

V. Iran's dynamics with other states in the Middle East

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Introduction: Iran and the nuclear deal

In many ways, 2015 was a momentous year for Iran. The crowning event was the 14 July 2015 signing of the Joint Comprehensive Plan of Action (JCPOA), which regulates Iran's nuclear programme, in exchange for the lifting of sanctions.¹ The plan was signed between Iran, the P5+1 (the five permanent members of the United Nations Security Council—China, France, Russia, the United Kingdom and the United States—plus Germany) and the European Union.²

The JCPOA was one of several Iran-related political developments that came to fruition in 2015. The most important political issue in this regard was the intra-elite rift that came into full view in the aftermath of the 2009 presidential elections; the re-election of President Mahmoud Ahmadinejad was controversial and led to violent protests that were forcibly put down. While the events of 2009 have not been fully resolved, some aspects became moot in the light of the June 2013 election of President Hassan Rouhani, a centrist. The reformist-oriented alliance that ran two presidential candidates in 2009, both of whom remain under house arrest, backed Rouhani in 2013 and helped bring him to victory. This alliance was made possible because a central aspect of Rouhani's electoral platform was precisely to heal the rift between society and state, and between Iran and the major international actors that had increasingly sought to isolate Iran over its nuclear programme.

Prior to his election, President Rouhani promised to end the sanctions stifling Iran's economy and de-securitize domestic politics. His most important achievement thus far is the signing of the JCPOA, which strictly regulates Iran's nuclear programme in return for the progressive lifting of international sanctions. The JCPOA was a great victory in domestic political terms for Rouhani. This section discusses domestic dynamics in the light of the JCPOA and the lifting of sanctions, and maps out the regional situation. The regional dynamics centre on Iran's relationships with its neighbours, as contextualized by the Syrian conflict, Saudi Arabia and the Islamic State (IS).

¹ The text of the Joint Comprehensive Plan of Action (JCPOA) is on the website of the US Department of State, <<http://www.state.gov/e/eb/tfs/spi/iran/jcpoa/>>. On Iran's nuclear deal see chapter 17, section I, in this volume; on the sanctions regime applied against Iran see chapter 3 in this volume.

² The 6 parties of the P5+1 are also known as the E3+3: France, Germany and the UK plus China, Russia and the USA.

From an international perspective, a key aspect of the JCPOA is that it caps Iran's nuclear enrichment and use of nuclear technology. However, from a domestic perspective, the far more important part of the bargain is the lifting of the sanctions put in place against the country. This will be done in several stages, the most significant being the lifting of United Nations and European Union (EU) sanctions, which among other things effectively shut Iran out of the international banking system. These sanctions were lifted in January 2016.

It is important to remember, however, that Iran has been under some form of sanctions ever since the US hostage crisis in 1979–81. The US rationale for sanctions has grown over the years and has come to include concerns regarding human rights abuses, terrorism and Iran's missile development programme. While these sanctions have stymied Iran's ability to conduct business, to some degree they were primarily confined to US businesses and entities. Apart from the intended effect of isolating Iran economically and politically—the latter was not entirely a clear-cut success—they also had the effect of shutting the USA out of Iran.

The sanctions on Iran were escalated significantly after the nuclear crisis began in 2005. At this point not only the USA but also the UN and the EU implemented sanctions on Iran. The key issue was whether Iran had violated its obligations under its safeguards agreement with the International Atomic Energy Agency (IAEA) pursuant to the 1968 Non-Proliferation Treaty (NPT) and its obligations under various UN Security Council resolutions pertaining to its nuclear programme.³ The transfer of this issue to the Security Council in 2006 turned the matter into high politics and helped to increase the compliance of countries outside of the EU and the USA, because the new sanctions regime under UN Security Council Resolution 1737 carried the UN imprimatur. Direct US pressure to penalize entities trading with Iran was crucial in this regard.

The most severe sanctions on Iran were not the technical non-proliferation-related sanctions but the EU and US economic sanctions aimed at undermining Iran's economy. They were so effective because they involved the EU, which had become Iran's biggest trading partner in the early 2000s. As of July 2012 the EU stopped buying Iranian oil and severely crippled Iran's access to the international banking system by excluding it from the global

³ On the 2015 NPT Review Conference, see chapter 17, section II, in this volume. For a summary and other details of the NPT see SIPRI's database on 'Arms control and disarmament agreements' at <<http://www.sipri.org/databases>>.

SWIFT system.⁴ These two actions were a significant blow to an already hobbling economy, and they also put Iran in a difficult political position.⁵

While there were structural reasons for this head-to-head between the USA, the EU and Iran (e.g. incompatible perceptions and ‘red lines’ related to non-proliferation), the populist presidency of Mahmoud Ahmadinejad (2005–13) also contributed greatly to the breakdown in relations with the EU and the downward spiral of the Iranian economy. Primarily of interest here is the fact that Ahmadinejad turned the nuclear issue into a national identity issue and a major pillar of his highly confrontational foreign policy vis-à-vis the West. These two legacies remained long after Ahmadinejad’s political fortunes waned.

