tremendous manpower and Jordan's strategic location connecting Iraq to Egypt —with the possibility of including other countries to form a regional bloc capable of addressing common challenges.
- The project includes several colossal economic initiatives, primarily the electricity interconnection project between Egypt, Iraq and Jordan, and activating an oil pipeline from Basra to the Sinai Peninsula via the Jordanian territories.
- The project faces a lot of hindrances, primarily Iraq's political forces aligned with Iran are impeding this project since it would cause damage to Iran's interests in Iraq, especially the proposed electricity interconnection plan. Iraq depends on purchasing Iranian gas to generate electricity.

02

Economic Integration Between Turkey, Iran, and Iraq

- An agreement was announced between Iran and Turkey to open a new chapter in their economic relations. The two sides agreed to hold a joint summit in Tehran to usher in a new era to boost cooperation in the economic and security fields. In the same vein, the Iraqi government presented a proposal to Turkey to form a regional economic bloc including Ankara, Baghdad, and Tehran, Iraq, and Iran. This bloc would have the potential of becoming a major regional economic powerhouse capable of competing head-to-head with economic blocs across the globe.
- Iraq offered Turkey investment opportunities in the agricultural, health, banking and commercial fields. It also proposed the opening of two new border crossings with Turkey to facilitate trade between the two countries standing at $21 billion per year.

03

A Commercial Bloc Between the UAE, Iran, and Turkey

- In November 2021, the activation of a commercial and economic route connecting the UAE to Turkey via Iranian territory — through which containers are transported from the Emirati port of Sharjah to the Iranian port of Bandar Abbas and from there by land to the port of Mersin — was announced. It is a main gateway for Turkey to the Mediterranean.
- This bloc is driven by the desire of the three parties to seek economic benefits while giving precedence to mutual interests over political considerations. Its establishment is also in light of the regional and international rivalries over international trade corridors, oil supply routes and gas transmission grids.

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

01 Disputes continued amid diminishing chances of reaching settlements

02 Water crises have become a source of tension in the region.

03 Internal tensions and the ongoing governance crises increased in some regional countries

The Middle East in Transition: Instability and Uncertainty

The political transformations that took place in the Middle East in 2021 indicate that the region is still going through a transitional period marked by volatility and uncertainty.

The aforementioned transformations point to a relative shift in the nature of regional rivalries and a switch from a focus on political and strategic issues to a broader focus on economic considerations and interests. This comes in light of the increasing development challenges and pressures faced by most regional countries. This shift was reflected in the economic nature of several emerging economic blocs.

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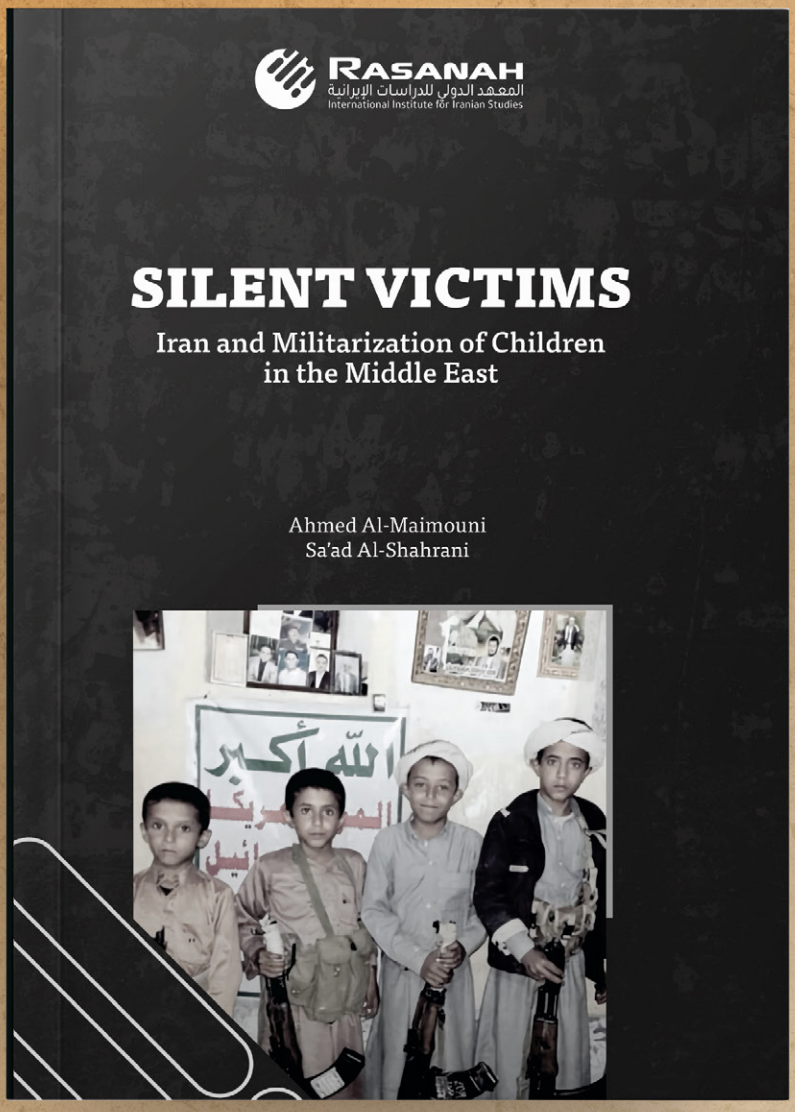
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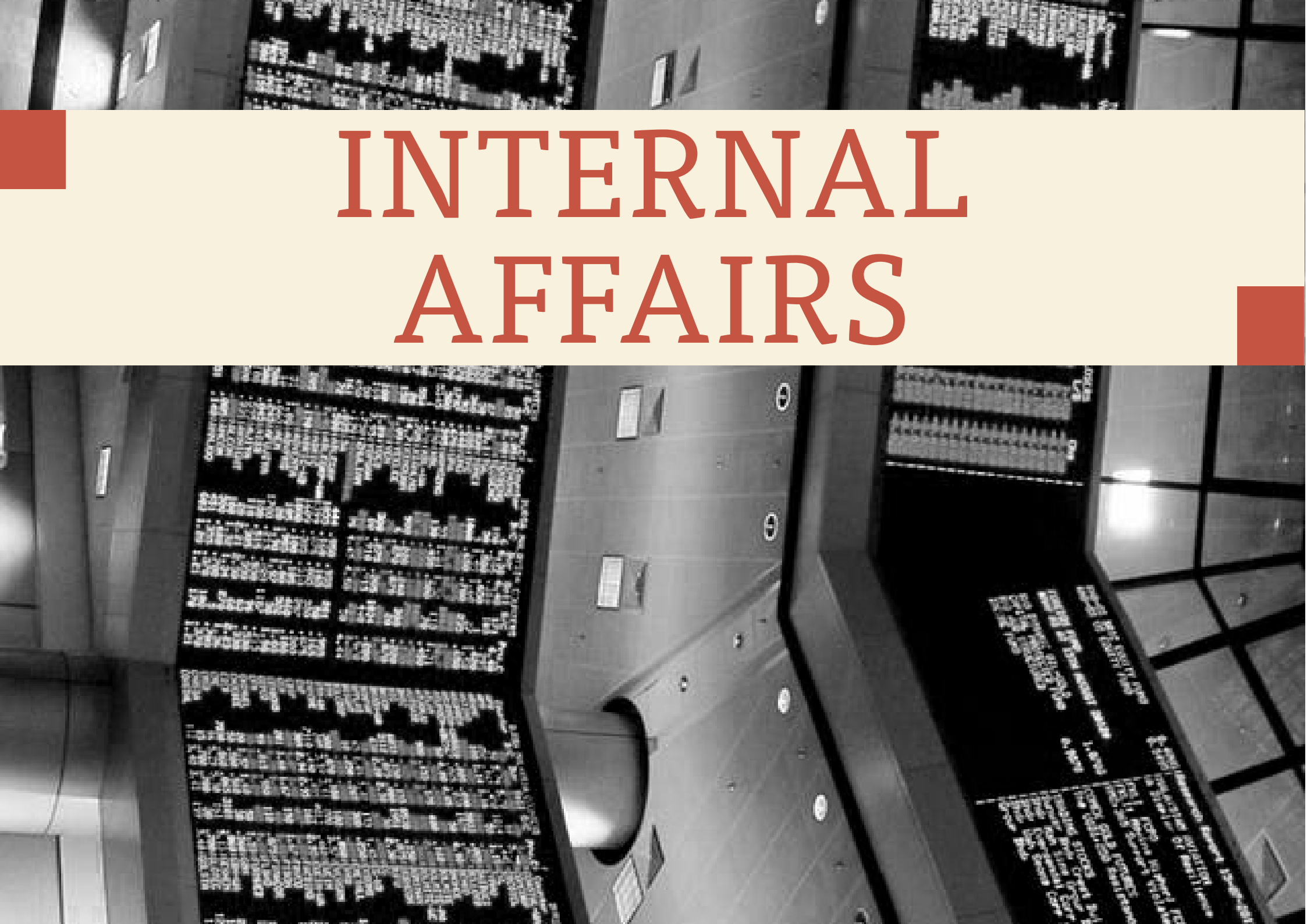


The Ideological File

In 2021, there were religious and political interactions that had direct implications for the political and seminary landscape in Iran. Foremost among these interactions was the politicization of religion through the fatwas (religious edicts) issued by a number of Iranian clerics who rendered obligatory voting in the presidential election versus the fatwas that deemed boycotting the elections obligatory. This occurred against the backdrop of the Najaf-Iran dispute and Tehran's ceaseless attempts to strip Najaf of its decision-making authority. Finally, the interactions included relations between the Taliban and Iran and the ideological considerations reflected in their respective policies.

Infusing Politics With Ideology: Clerics and the Elections

Fatwas in the Face of Foes: The pro-Wilayat al- Faqih clerics considered boycotting the election as a crime and treason. They rendered voter participation as obligatory, deeming abstention from voting unlawful.

Counter-Employment of Religion: Supreme Leader Ali Khamenei and his close aides have used religion as a political tool to defame foes, enhance their legitimacy, and influence elections in their favor. However, they were countered by the same weapon. Ayatollah Mahmoud Amjad criticized the supreme leader and accused him of misleading the Iranian people with the aim of perpetuating the religious dictatorship.

The Iran-Najaf Dispute and Its Political Implications

- **The Iraqi Election – Between Najaf and Qom** In the Iraqi legislative election, Iran strongly threw its weight behind the political forces and the political wings of the militias backed by it. Ayatollah Kazem al-Haeri issued a religious edict rendering unlawful voting for or supporting "all those who call for US occupation forces to stay on Iraqi soil or those who do not call for driving them out." He also rendered unlawful "voting for those who are hostile to the Popular Mobilization Forces (PMF)."

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

The Taliban and the Shiite Community: Iran Is Watching

01

The Iranian Position and the Shiite Community

It seems that Iranians are well-aware of the differences between the Taliban and ISIS. The former is a local militant group that does not embrace a global Islamic agenda and is a Maturidite Sufi group, not a Salafi one. At the same time, Iranians are well aware of the fact that the group's traditionalist nature, steeped in traditional jurisprudential heritage, makes it immune to Iranian infiltration attempts. Thus, the Iranians have pursued a strategy based on pragmatism and mutual interests for fear that they would lose clout to regional actors.

