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Iran's Foreign Policy

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Summary

Iran's foreign policy is the product of many, and sometimes competing, factors: the ideology of Iran's Islamic revolution; Iranian leadership's perception of threats to the regime and to the country; long-standing Iranian national interests; and the interaction of the Iranian regime's various factions and constituencies. Some experts assert that the goal of Iran's foreign policy is to overturn a power structure in the Middle East that Iran asserts favors the United States and its allies Israel, Saudi Arabia, and other Sunni Muslim Arab regimes. Iran characterizes its support for Shiite and other Islamist movements as support for the "oppressed" and asserts that Saudi Arabia, in particular, is instigating sectarian tensions and trying to exclude Iran from regional affairs. Others interpret Iran's foreign policy as primarily an attempt to protect Iran from U.S. or other efforts to invade or intimidate Iran or to change its regime. Its foreign policy might, alternatively or additionally, represent an attempt to enhance Iran's international prestige or restore a sense of "greatness" reminiscent of the ancient Persian empires. From 2010 until 2016, Iran's foreign policy also focused on attempting to mitigate the effects of international sanctions on Iran.

Iran employs a number of different tools in pursuing its foreign policy. Some Iranian policy tools are common to most countries: traditional diplomacy and the public promotion of Iran's values and interests. Iran also has financially supported regional politicians and leaders. Other tools Tehran uses pose significant challenges to U.S. policy: Iran provides direct material support to armed groups, some of which use terrorism to intimidate or retaliate against Israel or other regional opponents of Iran. Iran's armed support to Shiite-dominated allied governments, such as those of Syria and Iraq, has aggravated challenges from Sunni insurgent groups by fueling Sunni popular resentment.

Iran's foreign policy overwhelmingly focuses on the Near East region, including on U.S. operations, allies, and activities in that region. It is that region where all the various components of Iran's foreign policy interact. Iran's foreign policy also seems to be directed at influencing the policies and actions of big powers, such as those in Europe as well as Russia, that are active in the Near East—either as partners or antagonists of U.S. interests in that region.

Some experts assessed that Iran's foreign policy might shift after the July 14, 2015, nuclear agreement between Iran and the United States and its partner countries (the Joint Comprehensive Plan of Action, JCPOA) began implementation on January 16, 2016. Many of the international sanctions that hobbled Iran's economy were lifted. Iran's elected President Hassan Rouhani has stated that the JCPOA is "a beginning for creating an atmosphere of friendship and co-operation with various countries." However, to date, there has been no indication that Iran has altered such core policies as its support for Syrian President Bashar Al Asad or Lebanese Hezbollah. Iran now has more financial resources with which to support its regional efforts, and its emergence from diplomatic isolation might enable Iran to develop itself as a regional energy and trade hub. Supreme Leader Ali Khamene'i and key hardline institutions, such as the Islamic Revolutionary Guard Corps (IRGC), appear to have blocked any compromises of Iran's core foreign policy goals, while at the same time allowing Iran to re-integrate into regional and international diplomacy.

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Introduction

This report provides an overview of Iran's foreign policy, which has been a subject of numerous congressional hearings and of sanctions and other legislation for many years. The report analyzes Iranian foreign policy as a whole and by region. The regional analysis discusses those countries where Iranian policy is of U.S. concern. The report contains some specific information on Iran's relations with these countries, but refers to other CRS reports for more detail, particularly on the views of individual countries toward Iran. The report also makes reference to Iran's efforts to utilize its ties to various countries to try to mitigate the effects of U.S. sanctions, but that issue is analyzed in greater depth in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

This report does not separately examine Iran's policy toward the United States, but analyzes throughout the report Iran's actions in relation to U.S. interests. U.S.-Iran relations, including the potential for renewed diplomatic relations, are specifically addressed in CRS Report RL32048, *Iran: Politics, Gulf Security, and U.S. Policy*, by Kenneth Katzman.

Iran's Policy Motivators

Iran's foreign policy is a product of overlapping, and sometimes contradictory, motivations. In describing the tension between some of these motivations, one expert has said that Iran faces constant decisions about whether it is a "nation or a cause."¹ Iranian leaders appear to constantly weigh the relative imperatives of their revolutionary and religious ideology against the demands of Iran's national interests. Some factors that affect Iran's foreign policy are discussed below.

Threat Perception

Iran's leaders are apparently motivated, at least to some extent, by the perception of threat to their regime and their national interests posed by the United States and its allies.

- Supreme Leader Ayatollah Ali Khamene'i has repeatedly stated that the United States has never accepted the Islamic revolution and seeks to overturn it through support for domestic opposition to the regime, imposition of economic sanctions, and support for Iran's regional adversaries such as Israel and Saudi Arabia.² He frequently warns that improved relations with the United States and the West in general will open Iran to "cultural influence"—Western social behavior that he asserts does not comport with Iran's societal and Islamic values.
- Iran's political and military leaders assert that the U.S. maintenance of a large military presence in the Persian Gulf region and in other countries around Iran reflects U.S. "hostility" and intent to attack Iran if Iran pursues policies the United States finds inimical.³
- Some Iranian official and semi-official media have asserted that the United States not only supports Sunni Arab regimes and movements that oppose Iran, but that

¹ Foreign Policy Association. "A Candid Discussion with Karim Sadjadpour." May 6, 2013. <http://foreignpolicyblogs.com/2013/05/06/a-candid-discussion-with-karim-sadjadpour/>.

² Khamene'i: "U.S. Would Overthrow Iranian Government If It Could—Media." *Reuters*, February 8, 2014.

³ Erik Slavin. "Iran Emphasizes Nuclear Reconciliation, Criticizes U.S. Military Posture in Persian Gulf." *Stars and Stripes*, March 5, 2014. <http://www.stripes.com/news/iran-emphasizes-nuclear-reconciliation-criticizes-us-military-posture-in-persian-gulf-1.271204>.

the United States has created or empowered radical Sunni Islamist extremist factions such as the Islamic State organization.⁴

Ideology

The ideology of Iran's 1979 Islamic revolution continues to influence Iran's foreign policy. The revolution overthrew a secular authoritarian leader, the Shah of Iran, who the leaders of the revolution asserted had suppressed Islam and its clergy. A clerical regime was established in which ultimate power is invested in a "Supreme Leader" who melds political and religious authority.

- In the early years after the revolution, Iran attempted to "export" its revolution to nearby Muslim states. In the late 1990s, Iran abandoned that goal because promoting it succeeded only in producing resistance to Iran in the region.⁵
- Iran's leaders assert that the political and economic structures of the Middle East are heavily weighted against "oppressed" peoples and in favor of the United States and its allies, particularly Israel. Iranian leaders generally describe as "oppressed" peoples: the Palestinians, who do not have a state of their own, and Shiite Muslims, who are underrepresented and economically disadvantaged minorities in many countries of the region.
- Iran claims that the region's politics and economics have been distorted by Western intervention and economic domination, and that this perceived domination must be ended. Iranian officials typically cite the creation of Israel as a manifestation of Western intervention that, according to Iran, deprived the Palestinians of legitimate rights.

National Interests

Iran's national interests also shape its foreign policy, sometimes intersecting with and complicating Iran's ideology.

- Iran's leaders, stressing Iran's well-developed civilization and historic independence, claim a right to be recognized as a major power in the region. They often contrast Iran's history with that of the six Persian Gulf monarchy states (Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Bahrain, and Oman) that make up the Gulf Cooperation Council (GCC), several of which gained independence in the early 1970s. To this extent, many of Iran's foreign policy assertions and actions are similar to those undertaken by the former Shah of Iran and Iranian dynasties prior to that.
- Iran has sometimes tempered its commitment to aid other Shiites to promote its geopolitical interests. For example, it has supported mostly Christian-inhabited Armenia, rather than Shiite-inhabited Azerbaijan, in part to thwart cross-border Azeri nationalism among Iran's large Azeri minority. Iran also has generally refrained from backing Islamist movements in the Central Asian countries,

⁴ Ramin Mostaghim. "Iranians Rally to Support Iraq; Some Blame U.S. for Sunni Insurgency." *Los Angeles Times*, June 24, 2014. <http://www.latimes.com/world/middleeast/la-fg-iran-volunteers-militants-iraq-20140624-story.html>.

⁵ Soner Cagaptay, James F. Jeffrey, and Mehdi Khalaji. "Iran Won't Give Up on Its Revolution." *New York Times*, op-ed. April 26, 2015.

- reportedly in part to avoid offending Russia, its most important arms and technology supplier and an ally in support of Syrian President Bashar Al Asad.
- Even though Iranian leaders accuse U.S. allies of contributing to U.S. efforts to structure the Middle East to the advantage of the United States and Israel, Iranian officials have sought to engage with and benefit from transactions with U.S. allies to try to thwart international sanctions.

Factional Interests and Competition

Iran's foreign policy often appears to reflect differing approaches and outlooks among key players and interest groups.

- According to Iran's constitution and in practice, Iran's Supreme Leader has final say over all major foreign policy decisions. Grand Ayatollah Ali Khamene'i, Supreme Leader since 1989, consistently expresses deep-seated mistrust of U.S. intentions toward Iran and insists that Iran's foreign policy be adapted accordingly. His consistent refrain, and the title of his book widely available in Iran, is "I am a revolutionary, not a diplomat."⁶ Leaders of Iran's Islamic Revolutionary Guard Corps (IRGC), a military and internal security institution created after the Islamic revolution, consistently express support for Khamene'i and ideology-based foreign policy decisions.
- Khamene'i tacitly backed the JCPOA by not openly opposing it. However, he has stated on several occasions since it was finalized in July 2015 that neither Iran's foreign policy nor its opposition to U.S. policy in the region will change as a result of the JCPOA. IRGC senior commanders criticized the JCPOA at the time it was finalized and since, and have made statements similar to those of Khamene'i regarding future Iranian foreign policy.
- More moderate Iranian leaders, including President Hassan Rouhani, argue that Iran should not have any "permanent enemies." They maintain that a pragmatic foreign policy has resulted in easing of international sanctions under the JCPOA, increased worldwide attention to Iran's views, and consideration of new projects that could position Iran as a trade and transportation hub in the region. Differentiating himself from Khamene'i and other hardliners, Rouhani has said that the JCPOA is "a beginning for creating an atmosphere of friendship and co-operation with various countries."⁷ The pragmatists generally draw support from Iran's youth and intellectuals, who say they want greater integration with the international community and who helped pro-Rouhani candidates achieve gains in the February 26, 2016, *Majles* elections.
- Some Iranian figures, including the elected president during 1997-2005, Mohammad Khatemi, are considered reformists. Reformists have tended to focus more on promoting domestic loosening of social and political restrictions than on a dramatically altered foreign policy. Iran's leading reformists, including Khatemi, have to date been unable to achieve significant domestic change. However, the victories of many reformists in the February 26, 2016, *Majles* elections could pave the way for more significant policy achievements.

⁶ http://www.nytimes.com/2014/11/21/world/middleeast/iran-us-nuclear-talks.html?_r=0.

⁷ Thomas Erdbrink. "Post-Deal Iran Reappraising 'Great Satan'" *New York Times*, September 18, 2015.

Instruments of Iran's Foreign Policy

Iran employs a number of different methods and mechanisms to implement its foreign policy, some of which involve supporting armed factions that engage in international acts of terrorism.

Financial and Military Support to Allied Regimes and Groups

As an instrument of its foreign policy, Iran provides arms, training, and military advisers in support of allied governments as well as armed factions. Iran was placed on the U.S. list of state sponsors of terrorism (“terrorism list”) in January 1984. (The other two countries on the list are Syria and Sudan.) Many of the groups Iran supports are named as Foreign Terrorist Organizations (FTOs) by the United States.

The State Department report on international terrorism for 2015,⁸ as has that annual report for the past two decades, again called Iran “the foremost state sponsor of terrorism.” It asserts that, in 2015 Iran “provid[ed] a range of support, including financial, training, and equipment, to groups around the world – particularly Hizballah. Iran continued to be deeply involved in the conflict in Syria, working closely with the Assad regime to counter the Syrian opposition, and also in Iraq, where Iran continued to provide support to militia groups, including Foreign Terrorist Organization Kata’ib Hizballah. In addition, it was implicated for its support to violent Shia opposition group attacks in Bahrain.” Iran’s operations in support of its allies—which generally include arms shipments, provision of advisers, training, and funding—are carried out by the Qods (Jerusalem) Force of the IRGC (IRGC-QF). The IRGC-QF is headed by IRGC Major General Qasem Soleimani, who reports directly to Khamene’i.⁹ IRGC-QF personnel have engaged in and some have been killed in direct combat in the Syrian civil conflict.

Sanctions relief since the JCPOA began implementation increases Iran’s capacity to increase its military support for its regional allies and proxies. U.N. Security Council Resolution 2231, which superseded prior resolutions as of JCPOA “Implementation Day” (January 16, 2016), continues U.N. restrictions on Iran’s importation and exportation of arms, but for a maximum of five years (from October 2015). Much of the weaponry Iran supplies to its allies include specialized anti-tank systems, artillery rockets, mortars, and short-range missiles.¹⁰ Separate U.N. Security Council resolutions ban arms shipments to such conflict areas as Yemen (Resolution 2216) and Lebanon (Resolution 1701).

