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IRANIAN INFLUENCE IN THE LEVANT, EGYPT, IRAQ, AND AFGHANISTAN

A REPORT BY THE AMERICAN ENTERPRISE INSTITUTE AND THE INSTITUTE FOR THE STUDY OF WAR

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IRANIAN INFLUENCE

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MAY 2012

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ACKNOWLEDGMENTS

This report is the culmination of a project executed with the support of numerous individuals. The authors—Frederick W. Kagan, Ahmad K. Majidyar, Danielle Pletka, and Marisa Cochrane Sullivan—would like to thank their colleagues at the American Enterprise Institute (AEI) and the Institute for the Study of War (ISW) who contributed invaluable support in the drafting and analysis of this report.

The authors recognize in particular Katherine Faley, Maggie Rackl, Lazar Berman, Alex Della Rocchetta, Joseph Holliday, Maseh Zarif, and Will Fulton. They also thank Michael Adkins, Paige Stabilepszy, Annika Lichtenbaum, Spencer Butts, Gisue Mehdi, Rowley Rice, Amanda Smith, Nathan Patin, Warren Marshall, and Andrew Voxman for their diligent research efforts. The authors would like to thank the publications staffs at AEI and ISW for their keen editorial and technical assistance. As always, credit belongs to many, but the contents of this report represent the views of the authors alone.

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EXECUTIVE SUMMARY

Since 2008, the Islamic Republic of Iran has continued to pursue a coordinated soft-power strategy throughout its sphere of influence, using political, economic, and military tools to promote its agenda. Unlike the period of the early 2000s, however, Iran's payoff for that strategy is in doubt. The Arab Spring has presented Tehran with new opportunities but also new challenges in the Middle East. In general, it has brought a growing Sunni-Shi'a sectarian tinge to regional conflict, and Iran finds itself on the wrong side of that fight in most countries in the region. As that sectarian conflict spreads, Iran will have more difficulty presenting itself as a pan-Islamist regional leader—and Saudi Arabia, and possibly Turkey, likely will emerge as the obvious and natural Sunni Arab resistance to the Persian Shi'a.

As long as Bashar al Assad remains in Damascus, the Syrian alliance with Tehran is likely to remain strong. Should the predominantly Sunni insurgency oust Assad and take power in some form, however, the Iran-Syria relationship would very likely fracture. However, the depth of that relationship would make unwinding it no easy matter for Syria and those states that support its new rulers. Understanding the full scope and scale of the Tehran-Damascus alliance will be essential for policymakers regardless of the outcome of the current Syrian insurgency.

The ascension of Hezbollah to a position of dominance in Lebanese politics in 2011 has allowed Tehran to establish much more direct relationships in Beirut without the mediation of Syria. This development could not have come at a better time for Iran, as it suggests that Iran's interests in the Levant can be protected and advanced even with a greatly weakened Syrian regime.

Of all Iran's proxy relationships in the region, its entente with Hamas is likely to be the most difficult to retain in the face of growing sectarianism in Iraq, Syria, and the Persian Gulf. A formal split with Iran and the loss of Hamas headquarters in Damascus in early 2012 promises more turmoil for both Hamas and the Palestinians it governs. Overall, Iranian support to regional allied and proxy militaries, however, has remained very strong and quite possibly has increased.

The revolution in Egypt has thus far delivered little by way of practical results for Tehran. Cairo, likely under some additional pressure from the Persian Gulf states and from Washington, DC, has made only miniscule steps in the direction of renewed relations with Iran.

In Iraq, Tehran's policies have been largely successful, giving Iran an unprecedented degree of influence there at the expense of the United States and of Baghdad's Arab neighbors. A friendly Iraq is not only an important part of the Iranian-led "axis of resistance" but also serves as an opportunity for Iran to evade the increasingly harsh international sanctions regime and to continue financing regional groups.

Iranian efforts to influence events in Afghanistan have been largely unsuccessful, as Afghan president Hamid Karzai pursues a strategic partnership with the United States and North Atlantic Treaty Organization (NATO) despite Iranian pressure not to do so. Although ideologically opposed to the Taliban, Tehran continues to provide calculated support to the radical Sunni movement as a way to accelerate the withdrawal of US forces from its eastern neighbor.

We began our study of Iran's regional influence in 2007 because we saw an emerging Iranian strategy to apply both hard- and soft-power tools to improve and consolidate Tehran's position in the region. The pattern of Iranian economic, social, political, and diplomatic activity seemed to possess a unity that US policy—stove-piped into separate US concerns such as the war in Iraq, the Israel-Palestinian peace process, the Iranian nuclear program, and, subsequently, the Arab Spring—often seemed to miss. This study makes clear that Iran does, indeed, pursue such a coherent smart-power approach to the region, although not always with success.

Nothing about the ongoing struggle in the region is inevitable. The most important conclusion this study can offer is the growing importance of evaluating Iranian strategy in any one area within the context of Iranian strategy as a whole. One of the greatest mistakes the United States can make is to imagine that Iranian activities in a given arena—the nuclear program, for example—are isolated from Iranian undertakings in another.

The United States and its allies and partners in the region and beyond must not only understand Iran's regional strategy and influence but also develop a coherent strategy of their own with which to confront them. Considering the relative economic, political, and diplomatic power of the two sides, it is simply unacceptable for the United States and its allies to allow Iran even such progress as it has made in these realms. To the extent that soft power can substitute for or enhance and support the effectiveness of hard power, developing a coherent influence strategy for the Middle East is imperative for US national security.

INTRODUCTION

It is difficult to assess whether Iran's influence in the Middle East has grown or waned over the last few years. Tehran's policies have been largely successful in Iraq, giving Iran an unprecedented degree of influence in Iraq at the expense of the United States and of Iraq's Arab neighbors. Hezbollah has gained a great degree of control over the Lebanese government even as it has preserved its own state-within-a-state autonomy and separate armed forces. The collapse of Hosni Mubarak's regime in Egypt opened new opportunities for Iran, while uprisings among Shi'a populations in the Persian Gulf states would seem to be weakening potential Iranian foes.

At the same time, Iran's principal ally in the Levant—Bashar al Assad's Syrian regime—faces a substantial and determined insurgency and is no longer a reliable proxy or base of operations. Hamas, Iran's most important partner in the Palestinian territories, has pulled away from both Tehran and Damascus as a result of the Syrian conflict. The relationship between Iran and Turkey has also been badly strained by the Syrian uprising, while the Shi'a unrest in the Persian Gulf has generally tended to consolidate Gulf states under increasingly assertive Saudi lead. Iranian efforts to influence events in Afghanistan have also been largely unsuccessful, as Afghan president Hamid Karzai pursues a strategic partnership with the United States and North Atlantic Treaty Organization (NATO) despite Iranian pressure not to do so.

Four years of evidence have also shown that Iranian boasts of increased trade with regional states are hollow and that Iranian promises of cash subventions in various guises are questionable. Iran has made progress in linking neighboring states into its electrical and, to some extent, transportation networks. Progress in connecting its hydrocarbon networks to those of its neighbors has been much more limited thus far. Iranian foreign investment throughout the region is generally much more significant than Iranian trade—although Iran is rarely the most important foreign investor in any regional state, often not even ranking among the top ten.

Iranian support to regional allied and proxy militaries, however, has remained very strong and may have increased. Tehran continues to supply Syria, Hezbollah, Hamas, Palestinian Islamic Jihad, various Shi'a militias in Iraq, elements of the Taliban in Afghanistan, and other minor groups with weapons, training, and, in some cases, advisers. This military assistance has continued in spite of tensions between Tehran and Hamas, for example.

This continuity of military-to-military cooperation is not surprising even in a period of political and economic turmoil. States often retain strong military-to-military relationships during periods of political stress for various reasons. Cutting off a partner military can lead to immediate damage to its infrastructure and, if in combat (as all of Iran's allies and proxies are), to death and possibly disaster. Military-to-military relationships are often seen as fundamental ties that bind states together despite political discord. The resilience of the NATO alliance despite trans-Atlantic tensions is one example of this phenomenon. The persistence of American support to the Pakistani military is an even more remarkable instance. The termination of Iranian military support to an ally or proxy would thus be a very significant event and proof of a fundamental change in relationships. Thus, it is very likely to be a lagging indicator—meaning, for example, that it is too soon to tell how deep or permanent the rift between Tehran and Hamas is.

Another explanation for the continuity of military relationships in the region is the continuity of the Iranian leadership in charge of those relationships. Major General Qassem Suleimani, commander of the Islamic Revolutionary Guards Corps (IRGC) Quds Force, boasted that he was the Iranian opposite number to US Central Command commander General David Petraeus.¹ Suleimani has been Quds Force commander for more than a decade, and his relationships with Iran's proxies around the world are deep and personal. He does not control Iran's policy in the Middle East—the Iranian Ministry of Foreign Affairs and other Iranian agencies play important roles in that—but he does maintain Iran's web of military alliances. As the region continues to slide toward broader conflict, his role is likely to become even more important.

We began our study of Iran's regional influence in 2007 because we saw an emerging Iranian strategy to apply both hard- and soft-power tools to improve and consolidate Tehran's position in the region. The pattern of Iranian economic, social, political, and diplomatic activity seemed to possess a unity that US policy—stove-piped into separate US concerns such as the war in Iraq, the Israel-Palestinian peace process, the Iranian nuclear program, and, subsequently, the Arab Spring—often seemed to miss. This study makes clear that Iran does, indeed, pursue such a coherent smart-power approach to the region, although not always with success.

The most important conclusion this study can offer is the growing importance of evaluating Iranian strategy in any one area within the context of Iranian strategy as a whole. Elements of Iran's smart-power approach in the region are aimed, for example, at providing a deterrent and retaliatory capability to any Israeli attack on the nuclear program. Other

aspects of the strategy aim to drive the United States out of the region. Still others pursue a pan-Shi'a agenda or the fragmentary dream of Ayatollah Ruhollah Khomeini's original ambition to establish Iran as the leader of all Islamists, and ultimately all Muslims, and not just Shi'as or Persians. These aims intersect and rarely conflict with one another. Many Iranian activities pursue or support multiple objectives in multiple areas. One of the greatest mistakes the United States can make is to imagine that Iran's activities in one arena—the nuclear program, for example—are isolated from its undertakings in another. Not all Iranian economic activities are aimed primarily at circumventing international sanctions, for example. Some of them—such as direct investment in Syria—are not related at all to sanctions. Others—attempts at establishing joint venture banks—may help ease sanctions but also facilitate Iran's ongoing efforts to fund its operations in the region and overseas and generate dependence on the part of weaker allies or proxies.

The coherence of Iran's undertakings in the region does not equate to skillful implementation. Iran's leaders and representatives have shown themselves to be ham-fisted in their dealings with allies and partners on many occasions. Repeated and ostentatious interference in Iraq's affairs, particularly by summoning senior Iraqi officials to Iran, generates resentment and hostility even when Iran carries the point of the day. Mass deportation of Afghan refugees from Iran into impoverished border areas of Afghanistan puts pressure on Kabul but also generates a backlash against Tehran. Iran's full-throated support for Assad's regime, even as it undertook what appeared to be a sectarian conflict to keep Syria's Sunni majority oppressed, alienated Hamas. Even loyal Hezbollah, an organization founded three decades ago by the Quds Force, was offended

when Iranian generals publicly treated it as an extension of Iran's military.

Iranian leaders have undermined their own efforts with thoughtless comments, often resulting in part from failures to understand the local contexts in which their words or actions would be received. But Iran has also encountered obstacles not of its own making. The Arab Spring, in particular, has brought a growing sectarian tinge to conflict in the Levant, and Iran finds itself on the wrong side of that fight in most countries in the region. The more that sectarian conflict spreads, the more Iran will be challenged to present itself as a pan-Islamist regional leader—and the more Saudi Arabia, and possibly Turkey, will emerge as the obvious and natural Sunni Arab resistance to the Persian Shi'a.

Yet nothing about the ongoing struggle is inevitable. The looming threat of an Israeli military attack against Iranian nuclear facilities could change the balance of attitudes suddenly and unpredictably. Hamas, alienated from Tehran over Syria, could nevertheless decide that fighting Israel on Iran's behalf is a noble and self-interested undertaking. The Egyptian government that has been slow to follow through on initial promises to establish relations with Iran could suddenly decide that it must abrogate the Camp David Accords and turn to Tehran. But the converse could equally be true. Hamas might sit out an Iranian-Israeli conflict, seeking to take advantage of Israel's distraction to repair its own misfortunes in the Gaza Strip. The Egyptian government could also decide that relations with the West, particularly the United States, are more important than the symbolism of ending the peace with Israel, let alone embracing Tehran, which has very little to offer Cairo.

The purpose of our 2008 report on this topic remains valid and important.* The United

States and its allies and partners in the region and beyond must not only understand Iran's regional strategy and influence but also develop a coherent strategy of their own with which to confront them. Considering the relative economic, political, and diplomatic power of the two sides, it is simply unacceptable for the United States and its allies to allow Iran even such progress as it has made in these realms. To the extent that soft power can substitute for or enhance and support the effectiveness of hard power, developing a coherent influence strategy for the Middle East is imperative for US national security.

* Frederick W. Kagan, Kimberly Kagan, and Danielle Pletka, *Iranian Influence in the Levant, Iraq, and Afghanistan*, American Enterprise Institute, February 2008, www.aei.org/paper/foreign-and-defense-policy/regional/asia/iranian-influence-in-the-levant-iraq-and-afghanistan/.

THE LEVANT

In our previous report, we concluded that the Islamic Republic of Iran, far from being an irrational actor, has pursued a coherent and well-integrated foreign policy in the Middle East and South Asia. Aiming to become the dominant power in the area, Iran had positioned itself as the region's main supplier of electricity; many of its neighbors' grids are linked into Iran's. Iran supported the construction of road networks linking up to its own, as well as education and "Persification" programs to encourage others to conform more to the Persian culture. Iran was the dominant arms supplier and patron for the Syrian regime, Hezbollah in Lebanon, and Hamas and Palestinian Islamic Jihad in the West Bank and Gaza Strip. Many of the region's power players were beholden to Tehran, and Tehran's ambassadors played an important, sometimes quasi-viceregal role in regional capitals.

The Levant is a less happy place for Iran in 2012. The Islamic Republic has worked hard to brand the Arab Spring an "Islamic Awakening," and it may yet become that. But it will not be an awakening modeled on the Iranian Revolution of 1979, nor will it produce new allies for the Islamic Republic. It may well, in fact, deprive Iran of one of the most important allies it has in the world, the Alawite Syrian regime of Bashar Assad. The Arab Spring has already driven a wedge between Hamas and Tehran. Iranian hopes for a new relationship with Egypt after the fall of longtime dictator and dogged Iran-hater Hosni Mubarak have not been borne out, and a more complicated tale has emerged in Lebanon. On balance, recent years have been good ones for Hezbollah, now effectively in control of the Lebanese government. But Hezbollah's relationship with Iran is less clear and less subservient than it has ever been, which is surprising for a group that once was a wholly owned subsidiary of the IRGC.

The Syrian insurgency seems likely to become a painful and drawn-out affair. Assad had seemed almost inevitably to be on the way out, but increased support from Iran and Russia has fueled a dramatic and brutal attempt to

crush the opposition on a broad scale. It seems unlikely at this writing, however, that the opposition will easily be crushed. In any case, the relationship between Iran and Assad, to say nothing of a post-Assad Syria, will never be the same as it once was.

Tensions in that relationship had been brewing for years. Traditionally a quiescent ally for Tehran, the young dictator began to waver in 2007. A flirtation with both Israel and the United States clearly worried Iran's leaders, and Assad hinted that he would prefer not to be drawn into a conflict between Iran and Israel. The supposed rapprochement with the United States and Israel seemed to be stalling even before the Arab Spring, but that event killed it, driving Assad back to Tehran.

Still, the substance of the relationship appeared less solid than it had before, apart from the very real cooperation on the military front and in support of Hezbollah. Memoranda of understanding (MOU) and the economic, diplomatic, and political cooperation that ensued had always been a foundation of the relationship, but it emerged in this period that many of the ties between the two states were little more than rhetoric. Despite exorbitant

promises and claims, neither trade nor aid expanded dramatically in the years after 2008 (when we last reported).

There had always been an element of falseness about the mutual protestations of affection, but in recent years, the claims have appeared to be falser than ever and increasingly designed to conceal very real tensions. Even as Iran transferred ever more sophisticated weaponry to Hezbollah, its relationship with Syria seemed to be drifting.

The loss of the Alawite regime would nevertheless be a devastating blow to Iran. Syria remains Iran's main ally, one of its principal conduits to the outside world, its arms-supply route to Hezbollah and others, and its primary Arab partner. If Assad falls to the Sunni-led insurgency, the new government will almost certainly have great antipathy to Iran and Hezbollah, complicating Iranian strategy and operations throughout the Levant. Arms-transfer routes can be replaced (and indeed, are already being supplemented), but the loss of Syria would mean Iran no longer has a serious sovereign ally in the Middle East upon which it can rely completely. Although a Lebanon under Hezbollah's control could be a partial replacement for Syria, the implications for the Lebanese state—which remains divided constitutionally among Sunni, Shi'a, and Christian—would be serious. Lebanese leaders, possibly including Hezbollah, may be unwilling to take on the burdens of total partnership with Iran if the price is the loss of European, American, and regional allies

and aid givers. Reports suggest that the arms-transfer route between Tehran and Beirut has become problematic for Lebanon.² A pro-Iranian regime in Baghdad facilitates Iranian movement into the Levant, but it cannot replace Syria as an Iranian forward base in the Levant. Trading Syria for Iraq effectively pushes Iran back toward its own borders when the Islamic Republic had hoped to establish a solid land bridge to the Mediterranean Sea.

Even Hezbollah's reliability in the event of a war between Iran and Israel appears to be open to question. Would Hezbollah open up a second front against Israel in the case of an Israeli strike on Iran? It did not do so in the case of the Israeli attack on the Syrian nuclear reactor in 2007, although it does not seem either Syria or Iran asked it to. Hezbollah spiritual leader Hassan Nasrallah addressed the issue himself, clearly concerned that the group might be accused of embroiling Lebanon once again in a costly conflict after the pain of the 2006 war with Israel. He insisted the group would not even be asked by Iran to do such a thing.³

Iran is on the defensive in the Levant in a way it has not been for many years, and a great deal is at stake for the future of the Islamic Republic's regional and even global strategy and, therefore, for the interests of those states concerned with shaping Iran's behavior and capabilities abroad.

Assad's war on his own people has also claimed another casualty for Iran and its influence in the form of Hamas's defection. The group moved its headquarters from Damascus and has begun to distance itself from Tehran. As a result, Iran has become more dependent on a smaller group, Palestinian Islamic Jihad, to do its bidding among the Palestinians. Whether Hamas has sufficient friends and supporters that it can afford to give up both cash and

weaponry from Iran in the long run is an important question. The answer is not yet clear.

The defection of Hamas, tensions with Hezbollah, and tenuousness of the Assad regime raise very important questions for Iran. If Sunni groups like Hamas peel off, can Iran sustain the pretention that its ideology is cross-sectarian and boasts important supporters among Sunnis as well as Shi'as? Can Iran continue to claim that it has strong support among Arabs, not just Persians, if its ties with Syria and Hezbollah also fray? Can Iran's leaders feel comfortable that they are leading a regional and global opposition to Israel—and therefore can rely on a broad base of support in the event of conflict with Israel—if the front-line states and groups on which they have relied are estranged or gone?

There is nothing inevitable about any of these outcomes, of course. Assad could survive and strengthen his control over his people. If so, his success will have relied heavily on Iranian support and he—or another Alawite ruler of Syria—would likely be a more reliable Iranian partner than ever. The extent of tensions between Hezbollah and Iran are unclear. Whether those tensions would increase or evaporate in the event of a conflict between Iran and Israel is even less clear. Considering Hamas's waning fortunes within the Gaza Strip in particular and within the Palestinian territories in general, the defection of that group may or may not turn out to be permanent or momentous for Iran. But Iran is on the defensive in the Levant in a way it has not been for many years, and a great deal is at stake for the future of the Islamic Republic's regional and even global strategy and, therefore, for the interests of those states concerned with shaping Iran's behavior and capabilities abroad.

Syria

Iran's relationship with Syria has historically been its most important partnership. It is broad, like most of Tehran's alliances in the region, comprising military, economic, and diplomatic interactions. The military aspects of the relationship, however, have been the most enduring and are likely the most vital, particularly as Syrian president Assad fights to retain his hold on power. Iranian patronage is key to the survival of the Assad regime, as Assad's increasingly deferential attitude toward Tehran has shown. Tensions between Damascus and Tehran that emerged in 2008 have largely faded from view as Assad clings to Iranian support in the face of growing insurgency. Russia and, to a lesser extent, China have provided diplomatic and some material support to Assad, but neither could replace Iran as the Alawite regime's principal patron. The Iranians, for their part, seem to be doubling down on the relationship rather than reevaluating its utility or doubting its longevity. They may question Assad himself, and they certainly question the tactics he has used against his internal opponents, but they clearly intend to ensure the survival of a pro-Iranian Alawite regime in Syria if at all possible.

As long as Assad remains in Damascus, the alliance with Tehran is likely to remain strong. Should the predominantly Sunni insurgency oust Assad and take power in some form, however, the Iran-Syria relationship would very likely fracture. The depth of that relationship, however, would make unwinding it no easy matter for Syria and those states that support its new rulers. Understanding the full scope and scale of the Iran-Syria alliance will be essential for policymakers regardless of the outcome of the current Syrian insurgency.

Tension in the Alliance, 2008–2010

A series of events between 2006 and 2008 seems to have driven Assad to reevaluate Syria's role in the ongoing Iran-Israel regional struggle. The Israeli Air Force (IAF) conducted a raid deep into Syrian territory and destroyed the al Kibar nuclear reactor in September 2007. This strike was distressing for Damascus on several levels. The Israelis—and many others in the international community—believed the reactor was a tripartite effort between Syria, Iran, and North Korea. Following the raid, an Israeli adviser declared, “The Iranians were involved in the Syrian program. The idea was that the Syrians produce plutonium and the Iranians get their share. Syria had no reprocessing facility for the spent fuel. It's not deduction alone that brings almost everyone to think that the link exists.”⁴

Yet judging from the international reaction to the strike, it might as well have never happened. Israel had launched a lightning strike into Syria and quietly destroyed a North Korean-built, not yet operational, nuclear reactor. The world watched in almost complete silence. Neither Syria's friends in Iran—presumably cooperating with Damascus on the program—nor the Arab League commented on the raid. Syria denied it had a covert nuclear weapons program and insisted the Israelis hit an ordinary military structure being built in the country's northeastern desert.⁵ The IAF had shown its ability to penetrate all of Syria's air defenses not only without loss, but also without Assad even knowing about it until the bombs had landed. The attack highlighted Syria's vulnerability, Iran's reluctance to stand up for Syria, and Syria's isolation from the Arab world in particular and the international community in general.

January 2008 saw an Israeli test of the new Jericho III ballistic missile. Tabnak, a website

affiliated with Iranian Expediency Council secretary and former IRGC commander Mohsen Rezaie, noted that the missile would have little effect on the regional balance of power as, in the event of an Israel-Iran conflict, “Iran would use its strategic alliance with Syria to fire missiles at Israel from Syrian territory.”⁶ This declaration effectively committed Syria to conventional hostilities with Israel in the event of an Iran-Israel conflict just months after the IAF had demonstrated the Syrian armed forces' inability to protect the state.

Then Imad Mughniyah, a senior leader of Lebanese Hezbollah who reported directly to IRGC Quds Force commander Qassem Suleimani and was suspected of coordinating with al Qaeda, was assassinated in Damascus. Suspicion naturally fell on Israel, but rumors also circulated of Syrian complicity.⁷ Shortly after the killing, Iranian deputy foreign minister Ali Reza Sheikh Attar announced a joint Syria-Iran investigation, but Syria's state-run news agency quickly denied the Iranian announcement as “totally baseless.”⁸ The strains were beginning to show.