02

The Taliban and Messages of Reassurance

The Taliban sought to reassure the Shiite community at home and abroad following its takeover of power. It issued a statement in which it declared a general amnesty for everybody. On the ground, the Taliban fighters partook in a Hosseini assembly, reassuring the Afghan Shiites. A Taliban leader ordered the Hosseini processions to be protected and not to be attacked.

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

The Iran-Najaf dispute over Wilayat al-Faqih and its clout in the Shiite world in particular and the Islamic world in general is likely to rage on. It is unlikely that any of the parties to the dispute will concede ground in the short term. The Iranians want the Najaf seminary to totally surrender and submit to the authority of the guardian jurist (al-Wali al-Faqih), given his authority, dominance, and guardianship over all Muslims. Such guardianship knows no boundaries and encompasses both jurists and the masses. The Qom-Najaf dispute may end if one of them prevails over the other or when the features of the post-Sistani Najaf and the post-Khamenei-Qom become evident. It is likely that relations between the Taliban on the one hand and Iran and the Shiite community on the other will remain calm, and will largely follow the path of negotiations with some disputes and differences surfacing from time to time because of their sectarian and political divergences. There are many factors that prevent the collapse of relations between the two. Each of them is in need of the other. And both of them seek to end the US presence, weed out ISIS and break the isolation and sanctions.

The Political File

The "conservatives" exerting the utmost pressure on the Rouhani government in its last year in office — and the Guardian Council and security services carrying out an extensive engineering process during the presidential election in favor of Ebrahim Raisi — marked the most significant developments that overshadowed the overall events in the Iranian arena in 2021.

In Its Last Year, the Rouhani Government Faced Tougher Scrutiny

01 Blaming Rouhani for the Internal Crisis

The "conservatives" stepped up their pressure against Rouhani in the last months of his government's tenure through blaming him for the crises through which the country has been going.

The "conservatives" did not stop pursuing Rouhani even after his presidential term came to an end. In September 2021, a parliamentary committee called for filing an official complaint with Iran's judiciary against Rouhani.

02 Leaking Zarif's Audio Recording: The Significance of the Timing

The "conservatives" employed the leaked audio recording of former Foreign Minister Mohammad Javad Zarif in which he criticized the late Quds Force Commander Qassem Soleimani's interference in foreign policy, to exert more pressure and level more criticism against Rouhani.

In this leaked audio recording, Zarif revealed that the Quds Force commanders believe that they have the necessary legitimacy to interfere in domestic and foreign affairs.

The timing of the leaking is inextricably linked to the events and the developments Iran is witnessing, such as the nuclear negotiations and the presidential election.

New "Hardline" Government and Ongoing Challenges

01 Engineering the Electoral Process

- The efforts of the "conservatives" to wrest control over all the decision-making centers within the Iranian ruling system took clear shape in the parliamentary election held in February 2020. This came as the Guardian Council disqualified most candidates, especially the "reformists" and "moderates."
- The Guardian Council continued to pursue the strategy of disqualifying "reformist" candidates. This played a major role in steering the election (toward the "conservatives") when it announced that only seven candidates were qualified to enter the presidential race from the total of 592 candidates who registered their candidacy.
- Leaders of the Iranian establishment are aware of the changes in Iranian society and the shift in the public mood as a result of the flawed policies of the government. Therefore, Iranian officials resorted to the so-called revolutionary legitimacy to ensure the survival of the political system and downplay the calls for boycotting the election.
- The "hardliners," including the Supreme Leader Ali Khamenei, were more inclined to pick a new president to succeed Hassan Rouhani who would be more in line with their orientations.

02 Criticisms and Accusations Besiege the Guardian Council and Security Services

- A barrage of stinging criticisms were leveled against the Iranian government because of what observers described as the "engineering of the presidential election." The backdrop of this is the disqualification of a huge number of candidates, especially the "reformists" and their allies, the "moderates."
- The "reformist" camp in Iran believed that the Guardian Council's approach toward the election and elected institutions not only breached the rights of citizens and violated national sovereignty, but it also rendered the election meaningless.
- The Guardian Council faced severe criticisms from Sadiq Amoli Larijani, one of its senior members and the chief of the Expediency Discernment Council. He blamed the security services for influencing the decisions of the Guardian Council after submitting false reports about the candidates.

- Several activists and organizations launched multiple campaigns inside and outside Iran against the presidential election. This prompted the supreme leader to issue a fatwa rendering unlawful the boycotting of the election.
- The televised presidential debates among candidates were not like the previous ones. The five "conservative" candidates did not level stinging criticisms at each other. They chiefly focused on criticizing the performance of the Rouhani government.

03 Results of the Presidential Election and the Cabinet Lineup

As a result of the measures pursued by the "conservatives" to determine the identity of the winner, the outcome was to a big extent expected. The election saw Raisi winning the presidency. He captured 18 million votes, far ahead of all his rivals.

Voter turnout reached 48.8 percent of the total eligible voters of 59,310,307. This was the lowest turnout in the history of Iran's presidential elections since 1979.

For the first time in the history of the revolutionary government, the last presidential election produced a new phenomenon to protest against the exclusionary policies of the Iranian leadership and express anger at its practices. There was an unprecedented surge in invalid and blank votes.

04 Sharing Senior Positions Between the "Hardliners" and the IRGC

01

Regarding the cabinet lineup, Raisi has mainly opted for figures linked to the "conservative" movement

02

It was expected that Raisi's election as president would give the IRGC room for cementing its clout within the institutions of power.

03

Commanders and affiliates of the IRGC were appointed to sensitive positions within the Raisi government.

Iranians have not yet witnessed the reforms that Raisi promised to make during his electoral campaign and the days that followed his electoral triumph.

After the "conservatives" gained dominance over the political landscape in Iran, all the intractable challenges and crises for which former President Hassan Rouhani was the focus of blame, are now at Raisi's doorstep.

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

An opinion poll conducted by Iran's Keyou Analytics revealed that more than half of the Iranian people (50.4 percent) were dissatisfied with the government's performance.

Even the multiple visits to the Iranian provinces were criticized not only by the "reformists" but also by the "hardliners" as these visits would not contribute to addressing the consecutive crises which Iran has been facing for years.

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

- The way the "conservatives" seized control of the executive branch of the government points to the possibility of ongoing popular rejection of the Raisi government in the coming period.
- Despite the criticisms leveled by some lawmakers against Raisi over the past few months, in general, the Parliament is expected to be less confrontational with the new government.
- Despite the obstacles placed by the "conservatives" down the path of the nuclear negotiations, the government will work to bring closer the points of view between it and the "hardliners" to reach a solution that puts an end to this issue.
- The deterioration of the economic situation and Iran's desire to reach a solution to its nuclear crisis are leading Ebrahim Raisi to ease tensions with the outside world, especially the Middle East countries.
- In case the Supreme Leader Ali Khamenei fails to continue to perform his duties or faces any emergency, Raisi will have a major role in choosing the next supreme leader. He himself may be picked for the position.

The Economic File

Iran's economic performance in general and living conditions in particular continued to be in a deteriorating situation. Some macroeconomic indicators witnessed a limited improvement compared to the past year, driven by an increase in oil sales to China and growth in foreign trade, especially exports to neighboring countries. This produced a limited economic growth of 2 percent in 2021. The significant deterioration in Iran's economic indicators had a major and direct impact on the declining living conditions of Iranians. Daily life has become much more difficult compared to the situation in the past year (2020).

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

The year 2021 was a continuum of the deteriorating economic performance since the imposition of sanctions. There were limited improvements, however, versus a steep decline in living conditions.

After a long recession, Iran's gross domestic product (GDP) posted limited growth due to oil exports to China. But the recession continued to grip the agriculture and services sectors amid modest industrial growth.

US sanctions and the coronavirus pandemic remain the most urgent economic challenges. They caused losses in the oil, auto, auto parts and tourism sectors. This coincided with a severe wave of drought which severely impacted agricultural production.

The Iranian economy has several weaknesses that undermine financial stability and social development

However, Iranian expertise in some areas and the strength of certain pillars has enabled the political system to survive during times of embargo.

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

Over 70 percent of Iranians were pushed into poverty, according to Iranian estimates. Emigration increased threefold.

Prices have surged to record levels when it comes to housing and medicine. The prices of food rose more than 60 percent.

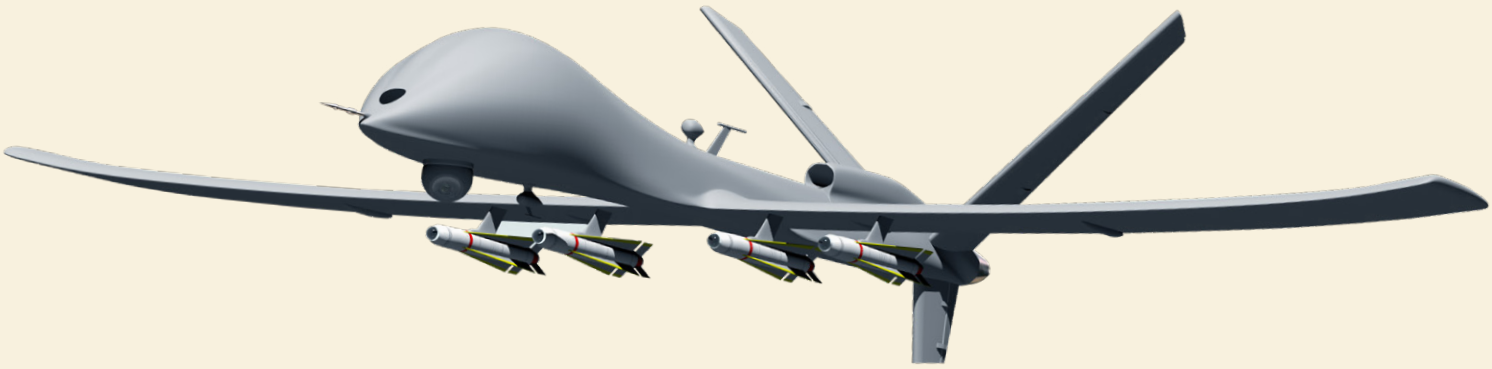
The Iranian currency has lost more than 80 percent of its value since the reimposition of sanctions in 2018.

The Developments of Iran's Commercial and Financial Performance

- Foreign trade focused on China and Iran's neighboring countries such as Iraq, the UAE and Turkey.
- Iran seeks to activate trade partnerships and join regional organizations such as the Shanghai Cooperation Organization to circumvent sanctions.
- The sanctions on Iran have led to a gaping trade deficit compared to a significant surplus before the imposition of sanctions.
- Oil, petrochemicals and gas were Iran's most important exports in terms of revenues. Essential food items such as soybeans, wheat, and barley were its chief imports.
- Iran's budget is facing an increasing deficit. The government has achieved only half of the targeted revenues.
- Iran finances the deficit by borrowing from local banks, selling assets and bonds and increasing liquidity.
- The first budget bill under the government of Ebrahim Raisi prioritizes security and defense and intends to rescind the dollar subsidy.

Conclusion: The Iranian Economy's Forecast for 2022

- It is ruled out that there will be economic recovery or a noticeable improvement in living conditions in light of US sanctions. This comes as many of the drivers of national growth and production and the financial sector are connected to the outside world.
- The continuation of Chinese demand for Iranian oil in light of sanctions remains uncertain and dependent on several variables.
- Iran is contending with a shattered economy and increasing social pressure which is weakening the government's position in the nuclear negotiations. This will prompt Tehran to find urgent solutions to curb the country's losses.