The range of armed factions that Iran supports is discussed in the regional sections below.

- Some Iranian-supported factions are opposition movements, while others support governments that are allied to Iran, such as those of President Bashar Al Assad of Syria and of Prime Minister Haydar Al Abbadi of Iraq.
- Some regional armed factions that Iran supports have not been named as FTOs and have no record of committing acts of international terrorism. Such groups include the Houthi (“Ansar Allah”) movement in Yemen (composed of Zaidi Shiite Muslims) and some underground Shiite opposition factions in Bahrain.

⁸ The text of the section on Iran can be found at: <http://www.state.gov/j/ct/rls/crt/2015/index.htm>

⁹ http://www.newyorker.com/reporting/2013/09/30/130930fa_fact_filkins?printable=true¤tPage=all.

¹⁰ Farzin Nadimi. “How Iran’s Revived Weapons Exports Could Boost its Proxies.” Washington Institute for Near East Policy, August 17, 2015.

- Iran opposes—or declines to actively support—Islamist armed groups that work against Iran's core interests. Al Qaeda and the Islamic State organization are orthodox Sunni Muslim organizations that Iran apparently perceives as significant threats.¹¹ Iran is actively working against the Islamic State organization, which opposes Assad of Syria and the Abbadi government in Iraq. Over the past few years, Iran has expelled some Al Qaeda activists who Iran allowed to take refuge there after the September 11, 2001, attacks against the United States. It is not clear why Iran allowed Al Qaeda senior operatives to transit or reside in Iran at all, but experts speculate that Iran might have considered them as leverage against the United States or Saudi Arabia.
- Iran supports some Sunni Muslim groups that further Tehran's interests. Two Sunni Palestinian FTOs, Hamas and Palestine Islamic Jihad—Shiqaqi Faction, have received Iranian support in part because they are antagonists of Israel.

¹¹ <http://nationalinterest.org/blog/the-buzz/iranians-are-terrified-irans-isis-nightmare-10856>.

Table I. Major Iran or Iran-Related Terrorism Attacks or Plots

Date	Incident/Event	Likely/Claimed Perpetrator
November 4, 1979	U.S. Embassy in Tehran seized and 66 U.S. diplomats held for 444 days (until January 21, 1981).	Hardline Iranian regime elements
April 18, 1983	Truck bombing of U.S. Embassy in Beirut, Lebanon. 63 dead, including 17 U.S. citizens.	Factions that eventually formed Lebanese Hezbollah claimed responsibility.
October 23, 1983	Truck bombing of U.S. Marine barracks in Beirut. 241 Marines killed.	Same as above
December 12, 1983	Bombings of U.S. and French embassies in Kuwait City. 5 fatalities.	Da'wa Party of Iraq—Iran-supported Iraqi Shiite militant group. 17 Da'wa activists charged and imprisoned in Kuwait
March 16, 1984	U.S. Embassy Beirut Political Officer William Buckley taken hostage in Beirut—first in a series of kidnappings there. Last hostage released December 1991.	Factions that eventually formed Hezbollah.
September 20, 1984	Truck bombing of U.S. embassy annex in Beirut. 23 killed.	Factions that eventually formed Hezbollah
May 25, 1985	Bombing of Amir of Kuwait's motorcade	Da'wa Party of Iraq
June 14, 1985	Hijacking of TWA Flight 847. One fatality, Navy diver Robert Stetham	Lebanese Hezbollah
February 17, 1988	Col. William Higgins, serving with the a U.N. peacekeeping operation, was kidnapped in southern Lebanon; video of his corpse was released 18 months later.	Lebanese Hezbollah
April 5, 1988	Hijacking of Kuwait Air passenger plane. Two killed.	Lebanese Hezbollah, seeking release of 17 Da'wa prisoners in Kuwait.
March 17, 1992	Bombing of Israeli Embassy in Buenos Aires. 29 killed.	Lebanese Hezbollah, assisted by Iranian intelligence/diplomats.
July 18, 1994	Bombing of Argentine-Jewish Mutual Association (AMIA) building in Buenos Aires.	Same as above
June 25, 1996	Bombing of Khobar Towers housing complex near Dhahran, Saudi Arabia. 19 U.S. Air Force personnel killed.	Saudi Hezbollah, a Saudi Shiite organization active in eastern Saudi Arabia and supported by Iran. Some assessments point to involvement of Al Qaeda.
October 11, 2011	U.S. Justice Dept. unveiled discovery of alleged plot involving at least one IRGC-QF officer, to assassinate Saudi Ambassador in Washington, DC.	IRGC-QF reportedly working with U.S.-based confederate
February 13, 2012	Wife of Israeli diplomat wounded in Delhi, India	Lebanese Hezbollah
July 19, 2012	Bombing in Bulgaria killed five Israeli tourists.	Lebanese Hezbollah

Source: Recent State Department Country Reports on Terrorism, various press.

Other Political Action

Iran's foreign policy is not limited to militarily supporting allied governments and armed factions.

- A wide range of observers report that Iran has provided funding to political candidates in neighboring Iraq and Afghanistan to cultivate allies there.¹²
- Iran has reportedly provided direct payments to leaders of neighboring states in an effort to gain and maintain their support. In 2010, then-President of Afghanistan Hamid Karzai publicly acknowledged that his office had accepted direct cash payments from Iran.¹³
- Iran has established some training and education programs that bring young Muslims to study in Iran. One such program, headed by cleric Mohsen Rabbani, runs in Latin America despite the low percentage of Muslim inhabitants there.¹⁴

Diplomacy

Iran's foreign policy also makes active use of traditional diplomatic tools.

- Iran has an active Foreign Ministry and maintains embassies or representation in all countries with which it has diplomatic relations. Khamene'i has rarely traveled outside Iran as Supreme Leader, but he did so during his presidency (1981-1989), including to U.N. General Assembly meetings in New York. Iran's presidents, including the current President Rouhani, travel regularly in and outside the region and host foreign leaders in Tehran.
- Iran actively participates in or seeks to join many different international organizations, including those that are dominated by members critical of Iran's policies. Iran has sought to join the United States and Europe-dominated World Trade Organization (WTO) since the mid-1990s. Its prospects for being admitted have increased now that the JCPOA is being implemented, but the process of accession is complicated and Iran's entry will likely take several years. Iran also seeks membership in such regional organizations as the South Asian Association of Regional Cooperation (SAARC) and the Shanghai Cooperation Organization (SCO) that groups Central Asian states with Russia and China. Iran is an observer in the SCO, and officials from several SCO countries have said that the JCPOA likely removes obstacles to Iran's obtaining full membership.¹⁵ From August 2012 until August 2015, Iran held the presidency of the Non-Aligned Movement (NAM), which has about 120 member states and 17 observer countries and generally shares Iran's criticisms of big power influence over global affairs. In August 2012, Iran hosted the NAM annual summit.
- Iran is a party to all major nonproliferation conventions, including the Nuclear Non-Proliferation Treaty (NPT) and the Chemical Weapons Convention (CWC). Iran insists that it has adhered to all its commitments under these conventions, but the international community asserted that it did not meet all its NPT obligations and that Iran needed to prove that its nuclear program is for purely

¹² See, for example, <http://www.newsweek.com/what-are-iranians-doing-iraq-303107>. Also reported in author conversations with U.S. and Iraq and Afghan officials, 2009-2015.

¹³ <http://www.theguardian.com/commentisfree/2010/oct/26/iran-cash-payments-to-afghanistan>.

¹⁴ <http://www.crethiplethi.com/subversion-and-exporting-the-islamic-revolution-in-latin-america/islamic-countries/iran-islamic-countries/2012/>.

¹⁵ <http://www.globalresearch.ca/geopolitical-shift-iran-to-become-full-member-of-the-shanghai-cooperation-organization-sco/5465355>.

peaceful purposes. Negotiations between Iran and international powers on this issue began in 2003 and culminated with the July 2015 JCPOA.

- Iran has participated in multilateral negotiations (the “Vienna process”) to try to resolve the civil conflict in Syria. However, U.S. officials say that Iran’s goals in these meetings are to engineer Assad’s continuation in power rather than construct a transition to a new regime.

Near East Region

The overwhelming focus of Iranian foreign policy is on the Near East region, as demonstrated by Iran’s employment of all the various instruments of its foreign policy, including deployment of the IRGC-Qods Force in several countries. All the various motivations of Iran’s foreign policy appear to be at work in its actions in the region. Iranian aid to Shiites in Sunni-dominated countries often fuels responses by those governments, thus aggravating sectarian tensions and contributing to a virtually existential war by proxy with Saudi Arabia.¹⁶

The Arab States of the Persian Gulf

Iran has a 1,100-mile coastline on the Persian Gulf and Gulf of Oman. The Persian Gulf monarchy states (Gulf Cooperation Council, GCC: Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates) have always been a key focus of Iran’s foreign policy. These states, all controlled by Sunni-led governments, cooperate extensively with U.S. policy toward Iran, including by hosting significant numbers of U.S. forces at their military facilities and procuring sophisticated U.S. military equipment. GCC facilities would be critical to any U.S. air operations against Iran in the event of a regional conflict, and GCC hosting of these facilities presumably serves as a deterrent to any direct Iranian military attack. At the same time, all the GCC states maintain relatively normal trading relations with Iran. Some GCC states are reportedly considering energy pipeline and transportation projects linking to Iran, while others are developing oil export pipelines that avoid the Strait of Hormuz and reduce Iran’s potential to threaten the GCC states’ livelihoods. Iran’s defense strategy and capabilities and U.S.-GCC defense cooperation are analyzed in much greater detail in CRS Report RL32048, *Iran: Politics, Gulf Security, and U.S. Policy*, by Kenneth Katzman.

Figure 1. Map of Near East



Source: Created by CRS.

¹⁶ Statement for the Record. U.S. Director for National Intelligence James Clapper. Senate Armed Services Committee, February 2015, p. 14.

The following sections analyze the main outlines of Iran's policy toward each GCC state. Although Saudi Arabia's positions are often taken to represent those of all GCC states toward Iran, there are some distinct differences within the GCC on Iran policy, as discussed below.

Saudi Arabia¹⁷

Iranian leaders assert that Saudi Arabia seeks hegemony for its brand of Sunni Islam and to deny Iran and Shiite Muslims in general any influence in the region. Conversely, Saudi Arabia has asserted that it is seeking to thwart an Iranian quest for regional hegemony. Both countries tend to exaggerate the activities and influence of the other, leading to actions that have fueled the apparently expanding Sunni-Shiite conflict in the region. Some of the region's conflicts, such as in Syria and in Yemen, are described as "proxy wars" between Saudi Arabia and Iran. One exception might be Iraq, where both Iran and Saudi Arabia back the Shiite-dominated government, although Iran does so much more directly and substantially. In an interview published in *The Atlantic* in mid-April 2016, President Obama reportedly said the Saudi leadership "need[s] to share the Middle East with their Iranian foes" and that Saudi Arabia and Iran "need to find an effective way to share the neighborhood and institute some sort of cold peace."¹⁸

Saudi and Iranian leaders have had diplomatic discussions about their regional differences since President Rouhani came into office. Saudi Arabia agreed to send its Foreign Minister to October 30 and November 14, 2015, meetings in Vienna on Syria that included Iran's Foreign Minister Mohammad Javad Zarif, although the two ministers reportedly exchanged accusations at the October 30 meetings. The tone of the communique of the December 9-10, 2015, annual GCC summit was critical of Iran, calling "on the need to adhere" to the JCPOA, calling Iran's October 10 missile test a "savage infringement" of Resolution 1929, and "reject[ing]" Iran's interference into the internal affairs of the GCC states and the region.¹⁹

The Saudi-Iran diplomatic relationship turned sharply downward in January 2016 when Saudi Arabia severed its diplomatic relations, air connections, and trade with Iran in the wake of violent attacks and vandalism against its embassy in Tehran and consulate in Mashhad, Iran. Those incidents in Iran were a reaction to Saudi Arabia's January 2, 2016, execution of an outspoken Shia cleric, Nimr Baqr al Nimr, alongside dozens of Al Qaeda members; all had been convicted of treason and/or terrorism charges. Subsequent to the attacks on the Saudi diplomatic facilities, Saudi Arabia, followed by Bahrain, broke diplomatic relations with Iran. Qatar, Kuwait, and UAE recalled their ambassadors from Iran.

Saudi officials repeatedly cite past Iran-inspired actions as a reason for distrusting Iran. These actions include encouraging violent demonstrations at some Hajj pilgrimages in Mecca in the 1980s and 1990s, which caused a break in relations from 1987 to 1991. Some Saudis accuse Iran of supporting Shiite protesters and armed groups active in the kingdom's restive Shiite-populated Eastern Province. Saudi Arabia asserts that Iran instigated the June 1996 Khobar Towers bombing and accuses it of sheltering the alleged mastermind of the bombing, Ahmad Mughassil, purportedly a leader of Saudi Hezbollah. Mughassil was arrested in Beirut in August 2015, indicating that Iran might have expelled him if it was sheltering him.

¹⁷ For detailed information on Saudi Arabia's policy toward Iran, see CRS Report RL33533, *Saudi Arabia: Background and U.S. Relations*, by Christopher M. Blanchard.

