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Introduction

This report will provide an in-depth analysis of Iran's role in the Middle East and its impact on the regional power balance. Studying current political and economic developments will assist in the elaboration of multiple scenarios that aim to help understand the context surrounding our subject.

For the purposes of offering a more accurate prognosis, this report will examine Iran's geopolitical presence and interests in the region, economic vulnerability and energy security, social and demographic aspects and internal political dynamics. These directly or indirectly affect the evolution of various international strategic issues such as the future of Iran's Nuclear Deal, United States' relations with Iran and its role in Middle East going forward. Possible power equilibrium shifts, which due to the economic and strategic importance of this particular region, possess high relevance and significant degree of impact even outside of the Iranian territory with potential alteration of the regional and international order.

With the aim of presenting a more long-lasting report, several analytical techniques will be used (mainly SWOT analysis and elaboration of simple scenarios), in order to design a strategic analysis of Iran in respect to the regional power balance and the developments of the before mentioned international strategic issues. Key geopolitical data will be collected as of the announcement of the U.S Secretary of State Michael R. Pompeo on the re-imposition of U.S. sanctions on the Islamic Republic of Iran on November 2, 2018 with a projection for the upcoming years, thus avoiding a simple narration of facts, which transpired so far.

First part of this report will be dedicated to a more general analysis of the geopolitical situation in the Middle East, with a closer attention to Iran's interests and influence. Then, after a closer look on the internal dynamics within Iran, several scenarios will be offered out of which some will be categorized and selected as the most probable according to the authors of this report.
General analysis of the geopolitical situation in the Middle East

In the following general analysis, we will overview the main geopolitical aspects concerning the Middle East region. In order to thoroughly comprehend the Middle East, we consider that it is of utter importance to take a look back to the past history of the region, specifically the recent decades.

With the purpose of stating clear parameters in this analysis, and taking into account that the Islamic Republic of Iran is the subject of study in this work, we have considered that the most relevant events in the recent Middle East region history can be dated in the time frame that goes from the Islamic Revolution to this day.

Therefore, it will mainly be events that have occurred since January of 1979 that shall be taken into consideration in the present work. As a result, academic terms can be set in this document.

When referring to the Middle East we will be mentioning the main issues, events and actors that occur, affect or influence the region. Thereby, the Middle East is physically comprised by the following countries: Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, the United Arab Emirates, Yemen, and the de jure sovereign State of Palestine.

Nonetheless, there is a number of countries outside the Middle East region, either neighbouring or distant, that play a significant role in the geopolitics of the region; some of them on key issues. Those are, mainly: The United States of America and the Russian Federation; although some other actors have a minor, yet actual importance in the region, such as Afghanistan, Pakistan, India, China or the European Union.

Later on, in the subsequent section of this document, an in-depth analysis of the most relevant actors in the Middle East will be presented.
Geography of the Middle East

Commencing with geography, it is of considerable importance to take into account the location of the Middle East region. The Middle East is a transcontinental region. That means that, by nature, neighbouring regions are more affected by the events happening in the Middle East than it might initially seem.

This transcontinental feature is very characteristic of the Middle East, and it can help giving explanations, finding causes and understanding how it works. Theories on the functioning of Middle East can be formulated taking its transcontinental nature as one of its most determinant characteristics.

Egypt in the west; Turkey in the north, Iran on the East, and the Arabian Peninsula in the South. This means that the Middle East as a region has a considerable influence on key border regions. The Caucasus region to the north, key point of friction between the ex-soviet world and the Muslim world. Borders in the east with Turkmenistan, Pakistan and the ever-unstable Afghanistan; together with a very large coastline in the Red Sea, the Persian Gulf and, especially, the Arabian Sea, grant the Middle East with a fair capacity of becoming a main actor in Southern Asia.

The Middle East does also count with strategic locations in three important seas from the geopolitical point of view. Firstly, the Mediterranean Sea, whose eastern part has historically been heavily influenced by Middle Eastern actors. Secondly, the Caspian Sea, with its increasing relevance in the economic relations between Central Asian countries, Russia, and other neighbouring countries. Thirdly, the Black Sea. Once again, another emerging region in terms of geopolitical relevance, ever since Russia became actively involved in its coastline, especially Crimea.

Last but not least, the Middle East includes within its geography some of the most important straits in the world, not only in terms of security and geopolitics, but also in terms of economy. To the north, the Turkish Straits of the Dardanelles and the Bosporus has a most decisive role as crucial international waterways; especially relevant for Russian interests. In
the Arabian Peninsula two key straits comprise two of the most important locations on the planet: the Hormuz strait and the Bab el-Mandeb strait.

The Hormuz strait is a crucial location for international trade. Almost 20% of the world's oil and approximately 35% traded by sea passes through the strait.\(^1\) Several disputes have happened in the Hormuz strait between Iran and the U.S. including capturing of sailors and seizing of boats\(^2\).

Through the Bab el-Mandeb strait 4.7 million barrels of oil flow every day.\(^3\) Categorized as the world’s most dangerous strait\(^4\), it is home for numerous pirate attacks and a point of tension between many states\(^5\); as well as a key international trade pass.

Finally, the Suez Canal. The canal has reshaped the whole international, transcontinental trade since its inauguration in the late 19th century. As of today, the Suez Canal constitutes one of the most crucial locations in the world. It is used worldwide, and the alternatives to its usage are limited. Sea trade routes’ distances between Europe and Asia are dramatically reduced by it.\(^6\)

The Suez Canal importance at connecting continents is very emblematic of how transcontinental the Middle East is.

All of the factors mentioned above do provide for the establishment of a macro-sphere of mutual influence between the Middle East and most of Eurasia, as well as between Eastern Africa.

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Religion and the Sunni-Shia division

Religion plays a major role in the configuration of the Middle East. Several factors make it much more relevant in this region than in most of the globe. Religion should be taken into account in every single aspect of the Middle East geopolitics in order to have a grasp of its functioning.

First of all, Islam is the foremost religion in the region. Both in terms of number of followers and in terms of influence. 94.51% of the Middle East population are Muslims. That leaves a small 5.49% non-Muslim minority, comprised by approximately 18,470,736 people. Nonetheless, that minority plays a relatively bigger role than its numbers might imply; especially in the case of Israel, only country in the Middle East with a non-Muslim majority.

Inside Islam there is a division between Sunni Muslims and Shia Muslims. The world presents a vast majority of Sunni predominance (85% of Muslims in the world are Sunni). However, in the Middle East this Sunni predominance is somehow contested by countries with a considerable percentage of Shia population.

The so-called Sunni-Shiite line is the axis of this contest. It traces the geographic frame known as the ‘Shia Crescent’, a crescent-shaped region of the Middle East that goes from Beirut to Bahrain. The Shia Crescent is perceived as a dangerous threat by Sunni countries, especially those in the Persian Gulf. In fact, the term was coined in 2004 by King Abdullah II of Jordan.

In the following map, we can see the distribution of Shia population among the Middle East countries and its neighbours. The Sunni-Shiite line can also be seen:

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This map may help us appreciate the ongoing Iran-Saudi Arabia proxy conflict. Syria, Iraq and Yemen are in the centre of this proxy conflict; and the main reason why Iran has access to them is the fact that they have considerable Shia population, and thus, a great possibility of creating bonds with those communities. In fact, in the recent years the nature of the relations between Iran and its proxies is increasingly becoming more like that of an alliance. Shia communities in Lebanon (Hezbollah), Iraq and Yemen grow stronger thanks to Iranian military and economic support. Hence, this Shia communities gain influence in their countries and the relation between Iran and them begin to become less like an Iran-proxy relation and more like a consolidated alliance. This countries are starting to build a dependence on Iran in terms of military and natural resources (especially in the case of Iraq). Therefore, this alliances are mutually beneficial and cover each other needs. What this means, in conclusion, is that Iran has a fair chance at achieving regional hegemony through its transnational activity. We will now move on to a brief overview of the new balance of power in the Middle East.

Brief overview of the new balance of power in the Middle East

The Middle East has suffered a series of important changes in the region’s balance of power in the last decades. Since the end of the Cold War and the following American hegemony, the balance of power has been seriously twisted. Iraq and Syria, countries that used to play an important role in the region, are now a failed state and a extremely weakened one respectively. Jordan and Egypt have improved their relationships with Israel\textsuperscript{13}, albeit the pending Palestinian issue is yet to be solved. Turkey seems to have shifted its transnational interests’ priorities from entering the European Union to an approach more focused on the Middle East\textsuperscript{14}. Russia is claiming its main role as a regional superpower by taking a protagonist role in the Syrian Civil War and through developing its relations with main Middle East actors such as Iraq and Lebanon\textsuperscript{15}; and improving its relationship with a historical rival such as Turkey\textsuperscript{16}. Moscow has also built a strong alliance with Egypt, a potential key partner in the future for further influence in the Mediterranean and North Africa\textsuperscript{17}. At the same time, Russia keeps its key strategic alliance with Iran\textsuperscript{18}. Meanwhile, a background-conflict is taking place between Saudi Arabia and Iran. Both countries have been confronting each other in a proxy war that brings back memories of the US-USSR Cold War. The previous regional order was very much based on nationalism and historic alliances or rivalries, but it now seems like the Sunni-Shia division and non-state actors have acquired a major role in the geopolitical moves of the Middle East actors.