The Military File

Iran did not step back from strengthening its military capabilities and consolidating its forward defense doctrine. The new realities in Afghanistan and Azerbaijan have created new challenges in addition to the other challenges it is facing. It will not be easy for Iran to address these new challenges.

Iran had embarked on improving and developing its drone force through improving its capabilities and tactics when it comes to the attacks of its drone squadrons. In cyberspace, it had stepped up its cyberattacks. It also made vast strides in nuclear development. Yet, the bleak forecasts related to the lifting of US sanctions imposed on it have negatively impacted Iran's military budget for the fiscal year 2022/2023.

The Development of Iran's Drone

01

Iran's Capabilities

- Iran unveiled in 2021 the Shahed-136 suicide drone and its swarm attack launcher capable of multiple launches. Pictures unveiled in January 2021 confirmed that the drone is possessed by the Houthi militia in Yemen's Jawf region.
- Tehran alleges that the range of the Shahed-136 drone reaches 2,000 square kilometers, the drone with the longest range among Iran's suicide drones. But such allegations could probably be inaccurate.

02

Iran's Drone Trends

- Iran's possession of several drone systems and its readiness to deploy them makes it an extremely dangerous country.
- In 2021, Iranian military commanders repeatedly referred to artificial intelligence and robots in their speeches, which reflects Iran's focus on advanced technologies.
- Iran revealed the Taha-1400 mounted on drones as part of its defense in cyber warfare. Iran claims the system is capable of encompassing a large operational area and that drones with this system are untraceable.
- Yet, Iran disclosed new surveillance radar and a command-and-control (C2) system as well as a new version of its Mersad-16 surface-to-air missile system. Alborz, the 3D phased array radar, is claimed to have a range of 450 kilometers with the capability to track 300 targets simultaneously, including low-altitude ones with small radar cross-sections.
- Iran revealed the Gaza UAV, designed similar to the US Reaper. It is claimed to have an endurance of 35 hours, a service ceiling of 35,000 feet, an operational radius of 500 kilometers for reconnaissance and surveillance but can carry 13 bombs in attack configuration.

Smuggling Weapons and Drugs

01

Weapons

- In 2021, Iran sought to keep its mercenaries in Syria, Lebanon and Yemen well-armed.
- The US Navy seized a dinghy boat, with weapons and ammunitions aboard in the Arabian Sea. It was ferrying 1,400 Kalashnikov-style rifles and 226,600 rounds of ammunition.
- The smuggling of weapons extended into African countries. The Global Initiative against Transnational Organized Crime revealed that Iranian weapons for mercenaries in Yemen are smuggled into Somalia. "Based on the data from more than 400 weapons documented in 13 locations across Somalia over eight months and inventories from 13 dhows intercepted by naval vessels."

02 **Drug Smuggling to Enhance Financial Capabilities**

In 2021, there were heightened instances of drug smuggling to the Gulf States from Syria, Lebanon, and Iran. Over 67 tons of drugs worth more than $189 million were captured in the Arabian Gulf.

The seized drugs included heroin (6,550 kilograms), methamphetamine (4,052 kilograms) and hashish (56,834 kilograms).

It is believed that drugs sales have helped the IRGC in covering the expenses of some of its clandestine operations. Iran's military has long been involved in drug smuggling and facilitating the global black market. Every time a haul is made by the Gulf States' customs officials, unique ways to smuggle expensive narcotics are discovered. The seizure of weapons and drugs is critical to cutting off the resources of militants and diminishing their will to continue fighting.

Taking Cyber Skirmishes to the Next Level

The Advanced Persistent Threat (APT) actors sponsored by the Iranian government are actively targeting a wide array of vital US sectors including infrastructure and healthcare as well as Australian organizations.

The Advanced Persistent Threat (APT) actors sponsored by the Iranian government could conduct harmful attacks, such as data infiltration, ransomware, extortion, and encryption operations.

Iran came under hacking attacks that targeted its fuel distribution network, the rail system and the aviation sector. In response to these attacks, Iran leaked information about the Israeli army.

In November, the Iranians launched a massive online retaliation, mounting attacks targeting tech giants to make illicit money and access critical information.

Latest Developments of Nuclear Program

- Iran acknowledges that the country's HEU stockpile at 60 percent purity is estimated to weigh almost 25 kilograms while its uranium-235 at 20 percent purity weighs approximately 210 kilograms.

- Iran has cleverly managed to reduce its nuclear breakout time, making it much easier and quicker for it to enrich 90 percent weapons- grade uranium.

- Iran's capability to produce more sophisticated and faster centrifuges became more pronounced. In 2021, it might have already started operating 1,000 IR-6 centrifuges.

- If Iran quits the JCPOA and the NPT, it will need one year at least to enrich uranium from 3.67 percent to 90 percent or above for weapons-grade use.

- Once it has the right amount and quality of radioactive material, Iran will need another two years to fabricate a nuclear device with radiation protection until it is fired and the correct trigger mechanisms are in place to have it precisely explode at the right altitude and impact range.

Conclusion: The Future Scenarios for 2022

It is also expected that tensions in Iraq, Syria, Lebanon, and Yemen will escalate faster than in the past two years. In light of the casualties suffered by Iranian militias in Yemen and Iraq, the confrontations may move to other areas, such as targeting shipping lines and waterways. The predictions for 2022 seem gloomy and their indicators deserve special attention.

The Social File

The Social File provides an overview of Iran's performance in three important indexes: the Multidimensional Poverty Index (MPI), the Social Risk Index (SRI) and the Gender-related Development Index (GDI). The file also addresses the future of Iranian society.

Multidimensional Poverty Index (MPI)

The following social indicators reflect the difficulties the Iranian people are facing.

01 Poverty

The number of those living under the poverty line in Iran (Those who earn less than $5.5 per day) doubled compared to the summer periods of the past two years.

Poverty rates have increased 10 percent while inflation reaches 45.4 percent.

Social welfare and subsidy programs have faced massive cutbacks.

02 COVID-19

As a result of the mishandling of the pandemic, the limited implementation of protocols and not securing vaccines, there was a decline in economic activity.

The decline in economic activity and the psychological impact of the pandemic led to a surge in suicide and divorce rates in 2021. This was added to the social fallout, including an increase in homelessness, street children, drug addiction, and unemployment.

03 Vulnerable Employment

The declining level of economic activity because of the coronavirus pandemic and the sanctions led to a significant decline in the employment-to-population ratio.

A huge surge in the unemployment rate.

There was a disproportionate negative impact on women.

Social Risk Index (SRI)

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

01 Protests

- Iran witnessed regular nationwide protests against severe water shortages, low wages, delayed wage payments, human rights abuses, and power cuts.
- Protests by pensioners in several cities due to low state pensions.
- Most workers' families live either below or near the poverty line.

02.Prisoners

The arbitrary and secret executions that took place in Iran surged in 2021 due to the lack of government accountability concerning torture and inhumane conditions.

Leaked surveillance footage from notorious prisons, including Evin Prison in Tehran, exposed chilling acts of abuse against inmates, and pointed to the routine torture and ill-treatment of men, women, and children. The severe forms of punishment against prisoners included floggings, electric shocks, mock executions, waterboarding, sexual/gender violence, force-feeding of chemical substances, deprivation of medical care, and frequent beatings.

At least 100 executions took place due to drug-related offenses, and 130 for murder charges. The number of executed political prisoners and executed juvenile offenders remained unknown.

Ethnic minorities in Iran are particularly at risk, mainly Arabs, Kurds, and Balochis, and social and political activists from these groups were routinely executed, often with signs of heavy bruising on their bodies. Most members of ethnic minority groups who were executed received unfair trials.

03. Drug Abuse

- According to figures, 13 Iranians died daily in 2021 due to illicit drug use.
- There are nearly 2.8 million addicts in the country, and 1.6 million occasional addicts.
- Nationwide drug abuse rates increased by 6.5 percent compared to the previous year.
- The average age of drug abuse significantly dropped.
- Close to 3,000 people died due to illicit drug overdose.
- Opium use increased at alarming rates.

04. Divorce, Shifting Marital Patterns

- Divorce in Iran saw an uptick, exacerbating the country's social problems.
- White marriages that generally last between one to three years, temporary marriages, and non-marital partnerships have risen considerably.
- Marriage rates declined by 36 percent.
- Some 11.8 million eligible Iranians remain single due to social, economic, family, and political tensions.

05. Housing Shortages

Nearly 8.5 million Iranian families rent properties.

Annual housing costs increased by 52 percent in Tehran.

Rents in Tehran increased by between 51.2 percent to 54.2 percent this year.

Gender Development Index

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

01. Child Brides

The phenomenon of child brides is on the rise in Iran's rural areas, approximately 90 percent of female school students in grades six to eight are already married, and 50 percent of them are forced by their husbands to abandon their education

In 2020-2021, according to Iran's Statistics Center, the rate of marriage for girls aged 10 to 14 alarmingly accelerated compared to the previous two years.

02. Discrimination Against Women

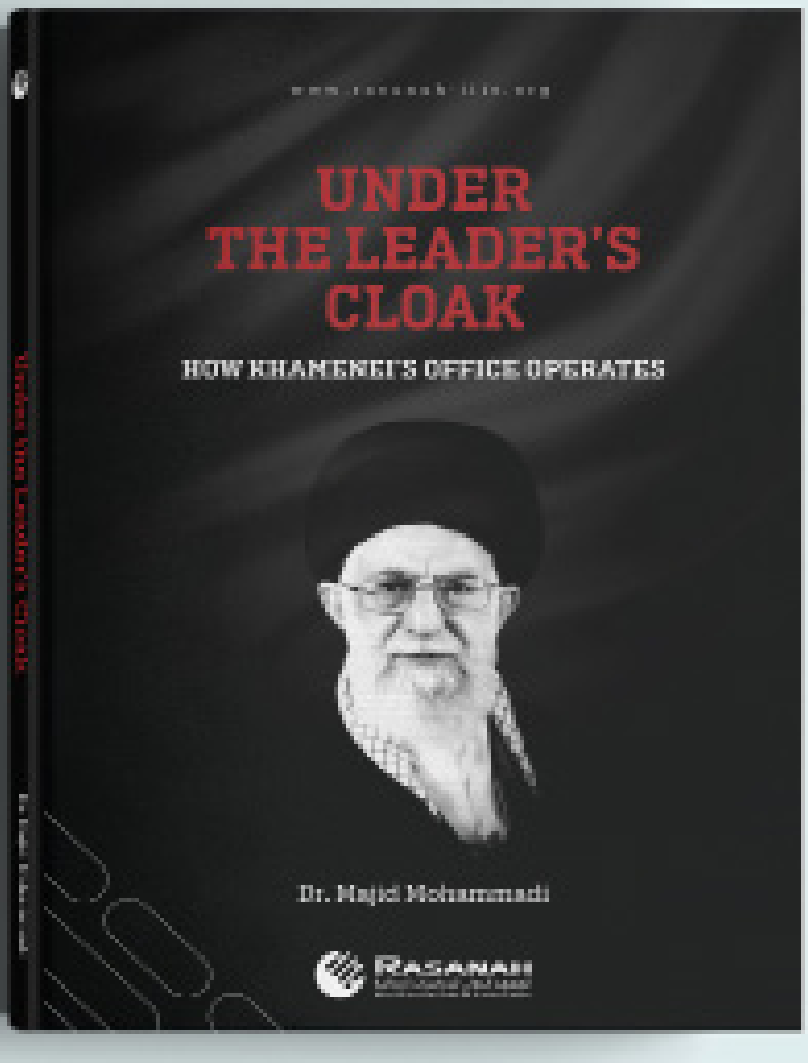
A new Iranian law dubbed the "Youthful Population and Protection of the Family" law raised the possibility of handing down death penalties, even for abortion. Such legislation was condemned by independent human rights experts.