¹⁸ Jeffrey Goldberg, "The Obama Doctrine." *The Atlantic*, April 2016.

¹⁹ <http://www.bna.bh/portal/en/news/700828>.

United Arab Emirates (UAE)²⁰

Like Saudi Arabia, the UAE tends to take hardline positions on Iran's regional activities, although it has closer commercial ties to Iran than Saudi Arabia does. The UAE is acting in concert with Saudi Arabia and some of the other GCC states in the wide range of military or political activities intended to blunt Iran's regional influence. On April 3, 2016, the UAE Ambassador to the United States wrote an op-ed for the Wall Street Journal saying that "the Iran we have long known—hostile, expansionist, violent—is alive and well, and as dangerous as ever." The UAE reportedly refused urgings by President Obama at the April 21, 2016, second U.S.-GCC summit to increase its diplomatic engagement with Iran.

Unlike Saudi Arabia, the UAE has a long-standing territorial dispute with Iran over the Persian Gulf islands of Abu Musa and the Greater and Lesser Tunb islands. The Tunbs were seized by the Shah of Iran in 1971, and the Islamic Republic took full control of Abu Musa in 1992, appearing to violate a 1971 UAE-Iran agreement to share control of that island. The UAE has sought to refer the dispute to the International Court of Justice (ICJ), but Iran has insisted on resolving the issue bilaterally. (ICJ referral requires concurrence from both parties to a dispute.) In 2013-2014, the two countries held direct discussions on the issue and reportedly made progress. Iran reportedly removed some military equipment from the islands.²¹ However, no progress has been announced since.

The UAE and Iran maintain extensive trade and commercial ties. Iranian-origin residents of Dubai emirate number about 300,000, and many Iranian-owned businesses are located there (including branch offices of large trading companies based in Tehran and elsewhere in Iran). These relationships have often triggered U.S. concerns about the apparent re-exportation of some U.S. technology to Iran,²² although the UAE has said it has taken extensive steps, in cooperation with the United States, to reduce such leakage. In concert with the Saudi-Iran dispute over the execution of Nimr al Nimr, the UAE recalled its Ambassador from Iran in January 2016.

Qatar²³

Qatar appears to occupy a "middle ground" between the anti-Iran animosity of Saudi Arabia, the UAE, and Bahrain, and the sustained and frequent engagement with Iran exhibited by Oman. Qatar maintains some high-level contact with Iran; the speaker of Iran's Majles (parliament) visited Qatar in March 2015 and the Qatari government allowed him to meet with Hamas leaders who are in exile in Qatar. However, Qatar also has pursued policies that are opposed to Iran's interests, for example by providing arms and funds to factions in Syria opposed to Syrian President Bashar Al Asad and joining the Saudi-led military action in Yemen.

Unlike the UAE, Qatar does not have any active territorial disputes with Iran. Yet, Qatari officials reportedly remain wary that Iran could try to encroach on the large natural gas field it shares with Iran, fueled by occasional Iranian statements such as one in April 2004 by Iran's deputy oil minister that Qatar is probably producing more gas than "her right share" from the field. He

²⁰ For detailed information on Iran-UAE relations, see CRS Report RS21852, *The United Arab Emirates (UAE): Issues for U.S. Policy*, by Kenneth Katzman.

²¹ <http://archive.defensenews.com/article/20140115/DEFREG04/301150034/Source-UAE-Iran-Reach-Accord-Disputed-Hormuz-Islands>.

²² <http://www.nytimes.com/2008/04/02/washington/02UAE.html?pagewanted=print>.

²³ For detailed information on Iran-Qatar relations, see CRS Report RL31718, *Qatar: Background and U.S. Relations*, by Christopher M. Blanchard.

added that Iran “will not allow” its wealth to be used by others. As did UAE, Qatar withdrew its Ambassador from Iran in connection with the Nimr execution discussed above.

Bahrain²⁴

Bahrain is a core member of the GCC hardline camp on Iran issues. Bahrain is about 60% Shiite-inhabited, many of whom are of Persian origin, but the government is dominated by the Sunni Muslim Al Khalifa family. In 1981 and again in 1996, Bahrain publicly claimed to have thwarted Iranian attempts to support efforts by Bahraini Shiite dissidents to violently overthrow the ruling Al Khalifa family. Bahrain has consistently accused Iran of supporting radical Shiite factions that are part of a broader and mostly peaceful uprising begun in 2011 by mostly Shiite demonstrators.²⁵ The State Department report on international terrorism for 2015, cited above, contained perhaps the most direct U.S. assertion to date that Iran is providing support to Shiite militants in Bahrain. The report states that:

Iran has also provided weapons, funding, and training to Shia militants in Bahrain. In 2015, the Government of Bahrain raided, interdicted, and rounded up numerous Iran-sponsored weapons caches, arms transfers, and militants. This includes the Bahraini government’s discovery of a bomb-making facility with 1.5 tons of high-grade explosives in September (2015).

On several occasions, Bahrain has temporarily withdrawn its Ambassador from Iran following Iranian criticism of Bahrain’s treatment of its Shiite population or alleged Iranian involvement in purported anti-government plots. In June 2016, Iran used Bahrain’s measures against key Shiite leaders to issue renewed criticisms of and implied threats against the Al Khalifa regime.

On several earlier occasions, tensions had flared over Iranian attempts to question the legitimacy of a 1970 U.N.-run referendum in which Bahrainis opted for independence rather than for affiliation with Iran. In mid-March 2016, a former IRGC senior commander who currently advises Supreme Leader Khamene’i inflamed this issue anew by saying that Bahrain is a province of Iran that should be annexed.²⁶ Bahrain broke ties with Iran in concert with Saudi Arabia in January 2016, in connection with the Nimr execution dispute.

Kuwait²⁷

Kuwait cooperates with U.S.-led efforts to contain Iranian power and is participating in Saudi-led military action against Iran-backed Houthi rebels in Yemen. However, Kuwait appears to view Iran as helpful in stabilizing Iraq, a country that occupies a central place in Kuwait’s foreign policy because of their shared border and Iraq’s 1990 invasion of Kuwait. Kuwait cooperates with the Shiite-dominated government in Baghdad despite widespread criticism of the government’s marginalizing Sunni Iraqis. Kuwait also exchanges leadership-level visits with Iran; Kuwait’s Amir Sabah al-Ahmad Al Sabah visited Iran in June 2014, meeting with Rouhani and Supreme Leader Khamene’i.

²⁴ For detailed information on Iran-Bahrain relations, see CRS Report 95-1013, *Bahrain: Reform, Security, and U.S. Policy*, by Kenneth Katzman.

²⁵ <http://www.aljazeera.com/news/middleeast/2014/01/bahrain-accuses-iran-training-rebels-201413144049814960.html>.

²⁶ Gam News, Iran, as reported by Middle East Media Research Institute (MEMRI). March 17, 2016

²⁷ For detailed information on Iran-Kuwait relations, see CRS Report RS21513, *Kuwait: Governance, Security, and U.S. Policy*, by Kenneth Katzman.

Kuwait is differentiated from some of the other GCC states by its integration of Shiites into the political process and the economy. About 25% of Kuwaitis are Shiite Muslims, but Shiites have not constituted a restive, anti-government minority. Iran did not succeed in agitating Shiite radical groups in Kuwait in the 1980s to destabilize Kuwait—an apparent effort to pressure the country to end its support for the Iraqi war effort in the Iran-Iraq War (1980-1988). At the same time, Kuwait has stood firm against alleged Iranian spying or covert action in Kuwait. On numerous occasions, Kuwait has announced arrests of Kuwaitis alleged to be spying for or working with the IRGC-QF or Iran's intelligence service. Kuwait recalled its Ambassador from Iran in connection with the Saudi-Iran dispute over the Saudi execution of Al Nimr.

Oman²⁸

Of the GCC states, the Sultanate of Oman is closest politically to Iran. Omani officials assert that engagement with Iran is a more effective means to moderate Iran's foreign policy than to threaten or undertake direct or indirect military action against it. Oman also remains grateful for the Shah's sending of troops to help the Sultan suppress rebellion in the Dhofar region in the 1970s, even though Iran's regime changed since then.²⁹ In March 2014, Iranian President Hassan Rouhani visited Oman, the only GCC state he has visited since taking office. Sultan Qaboos made a state visit to Iran in August 2009, even though the visit coincided with large protests against alleged fraud in the reelection of then-President Mahmud Ahmadinejad. Qaboos visited again in August 2013, reportedly to explore concepts for improved U.S.-Iran relations and nuclear negotiations that ultimately led to the JCPOA. Since sanctions on Iran were lifted, Iran and Oman have accelerated their joint development of the Omani port of Duqm to serve, in part, as a trading and transportation outlet for Iran.

Omani ties to Iran manifest in several ways. Unlike Saudi Arabia and some other GCC states, Oman reportedly has not supported any factions fighting against the Asad regime in Syria and Oman has not joined the Saudi-led Arab intervention in Yemen. Oman's relationship with Iran and its membership in the GCC alliance has enabled Oman to undertake the role of mediator in both of those conflicts. Oman is the only GCC country to not downgrade its relations with Iran in connection with the January 2016 Saudi-Iran dispute over the execution of Al Nimr.

Iranian Policy in Iraq and Syria: Islamic State Crisis³⁰

Iran's policy has been to support the Shiite-led governments in Iraq and Syria—a policy that has been challenged by the Islamic State organization, a Sunni radical Islamist movement that captured territory in both of those countries. The United States and Iran have worked in parallel, although separately, to assist the Iraqi government against the Islamic State organization. However, the United States and Iran hold opposing positions on the Asad regime.

²⁸ For detailed information on Iran-Oman relations, see CRS Report RS21534, *Oman: Reform, Security, and U.S. Policy*, by Kenneth Katzman.

²⁹ As reported in author conversations in Oman and with Omani officials, 1988-2015.

³⁰ For information, see CRS Report R43612, *The Islamic State and U.S. Policy*, by Christopher M. Blanchard and Carla E. Humud.

Iraq³¹

In Iraq, the U.S. military ousting of Saddam Hussein in 2003 benefitted Iran strategically by removing a long-time antagonist and producing governments led by Shiite Islamists who have long-standing ties to Iran. Iran backed the government of Prime Minister Nuri al-Maliki, a Shiite Islamist. Maliki supported most of Iran's regional goals, for example by allowing Iran to overfly Iraqi airspace to supply the Assad regime.³² The June 2014 offensive led by the Islamic State organization at one point brought Islamic State forces to within 50 miles of the Iranian border. Iran responded quickly by supplying the Baghdad government as well as the *peshmerga* force of the autonomous Kurdistan Regional Government (KRG) with IRGC-QF advisers, intelligence drone surveillance, weapons shipments, and other direct military assistance.³³

Subsequent to the Islamic State offensive, Iranian leaders reportedly acquiesced to U.S. insistence that Iran's longtime ally Maliki be replaced by a different Shiite Islamist, Haydar Al Abbadi, who pledged to be more inclusive of Sunni leaders.³⁴ U.S. officials have said that Iran's targeting of the Islamic State contributes positively to U.S. efforts to assist the Iraqi government, but many aspects of Iranian policy in Iraq complicate the anti-Islamic State effort.

A major feature of Iran's policy in Iraq has been to support Shiite militias, some of which fought the United States during 2003-2011. During that U.S. intervention, Iran reportedly armed some of these militias with upgraded rocket-propelled munitions, such as Improvised Rocket Assisted Munitions (IRAMs). Shiite militias are estimated to have killed about 500 U.S. military personnel during 2003-2011.³⁵ Current estimates of the total Shiite militiamen in Iraq number about 110,000-120,000, including the long-standing Iran-backed militias discussed below as well as the approximately 40,000 men who joined to fight alongside the ISF against the Islamic State. These recently recruited PMFs work directly with the ISF and have received U.S. air strike support in some battles since mid-2015. Collectively, all of the Shiite militias are known as Popular Mobilization Forces or Units (PMFs or PMUs), also known by the Arabic name of *Hashid al-Shaabi*. The PMFs report to a Popular Mobilization Committee that is headed by National Security Adviser Falih Al Fayyad. The deputy head of the Committee is the head of one of the militias, Kata'ib Hezbollah, Abu Mahdi Al Muhandis. The PMFs received about \$1 billion from the government budget in the 2015 budget, which was increased to \$2 billion in the 2016 budget. The PMFs might also receive funds from Iran and from various parastatal organizations in Iran.³⁶

The commanders of the long-standing and most powerful militias, including Asa'ib Ahl Al Haq's Qais Khazali, the Badr Organization's Hadi al-Amiri, and Kata'ib Hezbollah's Muhandis, are said to wield growing influence. They all have close ties to Iran dating from their Iran-backed underground struggle against Saddam Hussein in the 1980s and 1990s, and the commanders are publicly pressuring Abbadi to reduce his reliance on the United States and ally closely with Iran.

³¹ For more information, see CRS Report RS21968, *Iraq: Politics and Governance*, by Kenneth Katzman and Carla E. Humud.

³² Michael Gordon, "Iran Supplying Syrian Military Via Iraqi Airspace," *New York Times*, September 5, 2012.

³³ "Iran News Agency Reports Death of Iranian Pilot in Iraq." Radio Free Europe/Radio Liberty. July 5, 2014.