The fact that Iran has been under various sanctions for more than 35 years gave rise to a double process of sanctions fatigue and sanctions saturation. With fatigue, the effects of sanctions—the political signalling and the economic punishment—wear off over time.⁶ The sanctioned country manages to find other partners and avenues through which it can conduct business.⁷ With saturation, the sanctioning actors run out of targets that are meaningful to sanction. Although Iran’s economy and society were hurt by the sanctions, the country’s nuclear programme was not halted, and its insistence on its right to nuclear enrichment on Iranian soil did not diminish. The Administration of US President Barack Obama realized that the goal of making Iran cease all enrichment activity was unattainable and that a military attack would, at best, damage the programme but not destroy it. At the same time, despite the sanctions, Iran continued to build and bring into operation centrifuges, in essence as bargaining chips for future negotiations. It was in the context of these factors and of changes in the domestic political situation in Iran that the negotiations with the P5+1 intensified.

Thus, it was anticipated that Rouhani’s presidency would be characterized by an acute need to set a new course in terms of both domestic and foreign policy. That there was a systemic understanding that this was necessary is

⁴ The Society for Worldwide Interbank Financial Telecommunication is a legal entity registered in Belgium, <<https://www.swift.com>>.

⁵ Parsi, R., *Stereomorphonic: Iran and the West, Providing Top Quality Surround Sound For a Dialogue of the Deaf* (European Union Institute for Strategic Studies: Paris, June 2012); and Esfandiary, D., ‘Assessing the European Union’s sanctions policy: Iran as a case study’, EU Non-Proliferation Consortium, Non-Proliferation Paper no. 34, Dec. 2013.

⁶ Khajehpour, B., Marashi, R. and Parsi, T., ‘The trouble with sanctions’, *Cairo Review of Global Affairs*, no. 10 (Summer 2013). A different narrative emphasizing a more relative definition of sanctions efficiency is being pushed by some circles in the EU, Giumelli, F., ‘How EU sanctions work: a new narrative’, *Chaillot Paper* no. 129 (European Union Institute for Strategic Studies, EU ISS: Paris, May 2013); and Dreyer, I. and Luengo-Cabrera, J. (eds), *On Target? EU Sanctions as Security Policy Tools* (EU ISS: Paris, Sep. 2015).

⁷ Fayazmanesh, S., *The United States and Iran: Sanctions, Wars and the Policy of Dual Containment* (Routledge: Abingdon, 2008), especially chapters 3 and 5; and Habibi, N., ‘The Iranian economy in the shadow of sanctions’, eds P. Alizadeh and H. Hakimian, *Iran and the Global Economy: Petro Populism, Islam and Economic Sanctions* (Routledge: Abingdon, 2014).

clear from the fact that as early as the end of 2012 Ali Khamenei, the Supreme Leader of Iran, had allowed an unofficial channel of communication to be opened with the Obama Administration via Oman.⁸ This, together with the able foreign policy team of the new president, who took office in August 2013, made it possible to quickly resuscitate the dormant negotiations on the nuclear issue, resulting in the Joint Plan of Action in November 2013. This set in motion what came to full fruition in July 2015: the JCPOA, which specifies procedures for verifying Iran's adherence to its NPT obligations and stipulates the lifting of all nuclear-related sanctions implemented by the UN, the EU and the USA, in that order.

In addition to being operationally in charge of the nuclear programme, the Islamic Revolutionary Guards Corps (IRGC) is an important Iranian political and economic actor. Thus, its acquiescence was vital to the nuclear negotiations and concluding the agreement. IRGC support for the deal has at times been lukewarm, but it ultimately stood by the decision of the political elite to enter the agreement. IRGC complaints about the details came later and signalled a certain ambiguity with regard to its commitment to implementation. In late 2015 it became clear that the IRGC did not pose a serious threat to the negotiations on or the realization of the JCPOA.⁹

Resolving the nuclear issue was important in order to unshackle Iran's economy, which is the most domestically important issue on President Rouhani's desk. It is also the most sensitive, since reviving the economy involves painful reforms that will affect both the general population and the political elite. For the average Iranian citizen, economic problems include high unemployment, lack of economic growth and concerns related to the knock-on effects of the austerity measures introduced by the Rouhani Administration to reduce rampant inflation and balance the budget. The elite are being confronted with the opening up of the economy to outside competition and reform of the neglected and corrupt banking sector, which has acted as a front for large-scale money laundering. Iran's banking sector-related structural deficiencies and oversight gaps have facilitated embezzlement schemes and smuggling involving billions of dollars.¹⁰

Regional issues and Iranian foreign policy

Iran is often perceived as a revolutionary state poised to foment unrest and mischief in its neighbourhood. Although it has been a disruptive force in the

⁸ Rozen, L., 'Three days in March: new details on how US, Iran opened direct talks', *al-Monitor*, 8 Jan. 2014.

