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Iran: Building Bridges and Widening Gulfs

Iran's Response to Trump's Pressures

by Alex Vatanka

Since the May 2018 decision by the Trump administration to pull out of the 2015 nuclear deal with Iran and re-impose sanctions on the country, officials in Tehran have been busy coming up with a response. At this point, the Iranians are still hoping the Europeans will help find ways to save the nuclear agreement. In other words, to find mechanism that allow for creating two steady channels: First, banking services that can support Iranian-European trade. Second, to come up with a structured European commitment to buy Iranian crude oil. These are two demands that Tehran has repeated on numerous occasions since May.

While Iran's Supreme Leader Ayatollah Ali Khamenei publicly stated that he does not think Europe can deliver, and that the government of President Hassan Rouhani should not have high expectations, the reality is that the Iranians do hope that Europe will finally deliver. Tehran first gave Europe until 4 November to come up with a credible economic compensation package, or otherwise Iran will see no reason to stay in the nuclear agreement. The deadline has since been pushed to end of 2018.

In the US, anti-Iran voices and organizations are worried that President Donald Trump's policy of "maximum pressure" against the Islamic Republic is falling short of achieving its intended objective in the time span originally planned. These critics are worried that the Trump administration will soon accept two realities: First, that Iran cannot be entirely cut off from the international financial system. Second, that the Europeans, the Chinese and the Russians continue to threaten to find alternative ways to keep Iran connected to one form or another financial channel so trade with the country will remain possible.

There are those in the US that are now expressing reservations that too much effort against Iran could end up undermining US financial interests elsewhere. The Trump administration's willingness to issue waivers to nine countries—so they can continue buying Iranian oil—is also considered in Washington by anti-Iran entities as basically undermining the "maximum pressure" campaign against Iran.

MES Notes

AY19 MES Iran Panel

This issue of *Insights* carries essays by the speakers who participated in the 7 November 2018 panel "Iran: Building Bridges and Widening Gulfs" hosted by Middle East Studies at the Marine Corps University. The panel served as part of both the 2019 MES Lecture Series "Revisionist Powers, Rogue Regimes, and the International Order" and part of the Diplomacy and Statecraft instructional block for the Marine Corps War College.

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The Trump administration had for months promised that its sanction policy against Iran would be “maximum” pain. The promise was that Iran under no circumstances would be able to sell any oil until it comes back to the negotiations table. At the moment, it looks like Iran will be able to sell between 1 and 1.5 million barrels of oil per day until summer 2019. If the Iranians are creative in going around the US sanctions, or if they can incentivize buyers with more discounts, then Iran’s net oil loss due to sanctions will be less than a million barrels a day. We have to remember that the maximum Iranian capacity to export oil in the last few years has been about 2.5 million barrels even when it was not under oil sanctions.

Two things stand out from this compromise that Trump has made with the nine countries. One, even if these states gradually reduce their imports then there is still a long way to go before Iran reaches “zero” oil exports. China buys around 600,000 barrels of oil from Iran and India buys around 400,000 barrels a day. This means a combined 1 million barrels a day, which is what the Iranian parliament has said is what Iran needs to sell to survive economically while Trump remains in the White House.

The second factor to remember is that Iran will sell its oil but will not be able to receive the income in US dollars. Instead, it will either be paid in other currencies (such as Indian Rupee) or have the money sit in so-called “escrow accounts,” which means Iran will not have immediate access to its money. Iran can spend the money but only on a narrow range of humanitarian items. In other words, Iran will sell its oil and either receive the money at some point later on or receive goods and services in return. This puts Iran at a highly disadvantaged position and at the mercy of Iran’s trading partners. It is very damaging to Iran’s interests. And yet, the Trump administration has also failed so far to break Iran’s ideological resolve and can only hurt, but is unlikely to make Tehran capitulate in the foreseeable future.

Meanwhile, the political fight in Tehran over who is responsible for Iran’s numerous problems continues unabated. It is a struggle that very likely will shape the next elections for parliament (Majlis) scheduled for May 2020. Most of the fight is not about policy ideas. There is no sign of anyone in the Iranian political scene introducing any new and credible policy ideas. Instead, the fight is only about who is responsible for the state of the economy. It goes beyond that to issues such as corruption, mismanagement and the pursuit of wrong policy priorities. Much of this fight is happening via the voices of political proxies of Khamenei and Rouhani.