Women in Iran are at least 14 times more likely to remain unemployed compared to men.

Conclusion: The Future of the Social Situation in Iran

- The aforementioned indicators suggest a widening gap between the rich and poor segments and a further increase in poverty rates and social risks. Therefore:
- Government spending on social welfare is likely to fall further due to the decline in economic indexes, which will have a significant impact on the low-income segment and cause Iran to experience a series of social problems in the coming year.
- Iranian women are more likely to be subjected to discrimination in the workplace, with many women experiencing mental health issues, and contemplating suicide because of the negative work atmosphere and sex trafficking.

NEW RELEASE


UNDER
THE LEADER'S
CLOAK
HOW KHAMENEI'S OFFICE OPERATES
Dr. Majid Mohammadi
RASANEH

ARAB AFFAIRS

أبو مهدي

Iran and the Gulf States

In 2021, Iran-Gulf relations were relatively calm compared to 2020, which witnessed worrying periods of escalation and heightened tensions due to Tehran's strained relations with the United States, the Gulf embracing unconventional and bolder positions, such as Bahrain and the United Arab Emirates (UAE) normalizing relations with Israel, and Saudi exertions to counter Iran's role in Iraq.This calm led to attempts to bridge divergences in order to reduce the pressure on both sides.

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

Internal Developments

- The Gulf reconciliation led to a qualitative shift in the Gulf scene and unified the Gulf position against Iranian practices.
- The election of Ebrahim Raisi on June 19, 2021. He mentioned that a key aim was to strengthen Iran's economy and repair relations with neighboring countries. His remarks indicate that Iran is fully aware of the gravity of its previous practices. Tehran, therefore, may establish relations with the Gulf states to revive its economy. The Iranian political system, however, is still not able to address the current obstacles as it needs to make substantial rather than nominal changes for the sake of regional interests and alleviate the harsh living conditions facing the Iranian people.
- The great progress that the Gulf governments have achieved for their peoples has placed further pressure on the Iranian government, causing it public embarrassment for its regression in development and its inability to improve the living conditions of the Iranian people.

Regional Developments

The results of the Iraqi elections reflected a rejection of foreign loyalties. The Gulf states, therefore, are seeking to support Iraq in taking independent decisions. In response, Iran is likely to activate its arms. As a result, a state of polarization will prevail between the two sides in Iraq

Iran is concerned about the support provided by the Gulf states to the Afghan government. The Afghan people are generally favorable toward the Gulf states. In addition, the Gulf states have good relations with Pakistan, which has a strong degree of influence in Afghanistan, which could put pressure on Iran.

International Developments

The decline of the US role which prompted countries to make independent decisions.

China's and Russia's desire to fill the power vacuum created by America's withdrawal increases Iran's cards and boosts its policy of "Look to the East."

European interest in playing a role in the Middle East following the American withdrawal puts pressure on Iran and boosts Gulf partnerships with important European countries such as France, which showed interest in strengthening relations and playing an active role in the region.

The Balance of Gulf-Iran Relations

01

Saudi-Iranian dialogue is still at the exploratory stage. Tehran seeks to erode Riyadh's opposition to its interventions and machinations in the region through prolonging negotiations.

02

The UAE's efforts aimed to activate its economic diplomacy to convince Tehran of the feasibility of amicable relations instead of tensions and escalation.

03

This sense of calm further manifested in the Gulf call on Iran to renounce violence and uphold the principles of good neighborliness and non-interference in the domestic affairs of sovereign states.

The Ambiguity and Complexities Regarding Iran-Gulf Relations in 2022

- The states of the region are still caught in the midst of international conflict, which influences regional interactions as countries pivot to adapt to the rapidly changing global dynamics.
- The unified position of the Gulf states sends a clear message to Tehran: It is less possible for it to intervene in the Gulf's domestic affairs and neutralizes Iran's hostile position. It may push Iran to adopt more flexible positions and work to reconcile with the Gulf states which seek to reduce regional tensions.
- The Iranian government, due to its economic crisis and internal and international pressures, may resort to creating internal and regional crises to export its problems, and justify its poor performance by strengthening its supportive incubators at home and in the region, and it may also manufacture new crises in the region.
- Given the ground realities, it is likely that there will be more regional talks, with or without the nuclear deal, with its revival expected to take some time in light of the complexities of the issues and the deep mistrust that has developed over several decades.
- The next stage of Gulf-Iranian relations can be described as the post-US phase, with the adoption of new regional approaches and solutions to address the thorny issues in the region.

Iran and Yemen

2021 witnessed military escalation carried out by Houthi militia against the oil-rich Ma'rib Governorate, and this escalation has political dimensions that serve Iranian interests. Iran provided substantial military support to the Houthis through the continued smuggling of weapons to the militia and technical assistance through Iranian experts from the IRGC in Yemen. Iran also provided media support through the dissemination of propaganda justifying military operations under ideological pretexts.

Features of Iran's Role in Yemen in 2021

01 At the Political Level

- The Iranian government uses the Yemen crisis as a bargaining chip in its negotiations with international and regional powers.
- 2021 witnessed a number of regional and international shifts that were reflected in the Yemeni scene and in the Iranian role in Yemen. Foremost among these shifts was the US administration's stance toward resolving the Yemeni crisis diplomatically, which strengthens the initiative of the Kingdom of Saudi Arabia to resolve the Yemeni crisis.

02 At the Military Level

The Houthi militia and the Iranian government misinterpreted the US administration's decision to remove the Houthi militia from the terrorist list, and consequently the Houthi militia intensified its military escalation in Yemen.

The Houthi-Iranian escalation against Ma'rib largely dominated the Yemeni scene in 2021.

The Iranian government provided support for the Houthi escalation in various ways.

The cooperation of the Iranian government and the Houthi militia with terrorist organizations in Africa has been confirmed.

03 At the Cultural Level

- The Houthi militia has incorporated sectarian concepts in line with the Iranian government's ideology in Yemen's educational curricula.
- 2021 witnessed a series of Houthi war-like manifestations waged against Yemeni identity.

The 2021 Peace Process in Yemen

01 • 2021 witnessed international and regional efforts to bring peace to Yemen.

02 • The Houthi militia ignored international peace calls, which exposed it as the party obstructing the peace process in Yemen. This Houthi intransigence led to a shift in the international community's position toward the Houthi militia in late 2021.

The Prospects for the Yemeni Crisis in 2022

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

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

A backing down by the Houthis from their belligerent stance and moving toward a political settlement, which will result in either a fragile political settlement or a comprehensive and successful resolution. This will happen through several factors: increasing the frequency of the coalition's air strikes on vital headquarters, targeting major Houthi leaders, and increasing coordination between Yemeni military entities, including the movements of the southern forces, which may defeat the Houthis more quickly and push it to accept the peace initiative.

Iran and Iraq

The freezing of Iranian influence was the distinguishing feature in Iraq in 2021. There was no progress or decline in Iran's military and economic influence, given the ongoing militia proliferation and Iran's possession of strong pressure cards in the Iraqi arena. However, Iran's political influence declined following the election results which represented a strong indictment against Iranian interference in Iraq.

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

01 Enhancing the return to the Arab world: Iraqi Prime Minister Mustafa al-Kadhimi believes that the Arab world is critical to Iraqi foreign policy and that Iraq should move closer to the Arab sphere as part of his project to rebuild the country as a sovereign state.

02 Visiting the eastern neighbor: Kadhimi seeks to pacify Iran in order to prevent Iranian militias in Iraq from further shuffling the cards and destabilizing the country because he understands that Iran has pressure cards and a high degree of influence.

03 Seeking to restore Iraq's regional role through several initiatives by organizing the Baghdad Conference for Cooperation and Partnership and playing a mediating role between Riyadh and Tehran.

04 The completion of the strategic dialogue sessions with Washington: Kadhimi continued to participate in the US-Iraqi strategic dialogue which began during the Trump administration. Both parties agreed to end the combat mission of US forces by December 31, 2021.

Iran's Cards in Iraq

The electricity crisis was the most widely used and influential card in Iraq in 2021 because it had a direct impact on the Iraqi government. Iran seeks to keep Iraq subordinate to Iranian influence.

Destabilizing activities in Iraq: Iran's armed militias escalated tensions against US targets in Iraq, bombing the diplomatic mission in the Green Zone, Iraqi security missions and US military bases and Camp Victoria near Baghdad International Airport, and attacking logistical support columns of the Global Coalition Against ISIS in Iraq.

The water card was also one of the most important Iranian cards against Iraq, because the share of water from Iran amounts to about a third of Iraq's annual water revenues of about 70 billion cubic meters.

Factors Impacting Iran's Role in Iraq

01 The divisions between Iran's militias in Iraq: Iran's militias represented one of the most important arms for implementing Tehran's expansionist schemes because they possess weapons and are widely deployed across the country, especially in oil-rich areas.

02 Iraqi popular rejection of Iranian influence: This was evident when Iraqi voters dealt a resounding blow to the Shiite alliances that are loyal to Iran in the 2021 election. This demonstrated the growing awareness of the Iraqi voter of the centrality and importance of Iraq and its affiliation with the Arab world.

03 Biden's use of force against Iranian militia concentrations in Iraq: Biden continued with his predecessor's policy toward tackling growing Iranian influence by sending strong messages of deterrence when he ordered two military strikes against Iranian militia concentrations in Iraq in June 2021.

04 Gulf support to establish an independent Iraqi state: The level of mutual Gulf-Iraqi visits and the signing of security, economic and trade agreements to strengthen bilateral relations increased.

05 Exacerbation of Iran-Turkey tensions in Iraq: Ankara and Tehran are competing for influence in Iraq. While Tehran seeks to take complete control over Iraq, Ankara seeks to secure areas of influence in Iraq generally and in northern Iraq particularly. Disputes over Iraq flared up continuously.

The Future of Iran's Role in Iraq in 2022

01 Outcomes of 2021

- Iran shifted from actively expanding its sphere of influence to using cards to preserve its influence.
- The Arab and US role was effective in besieging Iran and limiting Iranian influence: Arab and Gulf interactions with Iraq increased, and the Biden administration used force against Iranian militia concentrations in Iraq.
- Iraq has entered a new phase of political maturity with an entirely new and different equation: The internal and external challenges to Iranian influence in Iraq have increased, especially in the presence of a cross-sectarian national bloc that is against the Iranian project.

02 The Future of Iran's Role in Iraq in 2022

In light of the aforementioned conclusion, the future of Iran's influence in Iraq will fluctuate between complete stagnation and slight decline.

Iran and Syria

Iran seeks to expand its qualitative presence in Syria. Its presence was not only confined to military deployment, but it also enhanced its presence through economic, social and cultural projects to create an enabling environment for it inside Syrian territory. Therefore, Iran became an important element that is hard to ignore given the successive changes and developments during the past year.