\textsuperscript{15} Sly, L. (2018, December 5). In the Middle East, Russia is back. Retrieved from https://www.washingtonpost.com/gdpr-consent/?destination=/world/in-the-middle-east-russia-is-back/2018/12/04/e899d30-aaf1-11e8-9a7d-cd30504f902Story.html?noredirect=on&utm_term=.f37f759b9e39&noredirect=on&utm_term=.c4957db1d7aa
To sum up all these facts, it is safe to estate that there is a new balance of power in the region, or a reshaping to say the least. The key factors that have become increasingly more important in this process are:

- The emergence of new players
- The increasing power and relevance of non-state actors (including militant groups)
- The plausibility of a new balance of power that can be sustained in the long term

In the following section of this work, the main actors of the Middle East will be analysed.

**The Islamic Republic of Iran**

Iran occupies a unique geographical and social position. In the middle of the Islamic world, Iran connects the Middle East, the Caucasus and Central and South Asia. A position that throughout the years has proven to be an advantage and an inconvenient at the same time.

The centre of the country is covered with the vast mountain range of Zagros, from where the Persian Empire started as a collection of semi-nomadic tribes which later on expanded to the range of Alborz, rest of the Zagros mountains and much of the Iranian plateau under the Persian rule.\(^19\) Due to many challenges posed by external threats on its borders, mainly represented by Arabs, Turks and Mongols who invaded Persia several times, Persia developed a tendency to expand its territorial control to create buffer zones away from the centre of its nation.\(^20\) A tendency which can be observed in Iran's behaviour in the geopolitical panorama of today's Middle East.

During its greatest extent the Persian Empire span from Eastern Mediterranean to Central Asia, thus connecting the European and Asian continents. The pride of being an old and strong empire still plays a role in shaping the Iranian people’s vision of themselves. It creates big expectations of the role and the degree of leadership it should have in the regional affairs of the Middle East. The tendency to protect their core by “expeditionary” warfighting away from their borders is present during modern Iranian policies and exemplified by Iran's support


for Hezbollah in Lebanon, backing of Al-Assad's regime and robust influence in Iraq's socioeconomic realities.

Current Islamic regime disposes of massive richness in natural resources, having the fourth-largest oil reserve and second-largest stock of natural gas. In its recent history, Iran has experienced Russians, British and Americans challenging its strategic position and their efforts to carve out some parts of its vast energy reserves.

Iran is a plural society with multiple ethnic and linguistic minorities that play into a complex power system within the country, further complicated by its highland territory. In order to fully grasp the complexities of the Iranian society, there is a need to examine its social and cultural realities which then influence both internal and external behaviour of Iran.

**Geography of Iran**

Iran is located at the crossroads of Central Asia, South Asia and the Arab states of the Middle East. This key location and its access to the Persian Gulf in the south has always located Iran in a key position throughout the history.

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From a geopolitical perspective, Iran possess a good territory to defend due it mostly mountainous territory. Much of Iran as seen on this picture is protected by high, rugged mountains to the west, and the eastern part is mainly dry, salty dessert. In the north, Iran's small fertile territory borders the Caspian Sea, while in the south, it reaches to the Persian Gulf and the Gulf of Oman. Most of the population is concentrated on the high plateaus that stretch through the middle of the country.

This geographical location gives Iran high economic relevance and key position in terms of transportation of petroleum and gas. Such reality increases the economic attractiveness of Iran, mainly for current resource thirsty nations such as China and India.

Ethnic composition

In order to understand the ethnic composition of Iran and how does it interact within the country, it is key to acknowledge the fact that Iran was known officially as Persia until 1935, when it changed its name to Iran. This change could have been inspired by two facts: firstly, an effort to homogenize the people around common Iranian roots; and secondly, a symbolic effort to represent all the Iranian people and, hence, somehow become the motherland of the Iranian peoples. The latter reason could also imply a legitimization of some for Iran to claim a leading role (or even more) in the historical Greater Iran region.

It is very important to distinguish between ethnic Persians and Iranic people. The Iranic people share some characteristics, mainly the use of Iranian languages and a common Indo-European ancestry. Therefore, the Iranic people can be categorized as an ethno-linguistic group. The Greater Iran region is formed by the regions where the Iranian ethno-linguistic group has always had presence. Geographically, it is comprised by the totality of the territory of Iran, Afghanistan, Armenia, Azerbaijan, Tajikistan and Turkmenistan; and it extends to some parts of Bahrain, China, Georgia, Kyrgyzstan, Iraq, Pakistan, Turkey and Uzbekistan.

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24 Bulliet, Richard W. Encyclopedia Iranica, Persian settlements in southwestern China. p.443
Historically, the Greater Iran region and hence the Iranian people, have been subjected to the mandate of Persian-ruled empires, such as the Achaemenid Empire, the Sasanian Empire, or the Safavid Empire. As a result, it is safe to estate that the Persian people have always had a leading role and position amongst the Iranian people.

Inside Iran, the ethnic distribution presents a large majority of Persian population (61%) followed by three big minorities: Azeris (16%), Kurds (10%) and Lurs (6%). In the rest of Iran, smaller ethnic groups are located in specific regions: Arabs (2%) in the south and southwest; Baluchs (2%) in the southeast; Turkmens (1%) in the northeast; the Qashqai (1%) represent the only nomadic group. As the numbers show, the Persian population is the core of Iran’s ethnicity, as well as in terms of government positions. Some other tiny minorities are scattered through the Iranian territory, such as the Armenians, Georgians, Circassians, Assyrians and Jews; however, they do not comprise more than 1% of the total Iranian population.

Azeri nationalism is inclined towards the reminiscence of their Turkish roots. During the time of Mohammad Reza Pahlavi, Azeri nationalism oscillated in terms of intensity. As the Pan-Turkism movement reached its peak, Azeri nationalism was targeted within the Iranian government, and ethnic suppression was heavily applied to the Azeri population as well as to other ethnic groups. Nonetheless, when the Islamic Revolution took place, Pan-Turkism was replaced with Pan-Islamism. Since then, the Azeris became much more integrated and discrimination dropped significantly. As of today, even though Azeris claim more cultural rights, they are considered to enjoy integration, cultural acceptance and political and economic representation.

28 Banuazizi, Ali and Weiner, Myron (eds.). *The State, Religion, and Ethnic Politics: Afghanistan, Iran, and Pakistan (Contemporary Issues in the Middle East)*, Syracuse University Press
Kurdish nationalism, on the other hand, has been more problematic. During the Islamic Revolution there was a series of actions taken by Kurd political parties trying to promote Kurdish nationalism. However, those actions failed to achieve any considerable objective as back then the Kurdish people had little interest in autonomy. Since the 1990s Kurdish people have experienced an increasing level of unrest among the Kurdish-populated regions, and separatism has gained support since then. As of today, the Democratic Party of Iranian Kurdistan (known as PDKI) keeps a subtle level of insurgency, with sporadic clashes with the Iranian Revolutionary Guard.

Regarding the Lurs, they are culturally close to the Kurds, but considered to be very well integrated in the country. No significant Luri nationalism has existed in the recent times.

**Strategic interests, Shia crescent**

The Islamic Republic of Iran (Iran) is a rising power within the ever-changing geopolitical arena of the Middle East. From its perspective, Iran has reasons for a more cautious and defensive approach towards its neighbours and foreign actors operating in the region. In the 80s, Iran felt stranded in its fight with the regime of Saddam Hussein, who initiated a war with the help of the Gulf monarchies and approval of Western powers. Later on, in the post-9/11 period, Iran found itself surrounded by foreign entities on both sides, with U.S. troops in Iraq and Afghanistan. Stemming from these events, Iran has adopted a series of strategies to ensure that conflicts it has chosen to participate in, mainly through various proxies, are as far as possible from its own borders. The power vacuums left by the U.S. in Iraq and the civil war in Syria and Yemen, has allowed Iran to project its power in the region. Iran perceives the Middle East as dominated by nations with superior military capabilities, thus practicing a transnational strategy directed towards the use of proxies. These Iran’s policies and procedures are a clear proof that Tehran is strongly applying the principles of asymmetric warfare.