³⁴ Babak Dehghanpisheh. "Iran Dramatically Shifts Iraq Policy to Confront Islamic State." *Reuters*, September 2, 2014.

³⁵ <http://www.militarytimes.com/story/military/capitol-hill/2015/07/14/iran-linked-to-deaths-of-500-us-troops-in-iraq-afghanistan/30131097/>.

³⁶ Ned Parker. "Power Failure in Iraq as Militias Outgun State." *Reuters*, October 21, 2015.

Sadrist Militias

Moqtada Al Sadr's professed Iraqi nationalism in part explains his opposition to the United States during 2003-2011. He formed his "Mahdi Army" militia in 2004 to combat the U.S. military presence in Iraq, and U.S. troops fought several major battles with the Mahdi Army, an offshoot called the "Special Groups," and several other offshoots including Asa'ib Ahl Al Haq and Kata'ib Hezbollah, from 2004 to 2008. Sadr's campaign meshed with Iran's policy to ensure that the United States completely withdrew from Iraq. Much of the Mahdi Army had already been slowly integrating into the political process as a charity and employment network called *Mumahidoon* ("those who pave the way"). In response to the Islamic State offensive in 2014, former Mahdi Army militiamen reorganized as the "Salaam (Peace) Brigade," with about 15,000 fighters.

Other Mahdi Army Offshoots: Kata'ib Hezbollah and Asa'ib Ahl Al Haq

Sadrist pressure on the U.S. forces during 2003-2011 was amplified by the activities of several other Shiite militias, some of which left Sadr's control and fell increasingly under the sway of Iran its Islamic Revolutionary Guard-Qods Force (IRGC-QF) and its commander, Major General Qasem Soleimani. The Sadrist offshoot militias the IRGC-QF most intensively advised and armed include Asa'ib Ahl al-Haq (AAH, League of the Family of the Righteous), Kata'ib Hezbollah (Hezbollah Battalions), and the Promised Day Brigade, the latter organization of which might still be affiliated to some degree with Sadr.³⁷ In June 2009, Kata'ib Hezbollah was designated by the State Department as a Foreign Terrorist Organization (FTO). In July 2009, the Treasury Department designated Kata'ib Hezbollah and its commander, Abu Mahdi Al Muhandis, as threats to Iraqi stability under Executive Order 13438.

Muhandis was a Da'wa party operative during Saddam's rule, and was convicted in absentia by Kuwaiti courts for the Da'wa attempt on the life of then Amir Jabir Al Ahmad Al Sabah in May 1985, and for the 1983 Da'wa bombings of the U.S. and French embassies in Kuwait City. After these attacks, he served as leader of the Badr Corps (Badr Organization, see below) of the Supreme Council for the Islamic Revolution in Iraq (SCIRI), but he broke with SCIRI after the U.S. invasion of Iraq in 2003 because SCIRI did not oppose the U.S. military presence in Iraq. He associated with Sadr and the Mahdi Army during 2003-2006 but then broke from Sadr to form Kata'ib Hezbollah. KAH has an estimated 20,000 fighters.³⁸

AAH's leader, Qais al-Khazali, headed the Mahdi Army "special groups" during 2006-2007, until his capture and incarceration by U.S. forces for his alleged role in a 2005 raid that killed five American soldiers. During his imprisonment, his followers formed the Mahdi Army offshoot as AAH. After his release in 2010, Khazali took refuge in Iran, returning in 2011 to take resume command of AAH while also converting it into a political movement and social service network. AAH did not compete in April 2013 provincial elections, but allied with Maliki in the 2014 elections (Al Sadiqun, "the Friends," slate 218).³⁹ AAH resumed its military activities after the 2014 Islamic State offensive that captured Mosul. It has an estimated 15,000 fighters.

The Badr Organization

One major Shiite militia is neither a Sadrist offshoot nor an antagonist of U.S. forces during 2003-2011. The Badr Organization was the armed wing of the Islamic Supreme Council of Iraq, a

³⁷ Department of State. Bureau of Counterterrorism. Country Reports on Terrorism 2014. Released June 19, 2015.

³⁸ <http://www.aljazeera.com/indepth/opinion/2016/02/iraq-popular-demobilisation-160224050939178.html>.

³⁹ Liz Sly. "Iran-Tied Group Is On Rise in Iraq." *Washington Post*, February 19, 2013.

mainstream Shiite party, headed now by Ammar al-Hakim. The Badr Corps was the name of the organization's underground military wing during Saddam's rule. It received training and support from the IRGC-QF in its failed efforts to overthrow Saddam, and particularly during the failed Shiite uprising in southern Iraq that took place after Iraq's expulsion from Kuwait in 1991. The Badr Organization largely disarmed after Saddam's fall and integrated immediately into the political process. It did not oppose the U.S. presence in Iraq, instead apparently viewing the United States as facilitating Iraq's transition to Shiite rule. Its leader is Hadi al-Amiri, an elected member of the National Assembly who is viewed as a hardliner advocating extensive use of the Shiite militias to recapture Sunni-inhabited areas. However, the militia is reported to be increasing its influence in the mixed province of Diyala in an apparent effort to solidify Shiite rule over the province. In addition, the militia exerts influence in the Interior Ministry, which is led by a Badr member, Mohammad Ghabban. Badr has an estimated 20,000 militia fighters.⁴⁰

Shiite Militias Formed after the U.S. Withdrawal

Some Shiite militias formed after the U.S. withdrawal. Some formed mainly to assist Asad in Syria, while others have gained strength since the 2014 Islamic State offensive. Those that formed to assist Asad include the Harakat Hezbollah al-Nujaba or "Nujaba Movement," which organized in 2013. It is led by Shaykh Akram al-Ka'bi, its secretary general, and remains engaged in Syria as well as in Iraq. It receives some backing from the IRGC-QF. Another Shiite militia that formed in 2013 is the "Mukhtar Army," reportedly formed to help the government suppress Sunni protests. It was led by Wathiq al-Battat, who reportedly was killed in late 2014.⁴¹ The Mukhtar Army claimed responsibility for a late October 2015 attack on Iranian dissidents inhabiting the "Camp Liberty" facility, discussed further below. The numbers of these militias are not known.

Syria⁴²

On Syria, the United States asserts that President Bashar Al Asad should eventually leave office as part of a negotiated political solution to the conflict. Iran publicly insists that Asad's fate be determined only by the Syrian people and not by outside powers, and its actions appear designed to keep Asad in power indefinitely despite his secular ideology. Iran considers Asad a key ally because (1) his regime centers around his Alawite community, which practices a version of Islam akin to Shiism; (2) he and his father, who led Syria before him, have been Iran's closest Arab allies; (3) Syria's cooperation is key to the arming and protection of Iran's arguably most cherished ally in the Middle East, Lebanon's Hezbollah; and (4) Iran apparently fears that the Islamic State and other Sunni Islamic extremists will come to power if Asad falls. Iran seeks to ensure that Sunni extremist groups cannot easily attack Hezbollah in Lebanon from across the Syria border. Both Iran and Syria have used Hezbollah as leverage against Israel to try to achieve regional and territorial aims.

U.S. officials and reports assert that Iran is providing substantial amounts of material support to the Syrian regime. It is directly providing to the Asad regime funds, weapons, and IRGC-QF advisors, and recruitment of Hezbollah and other non-Syrian Shiite militia fighters.⁴³ Iran is

⁴⁰ <http://www.aljazeera.com/indepth/opinion/2016/02/iraq-popular-demobilisation-160224050939178.html>.

⁴¹ http://www.longwarjournal.org/archives/2014/12/leader_of_iran-suppo.php.

⁴² For more information on the conflicts in Syria, see CRS Report RL33487, *Armed Conflict in Syria: Overview and U.S. Response*, coordinated by Christopher M. Blanchard.

⁴³ Details and analysis on the full spectrum of Iranian assistance to Asad is provided by the Institute for the Study of (continued...)

estimated to have deployed about 1,300-1,800 IRGC-QF, IRGC ground force, and even some regular army special forces personnel to Syria, although exact numbers might fluctuate somewhat.⁴⁴ In February 2016, subsequent to Russia's intervention in Syria, Secretary of State Kerry testified that Iran had reduced its force levels in Syria somewhat, suggesting Iran might have been using the Russian intervention to reduce its risks there. About 200 Iranian military personnel have died in Syria, including several high-level IRGC-QF commanders, indicating that the Iranian personnel go beyond the advisory role that Iran acknowledges.⁴⁵ The deployment of regular army forces in Syria is significant because Iran's regular military has historically been confined to operations within Iran only.

In June 2015, the office of the U.N. Special Envoy to Syria Staffan de Mistura stated that the envoy estimates Iran's aid to Syria, including military and economic aid, to total about \$6 billion per year.⁴⁶ Other estimates vary, and CRS has no way to independently corroborate any particular estimate.

The IRGC-QF has helped organize Asad's forces, including by establishing the National Defense Forces (NDF), a militia, modeled on Iran's Basij force,⁴⁷ to assist Syria's army. The IRGC-QF also has recruited and paid regional Shiite fighters, including Iraqi Shiite militiamen and Shiites from Afghanistan and Pakistan, to assist the struggling Syrian force. Most notably, Iran urged and facilitated the deployment to Syria of an estimated 2,000-4,000 Hezbollah militiamen—a sizeable proportion of Hezbollah's force.⁴⁸ Some estimates indicate there might be as many as 20,000 total foreign Shiite fighters in Syria, including those from Hezbollah.

At the same time, Iran has not forsworn diplomacy to try to achieve at least some of its goals in Syria. Some experts assert that Iran might be willing to abandon Asad if doing so can salvage Iran's core goals in Syria.⁴⁹ In December 2012, and again in July 2015, Iran announced proposals for a peaceful transition in Syria that would culminate in free, multiparty elections. Iran did not publicly dissent from joint statements issued following meetings of an international contact group in Vienna on October 30 and November 14, 2015, meetings Iran attended. Iran was invited to participate in the Vienna process after the United States dropped its objections on the grounds that, in the wake of the JCPOA, Iran could potentially contribute to a political solution in Syria. If it abandons Asad, Iran would likely try to engineer the accession of another leader, presumably an Alawite, who would be likely to accommodate Iran's interests. Iran would almost certainly undertake extensive efforts to prevent the accession of any government in Syria that would seek to deny the use of Syria as a base for Iran to supply and protect Hezbollah.

(...continued)

War. "Iranian Strategy in Syria," by Will Fulton, Joseph Holliday, and Sam Wyer. May 2013.

⁴⁴ Dan Williams. "Israel Says 55 Iranians Killed in Syria's War." Reuters, November 19, 2015; American Enterprise News Round Up. April 4, 2016.

⁴⁵ Will Fulton, Joseph Holliday, and Sam Wyer, "Iranian Strategy in Syria," Institute for the Study of War, May 2013.

⁴⁶ Eli Lake. "Iran Spends Billions to Prop Up Asad," Bloomberg View, June 9, 2015.

⁴⁷ The Basij is a militia, under the command of the IRGC, that plays a role in internal security and which could undertake combat in the event Iran is engaged in armed conflict with another state.

⁴⁸ http://www.understandingwar.org/sites/default/files/Hezbollah_Sullivan_FINAL.pdf.

⁴⁹ As reported in author conversations with European and U.S. experts on Iran and Syria in Washington, DC, 2014-2015.

Israel: Iran's Support for Hamas and Hezbollah⁵⁰

Iran asserts that Israel is an illegitimate creation of the West and an oppressor of the Palestinian people and other Arab Muslims. This position differs dramatically from that of the pre-1979 regime of the Shah of Iran, who maintained relatively normal relations with Israel, including embassies in each other's capitals and an extensive network of economic ties. Supreme Leader Khamene'i has repeatedly described Israel as a "cancerous tumor" that should be removed from the region. In a September 2015 speech, Khamene'i stated that Israel will likely not exist in 25 years—the time frame for the last specific JCPOA nuclear restriction to expire.⁵¹

Iran's open hostility to Israel—manifested in part by its support for groups that undertake armed action against Israel—gives rise to assertions by Israeli leaders that a nuclear-armed Iran would constitute an "existential threat" to the State of Israel and fuel Iran's support for armed factions on Israel's borders, such as Hamas and Hezbollah. More broadly, Iran might be attempting to disrupt prosperity, morale, and perceptions of security among Israel's population and undermine the country's appeal to those who have options to live elsewhere. The formal position of the Iranian Foreign Ministry is that Iran would not seek to block an Israeli-Palestinian settlement but that the process is too weighted toward Israel to yield a fair result.

Iran's leaders routinely state that Israel presents a serious strategic threat to Iran and that the international community applies a "double standard" to Iran as compared to Israel's presumed nuclear arsenal. Iranian diplomats point out in international meetings that Israel has faced no sanctions, despite being the only Middle Eastern country to possess nuclear weapons and not becoming a party to the Nuclear Non-Proliferation Treaty. Iran's leaders assert that Israel is a nuclear threat to Iran, citing Israeli statements that Israel retains the option to unilaterally strike Iran's nuclear facilities. Iran also asserts that Israel's purported nuclear arsenal is a main obstacle to achieving support for a weapons-of-mass-destruction (WMD) free zone in the Middle East.