⁹ Fars News Agency, [Commander Jaafari: the children of the revolution defended the rights of the nation in the diplomatic battle], 7 Apr. 2015 (in Farsi).

¹⁰ IRNA, [20 billion dollars worth of commodities and currency in contraband], 11 Jan. 2015 (in Farsi).

past, this was only particularly true in the 1980s, during the 'hot phase' of the revolution. In many ways Iran has evolved in the past 20 years into a status quo power attempting to maintain relationships and its own role in the region. Iran's current clout in regional affairs stems from the lack of stability of its neighbours, not from some clever scheme for regional dominance. Like most states, Iran is usually more reactive than proactive, and thus its position at the moment is based on its ability to make the most of tactical advantages rather than the result of deep strategic thinking. The one strategic advantage that Iran has regardless of who is in power is its geopolitical weight and continuity, which lends it a certain stability as well as a kind of 'geopolitical inertia'. Some of Iran's most significant regional relationships, with Turkey, Syria, Iraq, Saudi Arabia, Yemen and Afghanistan, are discussed below.

Turkey

The relationship between Iran and Turkey is often described as one of both cooperation and rivalry. The stability of this relationship is evident from the Syrian crisis, where Iran and Turkey have strongly supported different sides but maintained cordial relations. There are historical reasons why the rivalry is kept in check, but also more recent pragmatic reasons why, political conflagrations notwithstanding, the bond has not been broken. In 2010, during the height of the crisis regarding Iran's nuclear programme, Turkey and Brazil attempted to broker a deal to resolve the crisis.¹¹ This, combined with mutually beneficial trade relations, cemented the already amicable if not close relationship. Iran needed to expand its non-EU energy sales and import of goods, while Turkey's expanding economy craved energy.¹² Trade between the two countries increased from \$10.6 billion in 2010 to \$13.7 billion in 2014. In 2011, 30 per cent of all Turkish energy imports came from Iran. Iran in turn imported a record \$6.5 billion in gold, which was a roundabout way for Iran to return earnings stuck abroad due to banking sanctions.¹³

The ongoing war in Syria has caused political friction between the two countries, and Turkey has to some degree aligned itself more with Saudi Arabia's position than Iran's regarding Yemen and other issues.¹⁴ Nonetheless, it is unlikely that this will damage their overall relationship, given that,

¹¹ Barrionuevo, A. and Arsu, S., 'Brazil and Turkey near nuclear deal with Iran', *New York Times*, 16 May 2010.

¹² For detailed background on the energy exchange see Shokri Kalesar, O., 'Energy factor in Iran-Turkey relations', *Energy & Environment*, vol. 26, no. 5 (Sep. 2015), pp. 777–88.

¹³ Baskan, B., 'Making sense of Turkey's foreign policy: clashing identities and interests', *Muslim World*, vol. 106, no. 1 (Jan. 2016), pp. 143–44; and Habibi, N., *Turkey and Iran: Growing Economic Relations Despite Western Sanctions*, Middle East Brief, no. 62 (Crown Centre for Middle East Studies: Waltham, MA, May 2012), p. 4.

¹⁴ Stein, A., 'Turkey's Yemen dilemma', *Foreign Affairs*, 7 Apr. 2015.

in addition to trade, they share many concerns on other matters, not least the Kurdish issue and the situation in Iraq.¹⁵

Syria

Iran's involvement on the ground in the Syrian war has been the subject of much debate and speculation. Estimates vary of the quantity of money and goods that Iran supplies to support the Syrian Government, but it clearly amounts to several billion US dollars annually.¹⁶ In addition to providing weapons and money, it has also become clear and is increasingly acknowledged that Iran is committing advisers and troops to the fight against the many adversaries of Syrian President Bashar al-Assad's regime. Lebanese Hezbollah has also joined the effort to safeguard the land route between Damascus and Lebanon, and push back Syrian rebels in various parts of the country.