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Before and after the Islamic Revolution of 1979

To understand the current realities of Iran, we need to briefly examine the Islamic Revolution of 1979 which produced significant changes within the social fibres of this nation. Firstly, the Pahlavi era from 1925 until 1979: the rule of Reza Shah Pahlavi, a soldier who became a general, through a series of Persian coup d'états directed by the British and established a completely new dynasty with the support of the population.\(^{40}\) Reza Shah Pahlavi decided to westernize and modernize the country though various social and economic reforms, although some argue that his inability to improve the conditions of Iranian peasant population left a fertile ground for the Iranian Revolution.\(^{41}\) He was removed by the Anglo-Soviet invasion of Iran in 1941, likely due to amicable ties with the German Empire, whom Iran saw as a neutral power since it didn't have colonies in the Middle East, but whose influence the British feared due to the strategic importance of Iranian oil in the Allied Second World War efforts.\(^{42}\) His son, Mohammad Reza Pahlavi took power in 1941, but his position and influence within the country was gradually weakened by strong policies of modernisation, lost support from the Shia clerics and perception of Arab states that he was a puppet of the U.S. by, for example, recognizing Israel as a state in 1959.\(^{43}\) For the U.S. Iran was essential for the Cold War, the Shah allowed their spies to monitor Soviet Union's actions from Iranian territory as a part of the project “Dark Gene.”\(^{44}\) For the British on the other hand, Iran was important due to its oil resources. When the Prime Minister Mohammad Mossadegh nationalized Iran's oil industry in 1953, a CIA-backed coup to overthrow his cabinet was put in place. A grand scheme, which involved the Shah fleeing to Rome, then forced to sign royal decrees dismissing Mossadegh, coming back and eventually backing the coup.\(^{45}\) The intervention of the British in the oil business of Iran, and the intervention in political realities by the Americans, were causes of


\(^{41}\) Homan, Roger. *International Affairs (Royal Institute of International Affairs 1944-)* Vol. 56, No. 4 (Autumn, 1980), pp. 673-677


\(^{43}\) Gambrell, J. (2019, January 17). Shah of Iran modernized his nation but vacillated in crisis. Retrieved from https://www.apnews.com/c037d5a8b3b4be6ae47f125d847d0f0


offense by the Iranians. Such discontent was harvested by the Islamists and nationalists, who progressively lost trust to the monarchy and the foreign apparatus behind it.

Demonstrations against the Shah started in 1977 and included both secular and religious elements. The Shah left Iran for exile, where he eventually died of cancer in 1980. The most revolutionary and radical person among the clerics was Ayatollah Khomeini who took power in 1979. Iran voted in a national referendum to become an Islamic Republic on April 1st of 1979. The Iranian revolution replaced pro-Western authoritarian monarchy with an anti-Western totalitarian theocracy. Worsening of the U.S. - Iran relations might have been also caused by the admittance of Mohammad Reza Pahlavi for medical treatment in the U.S., spurred even more the anti-U.S. narrative which resulted in the kidnapping of U.S. officials from the embassy in Tehran.

After the Revolution, Iran started to expand the ideas of popular Islam throughout the Gulf monarchies and established ties with the regime in Syria as well as consolidating Hezbollah in Lebanon. The Iran-Iraq War (1980-1988) also left Iranian with a trauma and reasons for more distrust, when the rest of the world supported Iraq, an aggressor in this particular conflict. The West ignored the usage of chemical weapons and ballistic missiles employed by Iraq on Iranians, thus here stemming the importance of having ballistic missile program by Iran and the high improbability of Iran's including this point in negotiations with U.S. or other actors. Iran's sense of insecurity is rooted in strategic solitude it experienced during this war, when the West and almost all Arab states supported Iraq to contain Iran's emerging revolutionary order.

**Domestic scene in Iran**


49 Perspectives on Terrorism Vol. 6, No. 4/5, Special Double Issue on Terrorist Decision-Making (October 2012), pp. 85-107


Apart from the external political risks such as U.S. continued imposition of sanctions, embargoes and the nuclear issue, which make Iran very volatile place for investment, there are several internal risks which exert significant influence on the stability and attractiveness for investors. Such as poverty levels within the society, social risks, increasing inflation and possible division within the political system of Iran. These factors can have negative influence on the possibility to invest in Iran and drive out investors to more safe and certain countries. The general impoverishment of the population is notable, as in 2016-2017 fiscal year 14.9 percent of urban population and 11.6 percent of rural population were below absolute poverty line. Since the cost of living increased in during the 2017-2018 period, it is expected that similar number of Iranian is still below the poverty line currently. Such percentage of Iranians living in worsened conditions can be a source of internal instability and more frequent occurrence of economically-motivated protests. Furthermore, high interference of state in the economy complicates the general panorama for investment in Iran. This is usually accompanied by not so transparent management and corruption is probable to occur in such system. Moreover, not only tensions with the U.S. make Iran uncertain place to invest, its geopolitical frictions with other actors in the Middle East, mainly Israel are factors that can influence the domestic stability in Iran and the region.

It is important to take into consideration Iranian’s society reaction to the actual situation of the country and to the possible scenarios. In the recent years, levels of unrest within the Iranian society have increased substantially in comparison to past situation. This event somehow surprised both the international community and Iran. The Iranian society has been built on a base of harsh conditions and scarcity of resources, accompanied by a shared spirit of defiance against external pressure. Therefore, Iran’s population has been historically, and especially

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in the last decades, known as a very resilient one.\textsuperscript{57} The main factors that triggered the protests are:

- A stunted economy, with over 40\% of youth unemployment
- A constant increase on the price of basic goods\textsuperscript{58}
- The frustration of social freedom and desire for political openness
- Upheaval regarding the government’s massive expenditure in external affairs while all of the above is happening in the country

In order to predict the plausibility of additional protests in the near future, it is key to take these four drivers into account. Improvement and growth of the Iranian economy would be the most effective way to prevent those four factors to happen, and hence for the protests not to take place. This could be achieved most efficiently by the lifting of U.S. sanctions through compliance to some or all of its demands.

On the following page, the report provides a SWOT analysis of the Islamic Republic of Iran, as a more concise and technical synthesis of its current state of affairs.

\textsuperscript{57} Masnavi, A. (2017, March 27). The resilience of Iran’s middle class. Retrieved from https://www.middleeasteye.net/opinion/resilience-iran's-middle-class

SWOT analysis of the Islamic Republic of Iran

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<th>Internal Analysis</th>
<th>Strengths</th>
<th>Weaknesses</th>
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|                    | ● Key strategic location for trade, as a link between the Middle East and Asia, as well as access to the Caspian Sea and the Persian Gulf  
● World’s second largest oil reserves  
● World’s second largest natural gas reserves  
● Strong internal stability, proven capacity of withstanding harsh conditions  
● Sense of civilizational and historical pride  
● Strong transnational religious network as Iran is perceived as the banner of the Shia Islam | ● Opinion differences between hardliner and conservative camps regarding foreign policy  
● Socioeconomic disparities and inequalities  
● Dual system of government that mixes elections with a powerful Supreme Leader  
● Economic corruption and mismanagement  
● Banking sector burdened by high percentage of nonperforming loans  
● Lack of a strong conventional military power  
● Limited soft power  
● Few allies in the region (mainly weak such as Syria and Iraq) |

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<th>External Analysis</th>
<th>Opportunities</th>
<th>Threats</th>
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|                    | ● Iran’s size, population, influence and current activity can provide for regional dominance in the short term  
● Key position in transportation of natural resources  
● Several number of resource-hungry countries are looking for diversification in the acquisition of natural resources  
● Room to maximize revenues from the gas sector  
● Being neighbour to underdeveloped countries such as Iraq, Pakistan and Afghanistan, open to closer economic ties | ● Complex society, multiple minorities  
● High economic dependence on oil prices  
● Lack of possible strong Shia allies  
● Powerful rivals actively seeking to weaken Iran  
● Maintaining the bond created with other countries during the Syrian Civil War, after it ends  
● Popular expectations of prosperity are higher than what has been given  
● High youth unemployment |
United States of America

The leadership of the Western world's involvement in the Middle East was taken on by the U.S., initiating with the Suez Crisis and the replacement of the United Kingdom as the main security patron of the Persian Gulf states in the 1960s and 1970s. Working towards the stable flow of the Gulf oil has never ceased to be a relevant and strategic objective in this highly uncertain region. The existence of fragile states in the Middle East presents a challenge for policy-makers who need to adjust swiftly to the ever-changing geopolitical panorama. Multiple anti-governmental groups further complicate the realities happening in this region, which is intertwined with complex ethnic, religious, geographical, cultural, historical and socioeconomic factors. In all of this complexity, it is extremely difficult to prepare and follow a consistent foreign policy, an affirmation that can be made when observing the development of the United States' one.