Exploring Iran's Influence in Syria

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

01 Constant Tactics to Strengthen Iran's Military Posture

- Iran accelerated its military buildup in Syria, adopted new military tactics and developed new strategies.
- Iran also reshuffled its military leadership, expelling the commander of its Quds Force in Syria.
- These developments indicate Tehran's adoption of a new strategy aimed at reshaping its role and influence in Syria

02 Iranian Military Escalation Against International Forces

America's al-Tanf military garrison in Syria was frequently attacked.

These consecutive attacks by Iranian militias sent several messages.

03

Iran's Soft Power Strategy to Boost Its Influence

Iran's attention was more focused on strengthening its non-military influence in the next stage.

The reciprocal visits of officials of the two countries coincided with rapid regional developments

Hurdles and Challenges Facing Iran's Role

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

01

Russia's Active Diplomacy

- Russia made bold moves with regard to the Syrian file throughout 2021 which can be framed within the context of Russian exertions to influence the Syrian crisis.
- All of these Russian moves have various motives and goals.

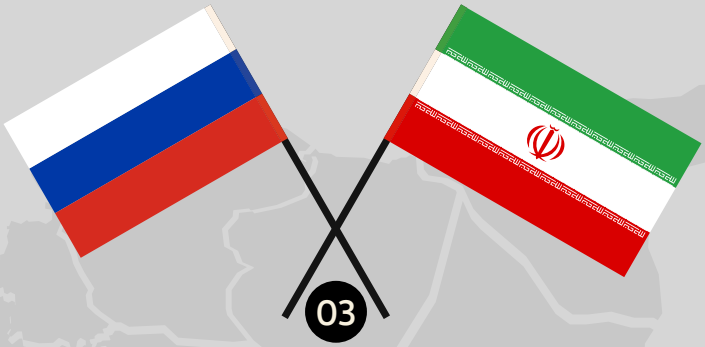
02

Arab-Syria Rapprochement

In 2021, a series of developments reflect different Arab interactions regarding the progression of the Syrian crisis.

There was Jordanian-Syrian engagement at several levels. Syria was also included in economic projects with some Arab countries. This in addition to the UAE foreign minister's visit to Syria and the Arab efforts to return Syria to the Arab League.

Several challenges and obstacles remain which will affect future of this rapprochement.



03

Iran-Russia Competition in Syria

As an update of the competition in Syria which has been on the rise in recent years, 2021 witnessed multi-faceted competition.

The Russian-Iranian dispute over the T4 airbase recurred many times during last year.

Russia has been active in Iran's spheres of influence to use this expansion as an important lever that could help it in several directions.

Conclusion: The Future of Iran-Syria Relations

- Syria is facing a new reality with overt or covert moves in the country and the region to reduce Iran's influence without fully ending it in Syria, the region and the world.
- Iran is clearly aware of the regional rejection in Syria and the pressure of its influence in the country. In addition to its heavy military deployments, Iran is enhancing its previous efforts during the past years by penetrating the Syrian state and society.
- According to ground realities, southern Syria and the eastern Euphrates will remain areas of conflict and compromise between Syria, Iran, and Russia, given the complex relationships among these actors in the Syrian file.
- It is expected that Israeli airstrikes will continue against sites and targets belonging to Iran in Syria.

Iran and Lebanon

Lebanon's political, security and economic crises deepened in 2021—despite the fact that the Lebanese government was eventually formed. The country's foreign relations were severely impacted by Iran's regional role and the negotiations over its nuclear program and its regional position.

The Iran-Hezbollah Relationship and Its Impact on Lebanon

By using Hezbollah, Iran relied on several approaches and tools in 2021, mainly:

01 Obstructing the Formation of the Lebanese Government

- In 2021, Lebanon experienced political tensions which Iran exacerbated from behind the scenes by oscillating between playing a facilitating role and an obstructive role.
- The government was formed after many attempts to disrupt it.
- Cabinet meetings faced many challenges due to the increased level of Hezbollah's threats and demands to remove the investigator in the Beirut port blast case and the joint boycott by the party and the Amal Movement of government meetings.

02 Iran's Provision of Social Services for Lebanon

> Iran – using its proxy Hezbollah – exploited the country's crises through providing social services and granting financial aid.

> The exploiting of the energy crisis in Lebanon, and Iran and Hezbollah's monopolization of the solution.

03

Power Projection and Security Threats

Hezbollah opted for a low-level escalation in Lebanon with a barrage of rockets by targeting open land near Israeli sites.

Secretary-general of Hezbollah declared that Hezbollah has 100,000 trained fighters willing to defend Lebanese territory. The statement was intended to send several messages that include many motives and aims.

04

Attacking the Judicial Body and Hindering the Investigations Concerning Beirut Port

Hezbollah opted for increasing pressure on the Beirut blast case to obstruct the investigation during last year.

It called on its supporters to take to the streets in an attempt to pressure the different parties.

05

Diplomatic Crisis With Lebanon's Arab Neighbors

- The diplomatic crisis caused by Lebanon's foreign policy blunders led to a deterioration in its relations with a number of Arab countries.
- The evidence that proves Hezbollah involvement in Yemen, and the use of Sanaa's airport to target the security of Saudi Arabia embarrassed Lebanese Prime Minster Najib Mikati.

Hezbollah Facing Challenges in Lebanon

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

01 Intra-Disputes Dividing Hezbollah's Alliances

Disputes among pro-Hezbollah alliances in Lebanon resurfaced.

It is unlikely that relations between the two groups will be severed completely due to common interests that unite both parties in spite of the disputes.

02 Declining Popular and Political Support

Hezbollah no longer enjoys the same strong support and popularity in Lebanon.

The party's popularity declined inside and outside its incubator.

03 Regional and International Leverage Against Hezbollah's Role in Lebanon

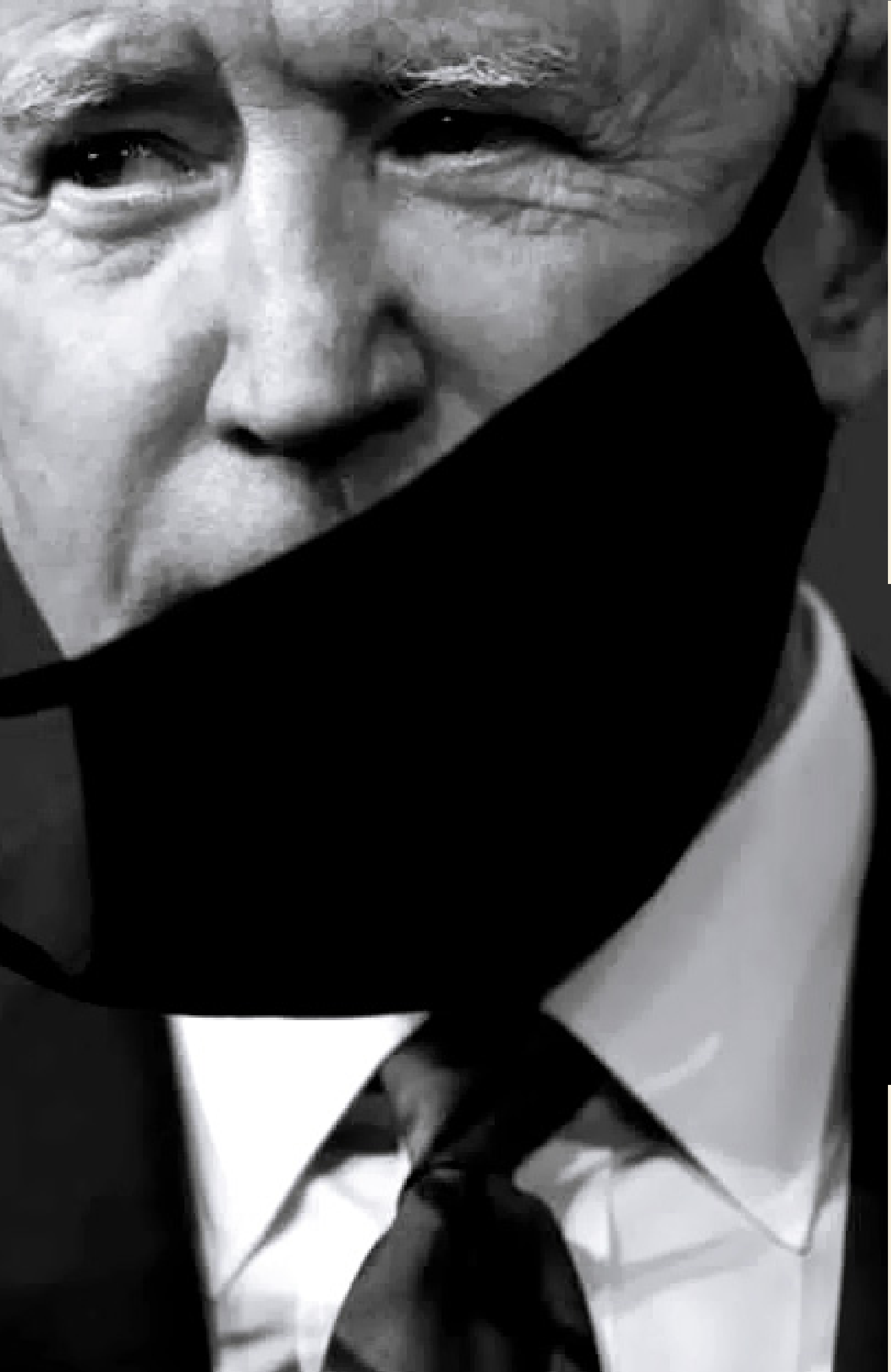
Regional and international powers have taken practical steps to address Lebanon's crisis, whether in relation to the Lebanese Parliament and political parties or in respect of Hezbollah's agenda and its impact on the region.

The number of countries that designate the Lebanese Hezbollah's military and political wings as a terrorist organization are increasing.

Scenarios for Iran-Lebanon Relations in 2022

- The year 2021 witnessed Hezbollah's continued obstruction of political and economic solutions in Lebanon, and even exacerbated the fragile situation.
- The next elections will determine the balance of power between the political parties, thereby electing a new president of the government by the end 2022.
- Until then, Hezbollah will not be a bystander. However, it will work to reorganize its internal situation and alliances. If some internal rifts emerge, it will not collapse completely.
- It is likely that 2022 will witness a scenario similar to the course of the previous year, i.e. stagnation. There will be neither a permanent rise amid the increasing pressures on Hezbollah, the growing popular discontent against it, the international pressure on holding the Lebanese elections and the warnings of the party's role in disrupting them, nor a permanent decline due to the Iranian need to preserve its influence and strategic gains. Therefore, it is likely that the Iranian role in Lebanon will move toward this direction, and Hezbollah will eventually forge settlements by de-escalating tensions at home and abroad.
- A number of interrelated factors will significantly affect the Iranian position in Syria, compelling Iran to decide whether to withdraw or keep its forces in Syria, perhaps the most important of which are: the outcomes of the Vienna talks between Iran and international powers, and the Russian-American-Israeli consensus to increase pressure on the Iranian presence in Syria.

INTERNATIONAL AFFAIRS



Iran and the United States

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

Active Diplomacy and Mutual Leverage Between the United States and Iran

01 Iran began to reduce its obligations under the Additional Protocol which grants the International Atomic Energy Agency (IAEA) wider powers in regard to monitoring nuclear sites.