Iran's support for Assad has several dimensions. First, Syria remains Iran's oldest ally. Despite their ups and downs, neither party has broken off the relationship throughout the past 30 years. Second, Syria provides Iran with a land route to Lebanon and, thus, Hezbollah, Iran's other major ally in the Arab world. Until the fall of Iraqi President Saddam Hussein in 2003, Syria and Hezbollah were the only actors that helped provide Iran with 'geo-strategic depth in the Arab World and deterrence vis-à-vis Israel'.¹⁷ Third, Assad's overthrow would be viewed in Iran as a stepping stone towards a new kind of encirclement of the country, this time under Saudi Wahhabi auspices rather than directed by the USA.¹⁸

Iran is more interested in the position of Syria in the greater geopolitical game than it is in the fate of Assad and his ruling clique. What Iran will not countenance is a Syrian state that is ideologically and politically hostile to Iran and is controlled by salafists or groups allied with Saudi Arabia. Such an arrangement would seriously undermine Iran's ability to supply Hezbollah with arms and materiel and in effect institutionalize the kind of jihadi insurrection that IS is currently exerting through its control of western Iraq/eastern Syria. In short, the Iranian Government would like to preserve the 'deep state' built by Hafez al-Assad, regardless of whether his son remains in

¹⁵ For a critical view of the stability of the relationship see Aras, B. and Yorulmazlar, E., 'Turkey and Iran after the Arab Spring: finding a middle ground', *Middle East Policy*, vol. 21, no. 4 (Winter 2014).

¹⁶ Blanford, N., 'Why Iran is standing by its weakened, and expensive, ally Syria', *Christian Science Monitor*, 27 Apr. 2015.

¹⁷ Marashi, R., 'Iran's not-so-radical endgame in Syria', *Cairo Review*, 13 Nov. 2015.

¹⁸ For an early assessment see Milani, M. M., *Iran's Transformation from Revolutionary to Status Quo Power in the Persian Gulf* (Woodrow Wilson Center: Washington, DC, 2004).

charge, since this would ensure the continued strategic alliance between the two countries.¹⁹

The number of IRGC members officially acknowledged as killed in Syria has increased, and so has the evidence that Iran is now recruiting and funnelling ‘volunteers’ from all over the region to this war, especially Afghan refugees residing illegally in Iran who are being strongly encouraged or even forced to fight in Syria.²⁰ The Syrian conflict has turned into a war of attrition on various fronts. The Syrian army and its auxiliary forces have been overstretched and in this situation Iran has, in essence, resorted to the same kind of tactics as it employed in the most critical junctures of its long and bloody war against Iraq under Saddam Hussein—fielding as many bodies as possible to slow down enemy operations and wear them down.

Much about the Syrian war raises the question of whether Syria will continue to exist as a contiguous state.²¹ The international system will continue to insist on the existence of the sovereign Syria Arab Republic, but whether this is more than a legal fig leaf masking an uncomfortable political reality on the ground remains to be seen. If no negotiated solution is found, the major warring parties are likely to reinforce their grip over the territories they control and govern those. Bashar al-Assad will then be the president of a nominal Syria, buttressed by Russian and Iranian support. For Iran, this is hardly an ideal solution but one preferable to relinquishing a significant ally in the Arab world that in turn allows Iranian money and arms to reach Hezbollah in Lebanon.

In Iran the domestic political consequences of engagement in Syria have shifted over the course of the conflict. In the beginning it was primarily viewed among the politically active parts of society as part of the Arab Spring and analogous to the aspirations of the Green Movement in the aftermath of Iran’s controversial presidential election in 2009. In this vein, it garnered sympathy among reformists, while the security establishment and hard line politicians offered full support to Assad.²² The Iranian security establishment and official rhetoric treat the Arab Spring selectively—like Saudi Arabia but with inverted preferences. In cases such as Egypt, where the toppling of Hosni Mubarak might have presaged improved relations, the Arab Spring was welcomed by Iran. In contrast when the ancien régime is an ally, as in Syria, the uprising is portrayed as a conspiracy fomented by

¹⁹ O’Neil, P. H., ‘The deep state: an emerging concept in comparative politics’ Social Science Research Network (Jan. 2015). Hafez al-Assad is Bashar al-Assad’s father and was the president of Syria from 1971 until his death in 2000.

²⁰ Human Rights Watch, ‘Iran sending thousands of Afghans to fight in Syria: refugees, migrants report deportation threats’, 29 Jan. 2016.

²¹ On the war in Syria, see chapter 4, section II, in this volume.

²² Kalame website, [Letter from more than 200 members of Iran’s medical association to Bashar al-Assad: The use of tanks and artillery against defenceless people is a disgrace for and a permanent stain on the reputation of powers that be], 25 Sep. 2011 (in Arabic).

outside agents. As the conflict worsened and the Syrian opposition became fragmented, and more radical and sectarian, the reformist section of the Iranian political elite and also public opinion swayed. The rise and behaviour of IS demonstrated the pitfalls and dangers of armed rebellion in a complex political environment.²³

Iraq

Since the US-led invasion of Iraq in 2003, Iran has slowly but quite steadily developed a close relationship with Iraq. This was seen as a strategic necessity in Iran for several reasons. First, Iraq is the only country to have invaded Iran since 1945, and the only neighbouring country with similar potential. In addition to these security-related reasons, like Iran, Iraq has a Shiite majority population that is now the dominant force in the state.