The existence of the State of Israel (alongside with the collapse of the Ottoman Empire and the Sykes-Picot repartition of the Middle East) is a cause of humiliation for the Arab nations, which throughout the years developed strong hatred towards the U.S. specifically, and the West generally. Two realities were created, that of Arab nationalism and Israel's existence, which confront each other until this day. The U.S. has not been able to implement a stable approach to supporting Israel while enabling a creation of an Arab-Israeli peace. On the other hand, it has dealt with the security aspects of extremism and terrorism from mainly national perspective without trying to understand the deep underlying causes that help ignite the rise of Al Qaeda, ISIS and the political upheavals of the Arab Spring starting in 2011. U.S. focused on fighting the immediate threats as all of these causes and drivers have grown more dangerous.

The disruption of an already fragile and volatile regional order caused by the U.S. intervention in Iraq in 2003 did not result in more stability and has left a power vacuum which was used by Iran to gain influence and ensure a potential corridor towards the Mediterranean Sea. Since then, American involvement in Iraq and the Civil War in Syria has not been

defined by clear strategic goals but was rather characterised by joining the Arab Gulf states in the stepping up of the arms race and confrontation with Iran through military support of the anti-Assad camp. Although, in 2015 Al-Assad's regime was on the brink of collapse, notably thanks to U.S. intelligence and military support of the Kurds, however the entrance of Russia in the conflict ensured the survival of the regime and converted Russia into a relevant actor in the Middle East.

In 2015, U.S. led 6 other nations to a historical deal with Iran. The Joint Comprehensive Plan of Action (JCPOA) put limits on Tehran's nuclear program in exchange for the lifting of certain Western sanctions. The U.S., France, the UK, Russia, Germany, China and Iran signed the deal, backed by the European Union (EU). The deal was supported by the UN's Security Council and its nuclear watchdog, the International Atomic Energy Agency (IAEA), which controls and inspects Iran's compliance with the deal. Nevertheless, the change in the presidential administration in the U.S. after the 2016 elections, also changed the position concerning the JCPOA. The effectiveness of the deal has been proved by the 11 inspections carried out by the IAEA, but it is not solely the nuclear program what worries the Trump's administration the most. Limiting Iranian regional impact, mainly the development of Iran's ballistic missile program and malign activities in Yemen, Syria and Lebanon are to U.S. and its allies (essentially Israel and Saudi Arabia) of strategic importance. On the 8th of May 2018 President Trump withdrew U.S. from the deal, referring to it as one of the worst deals in history. For now, Iran is complying with the JCPOA and has continued in negotiations with the European Union, in the hope that the EU can sustain the pressure from the U.S. and continue economic ties with Iran.

**The evolution of the JCPOA and the US-Iran relations and possible scenarios**

The U.S. is continuously undermining the agreement by imposing aggressive sanctions and exerting diplomatic and economic pressure on its allies, mainly the European Union and all the entities that operate within their currency and want to trade with Iran. The supremacy of dollar in the international trade is undeniable even though the European Union is trying to circumvent it by any means possible. Many scholars deem the efforts by the EU more as a symbolic, political gesture rather than viable economic alternative for Iran to function without the U.S. dollar.
The growing tensions in the region and reports that some U.S. officials, e.g. John R. Bolton, Trump's national security adviser, are looking for options of militarily striking in Iran, are further complicating and testing the vulnerability of the agreement.\(^6^0\)

On May 8, Rouhani made a declaration that adds up uncertainty to the near future regarding the JCPOA: Iran will stop complying with elements of the landmark nuclear deal\(^6^1\). At first, this seems like a definitive resolution by Tehran. However, if we take a look at previous actions regarding this issue, it is very probable that this move is part of a long tug-of-war Iran and the U.S. are taking part of. Which are the real facts on the table? What do we know for sure? Which are the real capabilities and intentions of both sides?

Iran has the economic and diplomatic incentive to further comply with the JCPOA, hoping to wait out Trump's Presidency and that the next president will adopt less aggressive approach. However, Iran's patience will depend on the economic incentive by the EU, specifically the signatories of the deal, Germany, France and the UK. These actors, mainly Germany due to its import/export relations with Iran (Germans export $ 3.22 billion worth of merchandise to Iran), are willing to push through with the JCPOA and at least symbolically showcase its capacity to confront the U.S. in the international arena. China and India are as well economically connected with Iran (31% of Iranian exports, mostly crude petroleum end up in China, 19% in India) and their willingness and capability to oppose unilateral U.S. sanctions will affect Iranian posture towards the compliance with the JCPOA. Since Iran's potential withdrawal from the JCPOA and subsequent development of nuclear weapons would immediately align European states in particular, as well as China, Russia and India, with the U.S. line of action and economically and political isolate Iran, such development is highly improbable. Thus, Iran was until now complying with the nuclear deal and, in terms of capabilities, could continue to do so for the foreseeable future if the proper requirements are met. It presents an efficient diplomatic tool as of the moment, and also for the possible renegotiation of the current agreement. Compliance with the JCPOA allows Iran to continue pursuing more economic ties and diversification of their trade options.

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In the best possible scenario, Tehran could “meet the EU halfway” and demonstrate its ability to exert more of a constructive role in the region. Facilitating the resolution of the Yemen crisis by pressing the Houthis to comply with the deal elaborated by the UN special envoy, would serve this purpose.  

Although, such course of action is greatly dependent on the strategic goals of Washington in terms of Iran's regional activity, which are not entirely clear. However, by looking at the 12 conditions demanded by the U.S. for Iran to implement, basically choking its economy by pushing out international investors and trade, U.S. is seeking to debilitate Iran's economy and drive the Iranians to the streets. This strategy can have several objectives: bring back Iran to negotiate a more extensive and militarily limiting deal; prevent its regional involvement through proxy wars and ballistic missile program; or even destabilise and consecutively tumble the Islamic regime. Currently we witness the U.S. exerting maximum economic pressure, while Iran is being patient in the faith that the U.S. presidential elections will produce change, or that Trump's administration will shift its power projection on a different strategic issue. Europe is moving on a thin ice between the maintenance of its transatlantic partnership and keeping Iran economically motivated to continue complying with the nuclear deal.

However, the reluctance of Iranian politicians to validate Trump's pressure politics and the deep resentment of the U.S. interference in the political realities by the Iranian general public, the probability of renegotiations is very low. Iranians portray a strong willingness to survive under such harsh economic strangling, although Trump's possible re-election in 2020 will very probably produce a change in this position. However, a combination of factors such as hardliners rise to power and economically-motivated protests are factors to keep an eye on. So far, these protests do not show signs of nationwide organization or a unifying leader that would guide the protesters towards a specific goal, such as change in government or leadership. Nevertheless, it is a factor to observe for the upcoming period, especially in connection to worsening economy and youth unemployment.

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63 Fathi, N. (February 4). Protests are a Permanent Feature of Iran. Retrieved from https://www.atlanticcouncil.org/blogs/iransource/protests-are-a-permanent-feature-of-iran

If Iran's internal situation worsens to a point where the more moderate and pragmatic politicians, currently represented by Rouhani start losing power, and the more hard-line sympathizers gain political influence, Iran's reaction towards its vulnerable and weak economic position and the limits imposed by the JCPOA might force them out of the deal in a search of a more assertive foreign policy. The “2-day resignation” of Iranian Foreign Minister Mohammad Javad Zarif, referring to a “pressure for hard-liners”, shows that the internal dynamics can notably influence the political course of the country. Such change in posture, could lead to the escalation of the regional conflicts through more intervention by Iranian proxies in Lebanon and Yemen, and possible non-compliance with the nuclear constraints. This course of action would put substantial pressure on Trump's administration to respond even by military intervention in order to prevent the nuclearization and further destabilisation of the region. Key turning points in the development of the JCPOA will be the U.S. 2020 presidential elections, and the 2020 parliamentary and 2021 presidential elections in Iran.

Imagining that President Trump will be re-elected, Iran is highly unlikely to sustain the pressure for another four years due to its unsustainable economic isolation. If a democratic candidate takes the White House and readmits U.S. to the nuclear deal, given the expiration of limits on Iran's uranium enrichment in 2024, a new more extensive deal will be needed to elaborate. Actually, in both cases of the old administration continuation and a change in the White House, it is probable that a new deal will be an important part of negotiations after 2020. Without a doubt, the Iran nuclear deal is a remarkable achievement by all the parts involved, however, none of them seems to be fully satisfied with it. Internal voices within Iran complaint that the deal did not bring the promised economic benefits for the people, either because of the deal itself or the incompetence by the current government, either way, it does not present the deal in a positive light. The U.S. clearly demonstrated its position, mainly referring to Iran's continuation of interference within regional crises through proxy wars and ballistic missile program. Europe might be the most satisfied actor within this issue, but due to its limiting economic power on the world market and profound alliance with the U.S., its course of actions is fairly limited.

