



Arabian Gulf Centre
for Iranian Studies

IRAN CASE FILE

MAY
2017



Issued By The Arabian Gulf Centre for Iranian Studies
www.arabiangcis.org

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EXECUTIVE SUMMARY

This report highlights the most prominent developments in the Iranian arena for May 2017 to provide international readers interested in Iranian-related issues with a detailed description of the Iranian situation, complete with review and analysis, during the period in question. The report comprises three main sections: the first concerns Iran's internal affairs, the second deals with Iran's interactions with the Arab world, and the third focuses on Iranian dealings at the international level.



On the subject of domestic affairs, the report dealt with four issues: the first of these is the subject of the presidential institution. This matter has seen a large amount of activity in various areas during this period, the most important of which are the debates, which preceded the presidential elections and the accompanying statements and exchange of accusations, along with the withdrawal of Qalibaf and Eshaq Jahangiri from the presidential contest. Another key issue in this field is the multiple efforts of various political blocs to win the votes of Iran's Sunni population during the election period despite the regime's deliberate marginalization of this group. The report discusses former Iranian President Mohammad Khatami's call to vote for Rouhani, in addition to the presidential election and its results, the reactions of fundamentalists and reformists to the election results, and Hassan Rouhani winning a second term.

The second theme concerning domestic issues is an analysis of the recent activities of the country's military institution. This includes monitoring of the Iranian government's comments on Iran's missile policy, as well as Rouhani's warning to the Revolutionary Guards not to intervene in the elections. Other central issues in this area are the military and political requirements that might encourage America to launch an attack on Iran, the inconsistencies in statements by Iranian officials about the budget to "strengthen [Iran's] defense structure," and the provocative harassment of a US Navy destroyer vessel by Islamic Revolutionary Guards Corps' (IRGC) boats, as well as the intervention of the Revolutionary Guards in the Syrian crisis. Another related matter is the military exercises dubbed "the 'Holy House' or 'Jerusalem 29'" set up by the IRGC's ground forces.

The third part of the report's domestic issues section deals with security matters and related incidents in Iran during May. Most important among these are the still reverberating repercussions and developments from the killing of ten Iranian soldiers on the border with Pakistan in Baluchistan province, as well as the killing of two border guards near the border with Turkey and another in Kurdistan. Other subjects analyzed in this section of the report include the refusal of the regime's anti-drug force to abolish the death penalty for drugs crimes, the killing, and wounding of dozens of Iranian miners in a coal mine explosion in the province of Golestan, and the killing of two police officers in the Arab Ahwaz region.

The fourth part of the domestic affairs section deals with the economic aspect of the developments in various economic sectors in Iran during the month of May, including the energy sector, foreign trade and investment sector, the banking sector, and finally the services sector, in addition to discussing increasing public unrest over the deterioration in living conditions for many citizens during this period.

The next section of the report, concerning Arab affairs, is divided into three parts: the first deals with developments in Saudi-Iranian relations. It is now a certainty that Saudi Arabia has no intention of changing political course in its actions or words, a fact underlined by the speech given by the Crown Prince and Minister of Defense, Prince Mohammed Bin Salman, on May 21 during the Arab-Islamic - American Summit, which is analyzed here.

The second part of this section focuses on indications that the Iranian proxy 'Popular Mobilization Forces' Shiite militias intend to seize control of the Iraqi border with Syria while attention is focused on adjacent areas where conflict is continuing between US and allied forces and the Iranian-backed militias and IRGC troops affiliated to Bashar al-Assad for domination and control.

The third part of the 'Arab Affairs' section focuses on Iran's role in the latest round of the 'Astana 4' peace talks, with the reality on the ground in May suggesting that the expansionist powers are failing to observe the agreed-upon objectives as the Iranian regime continued with its expansionist activities despite being one of the primary sponsors and guarantors in the talks due to pressure from Russia and Turkey. Despite signing the initial Astana-1 agreement in January 2017, Iran has not respected any agreement aimed at reducing tension or establishing safe areas.