Relations continued to deteriorate in the following months. Mohammad Habash, the chairman of the Syrian parliament's Syrian-Iranian relations committee, leaked information that Iran was building listening posts in Syria to intercept Israeli communications in a taped interview. Although he denied the resulting article (and an Iranian official echoed his denials),⁹ the audiotape was later leaked, including the following damning excerpt:

Existence of these platforms is not a secret and Syria is doing everything that its duty requires to defend its territories and seeks the assistance of the appropriate military expertise. There are no secrets in this matter. It is Syria's duty to defend itself and

we are still in a state of war with Israel and must defend our borders with all possible means, means which are within the framework of international law. Therefore what Syria is doing is totally in accord with its responsibilities. Syria's cooperation with Russia, China, and Iran is real and within the framework of protecting Syrian borders.¹⁰

The leak was embarrassing to Iran as well as Syria and was a further irritant in an already tense relationship.

In May 2008, Syria and Israel coordinated separate press releases revealing that they were negotiating under the auspices of the Turkish government. Following the visit of two senior American officials to Damascus, Iranian president Mahmoud Ahmadinejad canceled a Latin American tour and raced to Syria, making clear Iran's displeasure, at least in private.¹¹ Publicly, however, Tehran held its friends close and signed a new defense MOU later that month.¹² Even when announcing that new agreement, however, the two partners could not quite sing in key. Iranian defense minister Mostafa Mohammad Najjar and Syrian defense minister Hassan Turkmani managed to damn the Israelis together, but Turkmani continued to underscore Damascus's independence from Tehran, angrily dismissing the idea of an Iranian military base in Syria: "The language of a [foreign] military base in our country is alien to us. I want to say that it is not on the agenda."¹³

Assad added fuel to the fire during an August 2008 visit to Tehran, his third as Syria's president. Much to the displeasure of Iran's leaders, Assad appeared to set himself up as mediator between Iran and the West on the

question of Iran's nuclear weapons program. "We are here to hear Tehran's views on the issue and see if we can play any role in this regard," Assad said, explaining he could "transfer Iran's stance to the other side."¹⁴

The Israelis then added to the suspicion, wittingly or not, when Yossi Baidatz, a senior Israel Defense Forces (IDF) intelligence official, testified before the Israeli parliament in August 2009 that "in the estimate of the IDF Intelligence Branch, should Syria encounter a dilemma after a deal with Israel, it will be willing to cool off its ties with Iran, Hizballah, and the Palestinian groups."¹⁵ That declaration brought Assad back to Tehran less than three weeks later. The meetings, many of which had an air of protesting too much, were full of praise for the Islamic Republic and Syria. "Syria's most important characteristic among Arab countries is its steadfastness and resistance," Iranian Supreme Leader Ayatollah Seyyed Ali Khamenei said, commenting upon Syria's "excellent standing" in the region. "The unity between Iran and Syria is the embodiment of resistance in the region."¹⁶

Syrian foreign minister Walid al Muallem then failed to put out the fire by straddling the key issue. Asked if "Syria views its role in the region as shifting from its being an ally of Iran to a mediator between Iran and the West," he responded:

No, not at all. We have never acted as a mediator between Iran and the West. This, however, should not mean that we do not convey to our friends in the West the Iranian position and convey to Iran what we hear from the West, but we are not mediators and we cannot be mediators.¹⁷

Behind the scenes, apparently, Syria was indeed open to advances from the West. In a Wikileaks cable, Yossi Baidatz, the same Israeli intelligence official, doubled down on his previous prediction that Syria could be weaned from Iran: “During the meeting [with a senior American defense official], Baidatz said that according to Israeli intelligence assessments, if Syria were able to achieve peace with ‘security’ and obtain greater US involvement, it would be willing to pull away from Iran’s orbit.”¹⁸

Another leaked cable from later that year characterized a visit by top Iranian defense officials to Damascus to sign yet another MOU: “Syria reportedly resisted Iranian entreaties to commit to joining Iran if fighting broke out between Iran and Israel or Hezbollah and Israel,” the cable read. It was signed by Chuck Hunter, the charge d’affaires at the US embassy in Syria.

[Redacted] said Iranian officials were in Syria “to round up allies” in anticipation of an Israeli military strike. “It [an Israeli strike on Iran] is not a matter of if, but when,” [redacted] said, reporting what Syrian officials had heard from their Iranian counterparts.

The Syrian response, he continued, was to tell the Iranians not to look to Syria, Hezbollah or Hamas to “fight this battle.” “We told them Iran is strong enough on its own to develop a nuclear program and to fight Israel,” he said, adding, “we’re too weak.” The Iranians know Syria has condemned Israeli threats and would denounce Israeli military operations against Iran. “But they were displeased with

[Syrian President Bashar] Assad’s response. They needed to hear the truth, [redacted] said.”¹⁹

The cable continues that the Syrians were none too pleased to see their guests, and “one of the most important visitors, [IRGC] General Ghassem Soleimani, was out of sight . . . and the government timed visits from French and Turkish dignitaries during the eight-day period the Iranians visited.”²⁰

Tensions escalated further still after an explosion hit a bus carrying a group of Iranian pilgrims, causing multiple deaths and casualties. Syrian officials insisted the incident was the result of a blown bus tire; Iranian media outlets dismissed the Syrian claim, insisting that the deaths were the result of terrorism.²¹

From December 2009 on, a steady stream of visitors raced from Tehran to Damascus. Supreme National Security Council secretary Saeed Jalili visited in early December.²² Hard on his heels was energy minister Majid Namjoo.²³ Shortly thereafter, Iranian defense minister Brigadier General Ahmad Vahidi showed up and was reassured by Syrian defense minister Lieutenant General Ali Habib Mahmoud. “We will jointly confront any attack on Damascus or Tehran,” Mahmoud said. “Tehran and Damascus will stay on each other’s side against any threat.”²⁴ The defense bilateral resulted in yet another of the many Iranian-Syrian MOUs, but word leaked out that the Iranians wanted the MOU rather than the Syrians.²⁵

January 2010 brought Iranian deputy foreign minister Hassan Qashqavi,²⁶ and February brought Ahmadinejad on a hastily planned trip. He was clearly concerned at the announcement that the United States was returning its ambassador to Syria.²⁷ During a joint press conference, Assad sought to reassure Ahmadinejad:

“I find it strange how they [the Americans] talk about Middle East stability and at the same time talk about dividing two countries,” Assad told reporters when asked about Secretary of State Hillary Rodham Clinton’s call Wednesday for Syria to move away from Iran. Assad took a swipe at Clinton for making such a suggestion, saying he and Ahmadinejad “misunderstood, maybe because of translation error or limited understanding.” In a show of unity, the two signed an agreement canceling travel visas between their countries.²⁸

By this point, the US-Israeli plan to lure Syria away from Iran was common knowledge, and Arab observers publicly questioned the new US-Syria rapprochement and the mixed signals from Assad:

Therefore the question that must be asked is: who is deceiving who? There is something not right about the Damascus-Tehran relationship today. The loud voice suggests that one side is nervous whilst the other is portraying something contrary to what is on the inside. Let us wait and see!²⁹

Barely two months passed before Iran’s first vice president, Mohammad Reza Rahimi, arrived in Damascus to declare that “Syria is ready to confront any threat and Iran will always stand alongside Syria.” This was said during a joint press conference with Syrian prime minister Mohammad Naji al Otri. He added that “we will firmly support our friend country Syria against any threat.” (Surely the irony of the statement, following Iran’s failure to support Syria at all after the 2007 Israeli attack on the nuclear facility at al Kibar, was

not lost on the Syrians).³⁰

Despite repeated references to the close friendship between Damascus and Tehran, the second half of 2010 witnessed repeated indications that Assad was considering a fundamental shift in policy, potentially harmful to the regional interests of Iran. Syria’s flirtation with the West included talks in September between US Middle East envoy George Mitchell and Assad on the prospects of renewing peace negotiations with Israel, in addition to spikes in official visits and other diplomatic activity.³¹

While some insinuated that the West had decided to woo Syria as a part of a wider diplomatic game,³² Iran felt the need to respond. Just two days after the Syria-US meeting, Ahmadinejad met Assad in Damascus to sweep aside US efforts to forge a regional peace deal.³³ Further underscoring the battle for influence in Syria, Ahmadinejad decorated Assad with the Islamic Republic Medal, the highest decoration in the country, for Syria’s resistance to “global arrogance.”³⁴ Iran sought to keep close tabs on Syria’s relations with the United States as Damascus continued its diplomatic dalliance with Washington. But Iran now appeared to be bidding for the support and friendship of a state it had previously treated as a client. All that changed on March 15, 2011.

Iran and the Syrian Uprising

As the Arab Spring spread revolution throughout the region, initial signs suggested that Syria would be less affected than Tunisia, Egypt, Libya, Yemen, and Bahrain. Small demonstrations in January failed to catch fire. But on March 15, 2011, demonstrations in the city of Daraa ignited the country.³⁵ As the demonstrations spread, with large and mostly peaceful crowds calling for Assad to step down,

the regime responded with a massive show of force, shooting some demonstrators and imprisoning and torturing others. Thousands have been killed since then and the United States, many European leaders, and the Arab League have called for Assad to step down.

The turmoil in Syria has put Iran in a difficult place. The regime has sought to portray its own revolution as inspiration for what it calls the region's Islamic Awakening, launching an aggressive propaganda campaign to claim ownership of the Arab Spring. That claim stops short at the Syrian border, where Iran finds itself in an invidious position. Since the outbreak of the revolution in Syria, Iran has walked a careful line, buttressing Assad with occasional calls for reform, and substantial practical support. In the early stages of the revolt, Iranian media aired footage of demonstrators supporting the Assad regime, making no mention of the other demonstrations roiling the country.³⁶

Beginning in April 2011, however, Iran imposed a media blackout on events in Syria.³⁷ As one country after another lost patience with Assad's promised reforms, it became clear that Iran would be Assad's key lifeline. Messages were sent privately between Assad and Khamenei, likely expressing gratitude for Iran's support.³⁸ Further signals were sent by IRGC leaders that Assad had the full confidence of his friends in Tehran.³⁹ Iranian press allusions to the fighting suggested that outside powers, including Jordan and Saudi Arabia, were to blame.⁴⁰

As the conflict in Syria continued and escalated, however, Iranian leaders began to waver. The consensus in the outside world was that it might take some time, but Assad was likely finished. If that was the case, where would it leave Iran in a post-Assad world?⁴¹ By August and the beginning of Ramadan, the Arab

League broke its own silence to condemn the Damascus regime's brutality. Even Iran could no longer maintain an impassive face. Ahmadinejad suggested talks between the regime and the opposition.⁴² Foreign minister Ali Akbar Salehi then sent Iran's first clear message to Assad: "The government should answer to the demands of its people, be it Syria, Yemen, or other countries," Salehi said, according to Iranian Students' News Agency. "The people of these nations have legitimate demands, and the governments should answer these demands as soon as possible."⁴³

Iran further hedged its bets by reportedly meeting with opposition leaders—at the opposition's request to be sure.⁴⁴ In September 2011, Ahmadinejad voiced his first direct criticism of Syria's handling of the revolution, saying "a military solution is never the right solution."⁴⁵ Interestingly, when his remarks drew wide attention, he quickly repudiated the criticism through Iranian state-owned media, insisting that his remarks had been "distorted."⁴⁶

As Syria spiraled toward civil war, growing calls for western intervention claimed Tehran's attention once more. Addressing those calls, Ahmadinejad made clear his preference for a negotiated solution between the parties in Syria, once again criticizing the Assad regime's tactics: "We condemn killings and massacre in Syria, whether it is security forces being killed or people and the opposition. . . . We have a clear formula for Syria and that is for all sides to sit together and reach an understanding. . . . therefore these killings cannot solve any problems and in the long term it will lead to a deadlock. When people are being killed, it paves the way for more quarrels. There should be no foreign interference (in Syria)."⁴⁷

No foreign interference except by Iran, of course.

Even as Tehran struggled with the rhetorical challenge of supporting Assad and maintaining options for a post-Assad Syria, behind the scenes the regime was active in helping Assad squelch the opposition. March 16, 2011, the day after the massive demonstrations at Daraa, Turkey forced down an Iran Air jet en route to Syria. Reports conflict regarding what was found on the jet: some indicate that it carried equipment tied to the Iranian nuclear program,⁴⁸ and others that it carried only food.⁴⁹ Turkish media reported that “rocket launchers and Kalashnikov rifles were found on the Syria-bound plane.”⁵⁰ The *Wall Street Journal* added that Iran was also supplying Syria with crowd suppression equipment and cell phone and Internet blocking technology.⁵¹ In addition, it appeared that IRGC troops and leaders were making their way to Syria to help manage the uprising.⁵² Syrian demonstrators posted video on YouTube identifying Iranians and Hezbollahis in the crowd working with the Syrian army and police.⁵³

As the year progressed, Iran stepped up its assistance to Syria with IRGC personnel, “trainers and advisers,” and, in addition to weaponry, technical equipment to monitor and disrupt email, Twitter, and YouTube accounts sharing data about Syrian government violence against protesters. The *Washington Post* reported that “Iranian-assisted computer surveillance is believed to have led to the arrests of hundreds of Syrians seized from their homes in recent weeks.”⁵⁴ Sanctions imposed by the Obama administration suggested that Mohsen Chizari, the IRGC Quds Force operations and training commander, was in Syria helping coordinate the Assad regime’s crackdown.⁵⁵ The United States also identified other Iranian internal security officials as having traveled to Syria to advise government security forces, including Esmail Ahmadi Moghaddam, commander of Iran’s Law Enforcement Forces, and Ahmad Reza Radan, his deputy.⁵⁶

Meanwhile, as the international community imposed harsh sanctions that quickly took a toll on the already weak economy, Iran stepped once again to Assad’s aid with a cash “loan”—reportedly close to \$6 billion—and oil,⁵⁷ though Syrian officials denied receiving any support.⁵⁸ The stability of the Syrian pound belied Damascus’s protests: Syrian exports and foreign investment disappeared, but the currency barely fluctuated, fueling speculation that money was flowing in from somewhere (however, since then, the Syrian pound has fallen significantly).⁵⁹ Additional reports surfaced that Iran pressured its friends in the Shi’a Iraqi government to extend support to Syria as well.⁶⁰

By fall 2011, it appeared there would be no quick end to Syria’s revolution. Western ambassadors began to filter out of the country. Iran sent Mohammad Reza Raouf Sheibani as a new ambassador to Damascus. He presented credentials to Assad in late October.⁶¹

Iran has continued to support Assad into 2012 as the conflict protracts. Beyond reinforcing its rhetorical backing, Iran has in recent months continued its rearming effort, reportedly increasing lethal assistance during ongoing crackdowns, and has helped the Assad regime sell and transport its oil to circumvent sanctions.⁶²

Military Relations

Even as Syria warmed to its possible rapprochement with the United States and began talks with Israel, its military cooperation with Iran continued unabated. In August 2008, as tensions were rising between Damascus and Tehran, the Syrian military conducted ballistic missile and tactical rocket tests, likely with Iranian technical advice. Israeli officials believed Iran and North Korea were helping Syria integrate its missile and rocket batteries

into a national network aimed at countering Israel's missile defense capabilities.⁶³

Syria continued to help Iran evade sanctions and arm Hezbollah. In December 2008, the Italian press reported that Syria was facilitating missile shipments between Venezuela and Iran.⁶⁴ The next year, US troops boarded a German ship in the Gulf of Suez and discovered ammunition en route from Iran to Syria.⁶⁵ In November 2009, Israel intercepted an Iranian shipment containing hundreds of tons of weapons intended for Hezbollah being transhipped via Syria.⁶⁶

The Iran–North Korea–Syria relationship also continued apace, providing both Iran and Syria with advanced missiles and help with their own illicit nuclear programs. In May 2009, Syria reportedly test-fired a Scud-D missile it had developed jointly with Iran and North Korea. Press reports indicated that while North Korea was developing the engine, Syria and Iran were cooperating on warheads and guidance systems.⁶⁷ North Korea has also reportedly sold midget submarines to Iran and used Iran as an intermediary to transship weaponry including both weapons of mass destruction and missile technology.⁶⁸

As the United States, Israel, and Syria were tiptoeing around each other in 2009, Iran reportedly gave Syria an advanced radar system that could warn Damascus of an attack like the 2007 strike on the al Kibar reactor. Syria then facilitated the transfer of long-range Scud missiles to Hezbollah in Lebanon, seriously escalating the capabilities of the group.⁶⁹

It became clear that negotiations with the United States and Israel had little if any effect on the military relationships between Syria, Hezbollah, Iran, and North Korea. Reports emerged in 2010 that Syria was training Hezbollahis on SA-8 “Gecko” vehicle-

mounted antiaircraft missile systems and that it had transferred Syrian-manufactured M600 missiles with a range of 155 miles. (The distance from the Lebanese border to the Egyptian border along the coast is 137 miles.⁷⁰) Italian authorities seized seven tons of RDX explosives en route from Iran to Syria in September.⁷¹ By the end of October, the rapprochement was off. US Ambassador to the United Nations (UN) Susan Rice said Hezbollah could remain the most heavily armed militia in Lebanon only with “Syria’s aid and facilitation of Syrian and Iranian arms” in violation of UN Security Council Resolution 1747. She added, “Syria continues to provide increasingly sophisticated weapons to Lebanese militias, including Hezbollah” in contravention of UN resolutions.

By late 2010, it appeared any hopes of new peace between Israel and Syria were gone. Israeli military intelligence warned:

Syria has underground storage and launch facilities for its arsenal of over a thousand Scud missiles. Armed with half ton high explosive and cluster bomb warheads, the missiles have ranges of 500–700 kilometers. Syria also has some 90 older Russian Frog-7 missiles (70 kilometer range, half ton warhead) and 210 more modern Russian SS-21 missiles (120 kilometer range, half ton warhead) operating with mobile launchers. There are also 60 mobile Scud launchers. The Syrians have a large network of camouflaged launching sites for the mobile launchers. Iran and North Korea have helped Syria build underground Scud manufacturing and maintenance facilities. The Syrian missiles are meant to hit

Israeli airfields, missile launching sites and nuclear weapons sites, as well as population centers. Syria hopes to do enough damage with a missile strike to cripple Israeli combat capability.⁷²

US Secretary of State Hillary Clinton made the end of the rapprochement official in November 2010:

Syria's behavior has not met our hopes and expectations over the past 20 months—and Syria's actions have not met its international obligations. Syria can still choose another path and we hope that it does. . . .

But we have also had some very difficult discussions with Damascus about its actions in Lebanon and elsewhere. Syria lives with consequences of pursuing policies that are outside established international norms—which is largely why the region's economic development of the past decade has left Syria behind. So again, as I said, the choice is up to Syria—and we hope that it chooses to embrace its responsibilities.⁷³

For his part, Assad reshuffled the leadership of his security agencies in November 2010, replacing some officials with generals believed to be close to the IRGC.⁷⁴

Israeli officials' assessment found that improvements to Syria's missile arsenal were qualitative as well as quantitative and could change the strategic balance fundamentally. In earlier conflicts, Syria and Hezbollah were armed with unguided missiles—including

earlier versions of the Scud—and had to rely on a shower of missiles to inflict damage. That strategy appeared to have changed in 2010, with Syria and Iran both embracing a more sophisticated approach relying on widely dispersed missile sites and significantly enhanced missile precision.

Brigadier General Doron Gavish, chief of the Israeli Air Defense Command, reported that Iran and Syria have converted crude Scud-based missiles into more precise weapons using both GPS (global positioning systems) and Russia's equivalent, GLONASS (Global Navigation Satellite System). Another Israeli ballistic missile expert cited the Iranian Fateh-110 rocket, with a range of 300 kilometers, as a formerly unguided rocket now enhanced with targeting and guidance. Labeling the new capabilities "a revolution," reports describe enhanced Scud-D missiles that could be armed with chemical munitions and strike accurately within a few hundred meters of their intended targets.⁷⁵ It is possible that Syria was also continuing its nuclear quest despite the 2007 destruction of the al Kibar reactor. In November 2010, Western press outlets reported that Assad dispatched Major General Bassam Merhej, director of Assad's security and military bureau, to Pyongyang via Beijing. Allegedly, Colonel Jihad Shehadeh of the Army's Corps of Engineers, "who has been seconded to the Center for Scientific Study and Research, which is involved in Syria's nuclear program," accompanied Merhej. The report added that an Iranian, identified as Ali Zadeh, officially the cultural attaché at the Iranian embassy in Damascus but "in reality in charge of logistics for the Iranian nuclear program in Syria" also accompanied Merhej.⁷⁶

The Arab Spring opened new opportunities for Iranian-Syrian cooperation, which the Iranians were quick to seize. Hosni Mubarak stepped down from the presidency of

Egypt on February 11, 2011. Iran quickly sought permission from the new Egyptian government for two Iranian warships to transit the Suez Canal, something Mubarak had been unwilling to permit. Egypt's new military rulers allowed the transit, and though the ships were little more than an elderly frigate and a supply ship, both the Iranians and the Israelis were excited about the symbolism.⁷⁷

The ships' reception received less attention than their transit, however. The Iranian vessels—the British-built frigate *Alvand* and supply vessel *Kharg*—transited the Suez Canal on February 17, 2011. Waiting to greet the vessels on their arrival in Syria were senior Iranian military leaders led by Iranian Navy Commander Rear Admiral Habibollah Sayyari. Both Syrian and Iranian officials completed the welcoming ceremony.⁷⁸ A week later, both parties announced new cooperation on naval training, Iranian assistance for Syrian port construction and development and technical cooperation.⁷⁹

In August 2011, reports emerged that Iran agreed to finance the construction of a \$23 million Syrian military compound at Latakia airport in order to transport weapons and other materiel directly from Iran to Syria via freight planes. The facility, like a similar one in Damascus, would reportedly be manned by a joint Syrian-IRGC team.⁸⁰ The Iranian-Syrian military relationship appeared to have survived the strains caused by Assad's flirtation with Israel and the United States in stronger condition than ever.

Economic Cooperation

The economic relationship between Iran and Syria has not fared as well. It was always longer on promises than on results, but rebellion in Syria and increased sanctions on both regimes have added to the inevitable bureaucratic obstacles to significantly increasing trade. It is not entirely clear how much even of the rhetoric surrounding Iranian-Syrian trade was aimed at economic exchange rather than government-to-government support. It seems likely that recent circumstances have in any case pushed economic interactions more

heavily toward Iranian government backing for the Assad regime than true economic integration and mutual benefit.

The economic relationship between Iran and Syria was never equal, as Iran's economy is nearly ten times larger than Syria's.⁸¹ Iranian oil exports were more than 20 times the amount of Syria's before sanctions on Iran intensified or were imposed on Syria.⁸²

Syria has little to export

beyond the limited amount of oil it produces, and Syria is irrelevant to Iran economically. It is hard to show that Iran has been a major player in the Syrian economy in terms of actual trade. Iranian trade represented only 2.6 percent of Syria's total trade in 2010. Iran is not one of the top five markets for Syrian goods, and trade with Iran was insignificant compared to Syria's trade with the European Union (22.5 percent), Iraq (13.3 percent), and Saudi Arabia (9 percent) in the same year.⁸³ Trade that occurs primarily takes the form of Iranian exports to Syria. Nor is Iran Syria's

The economic relationship between [Iran and Syria] is defined by an almost impenetrable thicket of bilateral agreements and MOU, most of which appear to be worth little more than the paper on which they are written.

top supplier: it is the ninth largest import partner. Both sides ostentatiously present each new MOU as a major breakthrough, promise extraordinary increases in economic cooperation, and describe each other as major trading partners.⁸⁴ The rhetoric of trade appears to be a trade in itself.

The economic relationship between the countries is defined by an almost impenetrable thicket of bilateral agreements and MOU, most of which appear to be worth little more than the paper on which they are written: “According to the Syrian government daily *al Thanra*, as of March 2007, the two countries had signed ‘over 30 bilateral agreements, memoranda of understanding, and protocols.’”⁸⁵

In 2008, Ali Akbar Mehrabian, Iranian minister of industries and mines, claimed that Syria and Iran enjoyed \$1.3 billion in industrial cooperation “with an additional \$3 billion planned for the future.”⁸⁶ But bilateral trade likely stood at only \$200 million, mostly exports from Iran.⁸⁷ Even that number was vague: other Iranian officials put it at \$400 million,⁸⁸ \$330 million,⁸⁹ \$336 million,⁹⁰ and so on. Iranian official statements, in other words, indicate that actual trade has hovered between \$200 and \$400 million annually, while nebulous undertakings promised increases to between \$1.5 and \$3 billion that never seem to materialize.