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For the next two years, the most probable scenario is that Iran and the U.S. will establish new terms and conditions regarding the treaty, including the possibility of signing a whole new treaty. This will not happen without a certain degree of tension and even friction. The negotiation with the European and other actors such as China, India, Russia and Turkey will be more relevant than previously. None of these desire a further nuclearization of the region. Thus, Iran's un­negotiated withdrawal from the agreement and continuation in the development of nuclear weapons would mean political and economic collapse, something Iran will be not willing to do. The alternatives to this agreement and settling of the issue through diplomatic means, are either Iran obtaining a nuclear weapon, or a military intervention led by the U.S. on its own territory. A possibility, none of these actors are decisively willing to follow, looking at the current internal and external dynamics of their countries' politics. Ultimately, a possible change in the U.S. Administration can lead to vaguely predictable results; most probably, a loosening of U.S. pressure on Iran.

In the light of recent developments in the US-Iran relations, specifically the declarations of Iranians that they will stop complying with the JCPOA and engage in enrichment of uranium unless European countries will offer economic incentives, we can observe again that the JCPOA serves as a diplomatic tool for Iran to circumvent the hard impact of renewed U.S. sanctions. Sanctions which most recently targeted even the Supreme Leader Ali Khamenei and people around him. Such course of action is further complicating the possibility of diplomatically resolve this issue, not only because Iranians are extremely prideful nation which highly respects its spiritual leaders, but mainly due to increased military presence near the Strait of Hormuz, represented by U.S.'s battleships and personnel deployment in the region. The alleged Iranian attacks of several oil tankers and shooting down of an U.S. surveillance drone can be interpreted as a message from Iran that any attempt to shut down Iranian oil exports by increasing oil production and transport of the Saudis and other Gulf monarchies will not occur without Iran having the last word. The attack on the East-West Pipeline which moves oil from the Eastern shore (Persian Gulf) of Saudi Arabia to the Western one (Red Sea) only emphasizes this strategy by Iran, even though this specific attack was carried out by the Houthis from the rebel-occupied Yemeni territory.
Taking all of the above into account, we have proceeded to build a chart which will tentatively analyse five simple scenarios in the context of the development of the US-Iran relations in the 2024 horizon (we consider the next 5 years to be the most reliable for predictions).

<table>
<thead>
<tr>
<th>Drivers of Change</th>
<th>Simple Scenarios</th>
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<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Continuity of the relations as they are</td>
<td>-</td>
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<tr>
<td>Iran makes significant progress in developing nuclear weapons</td>
<td>-</td>
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<tr>
<td>Iran abandons its nuclear project but continues to develop ballistic missiles</td>
<td>-</td>
</tr>
<tr>
<td>Iran abandons its nuclear project and accepts demands</td>
<td>-</td>
</tr>
<tr>
<td>Compromise: Iran gives up certain aspects of their nuclear and ballistic programs and the U.S. lifts certain sanctions</td>
<td>-</td>
</tr>
<tr>
<td>Harshening of U.S. sanctions (especially through secondary sanctions on EU banks)</td>
<td>-</td>
</tr>
<tr>
<td>Substantial increased occurrence of economically-motivated protests inside Iran</td>
<td>-</td>
</tr>
<tr>
<td>End of Trump’s administration by elections or impeachment - New Democrat administration</td>
<td>-</td>
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<tr>
<td>Iran increases its economic independence from the West through trade with its allies</td>
<td>-</td>
</tr>
<tr>
<td>Escalation of conflict between Israel and Lebanon/Hezbollah/Iran</td>
<td>-</td>
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<tr>
<td>Rising tension in the Persian Gulf, Strait of Hormuz</td>
<td>-</td>
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<tr>
<td>Escalation of conflict between Saudi Arabia and Iran</td>
<td>-</td>
</tr>
</tbody>
</table>

Legend:
++ → Very positive impact on the plausibility of the scenario
+ → Positive impact on the plausibility of the scenario
- → Negative impact on the plausibility of the scenario
-- → Very negative impact on the plausibility of the scenario

Scenario 1 is the current state of relations. Scenario 2 has been named ‘Iran makes significant progress in developing nuclear weapons’ and not ‘Iran develops nuclear weapons’ as we consider extremely unlikely for Iran to develop a nuclear weapon in the next five years.\(^{67, 68, 69}\)


As it can be seen, the plausibility of Scenario 2 happening is subjected to the rising of tensions among different conflicts, but especially subjected to Iran’s economic independence from the West; ergo to the level of Iran’s immunity to the sanctions imposed by the U.S. Scenarios 3, 4 and 5 involve various degrees of compliance to the U.S. sanctions. Scenario 3, although reasonable to some extent, is unlikely to happen because of the fact that the U.S. made it clear that the 12 demands presented by its Secretary of State back in May 2018 should be complied in an ‘all-or-nothing’ manner. Because of this condition, the change in Washington’s administration could provide for more flexibility for Iran to negotiate with the U.S; as shown in the driver ‘End of Trump’s administration by elections or impeachment - New Democrat administration’. Scenario 4 would be the most desired one for the region’s stability. Scenario 5 is an option that could satisfy both the US and Iran’s interests, although proper diplomacy and communication within both countries public opinion should be superbly performed.

The least likely scenarios to happen based on the facts and tendencies observed in the chart 1 and current evolution of events, are those in which there would be substantial improvement of the U.S. - Iran relations in the horizon 2024. In order for Iran and the U.S. to enter into a period of de-escalation of their diplomatic, economic and political tensions, both actors would have to significantly change their ways of verbal and real interactions on the ground. It would require Iran to officially recognise and publicly denounce the existence and support of “their” militias in the region, and halt their economic and intelligence support, mainly in Syria and Lebanon. Another positive diplomatic step in order to improve relations with the U.S. would be to declare support for the UN proposed resolution in the Yemen conflict, thus allowing Saudi Arabia to decrease their military effort to drive out enemy forces from their own borders. If Iran emerges from the Yemen conflict as a mediator and a peacekeeper, the international arena would be less willing to continue support for U.S. harsh sanctions and isolation of Iran, where the biggest victim is the ordinary Iranian population. On the other hand, U.S. could try to meet such peace-keeping Iranian efforts by officially recognising the nature of Iranian political system and declare that it will not try to alter it. This demand needs to be out of the negotiations in order for the Iranians to establish more constructive search for

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solutions with its American counterparts. If Iran lets go of its efforts to develop a nuclear bomb and limits its development of ballistic missiles, it could serve as a stabilising course of action. A resolution all the actors, both internal and external, would deem as positive and would declare their support for it. With Iran following a stabilising role in the region (without nuclear bomb and long-range ballistic missiles), U.S. will no longer have reasons to sanction Iran. Therefore, their relationship would enter into a period of trial, which would test whether these two nations, which previously demonized each other, can coexist and cooperate. U.S. would have to fend off Israeli pressure, which throughout the history has shown its great impact on U.S. foreign policy. Furthermore, Iranian politicians would have to convince the general public that for the better condition of their economy and its future prospects, closer and more stable relation with the U.S. is required. All of the above could be plausible if conditions for scenario 5 are met.

**Russia and Iran**

Although it might seem that the strategic vision of Russia and Iran are similar in terms of Middle East policies, in the long-term there might be some differences that can cause distancing of these two actors. Both nations have in the last years of the Syrian conflict expressed their support for territorial integrity of Syria and re-establishing of the control by Al-Assad's regime. This, however, does not certifies that such alignment stems from deep understanding or sharing of the same interests. Russia is committed to help resolve issues that create instability and counter U.S. interventions in the region, which according to the Russians, create even more instability and disruptions. Russia's military intervention in Syria in 2015 was executed in the light of restoring stability in the country and respond to U.S. efforts to change Al-Assad's regime. It also resulted in Russia establishing itself as a serious actor and a relevant player who from now on has to be consulted when it comes to security in the Middle East. This is where the strategic visions of Russia and Iran divert and confront each other. As Iran is determined to expand its sphere of influence throughout the region by engaging with non-state actors who operate as their proxies and thus cause instability for the countries these operate in.

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Nevertheless, in the short-term Russia is expected to continue in the relation it has had so far with Iran. Their understanding of the political dimensions of the Syrian conflict is shared, however, the divergence of their strategic vision might come when the conflict moves to more of a diplomatic phase.