Iran saw the presence of US troops in Iraq as a security threat and, at times, encouraged its Shia militia allies to attack those troops, supplying them with training and weaponry.²⁴ Nonetheless, Iran did not want Iraq to collapse and become a source of instability on Iran's doorstep. In the end, Iran 'played the game' of Iraq more effectively than the USA and is now an influential force in Iraqi politics. However, this does not mean that Iraqi politics are controlled by Iran. Nor does it make the Iranian political and military establishment an astute judge of Iraqi affairs.²⁵

In particular, the spread of IS worries the Iranian political and military establishment and the public.²⁶ The capture of Mosul by IS, without any serious fighting, and then a year later the city of Ramadi, indicated that the group is capable and that Iraq is militarily and politically weak. This was a surprise for the Iraqi and Iranian governments and left both scrambling to avoid further territorial losses in Iraq. Iran started transferring arms to Kurdish groups in August 2014 and stepped up its support for Shia militias—increasing their capacity and coordination, and involving the IRGC directly.²⁷ In 2015 Iran initiated the creation of a new military organization, the Saraya al-Khorasani, to combat IS.²⁸ Similarly, and in direct parallel with

²³ Pargoo, M., 'Why did Iran's Reformists shift on support for Syria?', *al-Monitor*, 4 June 2015; and Mohseni, E., Gallagher, N. and Ramsay, C., *Iranian Attitudes in Advance of the Parliamentary Elections: Economics, Politics and Foreign Affairs* (Center for International and Security Studies, Baltimore, Md, Jan. 2016), pp. 25–27.

²⁴ Gordon, M., 'Deadliest bomb in Iraq is made by Iran, US says', *New York Times*, 10 Feb. 2007.

²⁵ Shabani, M. A., 'The impending Shiite leadership crisis Baghdad doesn't see coming', *al-Monitor*, 26 Aug. 2011.

²⁶ For a collection of reactions to the success of IS by senior Iranian officials see [Why must we take Qasem Soleimani's warning about Da'esh attacking Iran seriously?], *Mashregh News*, 30 May 2015 (in Farsi); PressTV, [Commander of the army: the terrorists are near the border], 24 May 2015 (in Farsi); and Esfandiary, D. and Tabatabai, A., 'Iran's ISIS policy', *International Affairs*, vol. 91, no. 1, (Jan. 2015), pp. 1–15.

²⁷ Agence France-Presse, 'Barzani: Iran gave weapons to Iraq's Kurds', *Al-Arabiya*, 26 Aug. 2014; and Qaidaari, A., 'Iran wages psychological war against IS', *al-Monitor*, 23 Mar. 2015.

²⁸ Qaidaari, A., 'Iran's new group in Iraq: Saraya al-Khorasani', *al-Monitor*, 11 Jan. 2015.

and inspired by the Iranian Basij Resistance Force—a volunteer paramilitary organization—Iraq now has a Basij organization.²⁹ Reportedly sanctioned by the highest Shia authority in the land, Ayatollah Ali Sistani, the Iraqi Basij organization is supposed to provide security against IS in the short term and be an ideologically reliable pro-Iranian Shia institution in the long term.³⁰

As much as the Iranian Government tried to shore up support for Iraqi Prime Minister Nouri al-Maliki, in the end Iran realized that al-Maliki had made this impossible by alienating too many political constituencies. His successor, Haider al-Abadi, maintains close relations with Iran but has been more cautious about allowing the militias to fill the operational vacuum created by the weak performance of the Iraqi army. Al-Abadi has also tried to bring in other regional actors in order to balance Iran's influence.³¹ While this may help tone down the sectarian aspect of the fight against IS, to some degree what is missing and will be much-needed in the long run is greater Sunni involvement in the fighting, politically and militarily. This, however, would require much improved governance and greater inclusion of the Sunni minority in Iraqi politics and decision making.

Saudi Arabia

Iran's relationship with Saudi Arabia took a turn for the worse in 2015, but this was in many ways to be expected. Saudi Arabia had become ever more vocal in its criticism of the Obama Administration recommencing negotiations on the nuclear issue in 2013. In Saudi Arabia, the Arab Spring was mostly viewed as a negative and disruptive development. Furthermore, the lack of robust US support for Mubarak was seen by the Saudis as a worrying development. That lack of US support informed the Saudi reaction to the upheaval in Bahrain. There, as in Syria for the opposite reason, the Saudi Government acted on its own while urging the USA to either get involved too or at least not stand in the way of Saudi efforts.