Iran's material support for militant anti-Israel groups has long concerned U.S. Administrations. For at least a decade, the annual State Department report on international terrorism has repeated its claim that Iran provides funding, weapons, and training to Hamas, Palestinian Islamic Jihad—Shiqaqi Faction (PIJ), the Al Aqsa Martyrs Brigades (a militant offshoot of the dominant Palestinian faction Fatah), and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC). All are named as foreign terrorist organizations (FTOs) by the State Department. Iran has long supported Lebanese Hezbollah, which is an FTO and which portrays itself as the vanguard of resistance to Israel. In November 2014, a senior IRGC commander said that Iran had provided Hezbollah and Hamas with training and Fateh-class missiles, which enable the groups to attack targets in Israel.⁵²

Hamas⁵³

Successive annual State Department reports on terrorism have stated that Iran gives Hamas funds, weapons, and training. Hamas seized control of the Gaza Strip in 2007 and now administers that territory. Although it formally ceded authority over Gaza in June 2014 to a consensus Palestinian

⁵⁰ For more information, see CRS Report R42816, *Lebanon: Background and U.S. Policy*, by Christopher M. Blanchard; CRS Report R41514, *Hamas: Background and Issues for Congress*, by Jim Zanotti; and CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti.

⁵¹ <http://www.cnn.com/2015/09/10/middleeast/iran-khamenei-israel-will-not-exist-25-years/>.

⁵² "Iranian General: Palestinians Have Longer-Range Missiles." *The Times of Israel*, November 12, 2014.

⁵³ For more information, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

Authority government, Hamas retains de-facto security control over that territory. Its terrorist attacks within Israel have significantly diminished in number since 2005, but Hamas continues to occasionally engage in armed action against Israel, using rockets and other weaponry supplied by Iran. Israel and Hamas came into conflict in late 2008-early 2009; in November 2012; and during July-August 2014. Iran's financial support (not including weapons provided) has ranged from about \$300 million per year during periods of substantial Iran-Hamas collaboration, to much smaller amounts during periods of tension between the two, such as those discussed below.⁵⁴ CRS has no way to corroborate the levels of Iranian funding to Hamas.

The Iran-Hamas relationship was forged in the 1990s as part of an apparent attempt to disrupt the Israeli-Palestinian peace process through Hamas's suicide bombings and other attacks on buses, restaurants, and other civilian targets inside Israel. However, in 2012, their differing positions on the ongoing Syria conflict caused a rift in the relationship. Largely out of sectarian sympathy with the mostly Sunni rebels in Syria, Hamas opposed the efforts by Assad to defeat the rebellion militarily. Apparently as a consequence, Iran reduced its support to Hamas in its 2014 conflict with Israel as compared to previous Hamas-Israel conflicts in which Iran backed Hamas extensively. Since then, Iran has apparently sought to rebuild the relationship by providing missile technology that Hamas used to construct its own rockets and by helping it rebuild tunnels destroyed in the conflict with Israel.⁵⁵ Some Hamas leaders have welcomed rebuilding the group's relations with Iran, perhaps because of financial difficulties the organization has faced since the military leadership in Egypt began closing smuggling tunnels at the Gaza-Sinai border in 2013.

Hezbollah⁵⁶

Lebanese Hezbollah, which Iranian leaders assert is a tangible and significant outgrowth of the 1979 Iranian revolution itself, is Iran's most significant non-state ally in the region. Hezbollah has acted in support of its own as well as Iranian interests on numerous occasions and in many forms, including through acts of terrorism and other armed action. The Iran-Hezbollah relationship began when Lebanese Shiite clerics of the pro-Iranian Lebanese Da'wa (Islamic Call) Party began to organize in 1982 into what later was unveiled in 1985 as Hezbollah. As Hezbollah was forming, the IRGC sent advisory forces to help develop Hezbollah's military wing, and these IRGC forces subsequently became the core of what is now the IRGC-QF.⁵⁷ The State Department report on international terrorism for 2015, referenced earlier, says that Hezbollah continues to be "capable of operating around the globe." The report adds that Iran has provided Hezbollah with "hundreds of millions of dollars" and has "trained thousands of [Hezbollah] fighters at camps in Iran."⁵⁸ CRS has no way to update or independently corroborate any such estimates or identify any more recent changes in current Iranian aid levels, if any.

Iran's political, financial, and military aid to Hezbollah has helped it become a major force in Lebanon's politics. Hezbollah now plays a major role in decisionmaking and leadership selections in Lebanon. The Lebanese Armed Forces (LAF) rarely acts against Hezbollah's forces or

⁵⁴ Robert Tait, "Iran Cuts Hamas Funding Over Syria." *Telegraph*, May 31, 2013.

⁵⁵ Stuart Winer. "Iran Boasts of Rocket Aid to Palestinians, Hezbollah." *The Times of Israel*, February 3, 2015; and, <http://www.wsj.com/articles/iran-rekindles-relations-with-hamas-1429658562>.

⁵⁶ CRS Report R41446, *Hezbollah: Background and Issues for Congress*, by Casey L. Addis and Christopher M. Blanchard.

⁵⁷ Kenneth Katzman. "The Warriors of Islam: Iran's Revolutionary Guard." *Westview Press*, 1993.

⁵⁸ State Department. *Country Reports on Terrorism 2015*. Chapter 3: State Sponsors of Terrorism. Iran.

interests. However, there has been vocal criticism of Hezbollah within and outside Lebanon for its active support for Assad in Syria. That involvement has diluted Hezbollah's image as a steadfast opponent of Israel by embroiling it in a war against fellow Muslims.

Earlier, Hezbollah's attacks on Israeli forces in southern Lebanon contributed to an Israeli withdrawal in May 2000, and Hezbollah subsequently maintained military forces along the border. Hezbollah fired Iranian-supplied rockets on Israel's northern towns during a July-August 2006 war with Israel, including at the Israeli city of Haifa (30 miles from the border),⁵⁹ and in July 2006 hit an Israeli warship with a C-802 sea-skimming missile. Iran bought significant quantities of C-802s from China in the 1990s, and Iran almost certainly was the supplier of the weapon to Hezbollah. Hezbollah was perceived in the Arab world as a victor in the war for holding out against Israel. Since that conflict, Iran has resupplied Hezbollah to the point where it has, according to Israeli sources, as many as 100,000 rockets and missiles, some capable of reaching Tel Aviv from south Lebanon, as well as upgraded artillery, anti-ship, anti-tank, and anti-aircraft capabilities.⁶⁰ In the context of the conflict in Syria, Israel has carried out occasional air strikes inside Syria against Hezbollah commanders and purported arms shipments via Syria to Hezbollah. In January 2015, Hezbollah attacked an Israeli military convoy near the Lebanon-Israel-Syria tri-border area, killing two Israeli soldiers. However, these incidents have not, to date, escalated into a broader Israel-Hezbollah conflict.

Yemen⁶¹

Yemen does not appear to represent a core security interest of Iran, but Iranian leaders appear to perceive Yemen's instability as an opportunity to acquire additional leverage against Saudi Arabia, which shares a long border with Yemen. Yemen's elected leaders have long claimed that Iran is trying to take advantage of Yemen's instability by backing the Zaydi Shiite revivalist movement known as the "Houthis" (Ansar Allah) with arms and other aid. Yemen has been unstable since the 2011 "Arab Spring" uprisings, which included Yemen and which forced longtime President Ali Abdullah Saleh to resign in January 2012. In early 2015, the Houthis and their allies seized the capital, Sana'a, forcing Saleh's successor, Abd Rabu Mansur Al Hadi, to flee to Aden. Saudi Arabia subsequently assembled a 10-country Arab coalition, with logistical help from the United States, that undertook airstrikes and ground action against the Houthi forces and has recaptured some key territory.⁶² A variety of international and regional mediators are attempting to broker a political solution that might restore the elected Hadi government—an outcome that could set back Iran's influence on the Arabian Peninsula.

Observers describe Iran's influence over the Houthis as limited and assert that the Houthi insurrection action against President Hadi was not instigated by Iran. On April 20, 2015, a National Security Council spokesperson said that, "It remains our assessment that Iran does not exert command and control over the Houthis in Yemen," and an unnamed U.S. intelligence official reportedly said, "It is wrong to think of the Houthis as a proxy force for Iran."⁶³ Iran's support for the Houthis appears far less systematic or large-scale than is Iran's support to the

⁵⁹ "Israel's Peres Says Iran Arming Hizbollah," *Reuters*, February 4, 2002.

⁶⁰ IAF Chief: Israel Will Destroy Hezbollah Bases in Lebanon, Even Ones in Residential Areas." *Reuters/Jerusalem Post*, January 29, 2015.

⁶¹ For more information, see CRS Report R43960, *Yemen: Civil War and Regional Intervention*, by Jeremy M. Sharp.

⁶² Ali al-Mujahed and Hugh Naylor. "Yemen Rebels Defy Saudi-led Attacks." *Washington Post*, March 28, 2015.

⁶³ Ali Watkins, Ryan Grim, and Akbar Shahid Ahmed, "Iran Warned Houthis Against Yemen Takeover," *Huffington Post*, April 20, 2015.

government of Iraq or to Asad of Syria. The State Department report on international terrorism for 2015 did not mention support for the Houthis in its analysis of Iran's activities in 2015.

Still, a panel of U.N. experts assigned to monitor Iran's compliance with U.N. restrictions on its sales of arms abroad has asserted that Iran has shipped arms to the Houthis. In September 2015, the Saudi-led coalition claimed to have seized an Iranian boat purportedly delivering weapons to the Houthis. During a visit to Bahrain in early April 2016, Secretary of State Kerry reportedly was briefed by U.S. naval officials about interceptions by U.S., British, and French ships of at least four Iranian shipments of weapons bound for the Houthis.⁶⁴ At the U.S.-GCC summit on April 21, 2016, the United States and the GCC agreed to joint patrols to prevent Iranian weapons shipments to the Houthis. No firm estimates of Iranian aid to the Houthis exist, but some Houthi sources estimate Iran has supplied the group with "tens of millions of dollars" total over the past few years.⁶⁵

Turkey⁶⁶

Iran shares a short border with Turkey, but the two have extensive political and economic relations. Turkey is a member of NATO, and Iran has sought to limit Turkey's cooperation with its NATO partners in any U.S.-backed efforts to emplace even defensive equipment, such as missile defense technology, near Iran's borders. Iran is a major supplier of both oil and natural gas to Turkey, through a joint pipeline that began operations in the late 1990s and has since been supplemented by an additional line. Iran and Turkey also agreed in 2011 to cooperate to try to halt cross border attacks by Kurdish groups that oppose the governments of Turkey (Kurdistan Workers' Party, PKK) and of Iran (Free Life Party, PJAK), and which enjoy a measure of safe have in northern Iraq. Turkey has supported the JCPOA for its potential to constrain Iran's nuclear program and because sanctions relief eases constraints on expanding Iran-Turkey trade. On the other hand, the two countries have disputes on some regional issues, possibly caused by the sectarian differences between Sunni-inhabited Turkey and Shiite Iran. Turkey has advocated Asad's ouster as part of a solution for conflict-torn Syria. Iran, as has been noted, is a key supporter of Asad.

In the 1990s and early 2000s, Iran and Turkey were at odds over the strategic engagement of Turkey's then leaders with Israel. The Iran-Turkey dissonance on the issue has faded since the Islamist-rooted Justice and Development Party (AKP) came to power in Turkey about a decade ago. Since then Turkey has realigned its foreign policy somewhat and has been a significant supporter of Hamas, which also enjoys Iran's support, and other Islamist movements.

Egypt

Iran's relations with Egypt have been strained for decades, spanning various Egyptian regimes. Egypt is a Sunni-dominated state that is aligned politically and strategically with other Sunni governments that are critical of Iran. Egypt sided with Saudi Arabia and the other GCC states on the Nimr execution issue by breaking diplomatic relations with Iran. Egypt, particularly under the government of Abd al Fattah Sisi, views Hamas as a potential Islamist threat and has sought to

⁶⁴ David Sanger. "Kerry Confronts Concerns of Arab States After Iran Nuclear Deal." *New York Times*, April 8, 2016.

⁶⁵ Jay Solomon, Dion Nissenbaum, and As Fitch, "In Strategic Shift, U.S. Draws Closer to Yemeni Rebels." *Wall Street Journal*, January 29, 2015.

⁶⁶ For analysis on Turkey's foreign policy and U.S. relations, see CRS Report R44000, *Turkey: Background and U.S. Relations In Brief*, by Jim Zanotti.

choke off Iranian and other weapons supplies to that movement. On the other hand, Egypt has been less insistent on Assad's ouster in Syria, giving Egypt and Iran some common ground on a major issue that divides Iran from the GCC and several other Sunni-led countries.

South and Central Asia Region

Iran's relations with countries in the Caucasus, Central Asia, and South Asia vary significantly, from close relations with Afghanistan to animosity with Azerbaijan. Regardless of any differences, most countries in these regions conduct relatively normal trade and diplomacy with Iran. Some of them, such as Uzbekistan and Pakistan, face significant domestic threats from radical Sunni Islamist extremist movements similar to those that Iran characterizes as a threat to Iran and to regional stability. Such common interests create an additional basis for Central and South Asian cooperation with Iran.