02 The United States embraced the approach of understanding and diplomacy with Iran instead of hostility and confrontation. This was in the context of a new strategy to address Iran, which was in line with the United States "reconsidering its priorities in the Middle East."

03 Despite Washington's keenness on pursuing a diplomatic path, it warned against the measures taken by Iran in regard to its nuclear program, as well as its procrastination and lack of seriousness. Washington threatened that it would withdraw from the negotiations and it would not continue talks indefinitely while Iran is gaining more time and ramping up its nuclear measures. The United States also reiterated its commitment to preventing Iran from possessing a nuclear weapon.

04 In light of the fact that Iran had been partly relieved of the possibility of facing a military attack by US administration, Iran sent a message to the Biden administration that it has the capacity to endure sanctions

for a long time, and that the clock is ticking against Washington, as any delay in reaching a settlement would grant it an opportunity to achieve a nuclear breakthrough.

05 The new Iranian government held several deliberations regarding enhancing Iran's economic relations and trade cooperation agreements, while working to find practical alternatives for financial exchange. Iran discussed with a number of countries a roadmap for economic cooperation and outlined a strategy to repay its debts, including a barter agreement to exchange oil for goods

Mutual Escalation and Pressure Without Direct Confrontation at the Regional Level

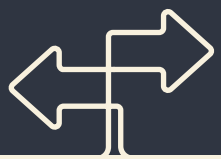
The United States conducted military strikes against the positions of Iran-affiliated militias in response to Iranian rocket attacks targeting US forces' outposts in Iraq and Syria.

Iran wielded indirect political and military pressure over the United States in Iraq, whether through launching attacks or presenting demands via the entities affiliated with it, such as the expulsion of US forces from Iraq.

The United States also prevented Iran from providing military assistance to the Houthis in Yemen.

The Arabian Gulf saw mutual escalations between the US Navy and IRGC forces. The confrontations extended to the Gulf of Oman.

At Raisi's inauguration ceremony, Iran received leaders of the "Palestinian resistance" forces in Gaza. They met with senior Iranian officials, where the latter reiterated Iran's support within the context of its axis of resistance alliance in spite of speaking of its readiness to open dialogue with neighboring countries.



Moving on Opposing Trajectories at the International Level

01 The Biden administration considered rearranging its alliances in the face of Iran, whether with European parties or regional powers. This was considered in order to place Washington in a better position in regard to the Iranian file.

02 The United States under the Biden administration and in light of Iran's nuclear breaches was clearly able to win support from the European parties — unlike under the Trump administration. In addition, the United States exercised pressure on some countries like South Korea and Japan to deprive Iran of its financial assets and the revenues of its oil sales.

03 In the face of the transatlantic rapprochement, Iran's interest in boosting and enhancing ties with the non-Western world increased — as part of a vision which is based on the notion that the world is not limited to the West. Thus, the Iranian government ushered in a policy of "turning eastwards," including boosting its ties with China and Russia. The two countries provide an effective diplomatic and political cover in the Vienna talks

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

01 Despite the mutual distrust, the two sides are clinging to diplomacy as a framework to revive the nuclear deal.

02 For Iran, reviving the nuclear deal is crucial to achieving stability and avoiding crises. Therefore, though the nuclear talks were a source of great contention between the "reformists" and "hardliners," Raisi's approach has not been very different from Rouhani's. The policies being pursued by Raisi already started under Rouhani, especially in relation to accepting the principle of diplomacy as a means to resurrect the nuclear deal, considering it the best option to address the mounting crises at home and tackling Iran's crisis-ridden foreign policy.

03 Raisi is attempting to test the ability of his government to deal with challenges and forge a network of foreign relations with neighboring countries to circumvent US sanctions and avoid proceeding to the negotiating table empty-handed.

Iran and Europe

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

The Outcome of Tensions Over the Nuclear Deal

01

Since the beginning of the negotiations to return to the nuclear deal, the Europeans showed a keenness to include the files they considered to be a priority in the nuclear talks. These files included the Iranian ballistic missile program and Tehran's regional behavior.

02

Iran, in return, undertook measures that violated the terms of the nuclear deal, such as ratcheting up uranium enrichment to 60 percent purity levels, in addition to suspending the voluntary implementation of the Additional Protocol, i.e., ending all inspections by the UN watchdog of Iran's nuclear facilities.

03

Successive skirmishes occurred between the IAEA supported by Europe and Iran, in particular when both parties concluded the three-month agreement it signed with the agency to allow some oversight of its nuclear activities.

04

In the Iranian nuclear file, the two sides are steered by different motives toward the nuclear talks. Eight rounds of nuclear talks were held, which have not yet yielded a breakthrough.

The European Approaches Toward Iran

- EU foreign dealings with Iran depend on a carrot and stick approach. It provided health aid and cooperated with Iran in fighting the coronavirus pandemic.
- The trial of the Iranian diplomat Asadollah Asadi in Belgium was an unprecedented development as it represented the first trial of an Iranian government official in the European Union regarding terrorism-related offenses since the 1979 revolution.
- The trial of Hamid Nouri, a former judge in the Iranian judiciary, who was arrested on charges of participating in the executions of political prisoners in 1988. The trial is significant because it is the first trial against an Iranian official on charges of "crimes against humanity."
- It turns out that the European approach in dealing with Iran rests on two pillars: diplomatic efforts to return to the nuclear negotiations and the exertion of pressure whenever needed, especially in fields related to human rights abuses and terrorism.

Iran's Positions and Aspirations Regarding Its Relationship With Europe

- Iran's stance varies between accusing the Europeans of being subordinate to their allies: NATO and the United States and keeping the channels of communication open with them.
- Iran has criticized the trials taking place in Europe against Iranian diplomats or former officials of the Iranian government. Significantly, its embassy in Brussels protested against the trial of Asadollah Asadi under the pretext that the Belgian judiciary violated the international law of diplomatic immunity and the 1961 Vienna Convention.
- Iran keeps pointing to its "Look to the East" policy to show its indifference to the West, although this policy may not be achieved under US sanctions.

Iran exploited the Afghan refugee crisis to pressure its European counterparts and gain more negotiating privileges in light of the international concern about the situation in Afghanistan since the US withdrawal and the Taliban's control over Kabul.

In a nutshell, Iran's tough stance is evident in the official reactions expressed in media outlets and in its diplomacy.

Conclusion: A Conditioned Partial Breakthrough Linked to the Revival of the Nuclear Deal

- Europe is likely to reap economic benefits from Tehran once US sanctions are lifted gradually. Iran, however, does not seem keen to allow the Europeans to reap their desired economic goals.
- Iran's top demand is that the United States should provide guarantees that it will not again withdraw from the nuclear deal and lift the sanctions imposed on it.
- Europe and America seek to reach a satisfactory settlement within a few weeks and as quickly as possible.

Iran and China

In 2021, China-Iran relations were impacted by several political changes in terms of cooperation and collaboration, namely the US withdrawal from Afghanistan, the economic challenge, the repercussions of coronavirus. It seems that bilateral relations took an upward trend, and the continuation of this trajectory ultimately depends on the assessment each country makes toward the other in terms of respective impacts on regional and international affairs.

China's Support for Iran in the Nuclear Deal

01
Chinese Direct Support

In 2021, talks were held between Iranian and Chinese officials on the nuclear deal.

China condones Iran's ongoing enrichment of uranium at high purity levels and the increase in the number of centrifuges.

China is concerned about the impact of Tehran restricting the IAEA monitoring of its nuclear sites and as an exporter of materials to Iran, contributing to its development of a nuclear bomb.

02
China Within the "Consensus Front" on the Nuclear Deal

Iran, China and Russia announced that they had reached a "broad consensus" on the nuclear deal.

China's permanent mission to the United Nations and other international organizations stressed on the need to settle the Iranian nuclear issue.

Steps to Deepen Cooperation Between Iran and China

01 The Multifaceted Agreement

Iran and China signed a 25-year Strategic Cooperation Agreement.

It can provide Iran with an opportunity to establish a form of political balance in the face of US pressure.

02 Joining the Economic Power Bloc: The Shanghai Cooperation Organization

Iran joined the Shanghai Cooperation Organization along with China, India, and Russia. China and Russia have the right of veto.

Iran may seize the opportunity to generate more influence by increasing its dependence on the East. However, this accession will not enable Iran to violate US sanctions

03 China's Expansion Through "Health Diplomacy"

Iran acknowledged China's help when it provided vaccines to fight the coronavirus pandemic.

International powers have described China's provision of vaccines to Iran as "vaccine diplomacy."

China's Position on US Moves Towards Tehran

01 Oil Strategy

China allocated nearly 400$ billion in investments to develop Iran's oil sector.

Iran announced the launch of the Jask port on the Sea of Oman, the expanding Chabahar Airport which will help China access Central Asia and Europe under the Belt and Road Initiative.

02

Implications of US Sanctions on Iran

The United States imposed sanctions on Iranian institutions and entities, and Iran's drone program. This, therefore, will limit the development of China- Iran commercial and military relations.

China criticized US sanctions on Iran, especially on those sectors in which it had an involvement.

Intersections of Iran-China Relations in the Middle East

01

The implications of China-Saudi Arabia relations for Iran

Iran started to indicate that its relations with China were impacted by the latter's relations with Saudi Arabia.

The rate of Iranian oil sales to China decreased in comparison with a significant growth in the volume of Saudi oil sales to Beijing

02

The Chinese Corridor to Afghanistan

Through the China-Pakistan Economic Corridor – which is related to the Strategic Cooperation Agreement and forms part of the One Belt One Road Initiative, Beijing hopes to expand its geopolitical and economic clout in the region.

Beijing is concerned that the Taliban threat will extend to Pakistan and Central Asia, a region in which China has invested heavily and seeks to build alliances. Therefore, China's project will be hindered and its influence could be limited.

03

The Imminent Threat to China-Israel Relations

Given Israel's broad economic ties with China, it is still unclear whether Tel Aviv will raise China's relations with Iran or not, especially with regard to Beijing-Tehran relations.

Israel is working to make its dialogue with the United States consistent with the latter's new foreign policy priorities.

The Prospects for Iran-China Relations

There are expectations that there will be joint work between Iran and China in the nuclear industry.

Iran's gains from joining the Shanghai Cooperation Organization will be limited due to the threats of US sanctions facing member countries and due to the fact that Moscow and Beijing pursue their own geopolitical interests.

If the 2015 nuclear deal is revived, it will enable Tehran to resume selling its oil publicly. As a result, Tehran will no longer need China.

Managing Iran-China relations will be very difficult given China's cooperation with Saudi Arabia, Afghanistan and Israel.

China's strategy of putting economic, technological and military resources at Tehran's disposal and facilitating the latter's emergence as a regional power will be for providing China a foothold in the Middle East. However, this is conditioned by certain factors and considerations.

Iran and Russia

The US withdrawal from the region and the domestic developments taking place in Syria and Afghanistan were major focus areas for Iran-Russia cooperation. However, their interactions in the Caucasus remained tense in 2021.

Iran-Russia Political Relations

01

Convergences Regarding Regional Political and Security Developments

Russia supported Iran's full membership to the SCO.

Russia continued its support for Tehran in regard to its nuclear program and backed its demands for US sanctions to be lifted.

In light of the changing regional balance of power equation after the US pullback, Russia and Iran intend to deepen their strategic ties. Both Russia and Iran intend to sign a strategic partnership agreement.