This divergence between reality and rhetoric is understandable and even inevitable if one considers the flagging health of the Syrian economy over the last few years—even before the Arab Spring placed its survival at risk. An observer described Syria in 2010 as “a rust pile. With a per capita income of \$2,000, it has been closed to the outside world until recently. Rationing is pervasive. But, in order to secure public support, Assad’s government has allowed for greater domestic consumption,

so foreign imports are rising fast. Indeed, the country has run a trade deficit since 2005, with no path back to balance in sight.”⁹¹ Syrian’s crude oil production has dropped by 33 percent since its peak in 1996 and its exports were only about 109,000 barrels per day in 2010.⁹² Consumption in Syria has been rising slowly, eating into the narrow margin of exports and Syria’s ability to acquire hard currency with which to pay for Iranian largesse. Iranian economic involvement in Syria is either charity or it is aimed at obtaining reciprocal benefits that are not economic in nature.

Energy and Natural Resources

One such benefit appears to have been Syria’s role as entrepôt for Iranian interactions with extra-regional partners. The al Kibar reactor allowed Tehran to cooperate with Pyongyang. The energy market in Syria has allowed Iran to partner concretely with Venezuela and to pursue far-reaching schemes to increase Turkish and European dependence on Iranian energy resources as well as to alleviate Syria’s own shortages in natural gas. Few of these grand visions have been realized, however, raising questions about Iran’s ability to follow through on its promises or, conversely, on whether its promises in one area are meant to provide cover for other sorts of interactions.

Like Iran, Syria lacks the refining facilities to meet domestic demand, and is a net importer of petroleum products.⁹³ A joint Venezuela-Iran-Syria-Malaysia refinery project outside Homs was thus approved in 2006 (in addition to the refinery already operating in Homs). The refinery at Furqlus was supposed to produce 140,000 barrels per day out of crude provided by Syria (70,000 barrels/day), Venezuela (42,000 barrels/day), and Iran (28,000 barrels/day). The four states were to contribute 30 percent of the project’s estimated \$2.6 billion cost, with the rest coming from commercial

loans. In return, ownership would be divided among the Syrian Ministry of Petroleum and Minerals (15 percent), the Venezuelan Ministry of Energy and Petroleum (33 percent), the National Iranian Oil Company (26 percent), and the al Bukhari Group of Malaysia (26 percent). The fact that Syria was set to be the junior-most partner in a refinery on its soil and for which it was providing half of the crude oil speaks volumes about the relative economic and power relations among the partners.⁹⁴ Assad ordered the construction to be completed rapidly in January 2008.⁹⁵ Problems had emerged by July 2008,⁹⁶ and by January 2011, estimated costs for the project had doubled but little progress had been made.⁹⁷

Iran also undertook to supply part of Syria's growing demand for imported natural gas through a pipeline to be built through Turkey. The two states signed an MOU in January 2008 for gas to begin flowing by the end of 2009.⁹⁸ The plan required Syria to build a thirty-eight-mile pipeline from Aleppo to the Syrian-Turkish border at Kilis and required Turkey to build a fifty-nine-mile pipeline from Kilis to Turkoglu in Turkey.⁹⁹ The gas would flow to Syria only in the summer, according to initial reports, as Iran had no spare winter capacity.¹⁰⁰

The urgency of the undertaking was clear in June 2008, as reports emerged about Syria's increasing shortages of natural gas. Its current supply at that time was around 20 million cubic meters per day, but its total demand for both domestic supply and gas injection in oil fields was estimated to be around 24 million cubic meters per day. By 2020, it was estimated that supply would rise to only 25 million cubic meters per day yet demand would likely grow to around 50 million.¹⁰¹

Iranian oil minister Gholam Hossein Nowzari offered reassurances in 2009 that Iranian gas would flow all year round, insisting that "Iran puts no limitation on gas exports to Syria."¹⁰² Those reassurances probably meant little to Damascus, however, since the pipeline was still in the planning phase more than a year later, with its initial operating date pushed well back from the end of 2009. In August 2010, Iranian deputy oil minister and managing director of the National Iranian Gas Company Javad Owji "said it would take at least three years for the construction of a major pipeline capable of transporting around 60 million cubic meters of gas per day before the export could begin."¹⁰³ Now the target was sometime in 2013 or 2014. The two sides managed the difficulty with their usual solution: another MOU was signed in January 2011—roughly on the third anniversary of the first MOU—on the same pipeline.¹⁰⁴ The start of the Arab Spring (although not yet in Syria) saw more Iranian reassurances: in March 2011, Iran's oil minister Seyyed Masoud Mir Kazemi promised that "Iran will export three to five million cubic meters of gas to Syria via Turkey by the end of 2011."¹⁰⁵ Needless to say, that goal was not met.

The failure to follow through on any of these projects did not deter Iran and Syria from planning even greater ventures together. January 2011 saw a new deal for a fifty-six-inch diameter "Islamic pipeline" through Iraq, Syria, and southern Lebanon, "from where it would link up to Europe via a subsea pipeline. Planned throughput capacity is 110 million cu m/d [cubic meters per day] with feedstock to come from the South Pars field in Iran."¹⁰⁶ In July 2011, "Iranian Acting Oil Minister Mohammad Aliabadi and his Iraqi and Syrian counterparts signed [a preliminary agreement for] the biggest natural gas transit and export deal of the Middle East."¹⁰⁷ These

projects are likely to have as much success as their predecessors, at least for the foreseeable future.

Electricity

Recent events make it easier to document the progress of joint ventures in the field of electrical power generation—another area in which Iran has historically been very active throughout the region. In July 2008, Damascus and Tehran agreed to pursue projects that would build a 450-megawatt power plant at al Suwayda and expand plants at Jondar and al Nasirah.¹⁰⁸ Iranian deputy energy minister Mohammad Behzad announced in May 2010, that the Jondar power plant was moving forward after Iran's Mapna Group Power Plant Industries won the contract to build it for \$400 million. The plan was that the first unit of the Jondar facility would begin operating in 2011, and the other parts of the facility would join Syria's power grid in 2012.¹⁰⁹ Iranian experts have certainly been at work at the Jondar plant; seven of them were kidnapped at the end of 2011, and they remained missing in mid-March 2012.¹¹⁰

Education and Religion

Iran has long valued cultural outreach, subsidizing educational and religious establishments throughout the Muslim world and encouraging religious and secular tourism. Since much of this effort does not require building extensive infrastructure, many of these undertakings have been relatively more successful than attempts at cooperation in the energy field.

Iran and Syria agreed to abolish the requirement for their citizens to obtain visas to travel between the two countries in 2010, for example.¹¹¹ Iranian authorities say there were more than 1 million visits by Iranians to Syria in 2010; there were seventy-two weekly

flights between the two countries.¹¹² In March 2009, revenue from Iranian tourism exceeded that from mutual trade: "Trade in products is now about \$300 million . . . a year, while tourism exchanges generate about \$500 million. Iranians travelling to Syria account for most of the tourism business as Syria is the venue of a revered Shi'a shrine visited by thousands of Iranian pilgrims each year."¹¹³ The Arab Spring uprising, however, has seriously harmed Syria's tourist industry, and it is too soon to say what, if any, the long-term effects of these Iranian cultural outreach efforts will be.

Iran and Syria signed three accords on technology and science in June 2008, admitting Syrian students to Iranian universities for postgraduate studies and granting Syrian academics access to Iranian research centers.¹¹⁴ Tehran announced plans to establish a branch of an Iranian university—Farabi University—in Syria in January 2009, although discussions continued eighteen months later: "Syria proposed a three-phase development of the project; the first phase would establish the initial faculty and phases two and three would cover the six remaining faculties."¹¹⁵

It will be even harder to measure the impact of Iranian support for Shi'a religious establishments in Syria. Since at least mid-2008, Iran has sponsored "dozens of Shi'a theological centers, or hawzas, as well as Iranian cultural and educational centers" throughout Syria. Ahlul Bayt World Assembly, a society headed by former Iranian ambassador to Syria Mohammad Hassan Akhtari, is also active. The Ahlul Bayt theological center in Damascus is the third largest hawza in the world, after the Hawza al Ilmiyah in Qom, Iran, and Najaf, Iraq. Reports in 2008 also suggested that Ahlul Bayt "will soon inaugurate an Islamic bank, a television channel and an Islamic financial institution in Syria."¹¹⁶ The fate of the

financial institutions is unclear, but Iran's new iFilm channel was inaugurated in September 2010, with its programs translated into Arabic for the Syrian audience.¹¹⁷

Banking

Iran and Syria would seem to be natural banking partners, since both have suffered from international financial sanctions for many years. Continuous discussions about forming a joint Syrian-Iranian bank have persisted since at least mid-2008, although nothing appears to have come of them. The Syrian government recently announced that it was terminating even the discussions because of sanctions imposed on both the Iranian and the Syrian banking sectors.¹¹⁸

The discussions were extensive and revealing, both for the determination with which they were pursued and for the Iranian entity involved: Bank Saderat. The Commercial Bank of Syria (CBS) and Bank Saderat announced a new joint venture (with Syria holding a 51 percent share) capitalized to \$30 million in August 2008.¹¹⁹ Discussions continued in 2009, with meetings involving the CBS governor, Syrian prime minister, Syrian minister of finance, and senior Iranian officials.¹²⁰ Iranian first vice president Mohammad Reza Rahimi pressed for the establishment of the bank quickly in early 2010, including during a visit to Damascus. His announcement, however, offered Syria worse terms—only 40 percent of the shares.¹²¹ That offer was codified in an MOU signed in May 2010.¹²² Syria's cabinet announced in August that it had approved a license for a joint Syrian-Iranian bank called al Aman in Damascus, with \$32 million in capital, 51 percent of the shares offered on the Syrian stock exchange, and 49 percent split among Iran's Bank Saderat, Alghadir Company, and Saipa Company.¹²³ The Iranians seem to have accepted the re-revised terms of

the agreement, as the head of the Iran-Syria Trade Delegation Seyyed Hassan Javad "said that preparatory steps have been taken to set up a joint bank and that the bank would soon start registering investment bills" in November 2010.¹²⁴ Iran's state-run press service, Islamic Republic News Agency (IRNA), confirmed in January 2011 that the "Iran-Syria Joint Private Bank will start its activities within the next eight months." Its capital was \$30 million, and the shares were split evenly. In March 2011, Iran's minister of economic affairs and finance Shamseddin Hosseini announced, "the planned establishment of a joint Iran-Syria bank [named] al-Aman, will have a branch inside Iran and work without restrictions."¹²⁵ One year later the CBS director announced there would be no such bank.

Some of the delay seems attributable to hard bargaining between the two sides—the initial agreement was for a roughly even split with Syria in control. The Iranians then seem to have demanded a 60 percent share; the Syrians finally persuaded them to accept the original deal, possibly with evenly split control. But the nature of the entity with which the Syrians were contemplating doing business may also have been part of the problem.

Bank Saderat has been sanctioned by the US Treasury Department since 2006.¹²⁶ The reason is simple: Bank Saderat is at the center of Iran's global terrorism finance structure. The US Treasury Department reports that Bank Saderat transferred \$50 million from the Central Bank of Iran to Lebanese Hezbollah between 2001 and 2006. Hezbollah itself used the bank to send funds to other terrorist groups, such as Hamas. Hamas, in turn, "had substantial assets deposited in Bank Saderat as of early 2005." Bank Saderat also transferred money to Palestinian Islamic Jihad.¹²⁷ This is the bank with which Assad's government proposed to go into business.

Bank Saderat was more successful in forming a joint bank in Venezuela. The venture was announced in June 2008, shortly before the announcement of plans to open the Syrian-Iranian joint bank.¹²⁸ This project moved much more rapidly, however, and the new bank was inaugurated during a visit by Venezuelan president Hugo Chávez to Tehran in April 2009 with an initial capital base of \$200 million provided equally by Iran and Venezuela.¹²⁹ The new bank, Banco Internacional de Desarrollo, C. A. (BID), describes its mission as follows:

Operating in harmony with Iran and Venezuela's state economic policy objectives, BID will support productive sectors by means of establishing an efficient financial institution capable to produce products and services for the satisfaction of the clients and employees as well as boosting the economic relations between Venezuela and Iran by facilitating joint projects and ventures in these countries. BID believes securing a just and sustainable profit for the Bank goes hand in hand with facilitating the development of Venezuelan and Iranian economies and their structural and standard convergence with the most developed economies.¹³⁰

The US Treasury Department moved quickly to sanction BID as an entity “owned or controlled by or acting or purporting to act on behalf of, directly or indirectly, the [Export Development Bank of Iran].”¹³¹ It is noteworthy that the immediate sanctioning of the new entity did not deter Chávez from moving forward with it, nor did it deter Assad from continuing the negotiations to form his own version even as his rapprochement

with the United States and Israel proceeded. It will be interesting to see if the Iran-Syria enterprise remains dead if the Assad regime manages to suppress the current uprising and looks to rebuild its economy with Iranian assistance.

Trade

Trade between Iran and Syria rose from perhaps \$200 million in the 2006–2007 Iranian fiscal year to perhaps \$400 million in the 2009–2010 Iranian fiscal year. Iranian investment in Syria rose from around \$1 billion in 2008 to \$1.7 billion in 2011. Estimates of the total value of projects planned were generally between \$3 and \$3.5 billion.¹³²

The trade itself is miniscule. The Iranian direct investment in Syria, however, is extremely important. Since that investment is far from transparent, it is difficult to identify its size and significance precisely but easy enough in general terms. The Syrian Investment Agency reported in 2009 that Syria received a total of \$1.467 billion in total foreign direct investment (FDI) in 2008.¹³³ If reports of Iran's \$1 billion in FDI that year are reasonably accurate, they suggest an increase in Iran's importance in this area compared with 2006, when other reports suggest that Iran provided only half of Syria's estimated \$800 million FDI.¹³⁴ Increasing sanctions on the Assad regime have significantly increased the role of Iranian FDI in Syria as other states have withdrawn from the market. Iranian FDI, moreover, seems to be heavily weighted toward critical infrastructure—petroleum extraction and refinement, electrical production, and other major industrial efforts. The withdrawal of that investment—following the collapse of the Assad regime, for instance—could be devastating to Syria if not quickly replaced.

Rapid replacement of Iranian FDI in a post-Assad Syria is unlikely. The Iranian investment has been managed directly by the Iranian government and conducted through government cutouts like Bank Saderat that act in a quasi-official capacity. Other states have repeatedly shown reluctance to encourage or underwrite—let alone force—private corporations to invest in risky ventures in Iraq or Libya, for example. Considering the damage the insurgency in Syria has done to its economy and physical infrastructure, its dependence on Iranian “investment,” which is really a form of state subvention, is only growing.

Tehran was quick to try to capitalize on the importance of its Syrian investments in early 2010 when fears that Assad was turning toward Israel and the United States at Iran’s expense reached their height. In addition to the parade of political and diplomatic dignitaries traveling to Damascus in December 2009 and January 2010, Iranian officials issued a flurry of statements reminding the Syrians of the importance of Iranian investment and promising more in the future.

Iranian minister of housing and development Ali Nikzad said on January 9, 2010, that Tehran and Damascus have enjoyed the strongest relations among the regional states throughout the last thirty years.¹³⁵ He noted that “the annual trade between Iran and Syria is on the rise reaching about \$336 million last year from some \$14 million in 1997,” and that “the Islamic Republic of Iran has over \$1.6 billion worth of projects in hand in the Syrian Arab Republic.”¹³⁶ The meeting Nikzad was attending in Damascus produced the inevitable MOU, which gave Nikzad the opportunity to list some of the most important Syrian beneficiaries of Iranian support: “a cement factory, a car manufacturing plant, 10 silos, two power plants, tunnels, water

canals, bridges, refinery boilers, a glass factory, manufacturing and repairing a variety of wagons, water and waste water projects, steel, color industry, pharmaceuticals and exporting electric transformer and posts comprise some of the projects.”¹³⁷

As Nikzad promised more, including “the establishment of a joint bank, exhibition cooperation, healthcare, agriculture, housing and urbanization, tourism and private sectors cooperation,” the Syrians demanded more: “We must make more efforts to augment economic relations to the same high level as political ties.”¹³⁸ This was the context in which Iranian first vice president Mohammad Reza Rahimi expressed the hope that the establishment of a joint Iranian-Syrian bank would be completed soon and in which the CBS governor said that Syria would own 51 percent of the shares.¹³⁹ Syria’s minister of economy and trade Amer Husni Lutfi went to Tehran in January 2010 to let the Iranians know that Damascus wanted to pursue talks on gas export from Iran to Syria.¹⁴⁰ Syrian deputy prime minister for economic affairs Abdullah al Dardari raised the issue again in February, calling for the implementation of previous MOU and increased trade and cooperation.¹⁴¹

This colloquy appears to have put the Iranians somewhat on the defensive. In April, Nikzad expressed regret that the level of bilateral economic cooperation was not satisfactory. He noted that Syrian regulations were part of the obstacle to greater trade and that they would be discussed in future meetings.¹⁴² By August 2010, Dardari was in Tehran to negotiate a free trade agreement, gas and electricity export agreements, railroad cooperation, and the launching of the joint bank.¹⁴³

The economic embrace was not without its silly side: the governor of Iran’s Khuzestan Province announced in October 2010 that

he had formed a sister-province relationship with Syria's Halab (Aleppo) Province, that at least two passenger flights a week traveled between Ahvaz and Damascus, and that he foresaw using Syria as an entrepôt for getting Khuzestan's goods to Lebanon.¹⁴⁴ Khuzestan is home to a large part of Iran's Arab population, and Ahvaz is also the location of an important IRGC base, making regular flights from there to Damascus more convenient in many respects.¹⁴⁵

For once the talks generated real action: Ahmadinejad presented a bill to Iran's Majles establishing free trade with Syria on June 18, 2011. The bill passed and took effect March 21, 2012.¹⁴⁶

Conclusion

Syria and Iran do not have a partnership as much as a client-patron relationship. Syria offers Iran virtually nothing from an economic standpoint, but receives hundreds of millions of dollars in Iranian aid of various sorts every year. Iran has chosen to cloak those transfers in the language of trade, mutual support, joint ventures, and investment, no doubt to placate an internal Iranian audience that has shown signs of growing weary of sending cash abroad as the Iranian economy deteriorates at home at least as much as for Syrian *amour-propre*. The reality is clear enough, though—Syria relies on Iranian military, financial, and economic support to survive. What does Iran get out of the deal?

Mohsen Rezaie's comment that Iran would retaliate against Israel from Syrian soil suggests a big part of the answer. Syria also seems to have provided Iran a good base in which to pursue nuclear and missile technologies in conjunction with North Korea, Venezuela, and other partners. If plans to build pipelines from Iran to Syria and thence to Europe were

meant seriously, Tehran might have seen Syria as a route out of sanctions. Attempts to form a joint bank also suggest that the Iranians had once hoped Damascus would serve as a money-laundering center for terrorist activities.

Despite early Western optimism, Assad's days do not seem to be definitely numbered any more. It is quite possible that the current conflict in Syria will last for some time. Iran's ability to threaten Israel from Syria has certainly been compromised by Assad's internal weakness. The sectarian nature of the Syrian struggle also appears to have antagonized another anti-Israel proxy, Hamas. The Syrian crisis today is generally bad news for Tehran.

But the current situation in Syria is by no means stable. In all likelihood, it will be resolved either by an Alawite reconsolidation of power (under Assad or a successor) or by the establishment of a primarily Sunni regime in Damascus. In the first case, the Alawite regime will owe its survival to Tehran. Fearful of renewed uprisings, the regime is likely to cleave even more closely to its Iranian patrons. A successful Alawite counterinsurgency could open a real door for Iranian influence in the Levant to increase significantly. Conversely, the fall of the Alawite regime would unhinge Iran's current constellation of partners in the Levant. Not only would Iran lose its Syrian bases, but the ripple effects of Assad's demise would be felt in Lebanon, Jordan, and Iraq. The stakes are high for Iran in Syria, and we can expect Tehran to continue to play an active role in the struggle there as long as it continues.

Lebanon

Lebanon used to be the playground of greater powers. Syria, Saudi Arabia, Iran, and Israel claimed the loyalty of various parties, and some also enjoyed quasi sovereignty over pieces of Lebanese territory. The Israelis withdrew in 2000, Syria withdrew under pressure following the assassination of former prime minister Rafic Hariri, and Saudi Arabia's allies in Lebanon's Sunni parties have been seriously weakened in fighting with Hezbollah; now only Iran remains a powerful player in Lebanon. It would be wrong to suggest that Lebanon enjoyed a certain balance of power in years past—there was little balance about it. It is now safe to say, however, that Iran dominates much of Lebanon, including its government, through its political party, terrorist proxy, and partner, Hezbollah. The Iranians are not shy about saying so, either. Major General Qassem Suleimani, the IRGC Quds Force commander, announced in early January 2012 that southern Lebanon is “under influence of the Islamic Republic of Iran’s ‘performance’ and ‘thought.’”¹⁴⁷

Suleimani need not have been so modest; Iran now dominates more than southern Lebanon. Since the accession to power of a Hezbollah-dominated government in 2011, the relationship between Lebanon and Iran has come to resemble Iran's pre-Arab Spring relationship with Syria. There are now regular ministerial visits between the two countries, a rarity in the past. Ahmadinejad visited and toured Lebanon in October 2010, and various Lebanese presidents and prime ministers have reciprocated. Even the much-discussed economic cooperation that previously characterized the Tehran-Damascus axis has become a staple of Tehran-Beirut relations.

From Iran's perspective this shift is natural. Assad is in serious trouble in Syria; many had believed he would not finish out 2012 as

a dictator, although his fall no longer seems so certain. But Lebanon has headed in the reverse direction, becoming more acquiescent to Tehran's wishes and more clearly dominated by Iranian-funded and backed Hezbollah. Iran's modus operandi has always been to work through proxy governments and organizations to fund terrorism, bypass sanctions, or, reports suggest, subcontract nuclear and missile work to friendly governments under less-stringent surveillance than Iran. Why not Lebanon? Even the fractious political mix of the Sunni, Shi'a, and Christian country has calmed, as Sunni leaders appear to have despaired of prevailing in their internal conflicts without a powerful outside patron committed to their cause. Indeed, Lebanon appears to have fallen into the regional pattern of Sunni versus Shi'a alignment. The ever-shrinking Christian community continues to lose influence, and reports indicate that Iranians are deliberately buying out Christian-owned properties to hasten the disappearance of Christian Lebanon.¹⁴⁸ Such a development would weaken the Sunni Lebanese position, perhaps fatally, leaving Iranian-supported Shi'a groups the only powerful and effective force in Lebanon.

Our previous report considered Lebanon and Hezbollah together in part because Iranian relations with the Lebanese state distinct from Hezbollah did not appear to merit their own section. Now they do. As such, the conflict over Hezbollah's communications networks in Beirut, the collapse of the 2009 Hariri government, the battle for Beirut, and the subsequent rise of the Hezbollah government can be found in the Hezbollah section, whereas this section considers only the state-to-state interactions between Iran and Lebanon.