Most of the Central Asia states that were part of the Soviet Union are governed by authoritarian leaders and offer Iran little opportunity to exert influence by supporting opposition factions. Afghanistan, on the other hand, remains dependent on support from international forces, and Iran is able to exert influence over several major factions and in several regions of the country. Some countries in the region, particularly India, apparently seek greater integration with the United States and other world powers and, until the implementation of the JCPOA in January 2016, limited or downplayed cooperation with Iran. The following sections cover those countries in the Caucasus and South and Central Asia that have significant economic and political relationships with Iran.

Figure 2. South and Central Asia Region



Source: Created by CRS.

The South Caucasus: Azerbaijan

Azerbaijan is, like Iran, mostly Shiite Muslim-inhabited. However, Azerbaijan is ethnically Turkic and its leadership is secular. Iran and Azerbaijan also have territorial differences over boundaries in the Caspian Sea, which regional officials say will be addressed at a planned regional summit meeting in Astana, Kazakhstan, later in 2016. Iran asserts that Azeri nationalist movements might stoke separatism among Iran's large Azeri Turkic population, which has sometimes been restive. Largely as a result of these differences, Iran has generally tilted toward Armenia, which is Christian, in Armenia's conflict with Azerbaijan over the Nagorno-Karabakh enclave. That relationship is expected to grow in the form of regional energy projects under discussion between Iran, Armenia, and Georgia, that no longer face the prospect of international sanctions.

For its part, Azerbaijan has entered into substantial strategic cooperation with the United States, directed not only against Iran but also against Russia. The U.S.-Azerbaijan cooperation has

extended to Azerbaijan's deployments of troops to and facilitation of supply routes to Afghanistan,⁶⁷ as well as counterterrorism cooperation.

Azerbaijan has been a key component of U.S. efforts to structure oil and gas routes in the region to bypass Iran. In the 1990s, the United States successfully backed construction of the Baku-Tbilisi-Ceyhan oil pipeline, intended in part to provide non-Iranian and non-Russian export routes. On the other hand, the United States has apparently accepted Azerbaijan's assertions that it needs to deal with Iran on some major regional energy projects. Several U.S. sanctions laws exempted from sanctions long-standing joint natural gas projects that involve some Iranian firms—particularly the Shah Deniz natural gas field and pipeline in the Caspian Sea. The project is run by a consortium in which Iran's Naftiran Intertrade Company (NICO) holds a passive 10% share. (Other major partners are BP, Azerbaijan's national energy firm SOCAR, and Russia's Lukoil.)⁶⁸

Central Asia

Iran has generally sought positive relations with the leaderships of the Central Asian states, even though most of these leaderships are secular. All of the Central Asian states are inhabited in the majority by Sunnis, and several have active Sunni Islamist opposition movements. The Central Asian states have long been wary that Iran might try to promote Islamic movements in Central Asia, but more recently the Central Asian leaders have seen Iran as an ally against Sunni movements that are active in Central Asia, such as the Islamic Movement of Uzbekistan (IMU).⁶⁹ That group, which is active in Afghanistan, in mid-2015, declared its loyalty to the Islamic State organization, which has recruited fighters from Central Asia to help fill its combat ranks in Iraq and Syria.⁷⁰ Central Asian leaders express concern that these fighters are returning to their countries of origin and could potentially conduct terrorist attacks there. Almost all of the Central Asian states share a common language and culture with Turkey; Tajikistan is alone among them in sharing a language with Iran.

Iran and the Central Asian states carry on normal economic relations. In December 2014, a new railway was inaugurated through Iran, Kazakhstan, and Turkmenistan, providing a link from the Persian Gulf to Central Asia.⁷¹ And, the lifting of sanctions could position Iran as central to energy and transportation routes that might link East Asia with Europe. Such a vision was discussed with Iranian leaders during the January 2016 visit to Iran of China's President Xi Jinping, who stated that he envisions Iran included in China's "One Belt, One Road" initiative to build up infrastructure in countries west of China—akin to reviving the old "Silk Road."

Along with India and Pakistan, Iran has been given observer status in a Central Asian security grouping called the Shanghai Cooperation Organization (SCO—Russia, China, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan). In April 2008, Iran applied for full membership in the organization. Apparently in an effort to cooperate with international efforts to pressure Iran, in June 2010, the SCO barred admission to Iran on the grounds that it is under U.N. Security

⁶⁷ <http://foreignpolicynews.org/2014/04/10/azerbaijans-strategic-relations-united-states/>.

⁶⁸ For more information, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

⁶⁹ Sebastien Peyrouse. "Iran's Growing Role in Central Asia? Geopolitical, Economic, and Political Profit and Loss Account." Al Jazeera Center for Studies. April 6, 2014. <http://studies.aljazeera.net/en/dossiers/2014/04/2014416940377354.html>.

⁷⁰ Stratfor. "Re-Examining the Threat of Central Asian Militancy" January 21, 2015. <http://www.stratfor.com/analysis/re-examining-threat-central-asian-militancy#axzz3PTRMU0el>.

⁷¹ <http://www.railwaygazette.com/news/news/asia/single-view/view/iran-turkmenistan-kazakhstan-rail-link-inaugurated.html>.

Council sanctions.⁷² However, some officials from SCO member countries have stated that the implementation of the JCPOA removes that formal obstacles to Iran's obtaining full membership.

Turkmenistan

Turkmenistan and Iran have a land border in Iran's northeast. Iran's Supreme Leader, Grand Ayatollah Ali Khamene'i, is of Turkic origin; his family has close ties to the Iranian city of Mashhad, capital of Khorasan Province, which borders Turkmenistan. The two countries are also both rich in natural gas reserves. A natural gas pipeline from Iran to Turkey, fed with Turkmenistan's gas, began operations in 1997, and a second pipeline was completed in 2010. Turkmenistan still exports some natural gas through the Iran-Turkey gas pipeline, but China has since become Turkmenistan's largest natural gas customer. Perhaps in an attempt to diversify gas export routes, President Gurbanguly Berdimukhamedov signaled in 2007 that Turkmenistan sought to develop a trans-Caspian gas pipeline. That project has not been implemented, to date.

Another potential project favored by Turkmenistan and the United States would likely reduce interest in pipelines that transit Iran. President Berdimukhamedov has revived his predecessor's 1996 proposal to build a gas pipeline through Afghanistan to Pakistan and India (termed the Turkmenistan-Afghanistan-Pakistan-India, or "TAPI" pipeline). In August 2015, Turkmenistan's state-owned gas company was named head of the pipeline consortium and Turkmenistan officials said the project was formally inaugurated in December 2015,⁷³ with completion expected in 2019. U.S. officials have expressed strong support for the project as "a very positive step forward and sort of a key example of what we're seeking with our New Silk Road Initiative, which aims at regional integration to lift all boats and create prosperity across the region."⁷⁴

Tajikistan

Iran and Tajikistan share a common Persian language, as well as literary and cultural ties. Despite the similar ethnicity, the two do not share a border and the population of Tajikistan is mostly Sunni. In March 2013, President Imamali Rakhmonov warned that since Tajikistan had become independent, the country and the world have experienced increased dangers from "arms races, international terrorism, political extremism, fundamentalism, separatism, drug trafficking, transnational organized crime, [and] the proliferation of weapons of mass destruction." These are threats that Iranian leaders claim to share. Rakhmonov also stated that close ties with neighboring and regional states were a priority, to be based on "friendship, good-neighborliness, [and] non-interference in each other's internal affairs," and to involve the peaceful settlement of disputes, such as over border, water, and energy issues.⁷⁵ He stated that relations with Iran would be expanded, but Tajikistan has not announced any significant joint projects with Iran since.

Some Sunni Islamist extremist groups that pose a threat to Tajikistan are allied with Sunni extremist groups, such as Al Qaeda, that Iranian leaders have publicly identified as threats to Iran and to the broader Islamic world. Tajikistan's leaders appear particularly concerned about Islamist movements in part because the Islamist-led United Tajik Opposition posed a serious threat to the newly independent government in the early 1990s, and a settlement of the insurgency in the late

⁷² Substantially more detail on Iran's activities in Afghanistan is contained in CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

⁷³ <http://www.reuters.com/article/2015/09/15/turkmenistan-pipeline-idUSL5N11L0RE20150915>.

⁷⁴ U.S. Department of State, Daily Press Briefing, May 23, 2012.

⁷⁵ Center for Effective Dispute Resolution (CEDR), March 16, 2013, Doc. No. CEL-54015758.

1990s did not fully resolve government-Islamist opposition tensions. The Tajikistan government has detained members of Jundallah (Warriors of Allah)—a Pakistan-based Islamic extremist group that has conducted bombings and attacks against Iranian security personnel and mosques in Sunni areas of eastern Iran. In part because the group attacked some civilian targets in Iran, in November 2010, the State Department named the group an FTO—an action praised by Iran.

Kazakhstan

Kazakhstan, one of the seemingly more stable Central Asian states, is a significant power by virtue of its geographic location, large territory, and ample natural resources. It supported an Iran nuclear deal in part for its potential to end sanctions on Iran, and Kazakhstan hosted a round of the P5+1-Iran nuclear negotiations in 2013. In September 2014, Kazakhstan's President Nursultan Nazarbayev held talks with President Rouhani, expressing the hope that a comprehensive nuclear agreement between Iran and the P5+1 would be achieved and enable Iran to better integrate economically into the Central Asian region.⁷⁶ Kazakhstan played a role in the commercial arrangements that produced the late December 2015 shipment out to Russia of almost all of Iran's stockpile of low-enriched uranium—an action that fulfilled a key requirement of the JCPOA. Kazakhstan's National Atomic Company Kazatomprom supplied Iran with 60 metric tons of natural uranium on commercial terms as compensation for the removal of the low-enriched uranium. Norway paid for the Kazakh material.

With sanctions now eased, Iran is open to additional opportunities to cooperate with Kazakhstan on energy projects. Kazakhstan possesses 30 billion barrels of proven oil reserves (about 2% of world reserves) and 45.7 trillion cubic feet of proven gas reserves (less than 1% of world reserves). There are five major onshore oil fields—Tengiz, Karachaganak, Aktobe, Mangistau, and Uzen—which account for about half of the proven reserves. Two major offshore oil fields in Kazakhstan's sector of the Caspian Sea—Kashagan and Kurmangazy—are estimated to contain at least 14 billion barrels of recoverable reserves. Iran and Kazakhstan do not have any joint energy ventures in the Caspian or elsewhere, but in the aftermath of the finalization of the JCPOA in July 2015, the two countries resumed Caspian oil swap arrangements that were discontinued in 2011.⁷⁷

Uzbekistan

Uzbekistan and Iran do not share a common border, or significant language or cultural links. From 1991 until the late 1990s, Uzbekistan, which has the largest military of the Central Asian states, identified Iran as a potential regional rival and as a supporter of Islamist movements in the region. However, since 1999, Uzbekistan and Iran have moved somewhat closer over shared stated concerns about Sunni Islamist extremist movements such as the Islamic State and an Al Qaeda affiliate, the Islamic Movement of Uzbekistan (IMU). In February 1999, six bomb blasts in Tashkent's governmental area, just before Uzbekistan's President Islam Karimov was expected to attend a high-level meeting, killed more than 20 people. The government alleged that an exiled opposition figure led the plot, assisted by Afghanistan's Taliban and IMU co-leaders Tahir Yuldashev and Juma Namangani. The Taliban were, at that time, in power in Afghanistan and granting safe haven to Osama bin Laden and other Al Qaeda leaders. In September 2000, the State Department designated the IMU as an FTO, stating that the IMU resorts to terrorism in pursuit of its main goal of toppling the government in Uzbekistan, including taking foreign

⁷⁶ <http://english.farsnews.com/newstext.aspx?nn=13930618000811>.

⁷⁷ <http://en.mehrnews.com/news/109439/Kazakhstan-to-resume-oil-swap-with-Iran>.

hostages.⁷⁸ At the time of those bombings in Tashkent, Iran and the Taliban had nearly gone to war over the Taliban's 1998 killing of nine Iranian diplomats in northern Afghanistan. The IMU itself has not claimed responsibility for any terrorist attacks in Iran and appears focused primarily on activities against the governments of Afghanistan and Uzbekistan.

During U.S.-led major combat operations in Afghanistan during 2001-2003, IMU forces assisted the Taliban and Al Qaeda, and IMU co-head Namangani was apparently killed at that time.⁷⁹ The IMU has since regrouped, to some extent, in northern Afghanistan. It is considered an Al Qaeda affiliate but has also claimed a degree of allegiance to the Islamic State organization.

Uzbekistan has substantial natural gas resources but the two countries do not have joint energy-related ventures. Most of Uzbekistan's natural gas production is for domestic consumption.

South Asia

The countries in South Asia face perhaps an even greater degree of threat from Sunni Islamic extremist groups than do the countries of Central Asia, and share significant common interests with Iran. Iran has apparently sought to use these common interests to stoke South Asian cooperation against U.S. and European economic pressure on Iran. This section focuses on several countries in South Asia that have substantial interaction with Iran.