The structural reason for the antagonism is not directly related to Iran as much as to the geopolitical position of Iran and Saudi Arabia.³² Prior to 1979, when both were US allies, latent competition was kept at bay. With the advent of Iran's revolutionary Islamist government in 1979, however, their joint enmity came to the fore. The Islamic revolution went out of its way to

²⁹ Smyth, G., 'New book on basij helps explain how Iran's hardline faction keeps country captive', *The Guardian*, 8 Sep. 2015; and Ostovar, A., 'Iran's Basij: membership in a militant Islamist Organization', *Middle East Journal*, vol. 67, no.3 (Summer 2013), pp. 345–61.

³⁰ Qaidaari, A., 'Comparing Iraq's Shiite forces to Iran's Basij', *al-Monitor*, 11 May 2015; and [The creation of popular basij in Iraq and Syria stems from basij thinking and culture in Iran], *Basij News*, 21 Nov. 2015 (in Farsi).

³¹ Chmaytelli, M., 'Iraq's Abadi keeps Iran at arm's length in war on Islamic State', *Reuters*, 22 Feb. 2016.

³² Parsi, R., 'The Middle East and the deal: in search of a new balance', eds P. Magri and A. Per-teghella, *Iran After the Deal: the Road Ahead* (ISPI: Milan, 2015), pp. 63–65.

create tensions with a wide range of actors, and for about the past 30 years Saudi Arabia has been able to count on the USA and a few other major powers, thus tilting the regional balance in order to neutralize or contain Iranian ambition. The JCPOA is the end of an arduous and intense series of negotiations, which along the way required and built relationships between Iranian and US negotiators in order to steer the process to a successful conclusion. In essence, the JCPOA upsets the strategic balance that Saudi Arabia has relied on for its own position and security in the region.³³ Thus, the JCPOA has reduced the immediate and long-term global risk of confrontation over Iran's nuclear programme but it has exacerbated the short-term tensions in the region. Saudi Arabia views the agreement as an Iranian victory that will give it a voice in the USA, and hence global politics, and increase its power in regional affairs. It is important to note that while the JCPOA entails a shift in the power balance, the repercussions of this shift tend to be exaggerated by Saudi officials. Nonetheless, there is a risk that Saudi policy and actions will be developed on this unsound foundation and this would destabilize the region further.³⁴

Iranian decision makers are aware of the sensitive nature of regional politics and the fragile relationship with Saudi Arabia in particular. Every step and announcement is guaranteed to get the reaction that hardliners on all sides are counting on when issuing confrontational statements. While this aspect of maintaining tensions and hostility is predictable, it is also clear that no one is willing to credit representatives from the other side with any good will.

One particular misstep that shows how intermeshed domestic politics are with the balancing act in regional foreign policy is the statement of the former Minister of Intelligence, now a presidential adviser on religious and minority affairs, Ali Younesi, in March 2015. Stressing the cultural and historical bonds between Iran and Iraq and several other countries in the region, the comment was misinterpreted as an expression of Iranian imperial ambitions and a clear disregard for Iraqi sovereignty. The backlash was fierce in the region, among Shia politicians in Iraq and in Iran itself.³⁵ In essence, all parties took what they wanted from this garbled message, whether foreign or domestic. The Iranian Government came under attack from opponents in parliament who saw an opportunity to have yet another government official sacked, while in foreign policy terms the government had to distance itself from the resulting interpretations and perceptions of Iranian regional policy.

³³ Parsi, T., 'The privilege Saudi Arabia enjoyed under US-led order in the Mideast is over', *World Post*, 8 Jan. 2016.

³⁴ Parsi, T. and Cullis, T., 'The myth of the Iranian military giant', *Foreign Affairs*, 10 July 2015.

³⁵ Karami, A., 'Rouhani adviser summoned over Iraq comments', *al-Monitor*, 18 Mar. 2015.

There are those in Iran who have consistently tried to keep the latent tension with Saudi Arabia within bounds. One of those is former president Ayatollah Rafsanjani, who had a good rapport with the former Saudi King, Abdullah, and who has been in the ascendant since the election of his associate, Hassan Rouhani, to the presidency.³⁶ Yet even among those who see the logic of an improved relationship with Saudi Arabia there is little optimism that this might happen in the short-to-medium term. In addition to being on opposite sides in the war in Syria, Iranian officials consider the Saudi position on Iran to be highly ideological. In the words of one Iranian official with extensive experience in Iranian-Saudi relations, the Saudis oppose Iran on grounds of identity—of religion and ethnicity, and these are not characteristics that will change any time soon.³⁷

Yemen

Yemen is yet another theatre in which Iranian-Saudi interests clash. The Saudi claim that Iran's involvement in Yemeni politics has been instrumental or decisive in the steep escalation of the simmering civil war in Yemen, whether by intent or effect, is a stretch.³⁸ Iran's involvement in Yemen, especially its support for the Houthis (Ansar Allah, a Zaidi Shia-led movement in northern Yemen) stretches back to 2009, but is most likely to have become a more serious commitment in 2011.³⁹ All the indications are that the Houthis, who have rebelled against several Yemeni administrations, are quite autonomous and that their relationship with Iran has strengthened primarily due to Saudi intervention in Yemen.⁴⁰ In turn, Iranian support in the form of money, training and materiel has grown as an effect of the latest Saudi intervention in March 2015. The sequence of cause and effect notwithstanding, it is clear that Iranian support for the Houthis fits the Saudi narrative of an expansionist, aggressive Iran. The Saudi narrative in essence airbrushes out Yemen's history of political crisis and Saudi Arabia's role in its neighbour's travails, and pinpoints Iran as the sole source of the problems afflicting Yemen.