And yet, since May 2018 when the US abandoned the nuclear deal with Tehran, Rouhani has moved closer to Khamenei. Many of Rouhani’s supporters had hoped he would distance himself from the leader but the beleaguered president has so far opted to do the opposite. What is Rouhani seeking to achieve? Does he want Khamenei to protect him from the far right that has started an unprecedented public campaign against him?

That is a major part of the reason why Rouhani is moving toward Khamenei. But Rouhani is also doing this in such an explicit manner for another good reason. He wants to establish for the public mind a clearer line between himself and Khamenei versus the Islamic Revolution Guards Corps (IRGC). In fact, to seek cover from the attacks of the IRGC is the ultimate reason why Rouhani is so publicly and explicitly sticking to whatever Khamenei says and wants the presidency to do. This is not about Rouhani coordinating with Khamenei in the hope of together arriving at better public policy for the nation. This is a reflection of the cutthroat politics of the Islamic Republic and there is plenty of evidence that the IRGC have the knives out for the Rouhani government.

Meanwhile, as far as the Iranian general public is concerned, Rouhani’s latest political maneuverings indicate that he has run out of policy ideas and is only looking to survive the next two years in office. It is not an exaggeration to call Hassan Rouhani a lame duck president. His person and his office is at the moment in a process of retrenchment and are producing no new policy initiatives that might correspond to the deep political and economic anxieties felt in the country. Instead of challenging established policy practices—that have clearly proven to be insufficient—Rouhani is doubling down by reaffirming his ties to the old circle that has been his political home since he began his presidential career. One can say that the renewed US sanctions on Iran has started a moment of soul-searching among Iranian officials.

The focus is moved toward such economic shortcomings as corruption, mismanagement and general waste. From an American point of view, this turn of events is not ideal. Washington had hoped that the dramatic impact of the new wave of sanctions would force the Iranians to rethink some of their foreign policy or at least be forced to return to the negotiation table to strike a new deal with the US. This is not,

at least so far, where the Iranians are heading. Instead, they are doing their best to prepare their population for a period of extreme economic pain and disruptions in everyday life. As Rouhani and other top officials are openly warning, the next few years could be as unpleasant as during the period during the Iran-Iraq War. At this moment, the only solace that Iranian officials can provide to their people is that the Trump presidency will eventually end in either 2021 or in 2025.

Alex Vatanka is a Senior Fellow at the Middle East Institute in Washington, DC.

United States Withdrawal from the Iran Nuclear Deal and Transformation of the Islamic Republic from Theocracy into Military Dictatorship

by Ali Alfoneh

Ever since the revolution of 1979 and establishment of the Islamic Republic, political authority in Iran has rested on two pillars: Clerics and technocratic elites, who rule the Islamic Republic; and the Islamic Revolution Guards Corps (IRGC), which defends the regime against internal and external enemies. However, the IRGC is increasingly both ruling and defending the regime, which increasingly resembles a military dictatorship with a civilian façade. The United States withdrawal from the Joint Comprehensive Plan of Action (JCPOA) also known as the Iran nuclear deal, is accelerating transformation of the Islamic Republic from a theocracy into a military dictatorship.

President Hassan Rouhani, and his technocratic government constituted the main drivers of Iran's attempt to reach a negotiated solution to Iran's controversial nuclear program. Such a solution would not only help Rouhani deliver on his election promise of improving the economic lot of ordinary Iranians, but also served the purpose of solving the near permanent crisis in relations with the United States, which has helped the IRGC evade civilian control in Iran.

Under the extreme pressure of the international sanctions regime and facing the prospect of financial meltdown, Rouhani managed to persuade Supreme Leader Ayatollah Ali Khamenei to authorize nuclear negotiations. Rouhani also wisely forced Khamenei to publicly support the nuclear negotiations and endorse the JCPOA once it was reached.

As the main driver behind Iran's nuclear program, the IRGC would have benefitted most as the custodian of an Iranian nuclear bomb. In recognition of Iran's acute economic problems, the IRGC did not actively oppose the nuclear negotiations or the outcome, but it conditioned its acquiescence on benefitting financially from removal of the international sanctions regime and opening of Iran's economy to Foreign Direct Investments. Additionally, the IRGC never publicly endorsed the JCPOA.

The United States withdrawal from the nuclear deal impacted all three actors. Rouhani and the clerical/technocratic elites of Iran lost all credibility, and Khamenei, for the first time in his entire political career, admitted he was mistaken to authorize the nuclear negotiations. The IRGC on the other hand, which never publicly endorsed the Iran nuclear deal, now accuses the clerics and technocrats for having given up on Iran's nuclear gains in return for nothing.