The third and final section of the report dealing with international affairs is again divided into three parts. The first deals with Iranian-American relations during this period, analyzing the Tehran regime's increasing concern over the escalation in hostility from Washington, which is ratcheting up pressure on Iran in the form of sanctions and throwing the 2015 nuclear agreement between Iran and the P5+1 group of nations into doubt, with the Trump White House confronting Iran over its role in Syria and regionally. This part of the report also examines the US' role in reshaping the regional balance in order to contain the Iranian regime. This section also looks at the various standpoints of parties within Iran on dealing with the US, from the relative openness of the reformists to the radical anti-Americanism of the Iranian state authorities and institutions.

The second part of this section deals with Russo-Iranian relations, focusing on the Russian leadership's stance towards Iran's elections through monitoring Russian coverage and statements on this issue, and identifying those Iranian political factions more aligned to Russian interests, as well as looking at the nature of the balance in Russo-Iranian cooperation in the Syrian crisis.

The third and final part of this final section of the report looks at relations between the Iranian regime and the new French government following the presidential elections in both countries, and the impact that these elections and the victory of liberal Emmanuel Macron could have on this relationship, as well as reviewing the economic cooperation between the two countries.

SUMMARY AND CONCLUSIONS

› INTERNAL AFFAIRS

1- POLITICAL

A- The Iranian fragile economy, external pressure, and deep differences have cast a shadow over the television debates through altercations and mutual accusations between candidates of the different political currents, which revealed the following:

- a- Deep differences between the two regime poles, Hardliners, and Reformers.
- b- The huge size of corruption, unemployment, embezzlement, and social and economic crises in Iran.

B- Mohammed Baqir Qalibaf used the populism speech and former President Ahmadinejad's slogans through a focus on poor people conditions.

C- Sunni Iranians are left in abandonment in Iran; however, they became a difficult number in the elections as all currents rallied to gain their votes.

D- Many observers expected winning of the hardliner cleric Ibrahim Raisi as the Iranian Supreme Leader Ali Khamenei supported him; nevertheless, he lost to Rouhani who won a second term of presidency.

E- The difficult living conditions of the Iranian people are a major challenge for the new government. According to "Iran poll" 11% of people said their living conditions have improved during Rouhani's era, 35% said they are worse and 51% saw no change. As for the nuclear deal, 72% of the Iranians participated in the poll said the deal had no impact on their living conditions.

2- MILITARY

A- The Iranian missile program is still operational in spite of the international warnings.

B- Thousands of Iranian soldiers are fighting in Syria, but the Iranian officials insist on saying Iran is dispatching only military advisors to this country.

C- In order to avoid internal criticism, Tehran justifies its interference in Syria is to prevent the Takfirist groups from breaking into Iran.

D- Many Iranian soldiers were killed on the borders with Pakistan, but Tehran adopted the policy of restraint towards Islam Abad for many security and economic reasons.

E- Attacks on the Iranian border guard forces increased; more than 10 Iranian soldiers were killed on the borders with Pakistan, one soldier on the Turkish-Iranian borders, and two officers in an attack in Ahwaz city.

3- ENERGY

A- Iran plans to increase its oil production to reach 7 million barrels per day in 10 years as stated by the deputy head of the Iranian National Oil Corporation Gholam Riza Manojahri, while OPEC, under the leadership of Saudi Arabia, plans to decrease the international production during the next years to come.

B- Similar to the Oil for Goods agreement with Russia, Ukraine offered Iran a strategic agreement to exchange goods for oil between the two countries.

4- INVESTMENT AND FOREIGN TRADE

A- In the month of May, the UAE became the first exporting country to Iran in terms of quantity, while China became the first in terms of value. Imports from China amounted to \$485 million for 181 tons of goods, while the Iranian imports from the UAE amounted to \$402 million for 235 tons of goods.

B- Following the inauguration of Donald Trump President of the United States, trade exchange between Tehran and Washington declined 30% during the first three months of this year.

C- The joint investment ventures between Russia and Iran in all sectors totaled \$40 billion with a favorable balance of trade for Russia. Although Russia imports huge amounts of foods, it does not like to purchase any of its needs from Iran as stated by the head of Iran's chamber of commerce.

5- BANKING SECTOR

A- According to the Iranian central bank governor Waliollah Saif, the government's due amounts for the Iranian banks amounted to 100 billion Tomans (\$30 billion) in the month of May.