Military Relations

The United States and Europe have traditionally supplied arms and military aid to the Lebanese Armed Forces (LAF). After the 2006 Israel-Lebanon war, and in light of the growing domination of Lebanon's political scene by Hezbollah and its allies, momentum began growing in Washington to reduce supplies and aid to the Lebanese military. Violent clashes and the seizure of West Beirut by Hezbollah in mid-2008 made it clear that power was shifting decisively to the Iranian-backed group. Iran began pressing to take advantage of that development in late November 2008. Lebanese president Michel Suleiman emphasized his interest in defense cooperation with the Islamic Republic in a November visit to Tehran. Indeed, Iran's ambassador to Lebanon asserted then that the "Islamic Republic and Lebanon already have a five-year defense deal."¹⁴⁹

Opposition parties—particularly the Sunni-dominated March 14 party of Saad Hariri—criticized this increasing coziness with Iran.¹⁵⁰ But Suleiman appeared committed to it, insisting that the weaponry was solely for "internal security," coded language intended to convey that any new weaponry acquired from Iran would not be used against Israel.¹⁵¹ Reports at the time indicated LAF requests for anti-aircraft missiles, which are useless for internal security as even Hezbollah does not maintain an armed air force.¹⁵²

In 2009 and 2010, Washington's fears grew that the LAF might transfer weaponry to Hezbollah. A border clash in 2010 that resulted in the death of an Israeli soldier persuaded members of the US Congress that their doubts were well founded, and several senior members moved to "hold" \$100 million in US assistance to the LAF. Iran moved quickly

to take advantage of the action, promising to make up any shortfall in US assistance.¹⁵³ US lawmakers lifted the hold in November¹⁵⁴ but not before Suleiman reportedly asked Iran to supply advanced weaponry to the LAF.¹⁵⁵ Underscoring the tectonic shift underway, perennial Lebanese weathervane Walid Jumblatt told Iran's Press TV that arms from Iran were welcome in Lebanon.¹⁵⁶

Ahmadinejad visited Lebanon in October 2010 for the first time as president of Iran. (Prime Minister Saad Hariri returned the favor by traveling to Tehran the next month, but his March 14 party roundly denounced the Ahmadinejad visit.¹⁵⁷) Feted around the country, Ahmadinejad visited southern Lebanon and boasted of Iranian money and weaponry spent reconstituting the Hezbollah arsenal that had been decimated in its 2006 war with Israel. "Hezbollah officials estimate that they have spent up to \$1.1 billion in aid from Iran on rebuilding areas destroyed in the 2006 war. [Secretary General of Hezbollah] Hasan Nasrallah also boasted of having rebuilt Hezbollah's military arsenal and stockpiled up to 40,000 rockets."¹⁵⁸ Reportedly, Ahmadinejad offered to supply arms to Lebanon's regular armed forces, but his offer was apparently not accepted at the time, with Lebanese officials suggesting that to do so would violate previous UN Security Council resolutions.¹⁵⁹

After months of confrontations over the indictment of Hezbollah officials involved in the 2005 assassination of former prime minister Rafic Hariri, the Shi'a group succeeded in bringing down the government of moderate Sunni prime minister Saad Hariri. A new prime minister came to power in January 2011. Najib Mikati is not a Hezbollahi, but he was Hezbollah's pick for the job. In the negotiations leading ultimately to Mikati's selection, the Iranian ambassador reportedly

played a role mediating among the parties—a pattern that had become well-established in Iranian interactions with Iraqi political crises during the 2010 government-formation crisis in Baghdad (see Iraq section).¹⁶⁰

Mikati tried to reassure the United States that he was no Iranian stooge. “I am not in a confrontation with the West,” he told a Beirut television show. “We are looking to build good relations with the West.” After all, US economic and military assistance to Lebanon between 2006 and 2011 totaled nearly \$750 million.¹⁶¹

Tehran clearly wanted to deepen its relationship with Beirut. Iranian officials peppered the Lebanese with offers of support.¹⁶² “The Islamic Republic of Iran has announced its readiness for defense cooperation with Lebanon,” Iranian defense minister Ahmad Vahidi told IRNA.¹⁶³ A couple of months later, the offer was repeated: “Iran stands on Lebanon’s side and is fully ready to provide any assistance it demands at all levels, especially with regard to the army’s armament,” Iranian ambassador to Lebanon Ghazanfar Roknabadi told Lebanese defense minister Fayez Ghosn.¹⁶⁴

It remains unclear whether Iran is actually arming the LAF. By early 2012, talks of arms transfers were continuing but appeared to be just more talk. Ghosn visited Tehran in February, and his Iranian counterpart insisted that “reinforcing the Lebanese army is in the strategic policies of the Islamic republic.”¹⁶⁵ We do not have reliable reports of Iranian arms transfers to the LAF at this time.

Economic Relations

Like Iran’s relationship with Syria, its economic ties with Lebanon are defined by

myriad MOU. As with MOU made with Syria, it is not clear if they are worth more than the paper on which they are written.

Lebanon and Iran have a joint economic commission that has met repeatedly since 2003. The two states regularly agree to cooperation on “technical and vocational education, coordination of business relations, standards, scientific and industrial research,” and so forth. But bilateral trade between the two countries is low: \$120 million in the 2008–09 Iranian fiscal year¹⁶⁶ and \$150 or \$160 million in the 2009–10 Iranian fiscal year.¹⁶⁷ Despite grandiose claims aiming for \$4 billion in trade, little progress has been made in recent years.¹⁶⁸

Lebanon does offer Iran a cutout from sanctions, particularly in the banking arena. Several Lebanese banks are now under US sanctions and are targets of prosecution under antiterrorism, narcotrafficking, and money-laundering statutes.

Riad Salameh, governor of the Central Bank of Lebanon, warmly offered to help capitalize Bank Saderat in May 2010 during meetings with Mohammad Jahromi, its managing director.¹⁶⁹ Bank Saderat, as previously discussed, is a central player in Iran’s global terrorism financing system and has been under US sanctions for some years. The same Salameh pointed out, only months later, that “it is up to the Lebanese banks to act in accordance with their interests and be sure, if they have to make an operation, that it’s an operation that can’t be contested internationally.”¹⁷⁰

Ahmadinejad’s October 2010 visit occasioned the signing of yet more MOU “in the areas of health, industry, energy, water and economy” between the two countries.¹⁷¹ Other reports added the areas of “trade, industry, environment

and education.”¹⁷² Ultimately, “17 documents on bilateral cooperation in various fields were inked by the visiting Iranian delegation and Lebanese officials,” including agreements in the areas of “energy, housing, oil and gas, commerce, physical training, environment, health, agriculture, handicrafts, tourism, media activities and joint investment.”¹⁷³ Or were there twenty-six?¹⁷⁴ A month later, after Hariri’s visit to Tehran, the two signed nine more MOU and a “13-clause joint statement on adopting common stands in dealing with regional and international developments, and underlined the need to uphold the current level of mutual business cooperation.”¹⁷⁵

Iran and Lebanon cooperate in several other areas, though Tehran appears most focused on transportation and electricity.

Transportation

As with Syria, Iranian direct investment in Lebanon has been more substantial and more meaningful than trade between the two countries. Reports from 2008 and 2009 indicate the scale of the effort Tehran was pursuing to involve itself in building Lebanon’s economic infrastructure even before Hezbollah’s takeover of the government. Iranian media reported in April 2008 that Iran finances “11 substantial and important road building projects [that] have either been completely implemented or are near completion [including] 165 kilometres of the 587 internal and secondary roads . . . 199 kilometre[s] of the motorway (connecting) Ba’albak to Bazalieh is near completion. The construction of 109 kilometres of 12 other roads is also being studied and reviewed. 61 kilometres of 72 other roads is also under construction.” In addition, “the Islamic Republic has so far finished 10 essential bridges and 4 other bridges are being completed and 13 small and secondary bridges have also been completed

and 77 other bridges are near completion.”¹⁷⁶ It added in August 2009 that “the Iranian government is paying \$100 million to build a road in southern Lebanon. The road reportedly is 80 kilometers long and will pass through 19 cities and villages.”¹⁷⁷

Oil and Natural Resources

The promise of opening up Lebanon’s offshore oil and gas fields got Iran’s attention. Iranian oil minister Seyyed Masoud Mir Kazemi announced in October 2010 that “Lebanon [is] keen on joining forces with Iran on oil and gas deals on a long-term basis.”¹⁷⁸ The next month, “Iranian Ambassador to Lebanon Ghazanfar Roknabadi declare[d] that Iran is ready to begin offshore explorations to find oil and gas reserves in an area controlled by both Lebanon and Israel. . . . Last month, Iran announced its agreements with Lebanon to develop its own oil and gas fields as well as a local refining industry.”¹⁷⁹ Iranian media added in February 2011 that a gas pipeline transferring Iranian gas to Iraq and Syria and then through southern Lebanon is planned.¹⁸⁰ Execution likely will be complicated by turmoil in Syria and Iraq.

The proposals for offshore oil and natural gas recovery along the Israel-Lebanon-Syria littoral are controversial. The fields appear to straddle state boundaries, although they are largely under international waters. Tensions over fields similarly located off the coasts of various Persian Gulf states have historically been high and have led to occasional minor conflicts. There is no reason to imagine that Israel, Lebanon, and Syria will find it easier to delineate fields and determine ownership than the Arab kingdoms and emirates in the Gulf. By involving themselves in such projects early on, the Iranians are making themselves potential players in those tensions and conflicts as well, a prospect that does not bode well for

the successful and peaceful conclusion of the negotiations needed to open these new petroleum reserves.

Electricity and Communications

Iran's efforts to establish an electrical grid based in Iraq but covering Mesopotamia and the Levant continued in 2011. Lebanon and Iran agreed on a plan to export electricity from Iran to Lebanon via Turkish territories in January.¹⁸¹ Iranian energy minister Majid Namjoo announced in June that Iran planned to link its national power grid to that of Lebanon "via Syria and Iraq."¹⁸² Ghazanfar Roknabadi, Iran's ambassador to Lebanon, insisted in January 2012 that Tehran will supply Lebanon with electricity: "Lebanon requires [an additional] 1,000 MW, which we consider to be a small amount . . . given that we export around 25,000 MW and have a surplus production equal to around 6,000 MW. We can resolve this problem easily . . . as soon as possible with simple modifications."¹⁸³ On February 19, 2012, Syria, Iran, Iraq, and Lebanon signed an MOU on transporting electricity from Iran to the three countries the following month.¹⁸⁴ Iran has already brought most of eastern Iraq onto its own power grid, indicating not only a willingness but also an ability to export power on a large scale. In the current state of unrest in Iraq and amidst growing tensions between Iran and Turkey, it is far from clear that security and diplomatic conditions will permit the kind of dramatic expansion of the Iranian power grid to the west that is being promised.

Diplomacy

The withdrawal of Syrian forces from Lebanon in the wake of the Hariri assassination should have worried Tehran, but instead Tehran saw an opportunity that it quickly seized. Since the assassination, Iran has become only more enmeshed in Lebanon's

internal politics and outside relationships, particularly after Hezbollah's takeover of the Beirut government. Even before the Arab Spring, Iran's interactions with Lebanon were becoming more direct and less dependent on a Syrian regime both Tehran and Hezbollah had started to mistrust.

In April 2010, Lebanese foreign minister Ali Shami opined on the question of Iran's nuclear program, underscoring the "peaceful" nature of Iran's efforts before flying off to Tehran for a conference on disarmament.¹⁸⁵ In years past, Lebanese leaders would have steered clear of the Iranian nuclear controversy, but the government has recently taken to supporting Iranian foreign policy. This trend began before the installation of the Hezbollah-dominated government. The month after Shami shared his thoughts on Iran's peaceful nuclear intent, Lebanon threw its weight behind a nuclear fuel-swap deal for Iran. President Michel Suleiman assessed that "calm and rational rhetoric is the best way to settle all pending and thorny files."¹⁸⁶ A month later, Lebanon, which held a rotating seat on the UN Security Council, abstained from a resolution calling for more sanctions on Iran.¹⁸⁷ Occasional efforts to denounce growing Iranian interference in Lebanon (for example, at an April 2011 Saudi-Lebanese conference in Beirut) only underscored how irrelevant all other countries had become in Lebanon.¹⁸⁸

After the outbreak of the Arab Spring, relations between Iran and Lebanon remained on the same positive and even keel. An Iranian minister said in June 2011 that "Lebanon has a special position among the Iranian people and government in political terms, and I am certain that we will witness the deepening and expansion of relations between the two countries."¹⁸⁹ Although a November 2011 anti-Syrian protest in the northern Lebanese city of Tripoli drew "tens of thousands," with

participants demonstrating equally against Syria and Hezbollah, the demonstration was a blip in the larger pro-Iranian trend.¹⁹⁰ The same month saw Lebanese prime minister Mikati again thanking Iran for its “positive role in promoting unity and stability of Lebanon,”¹⁹¹ and Lebanon’s ambassador to the UN again defended the Iranian nuclear program.¹⁹²

Hezbollah’s domination of the Lebanese political scene was clearly a net positive for Iran in a season in which the Islamic Republic found itself more isolated and the region more than ever united against the Shi’a. For once, Lebanon appears more important to Iran than the reverse, a lone friend in a sea of hostile regimes. Will Lebanon extract itself from Iran’s grip? Can the LAF, once the pillar of the country’s multisectarian accommodation, help maintain Lebanon’s independence? Lebanese defense minister Fayez Ghosn suggests not. In a February 2012 visit to Iran, he told IRNA, “Right now there is complete coordination between army and the resistance [Hezbollah].”¹⁹³

Growing tensions with Syria in 2009 and 2010 combined with the ascension of Hezbollah to a position of dominance in Lebanese politics have allowed Tehran to establish much more direct relationships in Lebanon without the mediation of Syria. This development could not have come at a better time for Iran, as it suggests that Iran’s interests in the Levant can be protected and advanced even with a greatly weakened Alawite regime in Syria. Could that situation survive the collapse of that Alawite regime and the installation of a Sunni government in Damascus? It is not clear. In principle, relations between Iran and Hezbollah seem to be sufficiently direct that the fall of Assad should not necessarily shatter them. But the collapse of the Assad regime would have profound effects in the Levant

and certainly in Lebanon. It is impossible to predict with any confidence that Iranian influence based solely in Lebanon would survive the upheaval unscathed.

Hezbollah

Hezbollah’s role in Lebanon and its place in the Iran-Syria-Hezbollah axis have changed substantially since 2008. It was once primarily a terrorist group, a wholly owned subsidiary of Iran’s IRGC Quds Force, and prey to the vagaries of arms supplies from Iran via Syria. Now it dominates the Lebanese political scene as the leading party in government, is viable even if Bashar Assad’s regime falls in Damascus, and is capable of making strategic decisions independent of its erstwhile Iranian masters even if it remains unlikely to do so. In other words, Hezbollah has become more of a partner with Iran and less of a proxy.

The 2006 war with Israel that Hezbollah precipitated did terrible damage to Lebanon’s infrastructure and appeared to signal rough seas ahead for Hezbollah itself. Secretary General Hassan Nasrallah went so far as to apologize to the Lebanese people for the trouble his group had caused.¹⁹⁴ But Hezbollah’s prospects improved rapidly. It has managed to develop itself into a political party while retaining and enhancing its military power separate from the Lebanese state. It has successfully sidelined its political opponents in the March 14 movement, which grew out of the assassination of former Lebanese prime minister Rafic Hariri. It has diversified the routes by which it receives arms from Iran. It appears to have finally sidestepped any serious blowback from the indictment of four of its members for their roles in Hariri’s assassination, at least for the time being.

In a telling meeting before Ahmadinejad's October 2010 visit to Lebanon, Iranian energy minister Majid Namjoo paid a call to Nasrallah with Iranian ambassador to Lebanon Ghazanfar Roknabadi. They talked over the impending Ahmadinejad visit and cooperation between Iran and Lebanon.¹⁹⁵ Was the meeting a vital one? Did their discussion about cooperation in electricity and water generation matter? Not really. It was the symbolism that amazed, because Hassan Nasrallah held no position in the Lebanese government, yet was treated as a quasi head of state by a visiting leader. Little says more about the role Hezbollah has come to play in Lebanon.

Military Relations

In May 2008, conflict about Hezbollah's state-within-a-state spilled into the streets of Beirut. Hezbollahis, armed despite UN Security Council resolutions and the Doha Agreement that had settled internal political questions, seized the Christian- and Sunni-dominated West Beirut and occupied television stations belonging to March 14 leader Saad Hariri. They demanded that the Lebanese government stay out of Hezbollah's business, by which they meant that it must allow Hezbollah to retain sophisticated, Iranian-built communications networks, domination of the airport, and more.¹⁹⁶ Days later, the government backed down.¹⁹⁷ At that moment, the question of a separate Hezbollah government-within-a-government was answered, and the prospect of Hezbollah accounting for its weaponry or agreeing to subordinate its own decision making to the Lebanese state was gone.

Hezbollah's victory appeared to be good news for Iran, which followed the 2006 Hezbollah-Israel war with a dramatic escalation in the quality and quantity of weaponry it supplied

the group. At the time, Iran was reportedly continuing to underwrite Hezbollah to the tune of at least \$100 million annually.¹⁹⁸

Iran supplied Hezbollah hundreds of M600 long-range, accurate surface-to-surface missiles with a range of 250 kilometers and a thousand-pound payload,¹⁹⁹ SA-8 "Gecko" vehicle-mounted anti-aircraft missile systems, Scud ballistic missiles, 125 millimeter armor-piercing guns, and a "new radar system that could give advance warning of an impending Israeli strike against Iran's nuclear facilities or Hezbollah."²⁰⁰ IDF officials also indicated that Iran and Syria have helped dramatically improve the accuracy of Hezbollah's large arsenal of missiles.²⁰¹

These supplies traveled the traditional route for weapons transfers—Iran Air and other commercial carriers from Tehran to Damascus, then over land to Lebanon. Iran and Hezbollah also began using routes through Turkey and Sudan, direct routes to the Beirut airport, and Iranian-chartered shipping vessels like the Russian cargo vessel, the *Monchegorsk*. The *Monchegorsk* was chartered by state-owned Islamic Republic of Iran Shipping Line and contained "artillery charges, high-explosive propellant for anti-tank weapons and items related to 125mm armor-piercing guns."²⁰²

US secretary of state Hillary Clinton reportedly warned Syrian leader Assad against transferring ballistic missiles to Hezbollah, but Assad did not heed her warnings.²⁰³ Indeed, by late 2010 Iran's presence in southern Lebanon was such that the area was described by a March 14 spokesman as under "Persian Islamic command."²⁰⁴

Syria's flirtation with the United States and Israel did not seriously disrupt Hezbollah's operations or even its relationship with Damascus. The French newspaper *Le Figaro*

reported in late 2010 that Hezbollah logistical structures dedicated to the transfer of its arms and personnel had been established inside Syria. The report went on to detail three different units managing Hezbollah operations in Syria, including one for arms storage, another for arms transfers, and a third for Hezbollahis and Iranian trainers moving through Syria.²⁰⁵ This news corresponded with reports that Assad had shuffled his intelligence apparatus and installed IRGC hand-picked generals at about that time. Syria may no longer have been a fully trusted partner for either side, but Hezbollah's involvement with Damascus seems to have deepened.²⁰⁶

Despite generous Iranian financial and material support after the 2006 war, Israeli intelligence sources reported in 2011 that financial hardships, likely the result of new sanctions imposed on Iran, led Tehran to slash its support for Hezbollah. That cut, apparently resented by Hezbollah officials who had grown used to Iranian subsidies, likely caused the reported falling out between senior Hezbollah leaders and Mohammad Reza Zahedi (also known as Hassan Mahdavi), IRGC Quds Force commander in Lebanon. As a result of the falling out, the group reportedly refused to "accept the Iranian's [sic] authority."²⁰⁷ Weapons shipments continued from Iran throughout this time despite the tensions; Turkish authorities seized a ship with weapons bound for Hezbollah in August.²⁰⁸

The tensions between Iran and Hezbollah were not serious enough to cause Hezbollah to abandon its friends in Tehran when Iran was attacked either (although that solidarity may be a separate phenomenon from the unwillingness to bow to local Iranian authority). After late 2011 saw a series of mysterious explosions around Iran in facilities believed to be connected to both nuclear and

missile programs, Hezbollah ousted several senior Central Intelligence Agency (CIA) operatives in Beirut, including the station chief and his predecessor, via its al Manar television station.²⁰⁹ Was Hezbollah's action linked to the bombings in Iran? Or was it more related to the fact that the CIA reportedly had operatives working within Hezbollah, some of whom were revealed by Hassan Nasrallah? The answer is unclear, but the timing certainly was convenient for Iran.

Hezbollah has since proven itself willing to be of service to Iran overseas. In early 2012, several attacks were carried out against Israeli diplomats in Thailand, Georgia, and India. In each case, the style of the attack—a sticky bomb attached to a car—mirrored the tactics used by unidentified assailants in Iran to attack nuclear scientists and also tactics used by Hezbollah-trained Iraqi militia groups against US and Iraqi soldiers and officials. Israeli officials were quick to accuse both Iran and Hezbollah of planning the attacks, though Nasrallah told supporters, "I assure you that Hezbollah has nothing to do with this."²¹⁰ Subsequent arrests in Azerbaijan linked to another planned attack brought in people reportedly tied to both Iran and Hezbollah.²¹¹

Economic Assistance

Hezbollah has historically deprecated its dependence on Iranian aid, at least officially. But in February 2012, Nasrallah for the first time acknowledged openly his organization's dependence on aid from Iran. Claiming that earlier he had not wished "to embarrass our brothers in Iran," he noted that since Iran had admitted to the support, the time had arrived for Hezbollah to do so as well. "Yes, we received moral, and political and material support in all possible forms from the Islamic Republic of Iran since 1982," Nasrallah said in a video address. "In the past we used to tell

half the story and stay silent on the other half. . . .When they asked us about the material and financial and military support we were silent.”²¹²

Indeed, Hezbollah was created by Iran’s IRGC Quds Force and sustained by the Islamic Republic of Iran from its inception. That assistance took the form of weapons, cash, and reconstruction assistance for southern Lebanon in the wake of Israeli attacks. It also came in the form of aid for Hezbollah’s political pursuits. Iranian officials announced in 2008 that Hezbollah, then progressing deeply into Lebanon’s political life, would receive \$600 million in “election financial aid” to help the party’s prospects in Lebanon’s parliamentary elections in 2009.²¹³ Financing for all these activities comes through a variety of mechanisms, including the Iranian Committee for the Reconstruction of Lebanon, whose leader, Hessam Khoshnevis, is reportedly Ahmadinejad’s personal representative in Lebanon. Damascus-based Iranian official “Razi Musavi serves as a key conduit for Iranian support to Hezbollah” in Lebanon.²¹⁴

Hezbollah is believed to have received approximately \$200 million annually from Iran, although those numbers have reportedly diminished.²¹⁵ Unfortunately for both parties, Hezbollah’s needs are growing just as Iran is bearing the increasing burden of stringent sanctions and a declining currency. Hezbollah’s political role, demands from constituents, turmoil in Syria, and other factors all make growing demands on Hezbollah’s purse. That the organization has apparently been able to make ends meet despite reductions in direct Iranian aid suggests that Hezbollah has been more and more reliant on other sources of income to replenish its coffers. Hezbollah is known to receive substantial financial support in the form of remittances, often as religious

taxes, from Lebanese expatriates abroad.²¹⁶ Reports have also circulated for many years about Hezbollah’s involvement in money laundering and drug trafficking, and it is likely that these sources of revenue have become more important as Iran and Syria fail the Lebanese group.²¹⁷ Indeed, the rumors have become loud enough that Nasrallah himself felt the need to refute them. “Drug trafficking is banned in Islam,” he said in early 2012. “And secondly, Iran’s backing spares us the need for even a penny from anywhere in the world.”²¹⁸

That statement, it turns out, is not true. The US attorney for the southern district of New York filed a complaint on December 15, 2011, outlining in great detail part of the network by which Hezbollah benefits from drug trafficking, money laundering, and a wide variety of shenanigans, including the purchase and shipment of used cars from multiple locations in the United States. The complaint describes Hezbollah’s involvement in the South American cocaine trade and the East African drug trade. The complaint identifies wire transfers and bulk cash transfers of hundreds of millions of dollars among entities sanctioned under US narcotics, terrorism, and money-laundering statutes.²¹⁹ It is evident from this criminal complaint and previous ones that Hezbollah has indeed established a global financial network from which it derives revenues likely well in excess of the aid Iran has been providing. Could Hezbollah survive without Iranian cash? Perhaps, but it probably could not survive without Iranian weapons and technical support, at least for the moment. The relationship between Hezbollah and Iran has become complex indeed.

The Arab Spring, Syrian Revolution, and an Israeli Attack on Iran

At the height of rumors that Syria was planning a split with Iran and a rapprochement with the West in 2009, Assad reportedly told Iranian visitors that he had no intention of joining any war between either Iran or Hezbollah and Israel.²²⁰ (For more on this period, see the section on Syria.) Assad notably appeared to hold no veto power over Hezbollah while suggesting that Iran did have such power. Who tells whom what to do, and when?