Iran's reaction to the Saudi-led armed intervention in Yemen has thus boosted Iran's relationship with the Houthis, although the extent to which

³⁶ Faghihi, R., 'Exclusive: Rafsanjani on future of Iran-US ties, Saudi Arabia', *al-Monitor*, 6 Aug. 2015.

³⁷ Remark made by senior Iranian diplomat at European Iran Research Group policy forum, Apr. 2015.

³⁸ For background to the internal dynamics of the Yemen conflict see Juneau, T., 'Yemen and the Arab Spring: elite struggles, state collapse and regional security', *Orbis*, vol. 57, no. 3 (Summer 2013), pp. 347–494.

³⁹ Terrill, W. A., 'Iranian involvement in Yemen', *Orbis*, vol. 58, no. 3 (2014), pp. 429–40; and Bayoumy Y. and Ghobari, M., 'Iranian support seen crucial for Yemen's Houthis', *Reuters*, 15 Dec. 2014.

⁴⁰ Viscusi, G., Donahue, P. and Walcott, J., 'Saudi claims on Iran's role in Yemen face skepticism in West', *Bloomberg*, 16 Apr. 2015.

Iran can influence the group in terms of ambition and method is not clear, and probably less than initial Saudi reports suggested. Iran also views the Saudi intervention as an escalation of regional tensions and an adventure with no clear objective or exit strategy. While this is a widely held view among Iranian elites, the hard line elements in Iranian politics also tend to view Saudi behaviour as marching lockstep with the USA. Thus, the Saudi intervention in Yemen is perceived by hardliners to be at the behest of the USA, and is taken as proof that no matter how the nuclear file progresses, the USA will continue to meddle in Middle East affairs to the detriment of Iran.⁴¹

The optimism and swagger of the Saudi intervention are still evident, but more muted now than when the operation was initiated.⁴² Instead, the difficulty in sustaining the effort and the painful costs that come with it are becoming increasingly clear despite US support in terms of weapons and materiel.⁴³ In short, the criterion for success that the Saudi Government set for itself, to secure the rule of President Abd Rabbuh Mansur Hadi by defeating the Houthis, is unattainable and it has no clear exit strategy out of Yemen.⁴⁴ As mentioned above, this is clear to the Iranian Government as well. Iran's criteria for success appear to be more modest and attainable: it is sufficient to create problems for the Saudis in Yemen and keep them mired in this mess of their own making. As long as Iran sticks to this reactive and 'guerrilla-style' approach, the operational costs of Yemen will be manageable. Politics, however, are as much about media and appearance as they are about realities on the ground. It remains to be seen whether Iran will adhere to its own assessment of the futility of ground operations: 'Yemen would be a swamp for every country that sends ground forces there'.⁴⁵ Nonetheless, high-ranking Iranian military officials are also on record as supporting the Houthis. Iran has warned Saudi Arabia against further military involvement in the conflict and made attempts to broker a ceasefire.⁴⁶ In this sense, Iran's involvement in Yemen has been a Saudi self-fulfilling prophecy. Thus far,

⁴¹ [The military aggression against Yemen will inevitably harm Saudi Arabia], Tasnim News, 26 Mar. 2015 (in Farsi).

⁴² al-Arabiya, 'Analysts: Houthi and Saleh's militias living their last moments', 8 Oct. 2015; and Khashoggi, J., 'You are either with us, or against us', al-Arabiya, 12 Jan. 2016.

⁴³ Hager, E. B. and Mazzetti, M., 'Emirates secretly sends Colombian mercenaries to Yemen fight', *New York Times*, 25 Nov. 2015; and Wall, R., 'US military working to prevent weapons shortfall in Islamic State, Yemen strikes', *Wall Street Journal*, 10 Nov. 2015.

⁴⁴ The flaws in the Saudi/GCC approach were evident early on, see Wehrey, F., 'Into the maelstrom: the Saudi-led misadventure in Yemen', Carnegie Endowment for International Peace, 26 Mar. 2015; and 6 months later there was little to indicate a more cogent strategy taking shape, Partrick, N., 'Saudi Arabia's Yemen gambit', Carnegie Endowment for International Peace, 1 Oct. 2015.