Economically, Russia cannot in no way near offer the same benefits and trade options as the U.S. Nevertheless, Russia has continued to sell conventional weapons to Iran on large scale and this dimension of their relation has been growing throughout the last years. For Russia arms sales are an opportunity to expand their commercial reach with this sector and their possible influence over its buyers. This dimension of relation will likely continue, since Russia is engaged to have a presence in the region and having good commercial relations with Iran is a way of doing exactly that.

Moreover, the divergence in opinions is seen in the position both adopt in terms of Afghan political resolution. Russia is determined to find a possibility to politically settle the issue and include Taliban in the process. This was demonstrated by a diplomatic conference in Moscow, which was attended by a Taliban delegation and several members of the Afghan government. Such meetings can be understood as Russia's effort to chip off of the influence of NATO and U.S. in the region and establish itself as a mediator in the region. On the other hand, Iran's relation with Taliban is highly complex. Iranians agree that Taliban is well established in Afghanistan and any peace process will have to include this Sunni rebel group. The key interests for Iran is that its eastern neighbour does not turn to be an anti-Shia country, and at the same time it is not dominated by U.S. political and military endeavours. The possible misunderstanding between Russia and Iran might be the level and degree of cooperation with Taliban in the resolution of the internal situation in Afghanistan.

**China and Iran**

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Specially China, who sees Iran as a key piece to its Belt and Road Initiative (BRI) is an actor whose Middle East policy has not been clearly defined but is economically incentivised to maintain ties with these nations. As can be seen on this map, Iran has strategic importance for the new Silk Road connectivity onward to Turkey.

From a historical perspective, China has had close relations with Iran in particular. During the 1980s, after the Islamic Revolution, China assisted Iran in resuming its nuclear programme by helping to build several nuclear reactors and committed itself to export various kinds of nuclear material in accordance with a bilateral agreement of 1992, which in the end possibly due to external U.S. pressure did not go through. Nevertheless, over the past decades China and Iran have developed a broad and deep alliance centered around China's energy demands and Iran's energy abundance, as well as significant non-energy economic ties, arms sales and defence cooperation, and geostrategic balancing of the US' influence in the region. This was backed up by the $ 89 billion of foreign government aid by China invested in Iran in the period of 2001 to 2011. Most of this money was concentrated on developing Iran's energy sector, mostly gas and oil projects, but some were directed on enhancing Iran's infrastructure.

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78 Charles Wolf Jr, Xiao Wong, Eric Warner, “China’s Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations and Implications (RAND 2013) p. 33 and Table 6.1
such as railways constructions. China-Iran relations had also military dimension, where China helped Iran in its development of ballistic missiles and another conventional arms inventory. According to a declassified CIA report, Beijing was the largest supplier of weapons to Tehran, having agreed in late 1985 to provide anti-ship missiles, surface-to-air missiles and small arms and ammunition among others, in total worth of $ 1 billion. A connection that was confirmed by a study in 2012 by RAND, an American-based think tank, which concluded that several Iranian missile series portray Chinese technology and design. This partnership with Iran, a Shia reference in the Middle East, might also have another dimension for China, particularly to counter Sunni threats in the Xinjiang region, where the majority of modern Uyghurs are Sunni.

China's commitment to Iran was strengthened also after the implementation of the JCPOA, when Xi Jinping visited Tehran and promised $ 600 billions of increase in trade over the next decade. The development of key infrastructure was materialised in several projects where China assisted substantially. Mashad-Tehran railway and its link to Turkmenistan, railway connection from Tehran to Shiraz and Busherh are some of the projects which intend to connect Central Asia with the Persian Gulf with a possibility of reaching towards the heart of Europe. Before the re-imposition of U.S. sanctions, China was importing around 650,000 barrels of Iranian oil per day, trade managed by Chinese oil giants, CNPC and Sinopec. Maintaining good relations with Iran, is one of Chinese priorities within their foreign policy, mainly due to the fact that Iran was China's fourth largest oil supplier in 2018. After the re-imposition of the new U.S. sanctions, eight countries were given waivers allowing them to

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continue buying Iranian oil, a permission that lasted until May this year. However, as part of the “maximum pressure” strategy by the Trump administration, these waivers were not prolonged thus driving Iranian into a deeper economic hole with rising inflation and unemployment. Nevertheless, China was among the countries who got the waiver and continued to buy oil from Iran, however only 360,000 barrels per day, which is half of what China was accustomed to receive.\footnote{Aizhu, C., & Tan, F. (2018, December 07). China's Iran oil imports to rebound in Dec as buyers use U.S. waivers. Retrieved from https://af.reuters.com/article/commoditiesNews/idAFL4N1YA32E} Apart from oil imports reduction, China was affected in its infrastructure endeavours, such as the withdrawal of French oil company TOTAL from a multibillion gas project in Iran that was carried out in partnership with the Chinese CNPC.\footnote{Aizhu, C. (2018, August 20). China defies U.S. pressure as EU parts ways with Iranian oil. Retrieved from https://www.reuters.com/article/us-iran-oil/china-defies-u-s-pressure-as-eu-parts-ways-with-iranian-oil-idUSKCN1L51GB} Nevertheless, China seems to be for now abiding by the limits of trade with Iran demanded by the U.S. mainly because of the current sensitive trade and technology relations, which led to deepening of mistrust between these two superpowers.\footnote{Hemanth. (2018, December 14). CNPC halts investment in Iran's South Pars natural gas project. Retrieved from https://www.offshore-technology.com/news/cnpc-south-pars-natural-gas/}

For the time being, China's behaviour is signalling that is willing to comply with the new sanctions. Several scholars, have noted that China may be doing this in order to get a more favourable trading position with Iran, or even implement a strategy of using smaller companies with no exposure to U.S. to continue the trade.\footnote{Shariatnia, M. (2019, March 15). Exodus by big firms pushes Iran toward smaller Chinese enterprises. Retrieved from https://www.al-monitor.com/pulse/originals/2019/03/iran-china-trade-sanctions-smes-jcpoa-nuclear-deal-trump.html} As mentioned before, for China, Iran represents a vital strategic position in their BRI also by opening up a possibility to bypass Russia on their way to Europe.\footnote{Efraim (25 April 2002). \textit{The Iran–Iraq War: 1980–1988}. Osprey Publishing. pp. 1–8, 12–16, 19–82. e} The Mashad to Tehran railway which continues to Turkey serves as an example of projects offering alternative route, with less “Russian” interference for China.

When analysing the relations of China and Iran, we can also mention India in this section as both form part of the group of actors who have external, more economic influence of the realities occurring in the Middle East. India's relation with Iran is of geopolitical and economic nature. It provides India with external access to energy, trade and regional connectivity. Iran is one of India's main energy providing partners, although the renewal of sanctions and limits established by the waivers have decrease oil imports by substantial
amount. A year ago, Iran was third biggest oil supplier, while in December 2018, it slid to sixth position.\textsuperscript{91} India is also using its ties with Tehran to gain more influence in Afghanistan and Central Asia, committed to circumvent Pakistan, its rival in their region.\textsuperscript{92} This is mainly materialised in the acquisition of the Chabahar port, development of the nearby railway infrastructure and engaging with Iranian in order to offer a new transit route for the Indians, Afghans and Iranians. This investment and economic ties have to look for solution of how to overcome the new U.S. sanctions, an issue that both sides seem to be determined to deal with.\textsuperscript{93} In the long-term India seems determined to cultivate close economic ties with Iran, due its the strategic importance for its energy diversification of sources, trade and strategic connectivity allowing India to bypass uncomfortable neighbours.

**Saudi Arabia**

As one of the principal economies of the Middle East, Saudi Arabia plays a vital role in the political and economic developments occurring in the region. Its geopolitical interests can be summarized in two main parts; to gain power and influence in the region and to counter Iran. Given the current state of affairs, one cannot be done without the other. Saudi Arabia considers Iran as the archenemy in the Middle East. There are several aspects to this rivalry that result in different perceptions of what ought to be the power distribution in the area. Religiously, these two actors have different, mutually excluding visions of how Islam should be lived. Iran as a reference of Shia Islam, goes against the Salafist (Sunni) interpretation of the Saudi royal family. The political system in Iran, shaped by the Islamic Revolution of 1979, is in opposition to the fundamentals on which Saudi monarchy is built on. Nevertheless, these differences increase in strategic importance and urgency in relation to Iran's elevated military activity through *proxy wars*, mainly in Syria and Yemen, and other countries such as Lebanon, Iraq and Bahrain. The mere possibility of establishing a “Shia crescent” around Saudi Arabia presents a direct threat to the survival of the royal family and the interpretation of Islam it represents. Thus, justifying Saudi perception that Iran is a revisionist power that

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\textsuperscript{92}India to bypass Pakistan on the road to Central Asia | Financial Times. (2019). Retrieved from https://www.ft.com/content/8510176c-2188-11e6-9d4d-c11776a5124d

seeks to establish itself as a hegemon in the region, committed to break the status quo and dictate the norms of the play.\textsuperscript{94}

Although Saudi Arabia was trying to counter Iranian influence in Syria by supporting militarily and economically rebels fighting the Al-Assad's regime, their efforts did not produce desired effects. Al-Assad's regime is retaking territory lost to rebels or extremist groups, and the announced withdrawal of the U.S. will give even more operating space to expand to the east of the country. Tehran's military support on the ground and Moscow's air and naval support, logistic and intelligence assistance gave superiority to pro-Assad camp and resulted in shifting the power balance in the conflict. Nevertheless, the news of Syria taking part in first Arab States meeting on March 3rd, 2019, since its suspension in 2011 due to inability to end the bloodshed within its territory could be understood as subtle rapprochement.\textsuperscript{95} However this invitation occurred after persistent lobbying by Jordan and was responded to on the next day with Saudi Arabia declaring that it is too early to re-establish diplomatic ties with Syria.\textsuperscript{96} Analysing the current situation in Syria, it can be said that Saudi Arabia does not possess the physical power to alter the geopolitical situation on the ground in Syria, although strengthening of diplomatic ties by the Saudi family with Al-Assad's regime can be expected.