As discussions of a Syrian rapprochement with Israel continued in 2010, clashes broke out between Hezbollah members and militants of the al Ahabash, an extremist Sunni pro-Syrian group. Some Lebanese speculated that the conflict was encouraged by Damascus's seeking to send Hezbollah a message about who was boss in Lebanon before suing for peace.²²¹

Strains in the relationship, however, have not apparently diminished Hezbollah's determination to support the Assad regime, even as Assad faces his own revolution at home. The Syrian opposition has claimed that Hezbollahis have been fighting as part of Syrian security forces against demonstrators and are reportedly working together with the IRGC to bolster the Assad government.²²² Nasrallah appears to understand that any successor to Assad will be less positively disposed to Hezbollah.

Unsurprisingly, Nasrallah denies that his group is helping Assad, all the while insisting that Assad's enemies are the West and Israel. "Does anyone have doubts over the general scene [in Syria] with regard to the presence of a decision made by the United States, the West, Israel, and Arabs at the level of the Arab moderation countries to topple the regime in

Syria?" asked the Hezbollah leader in early 2012. "Is not this a fact? Have we not seen this in the UNSC [UN Security Council] and we see it every day? This is a fact."²²³

Indeed, US officials have suggested that Hezbollah has been doing more than just helping Assad repress his people. Secretary Clinton told the House Appropriations Committee on Foreign Operations that Iran is using Hezbollah to cause trouble elsewhere in the region. "We know from our intelligence reporting, from anecdotal reporting, our embassies, our political officers that everywhere Iran can take advantage, they're going to, either directly or indirectly through proxies like Hezbollah and Hamas. There's no doubt that Hezbollah . . . is going to try to influence the outcome in Bahrain."²²⁴

Finally, there is the question of what Hezbollah would do in the event of an Israeli strike on Iran's nuclear facilities. Many in Iran, Israel, and the United States assume that Iran would require Hezbollah to open a northern front against the Jewish state. What does Hezbollah think? In his February 2012 video address, Nasrallah answered that Iran will not ask Hezbollah to act in the event of an Israeli attack:

Even as far as the upcoming events in the region are concerned, there is an analysis that says what might happen if Israel shelled Iranian nuclear edifices. I will tell you . . . Imam Khamenei and the Iranian leadership will not demand anything from Hezbollah. They will not dictate anything or wish for anything. On that day, it is we who have to meet and think and decide what to do.

All the children of the resistance, the resistance men, the resistance peoples and the resistance masses in the region

must pay back this republic, regime and leadership with gratefulness, esteem and respect—and not with anything else—for this stance, support and backing.²²⁵

This statement is remarkably diplomatic and an apt summary of the current relationship between Hezbollah and Tehran. Nasrallah denies here that Iran will ask, let alone order, Hezbollah to do anything. He denies that Iranian support has imposed any obligation on Hezbollah to fight on Iran's behalf. He does not say whether Hezbollah would take military action against Israel. All of which can be meant to suggest that Nasrallah intends to remain neutral in the event of an Israeli strike on Iran—or simply that Hezbollah, now a fully independent partner rather than proxy, will make its own decisions about how best to act if and when the occasion arises.

West Bank and Gaza Strip

Iran has long sought to position itself as the champion of the Palestinian cause and the resistance against Israel. It employs a number of methods in support of this aim, but its main effort in recent years has been the arming and funding of Palestinian terrorist groups in addition to Hezbollah in Lebanon. The Iranians have found this task easier undertaken than accomplished. Although the Palestinian organizations have enjoyed Iran's support, recent stresses on the relationship are causing it to tear at the seams.

Despite all the rhetoric, Iran cannot hide the fact that its position in the Levant is, in many ways, weaker than it appears. It sheepishly called off its threats to send ships and fighters to the Gaza Strip in June 2010.²²⁶ The Arab Spring threw its relationship with Hamas off course, and Hamas, not Syria, was the one

to break the axis with Damascus. Palestinian Islamic Jihad (PIJ) has emerged as the most pro-Iranian Palestinian group, but compared to its Hamas rivals, PIJ is still a minor-league organization.

Iran has also developed a close relationship with other small, armed Palestinian groups. Although its leader is in poor health, the Popular Front for the Liberation of Palestine – General Command has remained loyal to the Assad regime and Iran throughout the Arab Spring. More surprising is Iran's relationship with Fatah al Islam, an anti-Shi'a, al Qaeda-linked group based in Lebanon. Fatah al Islam leaders wanted by Lebanon have reportedly found refuge in Iran, and the group is backed by Iran's closest ally, Syria. This pragmatic arrangement shows that Iran is willing to put aside sectarian ideology, cooperating even with groups that attack Shi'as.

Still, Iran enjoys significant influence in the region and is willing to adapt to the Arab Spring to find groups it can control. It remains to be seen how deeply rooted that influence truly is and whether it can withstand the anti-Assad sentiment and expanding Sunni-Shi'a conflict.

Hamas

Recent years have been turbulent for Hamas. The Palestinian terrorist group once enjoyed the freedom afforded groups that do not have the responsibilities of government, but it lost that freedom when it assumed formal responsibility in June 2007 for the poverty-stricken and isolated Gaza Strip. Hamas remains with daggers drawn at Fatah, a political group that controls the Palestinian Authority that governs the West Bank, adding intra-Palestinian politics to the group's troubles. Regional politics also take their toll: the group needed reassurance of Iran's loyalty and

continued economic support when it became clear in 2008 that Syria and Israel were in secret talks.²²⁷ (Hamas had retained its headquarters in Damascus until very recently.²²⁸) Revolution in Syria undid both relationships, as Hamas found that it could not support the Alawite Syrian government in its brutal suppression of Syria's Sunni population. A formal split with longtime sponsor Iran and the loss of Hamas headquarters in Damascus in early 2012 promise more turmoil for both Hamas and the Palestinians it governs.

Hamas's relationship with Iran has never been as clear as that of other groups like PIJ or Hezbollah. Tehran has long favored Hamas over Fatah because of Hamas's implacable war against Israel while Fatah has shown a willingness to make accommodations with the Jewish state. But the Iran-Hamas relationship has never been as comfortable as other Iranian relationships in the region. In the past, Hamas has displayed resentment at efforts to manage the group through Hezbollah and turned down training in Lebanon when it was offered. Reasons for the lack of warmth are complex, but we can surmise that it is at least in part due to sectarian differences.

Iran has nevertheless been a vital financial and military supporter for Hamas and has been willing to supply and maintain Hamas's increasingly sophisticated and accurate rocket supply and to underwrite its shrinking and strained budget. One key question for the future will be the extent to which Gulf powers allied with the United States will be willing to take on that burden as the Hamas-Iran axis fractures, considering Hamas's refusal to accept the legitimacy of the Israeli state or renounce terrorism—issues that bring formal support to Hamas—opposes American law and policy.

Military Relations

The IRGC continues training members of the elite Hamas Qassam Brigades, and in 2008 the *Times* of London reported that 150 Qassam Brigade members went through courses between forty-five days and six months long in Iran, with 650 more training in Syria under IRGC tutelage.²²⁹ Iran also escalated the range and sophistication of weaponry it was willing to share with Hamas, pledging at the highest levels (Brigadier General Ahmad Vahidi, now Iran's defense minister) to “provide very advanced missiles that are currently being produced at the Martyr Bakiri Complex in Tehran especially for Hamas.”²³⁰

Nonetheless, there have been limits to Tehran's willingness to involve itself in Hamas's fights. During Operation Cast Lead, Israel's 2008 incursion into the Gaza Strip to stop the barrage of rocket fire aimed at southern Israel, Supreme Leader Khamenei issued a provocative call for martyrs to sign up to fight the Zionist enemy. That call resulted in large turnout, with 70,000 Iranians reportedly presenting themselves to head off and die for Palestine, but the Supreme Leader called the mission off. “I thank the pious and devoted youth who have asked to go to Gaza,” he said. “But it must be noted that our hands are tied in this arena.”²³¹

Rebuilding Hamas after Cast Lead

After Israel's 2008–2009 Cast Lead operation hit Hamas capabilities hard, concerted efforts were made to get the group back in fighting form. Israeli officials detailed a “‘vast amount’ of anti-tank and anti-aircraft rockets, a ‘very big arsenal’ of rockets that can strike deep inside Israel and a sophisticated communications system” provided to the group.²³²

Hamas also continued to train in Syria. It was reported that the IRGC was actively

training Hamas members on more advanced rockets and that several Palestinians and IRGC members were killed during a training exercise in 2009. The accident reportedly occurred as the Palestinians were being taught to dismantle the rockets to facilitate their transportation through tunnels across the Gaza Strip–Egypt border. Under former Egyptian president Hosni Mubarak, this was a difficult but nevertheless popular weapons-smuggling route.²³³

Efforts to equip and train Hamas fighters were widespread and varied. Reports indicated that the IRGC was training Hamas in missile-launch exercises in Sudan in 2010.²³⁴ Reports in April 2011 described a new smuggling route from IRGC bases in Bandar Abbas through Sudan and Eritrea.²³⁵ Later that year, the Nigerian Secret Service intercepted thirteen Iranian weapons containers allegedly destined for Hamas in the Nigerian port of Lagos. Rocket launchers, grenades, and other explosives were disguised as building materials, and preliminary evidence suggests a new arms-smuggling route from Iran to Gaza.²³⁶ Other reports indicated that IRGC and Syrian experts had even entered the Gaza Strip to train Hamas fighters.²³⁷

Hamas's allies seem also to have upgraded the quality of Hamas's weapons. A Gulf news source suggested in 2009 that Hamas had tested an Iranian-supplied missile with a range of more than 60 kilometers.²³⁸ In October 2010, Israeli prime minister Benjamin Netanyahu "told a Likud party meeting that Hamas militants in Gaza City have obtained anti-aircraft missiles through smuggling tunnels connected to Egypt. This is the first public acknowledgement of this capability."²³⁹ Netanyahu's claim seemed to be confirmed in December when Egyptian security forces seized a weapons cache, allegedly headed for the Gaza Strip, containing anti-aircraft artillery

shells and missiles in the Sinai Peninsula.²⁴⁰

IDF Brigadier General Doron Gavish told his government in November 2010 that Iran has "transformed the rocket arsenal" of Hamas by "providing sophisticated guidance systems."²⁴¹ In March 2011, Israel seized a cargo ship with weapons headed for Hamas, which included "Chinese-made C-704 missiles, which land-based forces can use to attack ships."²⁴²

Cables leaked by Wikileaks suggest that in addition to the Katyusha, Grad, and Fajr rockets in Hamas's hands, the Iranian/Chinese version of the Katyusha (with a nineteen-mile range) was specially modified for smuggling through tunnels. Iran also reportedly supplied Hamas with sophisticated antitank guided missiles and specialized training on improvised explosive devices (IEDs).²⁴³

It is too soon to tell what the break between Hamas and the Syria-Hezbollah-Iran axis will mean for the future of the group's weapons supplies and military training, let alone what role it might play in any future Iranian-Israeli conflict.

Economic Support

Iran has pledged billions of dollars in support to Hamas over the years, reportedly providing up to \$500 million a year until 2009 when sanctions cut into Iran's ability to disburse cash.²⁴⁴ Although there have been some complaints about failure to deliver on pledges, there is little doubt that Iran is one of the principal sources of Hamas's treasury. In 2008, eighty-four Israeli terror victims and their families sued the Bank of China for cash transfers to both Hamas and PIJ, reportedly made via US branches of the bank.²⁴⁵ In July 2011, a judge in the New York Supreme Court rejected the bank's motion to dismiss the case, and ruled that the lawsuit can proceed with

evidence discovery.²⁴⁶ Bank Saderat, sanctioned under US executive order in October 2007, was reportedly another conduit.²⁴⁷

In addition to sustaining the Hamas budget, Iran also provides welfare and housing support, much as it does in southern Lebanon. After Cast Lead, Iranian vice president Ali Saeedlu pledged “to rebuild 1,000 homes, 500 businesses, 10 schools, five mosques, a hospital and a university” according to Iranian state-owned Press TV.²⁴⁸ And Hamas housing minister Yousef Alamanti said Iran would help finance the construction of 25,000 new apartments in the Gaza Strip.²⁴⁹

Like other plans to expand from the arms and money supply relationship (sending 70,000 martyrs to fight the Israelis), some more ambitious Iranian economic projects turned out to be more talk than action. A June 2010 pledge to run a ship to the Gaza Strip²⁵⁰ ran aground after trouble with Egyptian authorities.²⁵¹ Tensions also arose over Hamas’s stance on the Syrian revolution. Hamas leaders turned on their longtime host Assad, and Hamas leader Khaled Mashal left Damascus in January 2012. Before that, Iran reportedly had cut or even ended financial support for Hamas as a result of the growing tensions.²⁵² Hamas looks increasingly to the Gulf states, especially Qatar, to make up for the shortfall. Still, Hamas does not appear to want to end its relationship with Iran entirely. Hamas prime minister of the Gaza Strip Ismail Haniyeh spent three days in Iran visiting Khamenei and Ahmadinejad in February 2012.²⁵³

Diplomacy

After Hamas’s victory in 2006, Palestinian elections, and the subsequent violent falling out with Fatah, Hamas became even more dependent on Iranian largesse. For its part,

Iran was not shy in involving itself in intra-Palestinian politics.²⁵⁴ When deciding how to respond to an Egyptian peace plan, Hamas leader Mashal headed straight for high-level meetings with Iranian speaker of parliament Ali Larijani; he had met with senior Iranian official Saeed Jalili only days earlier in Damascus.²⁵⁵

Interfering in Palestinian politics is a double-edged sword for Tehran, though. On the one hand, Israel provides a convenient bogeyman to distract Iranians from their own economic and political woes. On the other, Iranians suffering under increasingly stringent sanctions are less than thrilled with efforts to send much-needed cash abroad.²⁵⁶

Similarly for Hamas, dependence on only one patron is a risky proposition. Thus, despite frequent meetings in both Tehran and Damascus, there were hints of trouble in the relationship in mid-2009. Iran publicly rebuked Mashal for referring to the Persian Gulf as the “Arabian Gulf” in a speech.²⁵⁷ The rebuke was little more than a straw in the wind, but clearly there were some efforts already underway at diversification of support for Hamas.

In early 2010, rumors flew about deeper trouble between Tehran and the Gaza Strip and Damascus. Mashal was on a friendly visit to Saudi Arabia during which he described Hamas’s relationship with Iran as “tactical.”²⁵⁸ Financial problems deepened for Hamas around that time, forcing the Ismail Haniyeh government to announce that it could no longer pay government workers their full salaries.²⁵⁹ Meanwhile, the Israeli blockade on the Gaza Strip, and particularly the confrontation with a Turkish “aid” flotilla, put Gaza’s straitened circumstances in the news. Iran quickly announced that it would escort Red Crescent ships if needed.²⁶⁰ That offer

was followed with the announcement of an Iranian blockade-busting ship to the Gaza Strip and, a short two weeks later, the cancelation of the flotilla due to Israeli “restrictions.”²⁶¹ Four parliamentarians then announced that they would make their way to the Gaza Strip, but the trip was called off after Egypt failed to issue visas.²⁶² Press TV reported that Hamas had invited Iranian president Ahmadinejad to visit the Gaza Strip, describing the trip as “of paramount importance.”²⁶³ That trip did not occur either. At a crucial moment for Hamas, Iran had demonstrated its unwillingness to be drawn into potential conflict—even at a low level—with Israel or Egypt on behalf of the Palestinian cause it championed so loudly.

By November 2010, the first rumblings of the Arab Spring were being heard, and relations with Iran deteriorated. Hamas spokesman Khalil al Hayya reportedly told Iranian officials that Shi’as were not welcome in Palestine “even in exchange for Iranian support for Hamas.”²⁶⁴ By midyear, Iran cut its support for Hamas in retaliation for Hamas’s failure to support Iranian proxy Assad. A Syrian attack on the al Ramel Palestinian refugee camp near Latakia further strained relations between Hamas and Assad.²⁶⁵

But the Arab Spring opened other opportunities for Hamas. Egypt no longer guarded the Rafah border crossing into the Gaza Strip, and reportedly, weapons were flowing easily. In August 2011, Hamas hit southern Israel with more than 100 rockets and mortars. On August 18, gunmen infiltrated Israel and killed six civilians and two soldiers.²⁶⁶

By late 2011, many Hamas officials had already decamped from Damascus, making their way to the Gaza Strip, Lebanon, Egypt, Sudan, and Qatar.²⁶⁷ Mashal himself left Damascus in January 2012, shortly after he announced he

would be stepping down as leader of Hamas. “The situation there does not allow the leadership to be present,” an unnamed Hamas official in the Gaza Strip told the *New York Times*. “There are no more Hamas leaders in Damascus.”²⁶⁸ Mashal and his aides moved to Doha while other Hamas officials relocated to Cairo.

Even as the Sunni-Shi’a split reportedly deepened, with Hamas forbidding the building of Shi’a mosques in the Gaza Strip,²⁶⁹ some ambiguity in the Iran-Hamas relationship remained. In February 2012, Hamas prime minister Haniyeh was once again in Tehran and appeared with Ahmadinejad. He labeled Iran a “strategic reserve” for the Palestinians, and Khamenei used the occasion of his visit to pledge Iranian support for the Palestinian “resistance.”²⁷⁰

Of all Iran’s proxy relationships in the region, its entente with Hamas is likely to be the most difficult to retain in the face of growing sectarianism in Iraq, Syria, and the Persian Gulf. The formal split between the two was recent and may have been mitigated by the February 2012 meetings. It is too early to say whether Iran will end its military support for the group, as it has not done so even while restricting economic and financial support to proxies in Lebanon and elsewhere. And it is far too early to predict how Hamas would react to an Israeli-Iranian conflict. Tehran failed to secure Hamas’s support for an Arab Shi’a leader oppressing Sunni Arabs in Syria. That failure, however, may not be a good indicator of Iran’s relationship with Hamas since the Sunni Arab group defines itself as first one that opposes and fights Zionism.

Palestinian Islamic Jihad

Palestinian Islamic Jihad (PIJ) once enjoyed prominence among anti-Israel terrorist

groups, but PIJ has fallen on hard times in recent years. Financial sanctions on Iran have affected Tehran's support for the group. Bank Saderat, where the group reportedly did some of its banking, was one of the first Iranian banks to be designated for sanctions by the United States and then the European Union.²⁷¹ Like other groups, PIJ has rarely been shy in complaining about its financial straits. In mid-2009, Ziyad al Nakhalah, the second most important leader in PIJ, complained that "what we can obtain from the donors can satisfy some of our needs, but the Jihad Movement remains a resistance movement; it is poor, and it always pursues to increase its resources as long as its body and its needs grow."²⁷²

Generally PIJ has suffered from the perception that it is second string to more prominent "resistance" groups like Hamas and Hezbollah. It was certainly less influential than Hamas, which governs Gaza, or Hezbollah, which governs Lebanon. In 2008–10, PIJ joined Palestinian resistance gatherings orchestrated by Tehran, meeting with senior Iranian political and religious figures as an *also-ran*, albeit one that frequently flaunted its closeness to the Iranian regime.

During the 2009–10 tensions between Iran and Syria, PIJ secretary general Ramadan Shallah went to extra trouble to emphasize his organization's loyalty to Tehran. "As the flag-bearer of resistance to occupation of the Zionist regime, we are proud of sincere relations with the Islamic Republic of Iran," he said.²⁷³ Shortly thereafter, he added that any attack on Iran would be considered an attack on all "resistance" groups (decidedly not the case on the occasion of the Israeli attack on Syria's nuclear site in 2007).²⁷⁴

For its part, Iran continued to play the role of peacemaker between Palestinian factions—with little obvious result—and reportedly

continued with Syria to provide training for terrorist attacks from the Gaza Strip.²⁷⁵

PIJ has not claimed responsibility for any suicide terrorist attacks since 2008, although Israeli officials reportedly believe the group's "armed wing," the Quds Brigade, may have been behind a bus bombing in Jerusalem in March 2011 that killed a British citizen.²⁷⁶ For the most part, the group has confined itself to rocket attacks into Israel.²⁷⁷

As the Arab Spring fomented fissures among Palestinian groups—with Hamas leaving its headquarters in Syria and abandoning the Assad regime—PIJ remained loyal. Hamas officials angrily condemned the group, suggesting that PIJ's escalating rocket attacks on Israel from the Gaza Strip were a ploy by Tehran to force Hamas into supporting Iranian proxy Assad. This complex conspiracy theory imagined that PIJ was inviting Israeli retaliation against Hamas for the rocket attacks to force Hamas to fight Israel and back Iran.²⁷⁸ Relations between Hamas and PIJ have continued to deteriorate since. Hamas gunmen attacked a Shi'a gathering in the Gaza Strip in early 2012 as part of a broad and violent crackdown on Shi'as in the Gaza Strip. There is some speculation that Iran is fostering conversions to Shi'a Islam among the largely Sunni Palestinians, particularly within PIJ, where there is reportedly now a large Shi'a cell. One report detailed the existence of this cell; it is led by Iyad al Hosni, a convert who had been expelled from PIJ, but was reportedly reinstated at Iran's insistence.²⁷⁹

Consistent with reports of a deepening of the PIJ-Hamas split and the cut in Iranian financial support for Hamas,²⁸⁰ PIJ Secretary General Shallah appeared at a meeting in Tehran in late January 2012 without his usual Hamas compatriots. Shallah took advantage of the occasion of his meeting with Iranian

Supreme National Security Council secretary Saeed Jalili to call Iran “a powerful Muslim country and a supporter of the resistance movement [and] has been ‘a shining light’ for Islamic movements in the region since the Islamic Revolution in 1979.”²⁸¹

Al Aqsa Martyrs’ Brigades

There was once little to note about connections between Iran and Fatah’s armed wing, the al Aqsa Martyrs’ Brigade. The group was supposed to have dismantled in 2008 after receiving amnesty and giving up its weapons.²⁸² But in May 2008, the group—along with PIJ—claimed responsibility for a truck bombing at the main pedestrian crossing between Israel and the Gaza Strip that killed the driver.²⁸³ Asked about the group and the outbreak of violence, Palestinian president Mahmoud Abbas explained that “those who assume the name of the Brigades are directed by a foreign party,” alluding to Iran.²⁸⁴

The Brigades had been reborn in the form of the Imad Mughniyah Group of the al Aqsa Martyrs’ Brigade, an offshoot named for the Hezbollah mastermind killed in Syria in 2008. Salim Thabit, a senior Mughniyah group official, reportedly credited the group’s support and training to Hezbollah.²⁸⁵ The group claimed responsibility for a terrorist attack on an Israeli family in March 2011.²⁸⁶ It bears watching as a potential new Iranian violent proxy that could operate in the West Bank.

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EGYPT

The Islamic Republic of Iran severed diplomatic relations with Egypt in 1980 over the Camp David Accords. Relations generally remained frosty for three decades despite periodic attempts at rapprochement. The state of the relationship was neatly summarized in Iran's early decision to name a street in Tehran for Khalid Islambouli, the man who assassinated Egyptian president Anwar el Sadat for making peace with Israel. As late as December 2010 and in spite of the resumption of direct flights between Tehran and Cairo and a substantial petrochemical agreement,¹ the two countries were still sniping at each other. "Iranian interventions in the internal affairs of the Gulf must not be allowed," Egyptian foreign minister Ahmed Abul Gheit said. "We say to our brothers in Iran, Iraq must be left alone and Lebanon must be left alone. And Iran should not intrude in Bahrain in any way." Iran's leaders snapped back through the official state press: "We recommend that Abul Gheit pay more attention to unity within the Islamic world instead of pursuing the interests of the region's ill-wishers who seek to divide the Islamic nations."²

Hosni Mubarak's Egypt was instrumental in hindering Iran's efforts to arm Hamas through the Egyptian border with the Gaza Strip, had denied Iranian military vessels passage through the Suez Canal, and had stood with Sunnis against Iranian proxy Hezbollah in Lebanon. Mubarak's ouster offered Tehran an opportunity to repair relations. Iranian regime officials supported anti-Mubarak protestors. Speaker of parliament Ali Larijani noted in January 2011 that "the time has [been] reached to overcome puppet autocratic regimes by relying on the Islamic teachings."³ (The irony of Iranian solidarity with prodemocracy protestors was not lost on Iran's own repressed Green Movement, one of whose leaders saw in Mubarak's abortive attempt to suppress Egypt's uprising "a similar pattern" to Iran's own successful and brutal crackdown in 2009).