Afghanistan

In Afghanistan, Iran is apparently pursuing a multi-track strategy by helping develop Afghanistan economically, engaging the central government, supporting pro-Iranian groups and, at times, arming some militant factions. An Iranian goal appears to be to restore some of its traditional sway in eastern, central, and northern Afghanistan, where "Dari"-speaking (Dari is akin to Persian) supporters of the "Northern Alliance" grouping of non-Pashtun Afghan minorities predominate. The two countries are said to be cooperating effectively in their shared struggle against narcotics trafficking from Afghanistan into Iran; Iranian border forces take consistent heavy losses in operations to try to prevent this trafficking. Iran has also sought to use its influence in Afghanistan to try to blunt the effects of international sanctions against Iran.⁸⁰ Iran might also be increasingly concerned at the growth of Islamic State affiliates in Afghanistan, such as Islamic State—Khorasan Province, ISKP, an organization that Iran is trying to thwart on numerous fronts in the region.

Iran has sought influence in Afghanistan in part by supporting the Afghan government. President Hamid Karzai was replaced in September 2014 by Ashraf Ghani: both Afghan leaders are Sunni Muslims and ethnic Pashtuns. In October 2010, Karzai admitted that Iran was providing cash payments (about \$2 million per year) to his government, through his chief of staff.⁸¹ Iran's close ally, Dr. Abdullah Abdullah, a Persian-speaking Afghan who is partly of Tajik origin, is "Chief Executive Officer" of the Afghan government under a power-sharing arrangement that resolved a dispute over the 2014 presidential election. It is not known whether Iran continues to give cash payments to the offices of any of Afghanistan's senior leaders.

⁷⁸ <http://www.state.gov/j/ct/rls/crt/2001/html/10252.htm#imu>.

⁷⁹ U.S. Department of State, *Patterns of Global Terrorism 2003*, April 2004.

⁸⁰ Matthew Rosenberg and Annie Lowry, "Iranian Currency Traders Find a Haven in Afghanistan," *New York Times*, August 18, 2012.

⁸¹ Dexter Filkins, "Iran Is Said to Give Top Karzai Aide Cash by the Bagful," *New York Times*, October 23, 2010.

Reflecting apparent concern about the U.S. military presence in Afghanistan, Iran reportedly tried to derail the Bilateral Security Agreement (BSA) that the Karzai government negotiated and which Ghani's government signed on September 30, 2014. The BSA allows the United States to maintain troops in Afghanistan after 2014 but prohibits the United States from using Afghanistan as a base from which to launch military action against other countries. Iran has largely muted its opposition to a continued U.S. military presence in Afghanistan in the interests of containing Sunni Islamist extremist movements operating in Afghanistan. President Ghani visited Tehran during April 19-20, 2015, and held discussions with Iranian leaders that reportedly focused on ways the two governments could cooperate against the Islamic State organization.⁸²

Even though it engages the Afghan government, Tehran has in the recent past sought leverage against U.S. forces in Afghanistan and in any peace settlement that might emerge between the Afghan government and the Taliban-led insurgency. Past State Department reports on international terrorism have accused Iran of providing materiel support, including 107mm rockets, to select Taliban and other militants in Afghanistan, and of training Taliban fighters in small unit tactics, small arms use, explosives, and indirect weapons fire.⁸³ In July 2012, Iran reportedly allowed the Taliban to open an office in Zahedan, in eastern Iran.⁸⁴

The Iranian support to Taliban factions came despite the fact that Iran saw the Taliban regime in Afghanistan of 1996-2001 as a major adversary. The Taliban allegedly committed atrocities against Shiite Afghans (Hazara tribes) while seizing control of Persian-speaking areas of western and northern Afghanistan. Taliban fighters killed nine Iranian diplomats at Iran's consulate in Mazar-e-Sharif in August 1998, prompting Iran to mobilize ground forces to the Afghan border.

Pakistan⁸⁵

Relations between Iran and Pakistan have fluctuated over the past several decades. Pakistan supported Iran in the 1980-1988 Iran-Iraq War, and Iran and Pakistan engaged in substantial military cooperation in the early 1990s. It has been widely reported that the founder of Pakistan's nuclear weapons program, A.Q. Khan, sold nuclear technology and designs to Iran.⁸⁶

However, several factors divide the two countries. During the 1990s, Pakistan supported the Taliban in Afghanistan, whereas Iran supported the Persian-speaking and Shiite Muslim minorities there who opposed Taliban rule. Afghan Taliban factions still reportedly have a measure of safe haven in Pakistan, and Iran reportedly is concerned that Pakistan might harbor ambitions of returning the Taliban to power in Afghanistan.⁸⁷ In addition, two Iranian Sunni Muslim militant opposition groups—*Jundullah* (named by the United States as an FTO, as discussed above) and *Jaysh al-Adl*—operate from western Pakistan. These groups have conducted a number of attacks on Iranian regime targets.

⁸² "Afghanistan, Iran to Work together Against "Macabre" IS Threat." RFE/RL, April 22, 2015.

⁸³ State Department. Country Reports on International Terrorism: 2011. <http://www.state.gov/j/ct/rls/crt/2011/195547.htm>.

⁸⁴ Maria Abi-Habib, "Tehran Builds On Outreach to Taliban," *Wall Street Journal*, August 1, 2012.

⁸⁵ For detail on Pakistan's foreign policy and relations with the United States, see CRS Report R41832, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

⁸⁶ John Lancaster and Kamran Khan, "Pakistanis Say Nuclear Scientists Aided Iran," *Washington Post*, January 24, 2004.

⁸⁷ Author conversations with experts in Washington, DC, who consult with Iranian government officials. 2013-15.

An additional factor distancing Iran and Pakistan is Pakistan's long-standing strategic relationship with Iran's key regional adversary, Saudi Arabia. In March 2015, Saudi Arabia requested Pakistan's participation in a Saudi-led coalition to try to turn back the advance in Yemen by the Iranian-backed Houthis (see above). Pakistan's government abided by an April 2015 vote of its parliament not to enter the conflict, on the grounds that Pakistan could become embroiled in conflict far from its borders. In December 2015, Pakistan joined Saudi Arabia's 34-nation "anti-terrorism coalition," which was announced as a response to the Islamic State but which Iran fears is directed at reducing Iran's regional influence. Neither Iran nor any of its regional allies were asked to join the coalition. Experts also have long speculated that if Saudi Arabia sought to counter Iran's nuclear program with one of its own, the prime source of technology for the Saudi program would be Pakistan.

Iran and Pakistan nonetheless continue to engage; they last conducted low-level military cooperation, including joint naval exercises, in April 2014. The two nations' bilateral agenda has increasingly focused on completing a joint major gas pipeline project that would help alleviate Pakistan's energy shortages while providing Iran an additional customer for its large natural gas reserves. As originally conceived, the line would continue on to India, but India withdrew from the project at its early stages.

Then-President of Iran Ahmadinejad and Pakistan's then-President Asif Ali Zardari formally inaugurated the project in March 2013. Iran has completed the line on its side of the border, but Pakistan was unable to finance the project on its side of the border until China agreed in April 2015 to build the pipeline at a cost of about \$2 billion.⁸⁸ Prior to the JCPOA, U.S. officials stated that the project could be subject to U.S. sanctions under the Iran Sanctions Act.⁸⁹ However, the applicable provisions of the Iran Sanctions Act have been waived in implementing the JCPOA sanctions relief. President Rouhani visited Pakistan in late March 2016 to discuss virtually all of the issues above, but particularly to try to encourage Pakistan not to align too closely with Saudi Arabia and to try to push forward the joint pipeline project. Rouhani did not obtain a firm commitment from Pakistan to complete the pipeline but, in part as an outgrowth of Rouhani's meeting with Pakistani Army Chief of Staff Raheel Sharif, the two countries agreed to cooperate against terrorist groups and to improve border security.

India⁹⁰

India and Iran have overlapping histories, civilizations, and interests. The two countries align on several issues, for example their support for minority factions based in the north and west of Afghanistan. India also is home to tens of millions of Shiite Muslims. As U.S. and international sanctions on Iran increased in 2010-2013, India sought to preserve its long-standing ties with Iran while still cooperating with U.S. and international sanctions on Iran. In 2010, India's central bank ceased using a Tehran-based regional body, the Asian Clearing Union, to handle transactions with Iran. In January 2012, Iran agreed to accept India's local currency, the rupee, to settle nearly half of its sales to India; that rupee account funded the sale to Iran of Indian wheat, pharmaceuticals, rice, sugar, soybeans, auto parts, and other products. In subsequent years, India reduced its purchases of Iranian oil at some cost to its own development, receiving from the U.S.

⁸⁸ <http://economictimes.indiatimes.com/news/international/world-news/china-to-build-pakistan-iran-gas-pipeline-pakistan-government/articleshow/46867932.cms>.

⁸⁹ <http://www.thenational.ae/business/energy/big-powers-block-iran-pakistan-gas-pipeline-plans>.

⁹⁰ For detail on India's foreign policy and relations with the United States, see CRS Report R42823, *India-U.S. Security Relations: Current Engagement*, by K. Alan Kronstadt and Sonia Pinto.

Administration exemptions from U.S. sanctions for doing so. However, India has increased oil purchases from Iran to nearly pre-2012 levels now that sanctions have been lifted, and India has agreed to transfer to Iran about \$6.5 billion that it owes for Iranian oil shipments during the sanctions period but which was held up for payment due to sanctions.

Some projects India has pursued in Iran involve not only economic issues but national strategy. India has long sought to develop Iran's Chabahar port, which would give India direct access to Afghanistan and Central Asia without relying on transit routes through Pakistan. India had hesitated to move forward on that project because of U.S. opposition to projects that benefit Iran. India has said that the implementation of JCPOA sanctions relief in January 2016 paves the way for work to begin in earnest on the Chabahar project. However, as of mid-2016, observers say there is little evidence of additional work being performed on the port.

As noted above, in 2009, India dissociated itself from the Iran-Pakistan gas pipeline project. India publicly based its withdrawal on concerns about the security of the pipeline, the location at which the gas would be transferred to India, pricing of the gas, and transit tariffs. Long-standing distrust between India and Pakistan also played a role in India's withdrawal. During economic talks in July 2010, Iranian and Indian officials reportedly raised the issue of constructing a subsea natural gas pipeline, which would bypass Pakistani territory.⁹¹ However, an undersea pipeline would be highly expensive.

During the late 1990s, U.S. officials expressed concern about India-Iran military-to-military ties. The relationship included visits to India by Iranian naval personnel, although India said these exchanges involved junior personnel and focused mainly on promoting interpersonal relations and not on India's provision to Iran of military expertise. The military relationship between the countries has withered in recent years.

Sri Lanka

Sri Lanka was a buyer of small amounts of Iranian oil until 2012, when U.S. sanctions were imposed on countries that fail to reduce purchases of Iranian oil. Shortly thereafter, Sri Lanka ended its oil purchases from Iran, and in June 2012 the country received an exemption from U.S. sanctions. The sanctions relief will likely cause Sri Lanka to resume oil purchases from Iran.

Russia

Iran appears to attach increasing weight to its relations with Russia, which is a permanent member of the U.N. Security Council, the member of the P5+1 that was perhaps the most accepting of Iran's positions in the JCPOA negotiations, and an ally in backing the Assad regime. Iran's Shiite militia recruits augmented the Syrian ground force in Syria that Russian airstrikes supported in an effort to strengthen the Assad regime. Russian strikes began on September 30, 2015, and sometimes include strikes against Islamic State targets in Syria as well. Russian President Vladimir Putin visited Iran on November 23, 2015, to attend a conference of major international natural gas producers, and also held talks with Supreme Leader Khamene'i and President Rouhani. Putin and Iranian leaders reiterated their opposition to U.S. insistence that Assad be barred from participating in the political transition process agreed by the Vienna process. At the same time, the two countries' interests do not align precisely in Syria—Iran reportedly expresses far greater concern about protecting Hezbollah in any post-Assad regime than does

⁹¹ <http://www.thehindu.com/news/international/world/iran-backs-deepsea-gas-pipeline-to-india/article5466999.ece>.

Russia, whose interests appear to center on Russia's overall presence in the Middle East and retention of naval and other bases in Syria.

Russia has been Iran's main supplier of conventional weaponry and a significant supplier of missile-related technology. In February 2016, Iran's Defense Minister Hosein Dehghan visited Moscow reportedly to discuss purchasing Su-30 combat aircraft, T-90 tanks, helicopters, and other defense equipment. Under Resolution 2231, selling such gear would require Security Council approval, and U.S. officials have said publicly they would not support such a sale. Russia previously has abided by all U.N. sanctions to the point of initially cancelling a contract to sell Iran the advanced S-300 air defense system—even though Resolution 1929, which banned most arms sales to Iran, did not specifically ban the sale of the S-300. After the April 2, 2015, framework nuclear accord was announced, Russia lifted its ban on the S-300 sale. Some press accounts in April 2016 say that Russia has begun shipping the first components of the system. Some reports suggest that in 2015 a Russian defense firm might also have offered to sell Iran the advanced Antey-2500 air defense system.⁹² In January 2015, Iran and Russia signed a memorandum of understanding on defense cooperation, including military drills.⁹³

Russia built and still supplies fuel for Iran's only operating civilian nuclear power reactor at Bushehr, a project from which Russia earns significant revenues. Russia and Iran reportedly are negotiating for Russia to build at least two additional nuclear power plants in Iran. During his November 2015 visit to Iran, Putin announced a resumption of civilian nuclear cooperation with Iran, potentially including reprocessing enriched uranium. In December 2015, Russia was the end destination of the shipment out of Iran of almost all of Iran's stockpile of low-enriched uranium—helping Iran meet a key requirement of the JCPOA.