⁴⁵ Faghili, R., 'Former Iran ambassador: Saudis must accept Houthis', al-Monitor, 9 June 2015.

⁴⁶ [Commander Naqdi's congratulatory message to the people of Yemen and the leader of Ansarollah], Tabnak, 10 May 2015 (in Farsi); and Hashem, A., 'Iran official warns against further strikes in Yemen', al-Monitor, 23 Apr. 2015, <<http://www.al-monitor.com/pulse/originals/2015/04/iran-foreign-minister-predicts-yemen-cease-fire.html>>.

however, Iranian participation has not been as deep, costly or problematic as the Saudi operation ostensibly countering it.

Afghanistan

The increasing presence of the Taliban in various parts of Afghanistan is a worrying development that demonstrates the fragility of the Afghan state-building project and the systemic failure of the aid, military or otherwise, that Afghanistan has been receiving for well over a decade.⁴⁷ There are at least two schools of thought in Iran with regard to what is at stake in Afghanistan and the threat that the Taliban constitutes. The first banks on the pragmatism of the Taliban mitigating its radical ideology and bringing it into a manageable relationship with Iran. The second believes the Taliban to be too ideologically committed to allow itself a *modus vivendi* with Iran.⁴⁸ Thus, while the Iranian Government is worried about the ascendancy of the Taliban, this has reinforced the need to be able to communicate with it. The most public display of this pragmatism to date in Iran and from the Taliban was a visit by the political section of the Taliban office in Qatar to Tehran, where they reportedly met with Iranian security officials.⁴⁹ The hedging is reciprocated at the international level, where the Afghan President, Ashraf Ghani, has been trying to build relations with Saudi Arabia without antagonizing Iran.⁵⁰

Iran's presence and influence in Kabul and Herat are well known. There has been substantial economic investment by Iran in the Herat region, and there is hope that the lifting of sanctions on Iran will generate more of the same.⁵¹ While the Iranian Government will try to open up some form of communication with the Taliban, it also needs to ensure that IS does not win ground as the more universalistic and therefore expansive Islamist alternative.⁵²

Conclusions

As of early 2016, the process stipulated by the JCPOA appeared to be going smoothly and on schedule, as largely evidenced by the lifting of the sanctions levelled against Iran by the UN and the EU in January 2016. Thus, the many

⁴⁷ On development and human security in Afghanistan see chapter 9, section III, in this volume.

⁴⁸ Parsi, R., 'Exploring Iran & Saudi Arabia's interests in Afghanistan & Pakistan: stakeholders or spoilers, a zero sum game? Part 2: Iran', *CIDOB Policy Research Paper* (CIDOB: Barcelona, 2013).

⁴⁹ 'The political committee of the Taliban under the leadership of Tayeb Agha in Iran', *Tasnim News*, 20 May 2015.

⁵⁰ Peikar, F., 'Afghanistan tries to strike balance in escalating Iran-Saudi rivalry', *The Guardian*, 22 Apr. 2015.

⁵¹ Rowlatt, J., 'Afghan city hopes for lift from Iran sanctions deal', *BBC News*, 18 Jan. 2016.

⁵² Joscelyn, T., Foundation for Defense of Democracies, 'The Islamic State's obsession with al Qaeda and the Taliban', *Long War Journal*, 20 Jan. 2016.

aspirations and hopes for a new chapter in Iran's relationship with the West have taken a step closer to becoming reality. It is far too early to say how far these ambitions will become reality: the signing of numerous memoranda of understanding does not an economy make. It is clear, however, that the politics of negotiating the JCPOA in the domestic Iranian 'power game' have paid off for President Rouhani and the constituencies that support him.

The next step is to see whether the intra-elite conciliation has reached the point where other pressing issues of great consequence for Iran will be addressed constructively. The outcome of the parliamentary elections in February 2016 will be key. A shift towards the centre, with a large group of pragmatic conservatives and a few reformists, would help facilitate the President's planned reforms.

The regional picture is much bleaker. The Syrian conflict and the presence of IS in Iraq are taking their toll on the civilian population in those two countries and the legitimacy of those purporting to represent them.

Iran's relations with Saudi Arabia have deteriorated, and this affects conflict zones across the region. While it remains unlikely that either party will dare to let it escalate to the point of a direct confrontation, the lack of institutional multi-level dialogue between decision makers across the region does not inspire much confidence in their ability to avoid such a scenario. The Iranian Government will need to undertake a concerted effort to reach out to its Saudi counterpart, while Saudi Arabia will have to start differentiating between its interests and its needs. Sectarianism is not a fact of nature: it is a latent form of mobilization based on exclusionary identity politics. What makes it hard to undo is the fact that it tends to take on a life of its own once a conflict is portrayed and increasingly fought with it as justification. To reverse this development will take a very long time and that process, which will require political courage in these two and many other capitals, has not yet even begun.