Ahmadinejad proclaimed in February that "despite all the (West's) complicated and satanic designs...a new Middle East is emerging without the Zionist regime and U.S. interference, a place where the arrogant powers

will have no place...It's your right to be free," the Iranian president told crowds marching in solidarity with Egypt's protesters. "It's your right to exercise your will and sovereignty . . . and choose the type of government and the rulers." Meanwhile, Iranian opposition leaders were placed under house arrest to prevent them from staging their own solidarity rallies with Egypt.⁴

Iran's foreign minister Ali Akbar Salehi raced to resume warm relations even before Mubarak's shadow faded from view in Cairo. The only impediment standing between Iran and Egypt, he explained in early March, was Mubarak.⁵ Egypt's new leaders appeared almost as eager. "Iran is a state in the region, and we have had long-term historical ties with it over the different periods," the new foreign minister, Nabil al Arabi, said. "We will turn over a new leaf with all states, including Iran."⁶

It quickly appeared that the new Cairo government would indeed turn over a new leaf. The Iranian government requested passage for two military vessels through the

Suez Canal in February. After some diplomatic fuss, the two vessels—a frigate and a supply ship—did indeed make their way through the canal en route to Syria.⁷ Two ships also made the reverse trip in February 2012 after a show of support for the embattled Iranian protégé, Syrian president Bashar Assad.⁸

Nor was the rise of either Sunni fundamentalists or Salafis an impediment to the relationship. A senior member of Egypt's Muslim Brotherhood put it this way: "Resumption of any kind of ties and cooperation between Tehran and Cairo seems to be beneficial to all Arab and Muslim nations as well as the two countries."⁹ And Shi'a Iran reciprocated, expressing enthusiasm for a visit by Ahmed al Tayeb, the grand sheikh of al Azhar mosque.¹⁰ Both Tayeb and Egypt's Grand Mufti Ali Gomma were invited to Iran by Hojjat al Eslam Mohammad Hassan Akhtari, secretary general of Iran's Ahlul Bayt World Assembly, former longtime Iranian ambassador to Syria, and reputedly the main coordinator of Tehran's relationship with the Assad regime.¹¹

Shortly after Mubarak stepped down, Egyptian foreign minister al Arabi sat down with Mojtaba Amani, the head of Iran's interests section in Cairo, who was bearing a personal message from Iranian foreign minister Salehi proposing reciprocal visits to formalize the restoration of diplomatic relations.¹² Egypt's military leaders—the Supreme Council of the Armed Forces, which remained officially in charge of the government—also voiced support. "We hope that the upcoming stage would be a stage of special bilateral relations with the Islamic Republic of Iran, serving the best interests of both countries," Field Marshal Mohamed Hussein Tantawi said.¹³ Some protests were heard on both sides, but those concerned about either the Zionist taint or the Islamist influence were in the minority.

Despite the enthusiastic early chatter and several press reports that the two countries were exchanging ambassadors,¹⁴ this had not happened as of early 2012. Whether that was due to concern and pressure from the United States, worries within Egypt, or lobbying by Persian Gulf states fretting about the spread of Iran-style extremism to Egypt (a concern the new Egyptian government worked hard to assuage)¹⁵ is unclear. Early gestures by the post-Mubarak government, including a declaration that Egypt would permanently open its Gaza crossing to "ease the blockade," an unwillingness to re-arrest Hamas prisoners who had escaped during the revolution, and other indications of Egypt's drift from its previous policies toward Gaza and Israel were not music to the ears of either the United States or the Israeli government.¹⁶

All the early warmth between Cairo and Tehran appeared to be mostly talk and little action. By May 2011, al Arabi was denying he had ever suggested a restoration of ties between Iran and Egypt: "No, never. I said Egypt has turned a page with every country in the world. I never specified Iran. [I was] asked if this included Iran, and I said yes. We don't want to look backwards. We want to look forward. No decision has been made on Iran. Every country in this world has relations with Iran except three—the US, Egypt and Israel."¹⁷ Later that month the two foreign ministers met to great fanfare on the sidelines of a Non-Aligned Movement meeting in Indonesia amid suggestions (mostly on the Iranian side) that they would discuss the exchange of ambassadors.¹⁸ Al Arabi punted the decision to the "next parliament," which would meet in September 2011.

Only weeks later, however, an Iranian diplomat was detained in Cairo on "suspicions of illegally gathering intelligence and trying to set up spy rings in Egypt and Gulf countries,"

according to official press statements.¹⁹ The eventual expulsion of the Iranian diplomat, undercover as a third secretary at the Iranian mission, appeared to do little to dampen Ahmadinejad's unbridled enthusiasm for renewing ties with Cairo. Denying Iran would demand that Egypt repudiate the Camp David Accords in exchange for the restoration of diplomatic ties, the Iranian president said, "Resuming our relations, by itself would expel Israel from the region. I would not hesitate to visit Egypt if I were invited." "We have achieved miracles here that we are willing to share with you. . . . For our development is linked to that of Egypt."²⁰ Mutual enthusiasm was turning into somewhat labored Iranian courtship.

Nothing had changed by mid-2011, when Iranian foreign minister Salehi labeled future ties "promising," "stable," and "extensive."²¹ Indeed, Tehran went so far as to expel 25 members of the Egyptian Jamaa Islamiya, among them Mohamed Chawki Islambuli, brother of the late Khaled Islambuli, Anwar Sadat's assassin.²² In response, the head of Egypt's General Intelligence Service promised a visit to Tehran. In August, the head of Iran's parliamentary foreign affairs committee made his way to Cairo.²³ More visits and blandishments followed, but even approaches through Egypt's grand mufti failed to restore ties. Indeed, in October, Grand Mufti Ali Gomaa explicitly denied supporting the resumption of diplomatic relations between Egypt and Iran and repudiated quotes that Iran's Fars News Agency had attributed to him as supporting it.²⁴

Neither were Iran's hopes of rekindling ties through the Muslim Brotherhood borne out. After elections, anointed as Egypt's leading party, the Brotherhood poured cold water all over any prospect of better relations with Iran. A leading official suggested that the foreign ministry downgrade relations with Tehran "in light of our relationship with the Gulf states and in line with the ongoing revolution in Egypt." It is not clear whether this statement reflected a principled pro-Sunni position or a reaction to Iran's support for Syria's Assad, which has won Tehran few friends anywhere in the Sunni Arab world.²⁵

On balance, Egypt's revolution has thus far delivered little by way of practical results for Tehran. Cairo, likely under some additional pressure from the Gulf and from Washington, has made only miniscule steps in the direction of renewed relations.

Could presidential elections in Egypt, scheduled for May 2012, change all that? Possibly. Leading candidate, former Arab League Secretary General Amr Moussa, waxed eloquent about the prospect of Egypt-Iran ties: "It is highly important that the two sides (Tehran and Cairo) sit to the negotiating table and resume their bilateral relations." Labeling Iran a "brotherly, neighboring and important country in

the region," he reiterated a call for talks in early 2012.²⁶ However, the Muslim Brotherhood's late decision to field a presidential candidate in the election bodes less well for ties with Iran.

On balance, Egypt's revolution has thus far delivered little by way of practical results for Tehran. Cairo, likely under some additional pressure from the Gulf and from Washington, has made only miniscule steps in the direction of renewed relations. As for Tehran's promises of major Iranian investments in Egypt—worth \$5 billion, according to one account²⁷—

Egyptians would be well advised to consider other such Iranian promises and wait until they see the money before rejoicing.

As Egypt continues work on the post-Mubarak project, there are several things to watch:

- The Misr-Iran Development Bank, which is 40 percent owned by the Iran Foreign Investment Company. Cairo controls nearly 60 percent of the bank (split between the state-owned National Investment Bank and the semi-state-owned Misr Insurance Company).²⁸ There have been suggestions the bank has become a conduit for Iranian sanctions evasion, and it has been placed on the Treasury Department's Iranian Transactions Regulation list.²⁹ As of November 2011, the bank was still selling its facilities to Iranian investors overseas.³⁰
- Egypt's nuclear program, which envisions four nuclear power plants built by 2025.³¹
- Al Tahrir, a possible new Shi'a political party created by Beirut-based Ahmad Rasim al Nafis; he says, "Egypt's security is related to Iran's security."³²
- Al Qaeda. Al Qaeda's leader, Ayman al Zawahiri, is an Egyptian. When Muhammad Shawqi al Islambouli was returned to Cairo, he brought with him several others from Iran, including, reportedly, Hussein Shamit, said to have been part of the assassination attempt on Mubarak in Ethiopia in 1995, and Ibrahim Muhammad al Saghir, whom some report to be part of al Qaeda.³³

NOTES

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IRAQ

In sharp contrast with its tribulations in Syria and the Levant, Iran has seen its influence in Iraq grow steadily over the last four years. Iran has always been heavily involved in Iraq as neighbor, key trading partner, and perennial potential threat. From the invasion of 2003 until the end of 2008, the United States became the most important and powerful external actor in Iraq, and Iranian efforts focused heavily on combating US presence and influence through armed proxies and the development of political structures within Iraq closely tied to Tehran. Iranian efforts to oppose Iraqi government decisions that favored US interests through 2008 generally failed. Tension between Iran and the United States allowed Iraqi prime minister Nuri al Maliki occasionally to play the two against one another and thereby achieve a degree of quasi independence. All that changed in 2009.

American policy toward Iraq altered profoundly with the inauguration of Barack Obama. US officials, including the president, often repeated that America's goal was to "end the war" and promised to abide by the December 2011 deadline to remove all US forces from Iraq—despite the fact that both US and Iraqi leaders who had signed the agreement including that commitment had expected it to be renegotiated. The extremely activist role the United States had played, for good or ill, in Iraqi politics under President George W. Bush was replaced by a much more passive and hands-off approach under President Obama. For all of these reasons, and, perhaps even more because of the rapid reductions in US military presence in Iraq after 2009, US influence in Iraq steadily waned, Iran's steadily grew, and the scope for Iraq's leadership to balance between the two was constrained. Iraq today is not an Iranian puppet by any means, and the same resentments that have always clouded relations between these two neighbors remain latent and powerful. But for now, Tehran appears to hold most of the cards, and the Iraqis have long shown themselves to be adept at adjusting to realities.

Review of Iranian Objectives in Iraq

Iran has had a number of enduring objectives in a post-Saddam Hussein Iraq. First and foremost, Iran seeks to ensure that Iraq never again poses the military threat it had for decades under Hussein. As a second and related objective, Iran seeks to maintain a Shi'a-dominated, weak, and fractured Iraqi government that will be friendly toward Iran and generally support Tehran's foreign policy objectives in the region. To maintain Shi'a dominance of Iraq's political system, Iran has pursued sectarian strategies in Iraq promoting unity among Iraq's Shi'a political groups, including funding Shi'a parties, encouraging them to run as a single coalition during past elections, stoking sectarian identity politics, and promoting a political process polarized along sectarian lines. Iran has also fostered ties with a number of Shi'a, Kurdish, and Sunni political groups to ensure it remains the major powerbroker within Iraqi politics even outside the Shi'a Arab realm.

Iran's third main objective is to counter the influence of Western, Turkish, and regional Sunni Arab states in Iraq—first and foremost by ensuring that all US military forces

withdrew from Iraq permanently. Iraq is an important front in the broader regional sectarian competition. The presence of US forces in Iraq presented a threat to Iran, which feared that Iraq would be a staging ground for an American attack. Iran sought to expel the US presence from Iraq by attacking American troops and diplomats via its armed proxies and by pressuring Iraqi politicians not to extend the American presence. Even after the departure of US forces from Iraq, however, Iran has continued to maintain its support for armed militant groups to influence Iraqi politics and as a means to retaliate against other adverse developments in Iraq or the region.

Finally, Iran seeks to ensure that Iraq is a base for projecting influence in the region. A friendly Iraq is an important part of the Iranian-led “axis of resistance,” historically comprised of Lebanese Hezbollah, Syria, and Hamas. Growing uncertainty over the future of the Assad regime in Syria and the apparent split between Hamas and Tehran makes Iraq even more important as an Iranian gateway to the region. As it is a large market for licit and illicit trade, Iraq may provide Iran an opportunity to evade the increasingly harsh international sanctions regime and continue financing regional groups.

These broad objectives drove Iranian involvement in Iraq from 2008 to 2011. Iran currently pursues a policy that generates instability in Iraq and undermines Iraq’s political and economic development. Iran’s IRGC Quds Force, under the command of Major General Qassem Suleimani, controls its Iraq policy. Suleimani reports directly to Iranian Supreme Leader Khamenei and also directs Quds Force activities in the Levant, Gaza Strip, Bahrain, and Afghanistan. Iran’s two ambassadors to Baghdad since 2003—Hassan Kazemi-Qomi and Hassan Danaifar—

are members of the Quds Force.¹ Aside from its embassy in Baghdad, Iran maintains consulates in Basra, Karbala, Irbil, and Najaf, from which Iran can maintain situational awareness and pursue its policy objectives. Quds Force personnel also operate from these locations, as evidenced by the arrest of five members at the Iranian consulate in Irbil in January 2007.² In September 2007, US forces arrested Mohammed Farhadi, a senior Quds Force official, in Sulaymaniyah, where he was reportedly working to funnel arms to militant groups.³

Iran’s Support for Armed Groups in Iraq

Support for armed groups has been a pillar of Iran’s strategy in Iraq since the 1979 Iranian Revolution. In the early 1980s, Iran played an integral role in founding the Supreme Council for the Islamic Revolution in Iraq (SCIRI), a political group comprised mainly of Iraqi Shi’a exiles living in Iran and its associated militia, the Badr Corps. Badr, though associated with SCIRI, effectively operated as part of the Quds Force. SCIRI, Badr, and the Islamic Dawa party (another Shi’a Islamist political group formed in Iraq in the late 1950s but forced into exile or hiding under Saddam), received Iranian funding and training for their political and militant activities against Saddam’s regime. Even though Dawa conducted several high-profile international attacks in the 1980s, including the 1983 US and French embassy bombings in Kuwait, Tehran favored Badr. From its headquarters in Iran, Badr operated extensive networks throughout Iraq in the 1990s. The group smuggled men and materiel into Iraq to conduct attacks against the Iraqi regime. Badr also used its networks and front companies to recruit dissidents, collect intelligence, and circulate propaganda.

Iran continued its support for Shi’a militants in Iraq following the US invasion of Iraq in March

2003, as Iraq's exiled Shi'a parties returned with Iran's help. At the encouragement of Tehran, SCIRI and Dawa joined the political process in the hopes that they could garner significant political influence. The Badr Corps renamed itself the Badr Organization in an effort to downplay its militant past, and many Badr members joined the newly formed Iraqi security forces. Despite the changes, more than 10,000 Badr members continued to receive funding from the Quds Force.⁴ Iran maintained its longstanding relationships with SCIRI, Badr, and Dawa, but it also cultivated deeper ties with a rival Shi'a group, the Sadrist Trend, as a means to put pressure on US forces in Iraq as well as the Iraqi government.

The Sadrist Trend was a Shi'a political movement that emerged in the 1990s under the leadership of cleric Mohammed Sadeq al Sadr, whom Saddam Hussein later assassinated in 1999. The movement went into hiding until 2003, when it reemerged under the leadership of Muqtada al Sadr, Sadeq al Sadr's son. The Sadrists had a vast following amongst Iraq's Shi'a urban poor, and channeled this popularity into significant political influence. The Sadrist Trend also had a militant wing, called Jaysh al Mahdi (JAM), or the Mahdi Army. In the strongholds of Baghdad, Basra, and towns across southern Iraq, the Sadrist Trend's political and militant arms effectively replaced the Iraqi state. With its anti-American posture and embrace of the notion of clerical rule,⁵ the Sadrist Trend became an important avenue for Iranian support and influence.

From 2004 to 2007, the IRGC Quds Force provided JAM and other Shi'a militant groups with training, funding, and weapons.⁶ Cultivating militia proxies enabled Iran to dial up violence in Iraq as it saw necessary. In addition to supplying mortars, rockets, rocket-propelled grenades (RPGs), and other small arms, the Quds Force provided Shi'a militants

with Iranian-made, highly-lethal IEDs known as explosively-formed penetrators (EFPs). Old Badr facilitation networks smuggled these arms to Iraqi militants, who used them to attack Coalition forces throughout central and southern Iraq.⁷

JAM fighters also received training in Iranian camps as early as 2004; however, the IRGC Quds Force expanded this effort in 2005 and 2006 with the support of Lebanese Hezbollah.⁸ Ali Mussa Daqduq, a senior member of Lebanese Hezbollah, went to Iran to instruct Iraqi militants alongside the Quds Force.⁹ Together, the Quds Force and Lebanese Hezbollah trained hundreds of Iraqi fighters at camps across Iran, including those the Badr Corps used during the 1980s and 1990s.¹⁰ Some of this training also occurred in southern Lebanon.¹¹ The training program—which offered weapons, logistics, kidnapping tactics, intelligence operations, information operations, and “train-the-trainer” instruction—grew more advanced over time.¹²

When fighters returned to Iraq, they targeted Coalition convoys and patrols with IEDs, EFPs, RPGs, and other small arms. Shi'a militants attacked US bases and Iraqi government installations with indirect mortar and rocket fire. In some of the most complex Iranian-sponsored attacks, Shi'a militants from a Sadrist splinter group known as the Asaib Ahl al Haq (AAH, the “League of the Righteous”) infiltrated the Karbala Provincial Joint Coordination Center murdering five US Soldiers and wounding three others. Our 2008 report detailed this attack and other activities by Iranian-backed Shi'a militants from 2003 through 2007.¹³

In response to the growing threat of Iranian-backed militant groups, Iraqi and coalition forces launched a major counteroffensive in

early 2007, which increasingly targeted Shi'a militants. Previously, Prime Minister Maliki had hindered the targeting of Shi'a groups because of the political sensitivities surrounding such operations, but he ceased protecting JAM fighters in January 2007 following President George W. Bush's announcement of the surge strategy and the deployment of additional American troops to Iraq.¹⁴ From January 2007 to mid-2008, offensive operations aggressively targeted Iranian-backed militants in central and southern Iraq, disrupting their lines of communication and dismantling their networks.¹⁵

This effort culminated in spring 2008 with an offensive operation known as Charge of the Knights to clear Basra and cities across southern Iraq. Prime Minister Maliki hastily ordered the operation in late March 2008 despite little preparation to shape conditions on the ground. As a result, the Iraqi Security Forces were ill-prepared to fight JAM and AAH militants, whom Iran had armed well, funded, and trained.¹⁶ Local police and soldiers from the recently formed 14th Iraqi Army Division were unable to contain the violence during the first few days of fighting, which quickly spread to Sadrist strongholds throughout the city.¹⁷ Coalition forces rushed in to provide combat and logistical support, as Iraqi reinforcements traveled down from Anbar to Basra to help reverse the operation's shaky start.¹⁸ Fighting continued throughout the last week of March, only subsiding after Muqtada al Sadr implemented a ceasefire agreement to preserve his movement, which would not have been able to withstand the offensive by reinforced Iraqi and coalition forces. Qassem Suleimani brokered the agreement in Iran after several days of negotiations between Sadr and politicians from Dawa and Badr.¹⁹ Suleimani's role in the crisis underscored the Iranian strategy of mediating disputes between rival Iraqi Shi'a blocs and the extent to which Iran

could influence the security situation in Iraq through its armed proxies.

The operation in Basra sparked militant uprisings across southern Iraq and in Baghdad. Iraqi and US forces moved quickly against the militias in the south, but the fighting in the Sadr City district of Baghdad was most intense and continued throughout May 2008. Iranian support for Shi'a militias was especially evident during the Sadr City operations. JAM and AAH fighters frequently fired Iranian rockets and mortars at the Green Zone and other US bases in Baghdad. Militants also conducted complex EFP and small-arms fire attacks against US patrols. Still, JAM and AAH fighters were unable to match the combat power of US and Iraqi forces, which massed in the southern third of the district and killed hundreds of militants during the fighting. As in Basra, Qassem Suleimani was integral in stopping the fighting in Sadr City after heavy militant losses. A second Iraqi delegation traveled to Tehran in early May 2008 for a meeting with Suleimani and other Iranian officials to negotiate a ceasefire and discuss Iranian support for Shi'a militias.²⁰ Iranian-backed militant violence decreased after the delegation concluded negotiations, as fighters fled Sadr City to preserve their forces ahead of an agreed-upon effort by the Iraqi Army to assert government control. Ultimately, Iraqi forces moved into the remaining militant strongholds in northern Sadr City and asserted government control over the areas by late May. The fighting in Basra and Sadr City took a heavy toll on the Sadrist Movement, both in terms of its military strength and its popularity. One month later, Muqtada al Sadr declared he was disbanding JAM and reorganizing his movement to emphasize its social, religious, and cultural programs. In November 2008, however, he said he would maintain a small, tightly controlled militia arm known as the Promised Day Brigade (PDB).²¹

When the fighting in Basra and Baghdad subsided in summer 2008, thousands of JAM and AAH militants fled to Iran, where the IRGC Quds Force retrained them in new tactics and weapons, including the use of magnetic IEDs, known as sticky bombs.²² The Quds Force continued to supply lethal aid to Shi'a militias in Iraq, but they became more selective in the militants they supported. Three main groups have been the primary recipients of Iranian arms, training, and funding: Kataib Hezbollah (KH), AAH, and PDB.