Thus, the United States withdrawal from the Iran nuclear deal is accelerating an already existing trend in Iranian polity—i.e. Transformation of the Islamic Republic from a theocracy into a military dictatorship, which may reach its completion after the passing of Khamenei, provided that the regime does not collapse under the weight of sanctions and its own internal conflicts.

Ali Alfoneh is a Senior Fellow at the Arab Gulf States Institute in Washington.

Messages, Missiles, and Mistakes

by Amin Tarzi

The ever-changing sound level meter in the war of words between the United States and the Islamic Republic of Iran has been registering on high since the 2016 US presidential campaign season and the eventual victory of Donald Trump who, keeping his campaign promise, took the US out of the Iran nuclear

deal. However, more than one month after the full re-imposition of US sanctions and the accompanying economic pressures and labor strikes, the regime in Iran is not on the verge of collapse. Also, it has continued its proxy war in the region, albeit more tactfully and with restraint. The US, meanwhile, has acquiesced to loopholes in the sanction regime for a number of countries, allowing them to continue trading with Iran. Furthermore, Iran almost assuredly will sell oil to such countries as [China and Russia and even India and Turkey](#), with or without Washington's consent.

For Iran, the primary aim for the duration of the Trump administration is regime survival, despite the increasing economic hardships. To survive, the regime is escalating its trademark offensive defense—careful exertion and show (with exaggerated claims) of power to position—potentially through optics only—itself as a regional player and powerhouse beyond its economic and conventional military means. For Washington, the ultimate stated aim is to force a change in regime behavior through extreme economic and political pressure that would be tantamount to a regime change in all aspects but in name.

A long standing point of contention between the two parties is Iran's ballistic missile production and provocations. The US has long complained about the threat that Iran's ballistic missiles pose to regional countries and US interests not limited to military bases in the region. Tehran continuously maintains that its missile programs are defensive in nature and thus off limits for negotiations. One of the major criticisms of the 2015 nuclear deal was that it did not address the issue in any serious and punishable level. Indeed, months after the signing of the nuclear deal, Iran tested, with much exaggeration and bravado, new missiles—as in previous cases, some of the missiles showcased were not new variants, and the tests were mostly for their visual appeal and political and strategic messaging. One missile, Emad, was assessed by some observers to have had a better accuracy than Shehab-3, on which it is based. While full data and specifications of Iran's missiles are difficult to assess, the Emad was judged to have a range of over 1,000 kilometers and to be capable of carrying a nuclear warhead, making it a violation of the UN Security Council agreements on Iran's nuclear file. Iran was not scrutinized then, and it has continued to showcase new and newly painted missiles, often with messages against regional states scribbled on them for further information operational effect.

Ballistic missiles without strategic warheads are not known to be game-changers in battlefields. However, Iran's generous export of short-range missiles to its proxies in Lebanon and Yemen has provided Tehran with strategic assets and options. Also, its domestic missile production and displays are sending the message that the country has the ability not only to defend itself but also to inflict damage on its regional adversaries and on US military bases in the Gulf.

Early in December, the United States raised the [complaint](#) that Iran again had carried out missile tests in violation of the US Security Council resolution dealing with Iran's nuclear dossier. In response, the Islamic Revolution Guards Corps (IRGC) Aerospace Chief General Amir-Ali Hajizadeh confirmed the test, [stating](#) that Iran carries out forty to fifty such tests annually, and added that the US was under pressure and thus was objecting to these tests. Hajizadeh, ratcheted up the war of words with the US a few decibels up when he described no need for contractual nor technological restrictions on missile ranges. He [explained](#), because "enemy bases are in a distance of 300 to 400km away from Iran while another group of such enemy targets are distanced 700-800km from the country", there was no need to have longer range missiles.

Hajizadeh's attempt to maintain Iran's strategic missile options while keeping their range under the 1,000 km threshold is not a new game. With the US and Iran sharing battlespace in Syria and Iraq, however, the opportunity for miscalculations and misunderstandings on the ground and within the region could escalate the war beyond words.

Dr. Amin Tarzi is the Director of Middle East Studies at the Marine Corps University.

Middle East Studies at Marine Corps University

Dr. Amin Tarzi • Director, MES • amin.tarzi@usmcu.edu

Mr. Adam C. Seitz • Senior Research Associate, MES • adam.seitz@usmcu.edu