B- Many Iranian banks opened branches outside the country, especially in Europe. The first representation office for Saman Bank opened in the city of Rome in Italy in order to attract European investments.

C- Spain announced its readiness to mediate and facilitate banking transactions between Iran and Europe through the Spanish banks

6- SERVICES

A- The French Airplanes Corporation, Bouygues canceled a contract it signed with Iran in 2016 to develop the Khomeini International Airport in Tehran since most European banks rejected to finance the project, fearing of the US sanctions.

B- According to General Manager of the Consular Affairs in the Iranian foreign ministry, the attack on the Saudi embassy in the beginning of 2016 deprived the Iranian tourism sector of about 700 thousand Saudi and Gulf tourists.

7- LIVING AND SOCIAL CONDITIONS

Official statistics in Iran revealed the following:

A- 3,203, 398 unemployed people.

B- 2.7 million Illiterate people; Baluchistan and Sistan province was ranked first followed by Western Azerbaijan and Kurdistan provinces due to the government's negligence of these territories.

› ARAB AFFAIRS

1- The Iranian expansion at the expense of the Gulf security and stability was faced by Saudi persistence to eliminate the Iranian hostilities and move the battle to the inside of Iran through regional and international mobilization to face the Iranian threat. Saudi Arabia believes that Tehran only understands the language of force rather than that of negotiations, which has become the cornerstone for the Gulf strategy in dealing with the Iranian hostilities. Riyadh also believes in building a new strategy to corner the Iranian influence, stop its interference in the regional crises, and move the battle to the inside of Iran to deplete its capabilities.

2- Iran struggled to control the Syrian-Iraqi borders through creating a corridor from the Iraqi eastern borders with Iran through the province of Diyala to Salah Uddin in the north and western desert of Ninawa up to the Syrian borders.

3- Iran's proxies, the Public Mobilization Forces took control of most of the borderline and Bab Alwaleed crossing between Iraq and Syria, which are significant for accomplishment of the Iranian project to open a direct road between Baghdad and Damascus

4- According to Astana resolutions, Iran is one of the sponsors of establishing four safe zones in Syria; nevertheless, Iran cannot stick to its international commitments for the following reasons:

A- It has adopted a strategy of demographic change in Syria.

B- Iran did not respect the ceasefire agreement in January 2017, launched a widespread attack on Wadi Barada district and Alwa'er neighborhood in Homs city alongside Assad forces, organized depopulation of these territories, and moved them to the north of Syria.

C- Assad forces supported by the Iranian militias are engaged in heavy fighting in the eastern part of Damascus in an attempt to take the districts of Qabon, Barzah, and Tishreen back from the opposition forces that were forced to retreat to eastern Ghouta.

› INTERNATIONAL AFFAIRS

1- THE UNITED STATES

There was an American selective uprising against Iran, but not to the limit of confrontation as follows:

A- The United States imposed sanctions against Iranian leaders, people, and companies and, at the same time, lifted the nuclear deal related sanctions and allowed the American companies to make business with Iran.

B- The United States is breathing down Iran's neck in Syria while cooperating with it in Iraq to confront the ISIS.

C- Iran has adopted a hostile position against the US through developing the ballistic missiles and carelessness toward the US sanctions

D- Iran has expanded its regional influence and mobilized more militias in the neighboring countries to achieve this goal.

E- Some Iranian governmental officials and public sectors are willing to open up and approach the United States and the West.

2- RUSSIA

A- The Iranian elections revealed Russian willingness to deal with the Iranian Conservatives rather than the Reform current despite its belief that the Moderates represented by Hassan Rouhani is the best choice to enhance relations between the two countries.

B- Russia took the lead in Syria and diminished the Iranian role in this country. Moscow now can decide whether the Iranian forces leave or stay.

C- Trade exchange between Russia and Iran is still limited, especially in the agricultural sector.

3- FRANCE

A- Iran welcomed the winning of Emanuel Macron president of France and considered him supporter of the international commitment toward the nuclear deal

B- Macron's succession to the French presidency would be in favor of the Syrian President Bashar Assad, but with no change in its approach to Tehran that might upset the United States.

C- Macron started to institutionalize economic cooperation with Tehran, which was materialized through the joint car manufacturing sector between the two countries.



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