Another battleground where the Saudi and Iranian rivalry clashes is in Yemen. The former is directly involved with troops on the grounds and air support, while the latter operates through proxies, in this case Houthi movement, who are Zaydi Shiites, therefore religiously affiliated to Iran. Although, the Houthi movement operates more on an independent base, responding primarily to themselves not to orders from Tehran, as was noted by American intelligence officers, their actions are aligned with the objectives of Iran, and that is to weaken Saudi Arabia in any way, shape or form.\textsuperscript{97} Currently, the Houthis control the capital of Sana'a and the western parts of the country, from where they launch airstrikes on Saudi Arabia and


\textsuperscript{97} Riedel, B., & Riedel, B. (2017, December 18). Who are the Houthis, and why are we at war with them? Retrieved from https://www.brookings.edu/blog/markaz/2017/12/18/who-are-the-houthis-and-why-are-we-at-war-with-them/
United Arab Emirates with the technical assistance by Iran. Some call Yemen the “Achilles heel” of Saudi Arabia, due to the incredibly costly military involvement ($6 billion per month) compared to cheap, but extremely effective Iranian interference (few million dollars per month). The international prestige of Saudi Arabia is being damaged by its brutal interventions in Yemen and the humanitarian crisis that stem from these. Moreover, many Yemenis in the occupied areas support the Houthi movement, whom they see as patriots fighting the Saudi-American-Israeli conspiracy against their country, a vision strongly propagated and promoted by the Houthis.

Saudi Arabia possesses aspirations to become a relevant power that wants take over the leadership in the region. An affirmation supported by their diplomatic efforts in bringing together Ethiopian Prime Minister and Eritrean President to sign a peace agreement in Jeddah (Saudi Arabia) or the fact that the first foreign visit of President Trump was exactly to the Kingdom of Saudi Arabia.\(^98\) Nevertheless, the diplomatic capacity of Saudi Arabia has been damaged by the murder of Jamal Khashoggi, which tested the strength of Saudi-US relations, however did not cause a rift, a reality affirmed by the U.S. Secretary of State Michael Pompeo's declaration that Saudi Arabia is “fundamental to the stability and security of the region.”\(^99\)

**Iran–Saudi Arabia proxy conflict**

Back in 1979, when the Islamic Revolution took place, a dangerous call was made by the revolutionaries. All secular states and monarchies in the Muslim world should be overthrown and replaced with Islamic Republics. In a matter of months, the Middle East found itself immersed in a transnational religious and political turmoil. Saudi Arabia was (and still is in many ways) the foremost defender of the status quo. The Saudi government changed Iran’s perception from an ally to an enemy that sought the vanquish of the Saudi dynasty. This was the initial reason why the Iran–Arabia Saudi proxy conflict began.

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While the Islamic Revolution was still far from being deeply consolidated into the Iranian regime, Sadam Hussein declared an opportunistic war on Iran. The Iran-Iraq war had key consequences on both Iran’s and Saudi Arabia’s political system and stance. As the havoc of war intensified, the Iranians could take advantage of the situation in order to perform political purges and suppress the opposition that arose inside Iran during the revolution; hence consolidating the regime. On the other hand, uprisings that took place inside Saudi Arabia, such as the 1979 Grand Mosque seizure, cleared the path for the Saud monarchy to strengthen and promote their Wahhabis policies both inside and outside Saudi Arabia. In fact, Saudi Arabia quickly took advantage of this opportunity when the outcome of the Iran-Iraq war began to look favourable to Iran. With the premise of defending Islam, the Saud firmly stood with Iraq against the revolutionaries. From that moment on, both Iran and Saudi Arabia have claimed the leadership of the Islamic world. As the contest for the title went on through the next decades, the two candidates’ regimes have focused on their differences, in order to find potential allies that have common characteristics. As a result, the Iran-Saudi Arabia conflict did put a special emphasize on the division between Sunni and Shia Muslims, which now is one of the main issues regarding this conflict; and a key point to understand the interests and methods of both sides.

Since the consolidation of the Islamic Republic of Iran regime, the way Saudi Arabia and Iran expanded their sphere of influence changed completely. The activity of both countries was no longer limited to the Middle East, but to every Muslim country where two forces were present: Islamic monarichies and anti-Islamic monarichies movements. Wherever these two actors were present, both Iran and Saudi Arabia would decidedly stand with one side. In the case of Saudi Arabia, with monarchies; Iran, with the opposition. Therefore, the conflict extended further than the Middle East, and especially into North Africa, where several monarichies were still ruling in the region.

The Gulf Cooperation Council was founded as an alliance between six Gulf monarchies: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates; as a response to the Iranian Revolution threat\textsuperscript{103}. It was a unified regional, political and security front that had as its chief objective to preserve the six countries monarchic regimes. Since 2011 the GCC has tried to adopt a more joint cooperation\textsuperscript{104}, especially regarding a coordinated economic macro reform\textsuperscript{105}. However, internal disputes have arose inside the organization, especially regarding Qatar’s relations with Iran and non-state actors like the Muslim Brotherhood\textsuperscript{106}

However, the most relevant to our days is the current stage of the conflict. The Arab Spring shook the Middle East and North Africa. As soon as the protests extended over the region, Iran and Saudi Arabia quickly identified which side to support and proceed to subtly intervene. In general terms, Iran supported any organized group that was trying to overthrow a monarchy or a secular government; whereas Saudi Arabia supported the side that could guarantee the maintenance of the status quo in the region\textsuperscript{107}.

The Iran-Saudi conflict was then put in flames and entered a new phase. Non-state actors became increasingly relevant. The Sunni-Shia sectarian conflict acquired an even higher intensity\textsuperscript{108}. Libya and Iraq became failed states and thus severely unprotected against foreign influence. Syria and Yemen fell into civil war and have become an active scenario of the Iran-Saudi Arabia proxy war\textsuperscript{109}.

As this happened, Iran kept up her efforts regarding the so-called Shia Crescent. Iran’s activity in Lebanon and Syria has further increased Iranian’s range of action: as recently as

\textsuperscript{104}Andrew Hammond (May 17, 2012). "Analysis: Saudi Gulf union plan stumbles as wary leaders seek detail". Reuters.
\textsuperscript{108}Cardinali, Thomas G. () "The Sunni-Shia Political Struggle between Iran and Saudi Arabia," Strategic Informer: Student Publication of the Strategic Intelligence Society: Vol. 1: Iss. 2, Article 6
January 2019, Iran allegedly fired a missile at the Golan Heights\textsuperscript{110}. This is a real example of how effective Teheran’s proxies and alliances can be, and what extent they can reach.

During the Arab Spring, Iran, as well as most of the Gulf countries (except for Bahrain\textsuperscript{111}) did not suffer much internal destabilization in their regimes\textsuperscript{112 113}. Mainly thanks to strong coercive forces, experienced in repression. Still, almost all of the other countries in the region did experience heavy upheaval; and some suffered deep changes in the regimes.

Having taken into account the big picture regarding this conflict, what can be expected to happen next? What moves will both countries perform? How will the different scenarios develop?

In the current day, Saudi Arabia and Iran are struggling for superiority over five main scenarios: Syria, Iraq, Yemen, Lebanon and Bahrain. We have chosen to analyse Syria and Lebanon conflicts due to the active presence of most of the main actors of the Middle East in them.