Both countries have similar concerns and share skepticism about the Taliban. They also have called for an inclusive Afghan government and intend to safeguard their influence in Afghanistan.

Russia and Iran also closely followed the developments taking place in Syria and both countries continue to dominate the geopolitical landscape in the country. The Assad regime is particularly dependent on the airpower support provided by Moscow and the IRGC's extensive military support in southern and eastern Syria. Iran-Russia cooperation in Syria is likely to continue in 2022.

02

Russia-Iran Divergences and Their Implications

Russia played an active role to defuse tensions between Armenia and Azerbaijan. Russia has been trying to balance its relations between Turkey, Azerbaijan, Iran, and Armenia. This, however, intersects with Iranian interests.

Both countries have been vying for more economic contracts in various fields such as mining, oil, and construction. Russian companies have managed to secure more economic contracts than their Iranian counterparts.

Iran-Russia Economic Relations

01 ### Iran-Russia Long-Term Deal RegardinAComprehensive Cooperation

Iran and Russia focused on renewing the long-term comprehensive cooperation agreement that was signed 20 years ago between the two countries.

The Head of Iran's Trade Promotion Organization Alireza Peyman Pak stressed the need to establish export consortia between Iran and Russia to boost bilateral trade.

02 ### Mutually Beneficial Partnerships

Tehran reviewed the prospect of creating a green customs corridor with Russia.

The active cooperation between Tehran and Moscow as per Russian authorities will help in circumventing US sanctions and delivering vital goods to Iran.

Iran and Russia also finalized cooperation agreements in the civil aviation sphere.

03 Iran-Russia Energy Cooperation and Its Future Prospects

Iran and Russia took several steps to expand energy cooperation and partnerships in 2021.

Russian and Chinese companies quickly carved out a huge share in the Iranian Chalous gas field. Some Russian officials believe that this is the final move for Moscow to secure wider control over the European energy market.

Amid the worsening electricity crisis in the country, Iran is seeking joint power projects with partners like Russia as it lacks the finances to fund such projects on its own.

Iran-Russia Military Relations

01 Iran-Russia Defense Cooperation

Iran is likely to buy some new Russian weapons in the coming years. Iran has for a long time depended on Russia for weapons and ammunition which it has been unable to produce domestically.

Several reports indicated that Russia would supply Iran with Kanopus-V, an advanced spy satellite that would boost Iran's ability to monitor and track potential military targets.

Some experts also expressed concern that Iran might share the satellite's imagery with its affiliated militias in the Middle East

02

Russia-Iran Joint Naval Exercise

- Iran and Russia embarked on a joint naval exercise dubbed "Iran-Russia Maritime Security Belt 2021" in the Indian Ocean Region (IOR).
- The joint naval exercise comprised various tactical drills, target practice, and rescue operations.

Strategic Cooperation in Tandem With Competition

- Iran-Russia relations in 2021 indicate that both countries will continue to enhance bilateral relations in 2022. Iran could face some competition in certain areas like energy in the coming years, especially as Tehran is keen to export to European markets. However, Iran would not be able to transport gas to Europe as the available options for Tehran would be highly expensive.
- The economic sanctions and the plummeting value of the Iranian national currency severely impacted Iran's ability to expand its military resources and procure new weapons. Iran in the coming years is likely to turn to Russia or China to sign arms deals and increase defense cooperation.
- While Russia has strategic considerations behind its quest to deepen its ties with Iran, Moscow has responded cautiously to the larger global and regional geopolitical changes and is likely to diversify its partnership with the GCC member countries and balance its relations between Iran and Israel. In 2021, Russia increased its defense cooperation with other regional powers like Saudi Arabia and the UAE and is likely to continue this trend in 2022.
- Iran and Russia will engage bilaterally to finalize the clauses of the strategic partnership agreement and diversify cooperation in 2022. Russia will continue to provide diplomatic support to Iran so that Tehran gains some sanctions relief and the Iranian nuclear deal is revived.
- Both countries are likely to make further moves to entrench their spheres of influence in Syria and the South Caucasus in 202

Iran and Turkey

Turkey and Iran have been averting disputes and forging common interests and putting focus on these because the two countries are ideologically deeply divergent and their political ideals reflect completely opposing poles.

Rivalry Leading to Clashes in the Iraqi Arena

The Sinjar Mountains are of critical strategic significance, particularly for the supply of arms and the smooth transit of Iranian militias. Turkish intervention is a blatant challenge/threat to Iranian interests.

To counter Turkey's operations, Iran pushed its Shiite militias in Iraq to embrace confrontational approaches against Turkey. Therefore, the Iraqi arena remains a conflict zone for Turkey and Iran due to the Turkish government's efforts to eradicate the KPP from the region.

Shiite militias in Iraq were deployed in the areas surrounding the Sinjar District after they partook in the battles of liberation. Therefore, Iran condemned Turkey's Operation Claw-Eagle 2. Mutual accusations were exchanged in the media between the Turkish and Iranian ambassadors to Iraq over undermining Iraq's sovereignty.

The conflict stems from the opposing strategic visions of the two countries. The Turkish vision denounces the presence of the Kurdistan Workers' Party (PKK) in northern Iraq. It has been trying for decades to uproot the party's fighters which have continuously found refuge in the rugged terrain of northern Kurdistan.

The Afghan Issue and the Dilemma of Refugee Flows

01

The urgent Afghan situation represented a battlefield and a meeting point for Iranian and Turkish interests after the US withdrawal from Afghanistan and the Taliban's control over Kabul, the capital.

02

The refugee problem is an untimely political obsession, given that the social conditions in both countries are complex due to the outbreak of the coronavirus pandemic and the deterioration of their economies.

03

The two neighbors are endeavoring to turn the regional problems caused by the Afghan issue into political and diplomatic gains internationally. They are using the Afghan refugee issue against Western powers in order to extract advantages, whether now or in the future.

04

Both parties are hedging against the political vacuum that will be left after the US disengagement from the region, so they are racing to extend their political influence and ensure good relations with the countries that impact Afghanistan's political decision-making.

The Exacerbation of Tensions Over Azerbaijan

The significance of Azerbaijan is rising gradually, especially after the victories accomplished against Armenia and its restoration of vast territories in the Nagorno-Karabakh region with the help of its Turkish ally.

Tensions in the Azerbaijani arena increased when the IRGC carried out a military maneuver on the outskirts of the Azerbaijani border. The IRGC justified the maneuver because of Azerbaijan's complicity with Israel and the presence of the latter's forces in Azerbaijan, which is a threat to Iranian national security.

The spark that ignited Iranian anger was the imposition of customs duties on Iranian trucks heading to Armenia through the newly recovered lands by Azerbaijan.

Iran fears the growing Turkish and Pakistani roles in Azerbaijan, as the three countries carried out joint military maneuvers in the Caspian Sea before Iran's maneuver, dubbed as the "Three Brothers."

The achievements and prosperity of the Azerbaijani state make it a model that has attracted the attention of Iranian Azeris. Therefore, this poses a threat to Iranian national security.

Turkey's presence in Azerbaijan is growing, achieving for itself multiple political and economic gains, particularly access to the Caspian Sea, investment opportunities, and its emergence as a major transit point for Azerbaijani natural gas and oil.

The Iranian-Turkish Future Relationship

- The two sides cooperated in the fields of border security and counter-terrorism.
- Regionally , the two sides are engaged in a frantic competition in Iraq, Azerbaijan, Syria, and Afghanistan.
- Internationally, both countries are impacted by international developments, most notably the approach of the new US administration.
- Iran-Turkey relations are likely to take a middle path, oscillating between direct confrontation and complete harmony, with significant fluctuations that may impact the stable relations and rapprochement witnessed between them over the past four years.
- There will be ebbs and flows in the Syrian crisis, at fluctuating between tension and calm, particularly with the military re-engagement of the United States in Syria.
- The two sides will be keen to reap the fruits of economic relations and trade if US sanctions against Iran are lifted. They will also try to ease their disputes as much as they can and enhance their mutual cooperation in the security and border fields.

Iran and Afghanistan

In 2021, Afghanistan witnessed important developments after the Taliban took over the reins of power in Afghanistan. These were reflected in Iranian-Afghan relations, with both sides seeking calm and containment.

The Course of Iran-Afghan Relations

01
Pre-Consultative Meetings Between the Taliban and Iran (Before the US Withdrawal)

- Iranian official invitations were sent to Taliban.
- Holding discussions and coordination meetings with Iranian officials.

02
The Scene Changed After the US Withdrawal

Iran's positive political discourse towards the Taliban.	Fading of Extremist Ideology between Iran and the Taliban.	Pursuing the Policy of Containment and Appeasement

Iranian Opportunities and Challenges After the Return of the Taliban

01 Opportunities

The reduction of Iranian fears and threats posed by the American presence in Afghanistan.

Promoting the US withdrawal as a political victory of its anti-Washington policy.

Taking advantage of historical, and geographical similarities for executing its various agendas.

02 Challenges

- The international and regional rivalries are a challenge to Iran in Afghanistan
- Iran is concerned about the possible expansion of ISIS activity after the US withdrawal from Afghanistan.
- The issue of Afghan refugees has security and economic repercussions in Iran; statistics estimated that their number was around 3 million. The flow of refugees across the border increased after the Taliban took power in Afghanistan.

Mutual Suspicions and Iran's Desire to Reposition and Build Influence

- Tehran will harness its multiple tools depending on certain ethnic and religious segments.
- Iran will harness its soft power internally to achieve positive results, especially through its relief institutions inside Afghanistan.
- The refugee crisis is an opportunity for Iran as it will use them to form militias inside Afghanistan similar to the Fatemiyoun Brigade.
- Iran may exacerbate instability within Afghanistan by targeting the Afghans which can be a pretext for Iran to establish multiple resistance forces in Afghanistan to defend Shiites.

Iran and Pakistan

Pakistan, a nuclear-armed Sunni majority country which has traditionally aligned itself with the Gulf states, remained of significance in 2021. Tehran is close to improving its economic ties with Islamabad. The Taliban takeover of Afghanistan further compelled Iran to increase diplomatic interactions with Pakistan as both seriously mistrust one another and have conflicting interests regarding their shared war-torn neighbor.

Trade, Barter, and Smuggling

01 Both countries signed a barter trade agreement during the meeting of the Joint Economic Committee in Tehran.

02 Pakistan and Iran aspire to increase the volume of barter trade by 2023.

03 Another pressing issue for Iran's economic plan is the completion and operationalization of the Iran-Pakistan gas pipeline, which according to the 2019 bilateral agreement must be activated by 2024. Islamabad still differs over Tehran's stipulated high gas tariffs.

04 Almost the entire province of Balochistan and the populous parts of Sindh, particularly the southern areas, showed increasing dependence on smuggled goods from Iran, including petroleum products, dairy items, and cooking oil.

05 Via the black market, Iran manages to funnel in hefty sums of US dollars, banned technological equipment and ensures the free movement of mercenaries, many of whom were dispatched to Syria.

Chequered Strategic Relations

The exchange of high-level military visits between the two countries, and the agreement to carry out joint exercises.

Despite the positivity of military diplomacy, Iran expressed outrage at Pakistan's alleged role in the Taliban taking over Kabul and the Panjshir Valley.

Afghanistan remains a potential flashpoint for Iran in its relations with Pakistan.