KH is the most elite of the Iranian-backed groups. The group operates with extreme secrecy, and consequently, little is known about the organization. One of the group's known affiliates is Abu Mahdi al Muhandis, who is a close associate of Qassem Suleimani.²³ Muhandis is a former Badr Corps commander who was elected to the Iraqi parliament in 2005 but fled to Iran shortly thereafter.²⁴ Hadi al Ameri, the current head of the Badr Organization, was Muhandis's chief of staff during Muhandis's time as a Badr commander.²⁵ Muhandis participated in terrorist attacks on Western embassies in Kuwait and an attempted assassination of the emir of Kuwait in the early 1980s.²⁶ KH has conducted many sophisticated attacks against US forces using some of the most lethal weapons found in Iraq, including RPG-29s, EFPs, and improvised rocket-assisted mortars (IRAMS).²⁷ IRAMS were first used in Iraq in 2007 and 2008 but were deployed infrequently because they lacked advanced design and construction. By 2010 and 2011, however, IRAMS became more lethal, sophisticated, and precise because of Iranian assistance and advanced training.²⁸

AAH is a Sadrist splinter group led by Qais Khazali, a former student and aide to Mohammed Sadeq al Sadr. Khazali also served as Muqtada al Sadr's spokesman and as one

of his top deputies. Khazali broke with Sadr following the second Najaf uprising in August 2004. The Quds Force sought to reorganize its support for Shi'a militias in Iraq in May 2006. To assume greater control over these trained militia groups and restructure them into a network resembling Lebanese Hezbollah, they designated Khazali the head of the network the following month.²⁹ Despite a brief period of reconciliation, Khazali had, by that time, broken with Muqtada al Sadr again and created his own militant organization, AAH. AAH derives its name from a story in the Shi'a religious tradition that says that when the Twelfth Imam returns from occultation he will be accompanied by an army of brigades drawn from many lands, including the *Asaib Ahl al Haq*, "the League of the Righteous," from Iraq.³⁰

On March 20, 2007, British Special Air Service forces conducted a raid on a house in Basra targeting Qais Khazali.³¹ Intelligence from the January 2007 attack on the Karbala Provincial Joint Coordination Center led the British forces to the location in Basra.³² The raid resulted in the capture of three men, including Qais and his brother Laith Khazali, along with a cache of documents detailing the operational planning efforts for attacks on coalition and Iraqi forces. The identity of the third individual, who pretended to be both deaf and mute and possessed a number of fake identification cards, was not immediately clear.³³ Weeks later, coalition forces confirmed that the third individual was Ali Mussa Daqduq.³⁴ Daqduq had been working closely with Qais Khazali and AAH to conduct some of the most brazen attacks in Iraq.³⁵ Following Qais Khazali's detention, Akram al Kabi led the movement in his absence.³⁶

AAH received significant Iranian financial support and training. By March 2007, US forces reported the network received between

\$750,000 and \$3 million in arms and financial support from Iran each month.³⁷ AAH used this support to conduct EFP, RPG, and indirect fire attacks on US and Iraqi forces over the last five years. The group also conducted attacks on Iraqi Security Forces and participated in assassinations, kidnapping, intimidation, and sectarian violence targeting Iraqi officials and citizens.³⁸

In the fall of 2008, nearly a year and a half after the Basra raid, AAH began negotiating with the Iraqi government in an effort to secure the release of its leaders, principally Qais Khazali. The Iraqi government viewed the negotiations as a way to bring the militant group into the political process and end its armed resistance to the government.³⁹ US officials reportedly facilitated some of the exchanges between Iraqi officials and Qais Khazali, who ordered a ceasefire during the talks.⁴⁰ The negotiations included discussions on a phased release of five British hostages, kidnapped by AAH in a brazen daytime raid on the Ministry of Finance in May 2007, in exchange for the release of top AAH members and affiliates held in US custody, including Laith Khazali, Qais Khazali, and Ali Mussa Daqduq.⁴¹ The group received significant assistance from the Quds Force in planning and orchestrating the raid.⁴² According to US intelligence, AAH had moved the hostages to Iran within days of their kidnapping.⁴³

After months of negotiations, the Iraqi government released Laith Khazali in early June 2009 after the United States transferred him to Iraqi custody.⁴⁴ Between June and September 2009, AAH handed over the corpses of three of the hostages to the Iraqi government, while more than 450 supporters of Khazali and AAH were released from detention in August.⁴⁵ The negotiations culminated in December 2009, when the United States transferred Qais Khazali to Iraqi

custody. The Iraqi government subsequently released Khazali from detention on January 5, 2010.⁴⁶ Peter Moore, the fourth hostage and only survivor, was handed over to the Iraqi government just days before Qais Khazali's release.⁴⁷ (The body of the fifth hostage, Alan McMenemy, was handed over to the British government in January 2012.⁴⁸)

AAH dropped its ceasefire and withdrew from its negotiations with the Iraqi government shortly after the release of Qais Khazali in early 2010. In late January 2010, AAH members kidnapped Issa T. Salomi, an Iraqi-American US military contractor, reportedly in response to a joint US-Iraqi raid only days before that had resulted in the arrest of two AAH fighters.⁴⁹ The group ultimately released Salomi two months later, but only after the Iraqi government freed several AAH detainees.⁵⁰ While AAH continued its militant activities in 2010 and 2011, it debated entering Iraqi politics. Prime Minister Maliki courted AAH's political support as a counterbalance to Sadr, and he even explored a potential alliance with them ahead of the 2010 parliamentary election.⁵¹ Ultimately, AAH decided not to run in the election but did indicate it might enter the political process after the US withdrawal.⁵² In the early months of 2012, following the departure of all US forces, AAH indicated it would engage in politics as an opposition group. Qais Khazali said his group would lay down its arms but would not surrender them to the Iraqi government. Given past experience, AAH will likely continue its attacks against US diplomatic personnel in Iraq and maintain its arms as a means of leverage in Iraqi politics. Indeed, small, armed clashes have erupted between members of AAH and followers of Muqtada al Sadr, who has been highly critical of AAH's political ambitions.⁵³

PDB is the third group that has received Iranian support. Despite its creation in late

2008, progress in building PDB was slow, and the group conducted only intermittent attacks for much of 2009.⁵⁴ PDB was responsible for attacks on US and Iraqi forces, assassinations and kidnappings of Iraqis, and other criminal activities.⁵⁵ The group expanded and became more active in 2010, but US operations hindered the network.⁵⁶

PDB, AAH, and KH all increased their attacks in the first half of 2011 in an effort to take credit for the US withdrawal, portraying the move as the result of militant attacks on US forces.⁵⁷ The increase in attacks coincided with the start of negotiations over a security agreement renewal and was an attempt to make any continued US military presence in Iraq beyond 2011 dangerous and unappealing.⁵⁸ In the first half of 2011, the IRGC Quds Force increased the flow of arms to Iraqi militants in Iraq.⁵⁹ US and Iraqi troops have discovered hundreds of weapons caches, with some weapons manufactured only months before.⁶⁰ Fourteen US soldiers were killed in June 2011, the highest monthly total of combat-related deaths in two years.⁶¹ Iranian-backed Shi'a militant attacks caused nearly all of these deaths, and more than half died in KH's IRAM attacks.⁶² In response to these attacks, US officials pressured Iraqi Security Forces to do more against these groups. Violence by Shi'a groups diminished in the second half of 2011. This was more likely the result of an ultimatum by Prime Minister Maliki, who threatened to extend the US military presence if attacks continued.⁶³ Thus, Iran and its proxies assumed a lower profile while the remainder of US forces withdrew.

Support for militant groups has remained a pillar of Iranian strategy toward Iraq even after the US withdrawal. KH, AAH, and PDB continue to target US diplomatic personnel with indirect fire attacks and kidnapping threats. These groups offer Iran the ability to

manipulate the calculations of Iraqi politicians through the threat of violence. However, its support for armed groups is not the only lever Iran has exercised in pursuit of its objectives in Iraq. Iran has successfully expanded its influence in Iraq in recent years through soft-power means.

Iran's Influence on Iraqi Politics

Iran has used its connections to a variety of Iraqi political parties and politicians to shape the development of the Iraqi state in a way that advances its objectives. Longstanding relationships with Shi'a groups such as Dawa, Badr, the Islamic Supreme Council of Iraq (ISCI, formerly SCIRI), the Sadrist Trend, and other like-minded politicians are an important source of influence and leverage. Many of these groups receive funding from Iran.⁶⁴ As the political fortunes of ISCI and Badr have waned in recent years, Iran's relationship with Prime Minister Maliki and the Dawa party has taken greater priority. Despite the natural ties with Shi'a parties, Iran also maintains links with Sunni and Kurdish parties. Current Iraqi president Jalal Talabani has longstanding ties with Iran because of Iran's support for his Patriotic Union of Kurdistan party in the 1990s.⁶⁵ Prominent Sunni politicians, many of whom belong to the Iraqiyya list, also recognize Iran's influence in Iraqi politics and engage with Iranian officials such as Qassem Suleimani through formal and informal discussions in Iraq and Iran.

Iran plays a prominent role in mediating between Iraqi factions given its links to nearly all of Iraq's main political groups. This influence has increased as US engagement and leverage in Iraq have declined since 2009. Two key developments illustrate the power Iran wields over Iraqi politics: the security agreement negotiations in 2008 and 2011 and the 2010 parliamentary election and government-formation process.

Iran's Efforts to Scuttle Security Agreement Negotiations

The UN mandate for multinational forces in Iraq expired on December 31, 2008. One year earlier, in November 2007, President Bush and Prime Minister Maliki signed a declaration of principles stating their intention to negotiate a status of forces agreement.⁶⁶ The Security Agreement, as it was later called, would permit a continued presence of US forces beyond 2008. Formal negotiations between the United States and Iraq commenced in the first months of 2008.

Iran vehemently opposed any US-Iraq security agreement because it would prolong the presence of US troops on their border. Iran feared Baghdad would agree to a long-term US military presence in Iraq and wanted guarantees from Baghdad that Iraq would not be used to launch a US attack on Iran. Iran was also concerned that a troop extension would bolster US influence in Iraq, undermining Iranian interests. Thus, Iran sought to scuttle the agreement through overt and covert means.

Iranian propaganda attempted to promote a negative view of the agreement. The Iranian press portrayed the agreement as a means for the United States to subjugate Iraq as its colony.⁶⁷ One article from Press TV in June even claimed the agreement contained “classified articles that would give the US the right to attack other nations from Iraqi soil.”⁶⁸ Iranian media outlets also released stories that Grand Ayatollah Ali Sistani, Iraq’s most revered Shi’a cleric, opposed the agreement.⁶⁹ Months later, these rumors proved false, and Ayatollah Sistani informed Maliki during an October 2008 meeting that he would support whatever the Iraqi parliament decided on the matter.⁷⁰

Iranian officials exerted pressure on Iraqi politicians during private meetings in Baghdad and Tehran. Iranian Supreme Leader Khamenei voiced his strong opposition to any security agreement during Maliki’s June 2008 visit to Tehran.⁷¹ Other senior Iranian officials publicly denounced any potential agreement as a humiliation and a threat to Iraq’s sovereignty.⁷² Iran also used covert means to build opposition to the agreement. US General Ray Odierno, who commanded all US forces in Iraq during the time, revealed that Iran had attempted to bribe Iraqi officials to oppose the agreement.⁷³ Both General Odierno and former US ambassador to Iraq Ryan Crocker condemned Iran’s efforts to block the negotiations.⁷⁴

Despite Iran’s concerted efforts to scuttle the agreement, US and Iraqi negotiators reached a deal on the continued troop presence in November 2008, just one month before the deadline. The agreement placed important limitations on the roles, missions, and activities of US troops but permitted a continued presence of US forces in Iraq through the end of 2011. Iran’s failure to spoil the negotiations suggested a limit to Iranian influence. However, the 2008 security agreement proved only a short-term setback for Iran because it set a definite date for US withdrawal.

Iran similarly opposed an extension of the US military presence beyond 2011. This time, however, political realities in Iraq and the United States complicated the negotiations and reduced the likelihood of an agreement. Most Iraqi politicians privately favored keeping a small US military presence for training Iraq’s security forces beyond 2011; however, deep mistrust amongst political blocs and nationalistic political realities meant that no politician would publicly champion an agreement without support from other blocs.⁷⁵ US officials failed to act early to build support

for an agreement on grounds that Iraq must initiate the negotiations with a formal request to stay.⁷⁶ By the fall of 2011, efforts to reach an agreement yielded little progress and talks ultimately broke down over the issue of immunities. Though Iran was not the central cause of the failure to reach an agreement, it was a major beneficiary of the outcome. Iran and Iranian-backed armed groups portrayed the withdrawal decision as a great victory over the Americans.⁷⁷

The 2010 Election and Government Formation Period

Iraq's 2010 parliamentary election offered another critical opportunity to secure and further Iranian objectives in Iraq. Iran exerted influence in the lead up to the election and, more importantly, during the prolonged government-formation process.

Iran encouraged Iraq's Shi'a parties to run on one list, as they had done in the 2005 parliamentary election. However, Maliki believed his political gains would be greater if he ran on his own coalition, the State of Law list, comprised mainly of his Dawa party. The remaining Shi'a Islamist parties, including ISCI, Badr, the Sadrists, and other smaller groups, formed the Iraqi National Alliance. Their main rival was the secular nationalist Iraqiyya list, comprised primarily of Sunni political groups but led by Ayad Allawi, a former prime minister and secular Shi'a politician. Iran provided extensive funding as well as campaign materials and political training to Shi'a political parties ahead of the election.⁷⁸

Politicians close to Iran on the Accountability and Justice Commission (also known informally as the de-Baathification commission) banned roughly 500 candidates from participating in the election in early

January 2010. This decision sparked a political crisis because of the questionable legality of the committee and the secretive nature of the decision. The names of the candidates were not released, nor was there any explanation for the reasoning behind the decision. Ahmad Chalabi and Ali Faisal al Lami, the individuals responsible for the decision, were candidates in the election with well-known ties to Iran. US forces arrested al Lami in August 2008 for his links to Iranian-backed militia groups, releasing him in the fall of 2009.⁷⁹ The de-Baathification issue stoked sectarian sentiments prior to the vote, and the controversy continued even after the election. It became a convenient tool to bar a number of secular or Sunni candidates.

The election took place March 7, 2010. Leading up to the vote, the two frontrunners were the State of Law coalition and the Iraqiyya list. When the results were tallied, Iraqiyya came in first place with ninety-one seats, just two seats ahead of State of Law. No bloc came close to winning a parliamentary majority, requiring negotiations between blocs to form a governing coalition.

Iran moved quickly to influence the government-formation process. Within days of the release of results, delegations from State of Law, the Iraqi National Alliance, and the Kurdish bloc traveled to Tehran, ostensibly to celebrate Nowruz, the Persian New Year.⁸⁰ During this visit, Iran hosted negotiations aimed at forming an alliance between Shi'a and Kurdish blocs, seeking to prevent Iraqiyya from asserting a primary role in forming the government.⁸¹

Iran pressed for Shi'a unity following the election even though it had been unsuccessful in getting Iraq's Shi'a parties to run as one coalition prior to the vote. Iraqiyya's victory made this an easier task, and Iran used it to stoke fears of Baathist resurgence. In early

May, the Iraqi National Alliance and the State of Law coalition announced they were forming a united coalition, later named the National Alliance. The move was a means of undermining Iraqiyya's electoral victory by claiming the title of largest bloc and having the first chance to designate a prime minister and form the government. This move was enabled by a controversial ruling from Iraq's Federal Supreme Court the day before the final results were announced that defined the largest bloc as a coalition formed either before or after the election. Even though the Shi'a parties were technically allied, they disagreed fervently over who should be prime minister. Nearly all of the leading political parties were wary of Maliki, who had steadily consolidated power at the expense of his rivals, and opposed giving him a second term.

While the Americans adopted a hands-off approach, the Iranians did not. Iran aligned behind Maliki in the summer and proved instrumental in building broader support for him. Two developments proved decisive in breaking the stalemate. Iran finally convinced Syrian president Bashar Assad to back Maliki and drop his support for Ayad Allawi after Iranian president Mahmoud Ahmadinejad's trip to Damascus on his way to the UN General Assembly in late September.⁸² Iranian officials and clerics also exerted significant pressure on Muqtada al Sadr to drop his resistance to Maliki.⁸³ Sadr did so grudgingly, and only after extracting concessions including additional ministerial positions for the Sadrism Trend and control of the Maysan provincial government.⁸⁴ He formally endorsed Maliki on October 1, 2010. Sadr's backing shifted momentum in Maliki's favor.⁸⁵ Within weeks, the other Shi'a and Kurdish parties soon lined up in support of Maliki, sensing he would emerge the victor and seeking a share in the spoils of government.

Iranian Influence after US Withdrawal

The United States sought to normalize relations with Iraq beginning in 2009. For the last three years, US officials have adopted a largely hands-off approach to Iraq. US rhetoric and action has emphasized disengagement and withdrawal. Iraqi political leaders doubted the US lasting commitment to Iraq, and sought other regional backers. While many Sunni leaders turned to Turkey and the Gulf states, Shi'a politicians viewed Iran as their main supporter. Iran's influence with Shi'a leaders allowed it to exert greater leverage over Iraqi politics, as evidenced during the government-formation period. Prime Minister Maliki, who had previously balanced US and Iranian interests in a way that generated some independence, has become reliant on Iranian support. Not surprisingly, Maliki has adopted a posture more favorable to the Iranians, lending his support to the embattled Assad regime and taking a harder stance against Sunni politicians in Baghdad. At the same time, the Iraqi government remains highly fragmented. Sectarianism is reemerging as a dominant feature of Iraqi politics, especially following Maliki's December 2011 crackdown on Iraqiyya political leaders, including Vice President Tareq al Hashemi. For the time being, Tehran has achieved its objective of a friendly, weak, and Shi'a-dominated Iraqi state unlikely to challenge Iran's interests.

Iran's Economic Strategy

Iraq has been an important economic partner since 2003. Iran is Iraq's second largest trading partner behind Turkey. Trade between Iran and Iraq has grown from roughly \$4 billion in 2009 to an estimated \$6 billion in 2010.⁸⁶ Iran sought to grow its trade to \$10 billion in 2011, though that figure is likely exaggerated given past projections.⁸⁷ Most of this trade takes the form of Iranian export and investment.

Iran offers “tax breaks to Iranian manufacturers and [pays] its exporters 3% of the value of the goods they send out of the country. Iran also levies import tariffs of up to 150% on inbound goods.”⁸⁸ Thus, cheap Iranian goods—produce, construction materials, vehicles—flood the Iraqi market. This has hindered Iraq’s economic growth, as goods produced in Iraq cannot compete with the low Iranian prices.⁸⁹ Not surprisingly, Iraq’s once-dominant agriculture sector has struggled to revive itself after years of conflict and drought following the 2003 invasion. Iraq has been a net importer of food since 2008.⁹⁰

Iran’s economic relationship with Iraq is not limited to exports. Iranian companies have invested in Iraq’s construction, religious tourism, electricity, hydrocarbon, and banking sectors. Much of this investment is directed toward southern Iraq, namely Basra and the Iraqi holy cities of Najaf and Karbala.⁹¹ Iranian construction companies have invested in housing, hotels, hospitals, and schools, taking advantage of a loophole in Iraq’s legal framework restricting foreign-owned property.⁹² Iran has also used covert means to purchase property in Iraq.⁹³ Much of this construction targets the religious tourism industry. According to Iranian ambassador to Iraq Hassan Danaeifar, 1.2 million Iranian pilgrims visited Iraq in 2010.⁹⁴ Iranian state-sponsored tourism companies strictly control the flow of pilgrims into Iraq. The most prominent company is Shamsa, founded after 2003, which has more than 1,000 branches across Iran.⁹⁵ Iraqi merchants have complained that Iran maintains a near

monopoly on the religious-tourism industry in Iraq’s holy cities because companies like Shamsa “choose which Iraqi companies to deal with for the transportation, protection and accommodation of pilgrims.”⁹⁶ Moreover, “Almost of all [Iran’s] partners are companies affiliated with Iraqi political parties close to Iran,” further allowing Iran to wield great influence in Iraq’s Shi’a heartland.⁹⁷ Because of these practices, much of the revenues derived from the religious-tourism industry benefit the Iranian economy more than the local economy.⁹⁸

Iraq has long suffered from electricity shortages. Iran supplies nearly 10 percent of Iraq’s electricity, though this number is much higher in Iraqi cities along the border such as Basra, Amarah, and Khanaqin.⁹⁹ When Iranian president Ahmadinejad first visited Iraq in March 2008, Iraqi and Iranian officials agreed to “a 400-megawatt electricity line

running from the Iranian port city of Abadan to the Iraqi town of Alharasa . . . [and] on a transmission line that will run from the Iranian Kurdish city of Marivan to Panjwin in Iraqi Kurdistan.”¹⁰⁰ More recently, Iranian power company Sunir completed a \$150 million, 320-megawatt power plant in Baghdad in April 2011. Eight months later, it signed a \$72 million contract with Iraq to expand a power plant in Kirkuk province near Dibis.¹⁰¹ In July 2011, the Iraqi Council of Ministers approved a \$365 million contract with Iran to construct a natural gas pipeline into Iraq for use in generating electricity.¹⁰² When complete, the plan could generate up to 2,500 megawatts over five years, though it is unclear whether

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work on this project has commenced.¹⁰³ Although existing and planned projects offer Iraq much-needed electricity, this dependence makes Iraq vulnerable to Iranian exploitation of supply. For example, after the Iraqi government launched the Basra offensive in spring 2008, Iran reduced the city's electricity supply by half.¹⁰⁴

Iraq's banking sector is also an important area of Iranian investment. Bank Melli has operated a Baghdad branch since 2007.¹⁰⁵ The US Treasury Department sanctioned Bank Melli for its role as a conduit for purchasing materials for Iran's nuclear and missile program and for its work on behalf of the Quds Force.¹⁰⁶ Other Iranian banks, including Tejarat Bank, Export Development Bank of Iran, Eqtesad Novin, and Bank Keshavarzi, have offices in Iraq.¹⁰⁷ US officials also believe Iran has covertly set up other banking organizations in Iraq as a way to skirt economic sanctions.¹⁰⁸

Today, Iran's economic relationship with Iraq is even more important because of growing international pressure over Iran's nuclear program. Iraq offers an important means to evade sanctions. Iranian-owned companies and their affiliates can facilitate the movement of Quds Force personnel and funding through both licit and illicit trade with Iraq. Smuggling banned gasoline and oil products, particularly into northern Iraq, enables Iran to bypass sanctions.¹⁰⁹ The creation of a free-trade zone in Basra, approved in mid-2010, offers further opportunities for smuggling.¹¹⁰ In recent weeks, Iraq Central Bank officials warned that its currency sales were being used to launder money for Iran and Syria.¹¹¹ US dollar sales rose to as much as \$400 million a day in December 2011, as compared to a previous daily average of roughly \$150 or \$160 million just months before.¹¹² The effectiveness of economic sanctions on Iran hinges in large part on Iraq's willingness to uphold them. In

January 2012, Iraqi government spokesman Ali al Dabbagh indicated that Iraq would seek an exemption from Iran sanctions.¹¹³

Cultural and Religious Competition

Shi'a Islam is the common faith of the majority of Iran and Iraq's citizens, and the two countries consequently share important religious and cultural ties. Yet, the *hawzas*, or Shi'a seminaries, in holy cities of Qom in Iran and Najaf in Iraq have developed distinct and competing religious traditions. Najaf, the oldest Shi'a seminary, is home to the Imam Ali shrine, one of Shi'a Islam's holiest sites. Najaf's clerical establishment, or *marjaiyah*, subscribes to a quietist tradition, believing that clerics should focus on the religious life of their followers and not directly participate in politics or government administration. For hundreds of years, Najaf thrived as the center of Shi'a learning until the rise of Saddam Hussein's Baathist regime. In the 1980s and 1990s, Qom eclipsed Najaf as the center of Shi'a learning. The Qom hawza subscribes to the Khomeinist ideology of *velayat-e-faqih*, or Guardianship of the Jurisprudent, where a cleric or group of clerics retains authority over all matters of religion, society, and state. The Qom clerical establishment remains closely tied to the Iranian government. The revitalization of Najaf following the fall of Saddam presents a challenge to Qom's ascendancy, despite the close religious, social, and economic ties between the two establishments.¹¹⁴ Therefore, Iran has sought to expand its influence in Najaf and Karbala, Iraq's other holy city, to ensure that Najaf's rise does not come at the expense of Qom.

In addition to its investment in construction and religious tourism, Iran is positioning for Najaf's clerical succession. Grand Ayatollah Ali Sistani's advanced age and previous health issues mean that this transition may come

at any time. Following his death, it is widely believed that multiple clerics will vie for influence, as there is no one clear successor. Iran will seek to use this competition to expand the influence of *velayat-e-faqih* within Najaf. Just as it supports a number of political groups, Iran will likely cultivate multiple clerics as challengers to the quietest clerical establishment.

Muqtada al Sadr is one such challenger. Sadr has spent the last four years in Qom, where he is reportedly studying under Ayatollah Kazem al Haeri. Haeri is an Iraqi-born cleric who has lived for decades in Iran and upholds Khomeini's vision of clerical rule.¹¹⁵ He was the *marja-e-taqlid*, or source of emulation, for Sadeq al Sadr and is Muqtada's spiritual leader. The Sadrist believe that clerics should have a voice in state affairs, but under an Iraqi supreme leader. Sadr intends to return to Iraq upon completion of his studies and could present a threat to the marjaiyah of Najaf after Sistani's death. That said, Sadr's youth, inexperience, and questionable religious credentials might make it difficult for Najaf's clerical establishment to accept him. Moreover, Sadr is an unreliable proxy for Iranians.

Developments in recent months suggest that Tehran might be cultivating another Khomeinist cleric in Najaf. Reports surfaced in late November 2011 that Supreme Leader Khamenei had appointed Ayatollah Mahmoud Hashemi Shahroudi as the "Guardian of the Jurists" for Iraq.¹¹⁶ Iraqi media also reported that Shahroudi, who had opened an office in Najaf only a month before, intended to return to Iraq's holiest city.¹¹⁷ Shahroudi is an Iraqi-born cleric who was the former head of the Iranian judiciary and is a member of Iran's Guardian Council. A hard-line cleric, Shahroudi is close with Khamenei and achieved the status of *marja-e-taqlid* in September 2010.¹¹⁸

Sistani and Najaf's clerical establishment greeted the news of Shahroudi's potential return coolly. Sistani "instructed his followers not to meet with any of Shahroudi's representatives. And after Sistani declined to send a representative to the inauguration of the office, ahead of the ayatollah's arrival from Iran, other Najaf clerics also distanced themselves from Shahroudi."¹¹⁹ Since the announcement, Shahroudi has yet to return to Iraq, even for a visit. Even if he does return to Najaf, Shahroudi will face similar challenges in being accepted by Najaf's religious authorities, but also by Iraqis more broadly. Iraqis are highly suspicious of his ties to Iran. His role as head of Iran's judiciary, during which time he played a central role in the crackdown on protests in 1999, and his role following the disputed 2009 election have also tainted his religious credentials.¹²⁰ Still, Iran may see Shahroudi as the best means to influence dynamics in Najaf and promote a vision of *velayat-e-faqih* ahead of and following the death of Sistani. Maliki may also benefit from Shahroudi's return to Najaf and may seek to help him expand his influence. Shahroudi could help dilute the influence of Sistani, who has become very critical of the current Iraqi government.