**Syria**

Ever since the Iranian Revolution took place in 1979, Syria has been Iran’s only consistent ally through the years\textsuperscript{114}. As shown in the previous section of this document “Religion and the Sunni-Shia division”, Syria’s Shia population roughly represents the 15% of the population\textsuperscript{115}; but has always been ruled by a Shia minority: the Alawite sect\textsuperscript{116}.

Iran and Syria share interests regarding Israel, the U.S. and Iraq. Both countries have withstood external pressure shoulder-to-shoulder during decades.

Since the outbreak of massive protests against the Al-Assad regime in 2011, Iran has heavily supported the government. Since 2012, Iran has fully supported the Syrian government through military, economic and technical aid, which proved to be key for the survival of the regime even more crucial when the conflict started.

Saudi Arabia’s first known involvement in the Syrian scenario took place as soon as 2012, when in joint operation with the CIA provided weapons to rebel groups for the first time. This will mark the Saudi involvement in the Syrian conflict as tied with the U.S. interests in the region either partially or totally. Since the open conflict started, Saudi Arabia has been actively involved in supporting Sunni rebel groups against the government, either through military aid or through trying to turn the international community against Al-Assad. However, the lack of reliable and trustworthy rebel groups has been a serious problem for Riyadh’s interests even since the outbreak of the civil war.

Sunni rebel forces of considerable strength are still entrenched in the northwest part of the country, close to the Turkish border.

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Despite Saudi support, as of early 2019 most of Syria is under the Al-Assad’s control. And territorial changes between the government and rebel groups have been stale for nearly over a year.\footnote{CNN Library. (2018, December 27). Syrian Civil War Fast Facts. Retrieved from https://edition.cnn.com/2013/08/27/world/meast/syria-civil-war-fast-facts/index.html}

With these facts, we have analysed the conflict in order to try to predict possible scenarios in the short term (the next five years, in the same fashion as the last chart previously elaborated).

<table>
<thead>
<tr>
<th>Drivers of Change</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Syrian Civil war continues and becomes a low-intensity conflict</td>
<td>The Syrian Civil War extends to Lebanon</td>
<td>U.S. complete withdrawal of troops from Syria</td>
<td>Syria becomes a failed state, after Assad fails to achieve internal stability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in the consolidation of Iranian forces and Hezbollah in Southwestern Syria</td>
<td>+</td>
<td>-</td>
<td>++</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>On the ground understanding reached between Russian and U.S. interests in Syria</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Israel escalates military interventions on the Syrian and Lebanese soil against Iranian proxies</td>
<td>-</td>
<td>-</td>
<td>++</td>
<td>+/-</td>
<td>+</td>
</tr>
<tr>
<td>Turkey intensifies military interventions against the Kurds in Syria</td>
<td>-</td>
<td>-</td>
<td>+/-</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Establishment of Kurdish Autonomous Federal state within Syria</td>
<td>+/-</td>
<td>+</td>
<td>+/-</td>
<td>+/-</td>
<td>+</td>
</tr>
<tr>
<td>Weakening of ISIS position in Syria</td>
<td>-</td>
<td>+</td>
<td>+/-</td>
<td>+</td>
<td>--</td>
</tr>
<tr>
<td>Saudi Arabia increases its support to Rebel groups</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+/-</td>
<td>++</td>
</tr>
</tbody>
</table>

Legend:

++ → Very positive impact on the plausibility of the scenario
+ → Positive impact on the plausibility of the scenario
- → Negative impact on the plausibility of the scenario
-- → Very negative impact on the plausibility of the scenario

As of today, scenario 1 is already very close to becoming the reality in Syria. It is basically a continuity if no considerable events or changes take place in the next years. Scenario 2 would imply trying to end the war as it is now. The event of a truce happening is not extremely unlikely, but the chances of it actually transitioning into a consolidated peace in the country
are very low. Nonetheless it is a plausible scenario. It would mean that Al-Assad would have
to face harsh negotiations with Rebel-held northwest region, Kurdish-held regions in the
north-east and Turkish-controlled territories in the north in order to establish internal stability
in the event of a truce that could lead to peace. Scenario 3 and 5 would be the worst-case
scenarios for the security of the Middle East region and have been feared by every side of the
conflict since the very beginning of it\textsuperscript{127} \textsuperscript{128}; but taking into account the volatility of the
region, they are also plausible scenarios. Scenario 4 would require for important conditions to
meet in order to happen, mainly ensuring that Iran and Turkey do not overextend their
interests in the regions. This scenario happening would be possible if Russia ensured the latter
does not happen. It could also revive ISIS strength, as it has been severely undermined by
U.S. air strikes\textsuperscript{129}.

Taking into account all of the mentioned in this section (including the chart), we think Iran is
better suited than Saudi Arabia for achieving its interests in the region. The government has
resisted throughout the years and the Iran-Syria cooperation has never crumbled. Saudi
Arabia, on the other hand, never managed to properly and efficiently support a rebel group on
the long-term. As of today, the current fronts in Syria show the vastly geographical
superiority of Al-Assad’s regime in contraposition to those of the rebel groups. Iran was better
suited for this conflict much earlier than Saudi Arabia, has a four-decades long alliance with
Syria and was active in the country earlier and more decisively.

Lebanon

The Lebanese political scenario is extremely polarized. As the Shia-Sunni division has
increased in the recent times, so has the division among the Lebanese society. The Shia
community represents 49.22\% of the Muslim population\textsuperscript{130}. In the actual Middle East, that is a
considerable size for a Shia community and, therefore, it is included within Iran’s pan-
sectarism.

https://www.belfercenter.org/publication/worries-about-failed-state-syria
\textsuperscript{129} Theintercept. (2019, January 03). U.S. Ramps Up Bombing of ISIS in Eastern Syria Following Trump
Since Hezbollah arose in the 80s, Iran has been consistently promoting it within Lebanon to the point that it has become a proxy for Teheran. Iran has carefully guided Hezbollah’s transition from an active militant group during wartime to a main role in Lebanese politics. Iran’s influence in Lebanon has lasted for almost four decades and the results show: Hezbollah is considered to be both the most powerful political movement and a stronger military force than the Lebanese army. Syria has also worked in coordination with Iran regarding Hezbollah: support and recognition have always been granted from the Syrian regime.

On the other hand, Saudi Arabia commenced an organized process of influencing over Lebanon in the 90s. Riyadh’s main efforts regarding its policies were the expenditure of millions of dollars into the reconstruction of Lebanon after the civil war in 1990 and the efforts to build a Lebanese army with the objective of achieving military superiority over Hezbollah. Saudi Arabia has tried to get the U.S. and some European countries to join to these projects. However, these measures have not been as effective as Iran’s regarding Lebanon, and new methods have been tried. In 2017, Lebanon’s Prime Minister Saad Hariri resigned immediately after arriving in Riyadh for an official visit. After returning to Lebanon, Hariri made declarations in which he implied that serious pressures were done by Saudi government officials in order for him to resign. Lebanese public opinion did not like this action, and thus, the Saudis complicated themselves their situation in Lebanon even more. As of now, Riyadh is planning new moves regarding its Lebanese policy, but it is definitely not looking favourable for Arabia Saudi.
In conclusion, we could estate that Iran has a stronger position in Lebanon, and its projection seems to grow. Saudi Arabia’s millions and unconventional political moves have not proved to gain any Lebanese public opinion favour; while in terms of military and politics, Hezbollah provides Iran for a much better position in this scenario.
Conclusions

One of the most important facts to take into account regarding the Iranian issue is its unprecedented nature. Never before in history has there been a conflict regarding a country that is struggling so hard and for so long to develop a nuclear weapons program in such a radical asymmetrical warfare context.

The Iranian issue is very complex and counts with an uncountable number of actors and drivers. These may change radically in a very little span of time, thus attributing the issue one of its most important characteristics: its volatility. There are several points of tension with different countries that rarely share interests. Added to Tehran’s bold geopolitical moves, it is crucial to consider this volatility in every prediction or scenario.

Furthermore, we can also conclude that the US-Iran conflict is contributing to the undermining of American global superiority, leading to what is already being labelled as a ‘multi-polar’ geopolitical global scenario. European countries are increasingly differing from Washington’s policies, whereas US rivals, such as Russia or China, are promoting their interests (either political or economic) with moderate success.

In the regional sphere, we can affirm that the Middle East is suffering heavy changes in its balance of power. As the Iran-Saudi Arabia proxy war develops, results of the several proxy conflicts mentioned in the text will start to show. The capability of projecting regional hegemony and the Sunni-Shia division are the most important factors to take into account regarding the future of the Middle East.

As a general conclusion, we can affirm with relative confidence that the Iranian issue counts with four main characteristics:

- Unprecedented similarities
- Volatility
- U.S. geopolitical decline
- Heavy relevance of the regional particularities of the Middle East (mainly the Sunni-Shia division)
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