Shiite Pressure Groups

Iran takes advantage of Pakistan's open social media space. Iran has started to disseminate its narrative more forcefully. Tehran can mobilize its online assets to convey certain messages via trending hashtags.

Then the topic, the online campaign is led by the Imamia Students Organization (ISO), which is a Pakistani Shiite student organization funded and steered by the respective offices of Khana-e-Farhang-e-Iran in Islamabad.

The Future of Iran-Pakistan Relations in 2022

Iran's relations with Pakistan in 2021 focused on their shared national interests but Tehran's real desire was to undercut Islamabad's ties with its Gulf allies.

Though the number of Zainabiyoun mercenaries in Syria has significantly reduced, their training and to-and-fro movements between Pakistan and India continue.

Iran's operations in the cyber sphere have emerged as an area of serious concern in Pakistan's strategic community. The government and most opposition parties do not seem to be alarmed about Iran's systematic grip over political, social, and strategic issues.

The fate of the Iranian nuclear deal and the volatile situation in Afghanistan are two key factors set to impact Pakistan-Iran relations in 2022.

Iran and Azerbaijan

Relations between Iran and Azerbaijan faced the highest degree of tensions. Three aspects emerged prominently in their bilateral relations: border tensions, ethno-sectarian concerns, and geo-economics. Though the two countries have no border dispute, tensions have remained awfully high since the fall of Nagorno-Karabakh.

Border Tensions

01 The IRGC launched "Fatehan Kheybar," its biggest military drill along its northern border on October 1, involving thousands of troops, squadrons of tanks and armed vehicles, formations of artillery and dozens of gunship and utility helicopters.

02 Besides the deployment of a variety of air defense systems and an assortment of drones, Iran's fighter jets flew sorties with aggressive and interception payloads.

03 Amid increasing tensions, the "IRGC will attack Azerbaijan with 4,000 missiles, which will completely destroy Baku," Mohammad Bagheri, the IRGC military commander and Iran's chief of staff of the armed forces, was quoted as saying.

04 Azerbaijan and Turkey carry out military drills dubbed as the "Indestructible Brotherhood-2021" exercise in the Nakhchivan region. Motorized infantry, special forces, air defense and airborne assets were used in the drills in the Azeri exclave sandwiched between Armenia and Iran.

05 Tehran has long felt threatened by the deep military ties between Baku and Tel Aviv.

06 Azerbaijan's most modern military equipment largely comes from Israel.

Ethnicity, Religion and Nationalism

Azeri-Turks totaling over 15 million of Iran's population represent the Iranian establishment's most recently discovered raw nerve.

The country's largest minority has persistently called for the Azeri-Turkish language to be taught in schools.

Before Azerbaijan or other rival powers start interfering with its Azeri population, Iran is working on other options. One of these options is the creation of militias like the Huseynyun, which is styled along the lines of the Fatemiyoun Brigade.

Iran's mainstay for soft power is the Shiite mosques in Azerbaijan as well as Azerbaijani pilgrims. Azerbaijan shut down a mosque and office operated by the supreme leader's representative in Baku there.

The Geo-Economic Chessboard

- The arrest of truck drivers caused a major diplomatic crisis between the neighbors, which soon became a pretext for military deployment, initiated by Iran to which Azerbaijan responded promptly.
- Iran seeks Azerbaijan's cooperation to realize the North-South corridor for connectivity to Europe while Baku seeks to become a reliable energy source for European states.
- Tehran's strategic alignment rests on Russia and China while Baku presses for closer collaboration with NATO, Turkey and Israel.

  If the nuclear deal is revived, Iran will spend more on military bases in the northwest while expanding ties with Armenia.
- The ethnic complexities, energy riches and the bitterness of the past can lead to a fresh standoff. The South Caucasus may be the next theater for the Israel-Iran clash in a post-sanctions scenario.

Reciprocal De-escalation

Though the dispute is yet far from settled, Azerbaijan and Armenia will embrace some form of normalcy and peaceful coexistence. This can lead to progress on the North-South transport corridor and towards a better working relationship between Iran and Azerbaijan. Tehran has recognized the fact that Tel Aviv-Baku relations are of a strategic, technological, and economic nature.

In light of the crushing sanctions and bitter feuds with other neighbors and Israel, Iran cannot afford to ignite a fresh front.

It is also less likely that Azerbaijan will be interested in fanning ethno-nationalistic fervor in Iran's northwestern regions.

Conclusion: The Way Forward

It seems like 2022 will be a year packed with changes due to the major transformations and shocks that occurred in 2021. These changes began to emerge at the beginning of 2022. At the international level, it is expected that the fierce competition between the United States and China over areas of influence will continue, especially in the Indo-Pacific region and the Middle East. This will affect the allies of both sides.

The Most Prominent Political Shifts in the International Arena in 2021

01 The announcement of the trilateral security pact known as AUKUS, involving the United States, Britain and Australia to counter Chinese influence in East Asia, which led to a rift in the Western alliance.

02 Transatlantic relations are no longer converging. The Europeans do not agree with the US policy of escalation against China.

03 Discussions will continue around the future of NATO and its tasks given the divergent threat perceptions among the organization's member countries.

04 Europe will continue to depend on NATO given the complexity of its relations with Russia and the emerging challenges from Ukraine, Belarus and the Balkans, and Moscow's potential threat to the eastern borders of some European countries.

05 The return of great power competition to the Middle East; Russia is determined to be a major player in this volatile region.

06 The Belt and Road Initiative will increase China's desire to strengthen its economic and trade relations and military sales with Middle Eastern countries, especially the countries in the Gulf. This worries Washington.

07 The international shifts and the US withdrawal will continue to reinforce the view of regional countries that Washington cannot be relied upon in terms of security. Therefore, the countries of the region will be forced to explore alternative options in an international system that is being reshaped in line with new international variables.

The Most Prominent Economic Shifts and Future Forecasts for 2022

01 In relation to the global economy, the ramifications of the coronavirus pandemic contributed to increasing economic challenges such as rising transportation and logistical costs. Prices have risen globally, economic growth has slowed down and national debts have increased.

02 The indicators of the global economy may witness a gradual improvement. This will be seen more quickly in some economies and industrial blocs such as China and the United States, and some oil and gas producing countries.

03 It is expected to witness rising demand for oil and gas as a result of the rebound in the global production cycle.

The Most Prominent Political Shifts in the Middle East

01 The declining impact of the so-called "Arab Spring" became apparent in most of the countries in the region.

02 It is likely that the region will witness a further decline in the clout of political Islamic and armed movements. Political Islamic movements have faced widespread public disillusionment because of the failure of their political and socioeconomic programs. In addition, they failed to adopt a moderate and inclusive religious discourse, thus weakening their popular appeal and grassroots support.

03 It is likely the Gulf states will adopt strategies that enhance opportunities and revenues in light of continued global demand for oil and natural gas in 2022 along with their moves to increase investments in alternative and renewable energy resources in order to diversify income revenues and evade sudden fluctuations.

The Most Prominent Shifts in Iran

01 The Domestic Level

- The only option left for the Iranian government to end the vicious cycle of economic deterioration and meet its promises to the people is to reach a deal with the major powers in relation to the nuclear file — despite the fact that the new government is completely led by the "hardliners."
- The social situation continues to decline as a result of the pressures and the ongoing economic decline, which will increase the gap between the rich and the poor and lead to a further rise in poverty rates and social risks such as divorce and drugs.
- At the military level, Iranian forces will continue to be on alert as a result of the emergence of a number of security challenges, especially on Iran's border with Azerbaijan.
- If the economic sanctions imposed on Iran continue, it is expected that Tehran will continue with its maritime movements to impede the global economy. It is expected that Iranian activities related to testing more missiles and space systems will increase given the international community's lack of concern, and its focus on the nuclear file.

02 Iran's Policy Toward the Arab States

- Iran's policies related to the Arab world are influenced by its desire not to give up its gains. The Iranian political system believes that if it gives up on its hard won gains in the region, it will lose domestic popular support over its failed projects and will be in a weaker position in the nuclear talks.
- It is expected that in 2022, Iran will continue the support for its militias in Iraq, Yemen, Syria and Lebanon to prove its abil-

ity to deter and influence, especially in light of its declining influence in a number of regional countries.

• Iran will also continue to enhance its military arsenal with ballistic missiles and drones and will maintain support for its militias, especially the Popular Mobilization Forces in Iraq and the Houthis in Yemen, to further advance its regional project.

• It is expected that Iranian activities related to testing more weapons and space systems will increase and destabilize maritime security in the Gulf and the Arabian Sea —given international community has failed to take action against Tehran despite its repeated violations of international rules and norms.

• The distrust between Iran and the Gulf states is expected to continue, hindering the resolution of outstanding issues, although both sides will act with prudence and caution. The dispute seems to be increasingly intractable, particularly given the lack of involvement of the Gulf states in the nuclear talks, and their concern about the prospects of reaching a new deal without appropriately addressing Iranian ambitions and threats.

03 Iran's International Relations

• The nuclear talks hosted in Vienna will be the most important of Iran's interactions with the major powers. Raisi's approach will not be different from former Iranian presidents (whether "reformists" or "conservatives") in dealing with the nuclear negotiations because there is no difference between the political currents of Iran's political system when it comes to the country's foreign policy.

• Despite the distrust between Washington and Tehran, the two countries believe in diplomacy as the best option to reach a solution regarding the Iranian nuclear program.

• Even if the two countries reach an understanding regarding the Iranian nuclear program, whether through signing a temporary or comprehensive agreement, they will not be able to

address other disputes such as Tehran's regional behavior, its ballistic missile program and the influence of "hardliners" over domestic decision-making who oppose US hegemony in the region. If the nuclear talks fail, Iran may face Israeli strikes with US approval, or perhaps a limited, coordinated military strike between Washington and Tel Aviv to limit or delay Tehran's capabilities to develop a nuclear bomb.

• Iran's relations with Europe, especially with France, Britain and Germany, received considerable attention from the Iranian leadership. It is expected that this attention will continue as the aforementioned European countries are the main channel of communication between Washington and Tehran, in light of the latter's refusal to negotiate directly with the US administration.

• The course of Iranian relations with Russia and China is expected to take on an upward trend, especially in light of Iran's economic crisis, no indicators of an imminent revival of the nuclear deal, and Tehran's need for Moscow and Beijing in the nuclear talks. Iran will continue to consolidate its foreign policy of "Look to the East" to place further pressure on Washington and the European countries. This policy was reflected in Iran's accession to the SCO as a full member, and the signing of the Sino-Iranian strategic cooperation agreement which has a duration of 25 years.

• With regard to Iran's relations with its eastern neighbor Afghanistan, the position of Iranian officials toward the Taliban indicates that Tehran intends to adopt a flexible approach in dealing with the new status quo following the US withdrawal from Afghanistan; the Taliban's takeover of the country. Iran aims to prevent the eruption of a new front of conflict with neighboring countries, similar to its crisis with Azerbaijan. It is also concerned about the return of terrorist groups to Afghanistan, which may constitute the biggest security threat to Iran. It is expected that Iran will seek in the long term to support Afghan forces and factions to assert their influence within Afghan territory.

Conclusion

In light of these major developments in the international environment and the escalating challenges that Iran imposes on the Arab world, countries in the region need to re-craft their policies and strategies to address the accelerating shifts of the international arena since their old approaches cannot tackle the latest developments.

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RASANAH
المعهد الدولي للدراسات الإيرانية
International Institute for Iranian Studies

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