Conclusion

Iran's influence in Iraq—whether through hard- or soft-power means—is undeniable. The last four years have proved largely advantageous for Iranian objectives. US forces have withdrawn from Iraq, and the civilian presence is set to diminish greatly. Still, Iran maintains its armed proxies as a source of leverage. US political influence in Iraq has declined rapidly, while Iranian influence over Iraq's politics has grown. Iran's Shi'a allies dominate the current Iraqi political configuration, and anti-Iranian political movements are currently too weak to challenge

Iran's interests. While Turkey has eclipsed Iran as Iraq's main trading partner, Iran has expanded its economic ties with Iraq over the last four years. This relationship has proved critical for evading or lessening the impact of economic sanctions. With international pressure over the Iranian nuclear program set to increase and the future of the Assad regime uncertain, Iran will seek to dominate Iraq using all means available.

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AFGHANISTAN

In Afghanistan, Iran is playing both sides of the conflict. While Tehran has cultivated friendly ties with Kabul and contributes to Afghanistan's reconstruction, the IRGC provides arms and financial support to the Taliban to undermine US-led efforts to stabilize Afghanistan and to speed up the withdrawal of foreign troops from the country.

Since 2008, Iran has increased investment in Afghanistan's infrastructure, industry, and mining; doubled its export market into the country; signed a defense cooperation agreement with Kabul; and created a security and economic buffer zone in western Herat Province. Conversely, the IRGC's secretive Quds Force has provided more sophisticated weapons to the Taliban; fueled ethnic and sectarian conflict in Kabul and western provinces; funded cultural and religious organizations to promote Shi'a Islam and Iranian culture; bribed Afghan politicians to influence policy in Kabul and sabotage a strategic agreement between Afghanistan and the United States; and threatened to deport Afghans living in Iran to demand concessions from the Kabul government.

Economic Sphere of Influence

Iran's economic activity in Afghanistan has grown significantly over the past three years. Iran's exports to Afghanistan increased from \$800 million in 2008¹ to more than \$2 billion in 2011, and the two sides aim to further enhance bilateral trade to \$6 billion in coming years.² The volume of trade between the two countries is not balanced: 75 percent of the exchanged goods originated in Iran,³ and Iranian merchandise accounts for 27.6 percent of Afghanistan's nearly \$5 billion in imports. Iran mainly exports pharmaceuticals, cement, iron and steel products, detergents, and gasoline to Afghanistan.⁴ While the Iranian investment in Afghanistan is growing, Afghan

traders have faced obstacles to investing in Iran. For example, the Alokozai Company, an internationally renowned Afghan company, had to make its \$92 million investment through two Iranian nationals and the investment was later endangered.⁵

According to Afghanistan's minister of commerce and industries Anwarul Haq Ahadi, Iranian companies are implementing 110 technical-engineering projects in Afghanistan worth \$360 million.⁶ More than 2,000 private Iranian firms are operating across Afghanistan,⁷ and the number is growing. On January 17, 2012, a delegation of fifty-five Iranian businessmen interested in investing in Afghanistan's mines, agriculture, and industries visited Kabul and signed trade agreements with Afghanistan's Chamber of Commerce.⁸

Iran's growing bid to expand economic influence in Afghanistan is most evident in western Afghanistan, particularly in Herat, which is the most thriving province after Kabul and owes much of its infrastructure and development to the Iranian funding.⁹ Tehran has built and paid for Herat's electrical grid.¹⁰ On February 12, 2012, Rahim Muhammad Yakta, head of Iran's consulate in Herat, said his country was eager to build a gas pipeline to Herat city as well.¹¹

Recently, Iran has increased investment in Herat's mining industry. On January 20, 2012, Herat's Chamber of Commerce signed an

MOU with investors from Iran's Markazi Province that pledged to export technology and machinery for mining into Afghanistan.¹² Chairing a cabinet meeting on January 16, 2012, Afghan president Hamid Karzai approved an Iranian firm's proposal to build a cement factory in Herat and to explore and extract from the Pahlawanan Coal Mine in the province. With an initial investment of \$150 million, the Iranian company has pledged to build a school, a mosque, residential apartments, a seven-mile road connecting the factory to the main road, and recreational parks for the workers.¹³

Iranian investments and exports have greatly contributed to Herat's development, but they have also stifled local businesses and made the provincial officials largely dependent on Iran.¹⁴ "Iran has influence in every sphere: economic, social, political and daily life," said Nazir Ahmad Haidar, the head of Herat's provincial council. "When someone gives so much money, people fall into their way of thinking. It's not just a matter of being neighborly."¹⁵

Trade between Afghanistan and Iran gained a further boost last November when Islamabad shut down NATO's supply line and put restrictions on Afghan traders to protest the killing of Pakistani soldiers during a Coalition air strike.¹⁶ The incident led the Afghan Ministry of Commerce and Industries to begin negotiations with Iran to use the country's Chabahar port as an "alternative transit route to decrease dependency on Pakistan."¹⁷ Iran welcomed the initiative, and offered Afghan traders a 30 percent discount in customs tariffs and 50 hectares of land for a joint new transportation company at Chabahar. It also pledged to permit Afghan traders to unload up to 50,000 tons of goods at Chabahar, a significant increase from the 5,000 tons

previously permitted.¹⁸

On December 26, 2011, Ahadi signed a deal with Ali Reza Zeighami, the managing director of the National Iranian Oil Refining and Distribution Company, for the import of 1 million tons of fuel from Iran annually.¹⁹ India's increasing role in Afghanistan's mining sector also benefits Iran. In November 2011, a consortium of Indian state-run and private companies won the mining rights of Hajigak iron-ore deposit in central Afghanistan, and the bid included \$1 billion of investment in a railroad project to connect Afghanistan's mineral-rich Bamiyan Province to Iran's Chabahar.²⁰ New Delhi helped build Chabahar port a decade ago to get access to Afghanistan and Central Asia and to reduce Kabul's dependence on Pakistan.²¹ In 2009, India completed construction of Zaranj-Delaram highway in Afghanistan's Nimruz Province, connecting Iran's border crossing of Milak to Afghanistan's ring road.²² India also provided financial assistance to Iran to upgrade the road connecting Chabahar to the Afghan border.²³ Chabahar is also strategically important for India as it is only forty-five miles away from Pakistan's Gwadar port, which was built with Chinese assistance.

Iran's growing economic activity in Afghanistan affects the power relations between the two countries. Tehran uses its economic clout and Afghanistan's dependence on Iran for political gains. In December 2010, Iran blocked oil shipments into Afghanistan, triggering a political crisis in Kabul and pushing gasoline and diesel prices up 35 percent in Kabul and 60 percent in Herat.²⁴ Iranian officials claimed they had stopped the fuel supply because they suspected it was used by NATO,²⁵ but many Afghan analysts believed it was part of Tehran's "secret sanctions diplomacy" to gain "further concessions" from Kabul, particularly

to influence the outcome of September 2010 parliamentary elections.²⁶ “Since there are many pro-Iranian candidates who made their way to the new parliament, Iran sees the special court investigating complaints linked to the election a threat to this,” a losing candidate from Ghazni Province claimed.²⁷ All eleven parliamentary seats allocated to Ghazni had gone to Hazara candidates, and Karzai initially planned a rerun because no single seat went to the Pashtuns, the largest ethnic group in the province.²⁸ In the end, there was no rerun of the election and the changes made by the special court were limited. Iranian influence was not likely a major factor in an outcome largely determined by the immense pressures of domestic Afghan politics and the international community, however.

Religious, Social, and Cultural Assistance

While Iran’s support for insurgents often makes headlines, its soft-power influence in the country is more subtle and may be more significant in the long run. The Iranian government is financing a range of Shi’a groups, religious schools, and media outlets in Afghanistan to promote Iran’s ideological, cultural, and political objectives in its eastern neighbor. According to Mohammad Omar Daudzai, former Afghan ambassador to Iran, thousands of Afghan religious leaders are on the Iranian payroll and the entire project is coordinated by an official in Supreme Leader Khamenei’s office.²⁹ (Daudzai himself has been widely accused of being on Tehran’s payroll, and his comments were part of an effort to deflect that accusation away from himself.³⁰)

The Khatam al Nabyeen Islamic University, the most prestigious religious seminary in Afghanistan, is not directly funded by Iran, for example, but it bears all the hallmarks of

an Iranian project. Most students are Shi’a Hazaras, teachers are mainly Afghans who studied in Iran, more than 80 percent of the 100,000 books in the university’s library are donations from Iran, and the curriculum at the university largely resembles that of religious seminaries in Iran. The seminary is run by Grand Ayatollah Asif Mohseni, a former Shi’a jihadi leader with close ties to Iran’s clerical establishment in the holy city of Qom.³¹

With Iranian financial and technical assistance, Mohseni also runs a private television channel and a radio station, both called Tamadon (Civilization). Iranian advisers train the television’s personnel, and the channel airs excessive coverage of the Israeli-Palestinian conflict and US “occupation” of Iraq and Afghanistan. Many in Afghanistan describe Mohseni’s university and media outlets as vehicles for “expansion of Iran’s spiritual hegemony” in the country.³²

A number of Iranian government-run social and cultural organizations also operate openly in Afghanistan. For example, the Imam Khomeini Relief Committee (IKRC) is the most prominent among several Iranian state-sponsored charity and political organizations working in the country. Ostensibly a charitable organization, the IKRC promotes Iran’s ideological and political goals and incites anti-American sentiments in Afghanistan. The committee receives government funding from Tehran and operates inside Iran, as well as in Azerbaijan, Comoros, Iraq, Lebanon, the Palestinian territories, Syria, and Tajikistan.³³ In Afghanistan, the IKRC has more than 30,000 people on its payroll,³⁴ but its goal is not just charity work. Each year, the IKRC sponsors events at the Iranian embassy in Kabul to promote Iran’s revolutionary ideology and organizes Quds (Jerusalem) Day rallies in major Afghan cities to voice support for the

Palestinians and opposition to Israel.³⁵ On August 3, 2010, the US Treasury Department designated the IKRC's Lebanon branch "for being owned or controlled by Hizballah and for providing financial and material support to Hizballah and its director."³⁶

Many in Afghanistan also accuse Iran of fueling a sectarian divide between Sunnis and Shi'as. Religious leaders in Herat were recently outraged at the distribution at a private school of Iranian-made CDs insulting the Sunni faith and Islam's first four caliphs. The school was temporarily closed, and the spokesman of Herat's religious council accused Iran's consulate in the province of being behind the plot.³⁷ In May 2009, local authorities in southwestern Afghan province of Nimruz threw thousands of books smuggled from Iran about Shi'a Islam into a river. The Nimruz government said the books undermined national integrity and fueled ethnic tension.³⁸

Support for Insurgency

American and Afghan officials say the IRGC's secretive Quds Force provides weapons and financial aid to the Taliban and al Qaeda in Afghanistan. The Quds Force is responsible for the IRGC's external special operations and is active in many countries in the Middle East and South Asia, primarily in Iraq and Lebanon. In Afghanistan, the Quds Force has assigned its subcommand, the Ansar Corps, to support terror groups.³⁹ The Ansar Corps is based in Mashhad, the capital of Iran's Khorasan Razavi Province, about 140 miles from Afghanistan's western Herat Province. Al Qaeda is said to facilitate transfer of its fighters from Mashhad into Afghanistan.⁴⁰

On August 3, 2010, the Treasury Department sanctioned General Hossein Musavi, the

commander of the Ansar Corps, and Colonel Hasan Mortezaei, another senior Quds Force officer, for providing financial and material support to the Taliban.⁴¹ The State Department's 2010 report on international terrorism, released in August 2011, accused the Quds Force of providing "training to the Taliban in Afghanistan on small unit tactics, small arms, explosives, and indirect fire weapons, such as mortars, artillery, and rockets." The report added that the Quds Force had "shipped a large number of weapons to Kandahar, Afghanistan, aiming to increase its influence in the country."⁴²

On March 7, 2012, the Treasury Department designated Quds Force General Gholamreza Baghbani as a Specially Designated Narcotics Trafficker. Baghbani is the chief of the Quds Force office in Zahedan, the capital of Iran's Sistan va Baluchestan Province, near the Afghan border. "Today's action exposes IRGC-QF involvement in trafficking narcotics, made doubly reprehensible here because it is done as part of a broader scheme to support terrorism," Under Secretary for Terrorism and Financial Intelligence David S. Cohen said.⁴³

To speed up the American forces' withdrawal from Afghanistan, US officials say, the Quds Force has recently intensified support to the Taliban and provided new, more sophisticated arms and ammunitions to the insurgent group. On February 5, 2011, British forces intercepted a shipment of four dozen 122-millimeter rockets hidden in three trucks entering Afghanistan's southwestern Nimruz Province. Mark Sedwill, NATO's senior civilian representative to Afghanistan, said the rockets "represent a step-change in the lethal impact of weaponry infiltrating Afghanistan from Iran."⁴⁴ The rockets have twice the range and blast radius of the Taliban's more commonly used 107-millimeter missiles.⁴⁵

In the same month, Gulab Mangal, governor of Afghanistan's southern Helmand province, said some detained insurgents confessed that the Iranian government had provided them with training and financial support to target Coalition forces in Afghanistan.⁴⁶ International Security Assistance Force (ISAF) Deputy Chief of Staff Rear Admiral Gregory Smith alleged that Iran, through different networks along the border areas, supplied explosive materials and rocket-propelled grenade launchers to Taliban fighters.⁴⁷ In December 2010, Afghan security forces seized a cache of arms, including rocket launchers, missiles, explosives, and remote-controlled devices in western Farah Province.⁴⁸

Afghan and foreign forces have also arrested several Taliban commanders linked with the Quds Force in southern and western Afghan provinces. On December 18, 2010, ISAF arrested a Quds Force-affiliated Taliban commander in Kandahar Province. Two weeks later, ISAF and Afghan forces targeted a Taliban leader who was "involved with the facilitation of suicide bombers into Afghanistan [from Iran] and leads subordinate Taliban insurgents operating in the Gulistan and Bakwa districts of Farah province." The ISAF has also captured or killed several commanders in Farah, who had links with both al Qaeda and the Ansar Corps of the Quds Force.⁴⁹

Moreover, Afghan officials accuse the IRGC of running terrorist training camps inside Iran. In January 2009, Afghan daily *Weesa* reported that Iran trained militants in camps in Khorasan and Kerman provinces.⁵⁰ Seven months later, General Abdul Manan Farahi, the head of the antiterrorism department in Afghanistan's Interior Ministry, accused Iran of training terrorists and suicide bombers in Zahedan, the capital of Iran's Sistan

and Baluchistan province. Afghanistan's intelligence chief told the parliament in 2009 that his secret agents discovered that the IRGC was training Afghan militants in a training camp in Ahvaz, the capital of Iran's Khuzestan province.⁵¹ Ahvaz is situated close to the Iraqi border where the Quds Force allegedly ran terrorist training camps for the Iraqi insurgents.⁵²

Seized Taliban documents have also indicated the Iranian government provides direct monetary assistance to the Taliban. In January 2011, Afghan security forces raided the Taliban's headquarters in the northern Afghan province of Kunduz and seized financial documents that showed the insurgents received "interest-free loans" from Bank Melli to finance their operations.⁵³

In western Afghanistan, Iran's espionage activity is on clear display. Afghan officials have recently arrested several Iranian agents in western Herat, Farah, and Nimroz provinces. On January 25, 2012, an Afghan national was sentenced to sixteen years in jail for spying for Iran. Sarajuddin Sadr, the head of Herat's city court and public security, said the convict had taken photos of restricted areas in the city, particularly foreign military bases, and that local authorities had intercepted phone conversations in which he passed on information about the military bases to the Iranian intelligence officials. Herat authorities have arrested several other individuals in the province on similar charges.⁵⁴

Refugees and Illegal Immigrants

On March 3, 2008, Seyyed Taghi Ghaemi, director of the Bureau for Aliens and Foreign Immigrants at Iran's Interior Ministry, told a press conference in Kabul that his country would deport more than 1 million Afghan

citizens who lived illegally inside Iran. The news alarmed Afghan and UN officials who cautioned that Afghanistan lacked the capacity to integrate large numbers of returnees in a short time.⁵⁵ Of about 2.5 million Afghans living in Iran, 930,000 are registered refugees,⁵⁶ 1.4 million lack residence permits and are considered illegal immigrants,⁵⁷ and a small number have work visas.

Iran's deportation of thousands of refugees, often without prior coordination with the Afghan authorities, has caused humanitarian and political crises in Afghanistan⁵⁸ and has provided cover for the infiltration of foreign terrorists into the country.⁵⁹ Afghan officials say Tehran uses the refugee card to pressure Kabul to "resist attempts by NATO to formalize its military presence in Afghanistan, to align with Tehran over 'Iran's nuclear issue,' and to ensure Iran's access to water."⁶⁰

To halt mass deportations in December 2008, Karzai sent a delegation led by vice president Karim Khalili to Tehran. It is unclear what concessions Iran sought in return for stopping the expulsion, but much of the discussions in Tehran focused on the presence of foreign troops in Afghanistan instead. "After seven years, the presence of foreign forces in Afghanistan has not only failed to bring security and stability, but has undermined security and increased extremism," Iranian speaker of parliament Ali Larijani told the visiting Afghan delegation. Tehran eventually agreed to suspend deportation, but expulsions resumed in early 2009 and continued in 2010.⁶¹

In 2011, Iran intensified the deportations. It expelled 90,000 Afghans to western Afghanistan between June and August, and threatened to forcibly repatriate 1.5 million others.⁶² The spike in deportations alarmed Afghans since it began just before NATO

transferred security responsibilities in Herat city to the Afghan government. According to *Daily Afghanistan*, when an Afghan delegation visited Tehran to discuss the deportation issue, Iranian leaders pressured the Afghan leaders not to extend the presence of foreign troops in their country.⁶³ In one meeting, Alaeddin Boroujerdi, foreign policy and national security parliamentary committee chairman, called Afghanistan an "occupied" country. "We've not come here to oppose America," retorted Dr. Zalmay Zabuli, a member of Afghanistan Parliament's upper house. "When you come under pressure from Western countries, especially America, you either resort to expel the one and half million Afghan refugees or stop oil shipments to Afghanistan," Zabuli told Boroujerdi.⁶⁴ The meeting ended in acrimony without a resolution to the refugee issue.

Moreover, mass deportations have undermined security in western and southern Afghanistan and shielded infiltration of foreign militants from Iran. Afghan border guards in Islam Qala, the busiest border entry between Herat and Iran, said in 2009 that there were no procedures to check the identity of returnees. "We have caught Arab and Iranian citizens trying to enter Afghanistan," Abdullah Achakzai, a border police officer at Islam Qala noted, adding that the border police had recently captured an Iranian citizen masquerading as an Afghan refugee. "He had maps with him of Herat airport and other documents concerning the 207th Zafar [Afghan National Army] corps."⁶⁵

Forced repatriation and mistreatment of Afghan refugees has fueled anti-Iranian sentiments in Afghanistan. In early 2010, thousands of Afghans gathered in front of the Iranian embassy in Kabul and consulates in Jalalabad and Herat to protest the execution of forty-five Afghans in Iran. The protestors

shouted anti-Iran slogans and burned pictures of Iranian leaders.⁶⁶ More than 3,000 out of 5,630 Afghan citizens jailed in Iran are said to be facing execution.⁶⁷ While Iranian officials claim the prisoners are drug smugglers, reports in the Afghan and Iranian opposition media have indicated many were jailed for allegedly aiding the antigovernment protests that engulfed Iran after the country's controversial presidential election in 2009.⁶⁸

Diplomatic and Political Sphere of Influence

Iran's influence permeates the Afghan government at all levels. According to US diplomatic cables leaked by Wikileaks, many senior Afghan officials are said to be on the Iranian payroll, including staff at the Presidential Palace, deputy ministers, members of parliament, and religious leaders.⁶⁹ In October 2010, Karzai publicly acknowledged accepting about \$2 million in direct annual cash payments from Iran.⁷⁰ One cable said Iranian spies bribed Afghan legislators to support "anti-Coalition policies and to raise anti-American talking points" during parliamentary debates, and that Iranian intelligence had infiltrated the parliament's legal and IT offices. The Iranian embassy in Kabul is believed to be coordinating these efforts. According to Afghan lawmakers, Iran's top policy goals in parliament are increasing criticism of civilian casualty incidents caused by Coalition forces, encouraging the Afghan Parliament to "legalize" foreign forces,⁷¹ advocating rights for Shi'a (including a separate judicial system), promoting Persian culture, and limiting Western support to Afghan media.⁷² Not all Iranian efforts to buy Afghan politicians' allegiance have been successful, however. In November 2010, a parliamentary debate on water rights took a nationalistic tone, and many lawmakers

accused Iran of stealing Afghanistan's water. No parliamentarians disagreed.⁷³ In November 2011, Iran reportedly paid millions of dollars to members of a Loya Jirga held by Karzai to vote against the presence of US military bases beyond 2014. The assembly, however, unanimously voted in favor of signing a strategic agreement with Washington which would allow American troops to stay in Afghanistan at least until 2024.⁷⁴

Tehran has also tried to use its leverage with Kabul to silence critics in Afghanistan. In May 2010, Karzai personally appealed to the people not to protest against Iran's execution of Afghan citizens. "Protesting against a friendly, brotherly country in my view is not appropriate," he said.⁷⁵ Government authorities also prevented people from staging protest rallies in front of Iran's consulate in Herat Province.⁷⁶ The Iranian embassy asked the Afghan government to prosecute Ramazan Bashardost, a lawmaker who criticized the Iranian government on local television (and who had garnered a surprising number of votes in the 2009 presidential election).⁷⁷ In January 2011, Iran's ambassador to Kabul, Fada Hossein Maleki, warned that Tehran would reconsider its relationship with Kabul if anti-Iran protestors were not arrested and punished.⁷⁸ In October 2010, former governor of Nimruz province, Ghulam Dastgir Azaad, said Kabul ousted him because of his criticism of Tehran.⁷⁹

In addition, many Afghans accuse the Iranian embassy in Kabul of intimidating and terrorizing individuals and groups critical of Iranian policy. On January 18, 2011, a masked assailant sprayed acid in the face of Razzag Mamoon, a prominent Afghan journalist and author, who alleged the Iranian embassy was behind the attack.⁸⁰ The police investigation

and the suspect's confession corroborated Mamoon's claims. The suspect said he attacked Mamoon because "in his latest book 'The Footprint of Pharaoh' [he] attempted to expose all Iranian spies and conspiracies."⁸¹

Tehran's relationship with Karzai's government remains strong. On December 14, 2011, Iran and Afghanistan signed an MOU on expansion of defense cooperation. Iran's defense minister Ahmad Vahidi said Iran was ready to help Afghanistan establish a more sophisticated military force and offered assistance in the fields of logistics, techniques, and engineering.⁸²

Conclusion

Iran's short-term and long-term objectives in Afghanistan appear to be inconsistent. Iran sees a peaceful Afghanistan free of the Taliban and al Qaeda as essential for its national security as well as economic and political interests in the region. Tehran, therefore, has fostered close ties with Kabul and aids Afghanistan's rebuilding. The flow of 3 million Afghan refugees and vast amount of narcotics into Iran has had destabilizing effects on the Iranian society and economy in the past three decades. Moreover, Iran is ideologically opposed to the Taliban and sees the radical Sunni movement, supported by Tehran's regional competitors Pakistan and Saudi Arabia, as a threat.

At present, because of perceived threats of military action against its nuclear installations, Iran sees the presence of US troops in its eastern neighbor as a bigger threat. It, therefore, provides calculated support to the Taliban as a countermeasure against the United States. As Coalition forces are winding down the war in Afghanistan, Iran has launched an aggressive hard-power and

soft-power campaign to accelerate US forces' withdrawal and maximize its influence in the future of Afghanistan.

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