Other issues similarly align Iran and Russia. Since 2014, Iran and Russia have apparently both seen themselves as targets of Western sanctions (over the Ukraine issue, in the case of Russia). Iran and Russia have also separately accused the United States and Saudi Arabia of colluding to lower world oil prices in order to pressure Iran and Russia economically. In August 2014, Russia and Iran reportedly agreed to a broad trade and energy deal which might include an exchange of Iranian oil (500,000 barrels per day) for Russian goods⁹⁴—a deal that might be implemented now that Iran sanctions have been lifted. Russia is an oil exporter, but Iranian oil that Russia might buy under this arrangement would free additional Russian oil for export. Iran and Russia reaffirmed this accord in April 2015. Russian firms are also reportedly discussing new investments in Iran's energy sector. During President Putin's November 2015 visit to Tehran, Russian officials announced a \$5 billion line of credit to Iran for possible joint projects, including additional natural gas pipelines, railroads, and power plants.⁹⁵

Some argue that Iran has largely refrained from supporting Islamist movements in Central Asia and in Russia not only because they are Sunni movements but also to avoid antagonizing Russia. Russia has faced attacks inside Russia by several Sunni Islamist extremist movements other than the Islamic State, and Russia appears to view Iran as a de-facto ally in combating such movements.

⁹² Ibid.

⁹³ Ibid.

⁹⁴ "Iran, Russia Negotiating Big Oil-for-Goods Deal." *Reuters*, January 10, 2014.

⁹⁵ "Russian President Putin, Iran's Ayatollah Khamenei Meet to Discuss Syria." *Wall Street Journal*, November 23, 2015.

Europe

U.S. and European approaches on Iran have converged since 2002, when Iran was found to be developing a uranium enrichment capability. Previously, European countries appeared somewhat less concerned than the United States about Iranian policies and were reluctant to sanction Iran. After the passage of Resolution 1929 in June 2010, European Union (EU) sanctions on Iran became nearly as extensive as those of the United States.⁹⁶ In 2012, the EU banned imports of Iranian crude oil and natural gas. Still, the EU countries generally conducted trade relations in civilian goods that are not the subject of any sanctions. The EU is a party to the JPA and the JCPOA, and, under the JCPOA, the EU has lifted nearly all of its sanctions on Iran as of January 16, 2016 (Implementation Day). Numerous European business and diplomatic delegations have visited Iran since JCPOA was finalized, seeking to resume business relationships mostly severed since 2010, and France has opened a formal trade office in Tehran in September 2015. In January 2016, Rouhani visited Italy and France and signed a total of about \$40 billion in trade deals with firms in those two countries, spanning a number of industries including energy, energy infrastructure, auto production, shipping, and airport operations. The agreements included Iran's purchase of 118 Airbus commercial passenger jets.

Iran has always maintained full diplomatic relations with the EU countries, although relations have sometimes been disrupted as part of EU country reactions to Iranian assassinations of dissidents in Europe or attacks by Iranian militants on EU country diplomatic property in Iran. There are regular scheduled flights from several European countries to Iran, and many Iranian students attend European universities. Relations were not broken even after the Hezbollah attack on Israeli tourists in Bulgaria in 2012 (see **Table 1** above) and the July 2013 EU designation of the military wing of Lebanese Hezbollah as a terrorist organization. After the JCPOA was finalized in July 2015, British Foreign Secretary Phillip Hammond visited Iran and reopened Britain's embassy there—closed since the 2011 attack on it by pro-government protesters.

During the 1990s, U.S. and European policies toward Iran were in sharp contrast. The United States had no dialogue with Iran at all whereas the EU countries maintained a policy of “critical dialogue” and refused to join the 1995 U.S. trade and investment ban on Iran. The EU-Iran dialogue was suspended in April 1997 in response to the German terrorism trial (“Mykonos trial”) that found high-level Iranian involvement in killing Iranian dissidents in Germany, but it resumed in May 1998 during Mohammad Khatemi's presidency of Iran. In the 1990s, European and Japanese creditors bucked U.S. objections and rescheduled about \$16 billion in Iranian debt bilaterally, in spite of Paris Club rules that call for multilateral rescheduling. During 2002-2005, there were active negotiations between the European Union and Iran on a “Trade and Cooperation Agreement” (TCA) that would have lowered the tariffs or increased quotas for Iranian exports to the EU countries.⁹⁷ Negotiations were discontinued in late 2005 after Iran abrogated an agreement with several EU countries to suspend uranium enrichment.

Although the U.S. Administration ceased blocking Iran from applying for World Trade Organization (WTO) membership in May 2005, there has been insufficient international support to grant Iran WTO membership. Implementation of the JCPOA might facilitate Iran's entry into

⁹⁶ For information on EU sanctions in place on Iran, see http://eeas.europa.eu/delegations/iran/eu_iran/restrictive_measures/index_en.htm.

⁹⁷ During the active period of talks, which began in December 2002, there were working groups focused not only on the TCA terms and proliferation issues but also on Iran's human rights record, Iran's efforts to derail the Middle East peace process, Iranian-sponsored terrorism, counter-narcotics, refugees, migration issues, and the Iranian opposition PMOI.

that organization, although the accession process is complicated and could allow for existing members to block Iran's entry, using any number of justifications, including those having little to do with purely trade issues.

East Asia

East Asia includes three large buyers of Iranian crude oil and one country, North Korea, that is widely accused of supplying Iran with WMD-related technology. The countries in Asia have sometimes joined multilateral peacekeeping operations in the Middle East but have not directly intervened militarily or politically in the region in the way the United States and its European allies have. Countries in Asia have rarely been a target of official Iranian criticism.

China⁹⁸

China, a permanent member of the U.N. Security Council and a P5+1 party to the JCPOA, is Iran's largest oil customer. China has also been a supplier of advanced conventional arms to Iran, including cruise missile-armed fast patrol boats that the IRGC Navy operates in the Persian Gulf. There have been reports that, particularly prior to 2010, some Chinese firms had supplied ballistic missile guidance and other WMD-related technology to Iran.⁹⁹ During U.N. Security Council deliberations on sanctioning Iran for its nuclear program during 2006-2013, China tended to argue for less stringent sanctions and for more deference to Iran's positions than did the United States, France, Britain, and Germany. China faces a potential threat from Sunni Muslim extremists in western China and appears to see Shiite Iran as a potential ally against Sunni radicals. China also adopts a position similar to Iran and Russia on the Assad regime in Syria, appearing to view Assad as a preferable alternative to the Islamic State and other Islamist rebel organizations.

In the aftermath of Implementation Day of the JCPOA, China's President Xi Jinping included Tehran on a visit to the Middle East region. His trip to Iran generally focused on China's vision of an energy and transportation corridor extending throughout Eurasia ("One Belt, One Road"), and including Iran. In concert with implementation of the JCPOA, and in particular the expiration within five years of the global U.N. ban on arms sales to Iran, it is possible that China and Iran will discuss new Iranian buys of Chinese-made defense systems.

China's compliance with U.S. sanctions has been pivotal to U.S. efforts to reduce Iran's revenue from oil sales. China cut its buys of Iranian oil from about 550,000 bpd at the end of 2011 to about 400,000 bpd by mid-2013. Because China is the largest buyer of Iranian oil, cuts by China have had a large impact in reducing Iran's oil sales. During President Xi's visit, the two countries agreed to expand trade to \$600 billion over the coming decade. China has already returned to nearly its pre-2011 levels of Iranian oil purchases (over 550,000 bpd). Chinese energy firms have invested in Iran's energy sector, but some of these projects were given to Iranian or other country firms or largely stalled. It is likely that China will begin or accelerate work on its remaining energy investments in Iran now that sanctions have been lifted. Iran also obtains a significant proportion of its parts for its automobile production sector from China, and the ending of sanctions on trade financing is facilitating such purchases. China-Iran economic relations are discussed in CRS Report RS20871, *Iran Sanctions*.

⁹⁸ CRS In Focus IF10029, *China, U.S. Leadership, and Geopolitical Challenges in Asia*, by Susan V. Lawrence.

⁹⁹ CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

Japan and South Korea

Iran's primary interest in Japan and South Korea has been to maintain commercial relations and evade U.S. sanctions—neither Japan nor South Korea has been heavily involved in security and strategic issues in the Middle East. However, both countries are close allies and large trading partners of the United States and their firms were unwilling to risk their positions in the U.S. market by violating any U.S. secondary sanctions on Iran. During 2010-2016, Japan and South Korea maintained trade, banking, and energy sanctions on Iran that are similar to those imposed by the EU. Iran has tried to use the oil import dependency of the two countries as leverage; however, both countries cut imports of Iranian oil sharply after 2011. In 2010, Japan withdrew from an investment in a large Iranian oil field, Azadegan, in cooperation with U.S. efforts to discourage foreign investment in Iran's energy sector. The U.S. sanction requiring oil buyers to pay Iran in local accounts explains why the two countries together hold a significant portion of the approximately \$115 billion in Iran's foreign exchange reserves that are held abroad. Both countries furnished a large portion of the \$700 million per month in direct hard currency payments to Iran for oil provided for by the JPA.

Economic relations between Iran and South Korea and Japan, particularly oil purchases, are in the process of returning to pre-2011 levels and parameters now that international sanctions have been lifted. However, some banks in the two countries are hesitant to re-enter the Iran market immediately. Japan's Prime Minister Shinzo Abe reportedly plans to visit Iran in August 2016, and some observers say that South Korea's President Geun-hye Park might arrange a visit to Iran as well.

North Korea

Iran and North Korea have generally been allies, in part because both have been considered by the United States and its allies as “outcasts” or “pariah states” subjected to wide-ranging international sanctions. Even though the economic benefits to Iran of a relationship with North Korea are minimal, the relationship offers Iran some strategic gains. North Korea is one of the few countries with which Iran has formal military-to-military relations, and the two countries have cooperated on a wide range of military and WMD-related ventures, particularly the development of ballistic missile technology. In the past, Iran reportedly funded and assisted in the re-transfer of missile and possibly nuclear technology from North Korea to Syria.¹⁰⁰

North Korea did not at any time announce a public commitment to comply with international sanctions against Iran, but its economy is too small to significantly help Iran. According to some observers, a portion of China's purchases of oil from Iran and other suppliers is re-exported to North Korea. Because international sanctions on Iran's crude oil exports have been removed, it is likely that additional quantities of Iranian oil might reach North Korea, either via China or through direct purchasing by North Korea.

¹⁰⁰ <http://www.wsj.com/articles/SB10001424052702303763804579183231117914364>.

Latin America¹⁰¹

Some U.S. officials and some in Congress have expressed concern, particularly prior to the accession of Rouhani as president in 2013, about Iran's relations with countries and leaders in Latin America that share Iran's distrust of the United States. Some experts and U.S. officials have asserted that Iran, primarily through its ally, Hezbollah, has sought to position IRGC-QF and other agents in Latin America to potentially carry out terrorist attacks against Israeli targets in the region or even in the United States itself.¹⁰² Some U.S. officials have asserted that Iran and Hezbollah's activities in Latin America include money laundering and trafficking in drugs and counterfeit goods.¹⁰³ During the presidency of Mahmoud Ahmadinejad (2005-2013), Iran expanded its relations with all of those countries, as well as with Mexico, but few of the economic agreements announced were implemented, by all accounts. However, President Rouhani has expressed minimal interest in further expanding ties in Latin America and has neither made nor announced any visits there as president, to date. Latin America continues to account for less than 6% of Iran's total imports.¹⁰⁴

In the 112th Congress, the Countering Iran in the Western Hemisphere Act, requiring the Administration to develop within 180 days of enactment a strategy to counter Iran's influence in Latin America, passed both chambers and was signed on December 28, 2012 (H.R. 3783, P.L. 112-220). The required Administration report was provided to Congress in June 2013; the unclassified portion asserted that "Iranian influence in Latin America and the Caribbean is waning" in part because of U.S. efforts to cause Latin American countries to assess the costs and benefits of closer relations with Iran.¹⁰⁵

Some observers directed particular attention to Iran's relationship with Venezuela (an OPEC member, as is Iran) and Argentina. U.S. counterterrorism officials also have stated that the tri-border area of Argentina, Brazil, and Paraguay is a "nexus" of arms, narcotics and human trafficking, counterfeiting, and other potential funding sources for terrorist organizations, including Hezbollah.

Figure 3. Latin America



Source: Created by CRS.

¹⁰¹ For more information on the issues discussed in this section, see CRS Report RS21049, *Latin America: Terrorism Issues*, by Mark P. Sullivan and June S. Beittel.

¹⁰² Ilan Berman. "Iran Courts Latin America." *Middle East Quarterly*, Summer 2012. <http://www.meforum.org/3297/iran-latin-america>.

¹⁰³ Posture Statement of General John F. Kelly, Commander, U.S. Southern Command, before the 114th Congress, Senate Armed Services Committee, March 12, 2015.

¹⁰⁴ <http://www.thedialogue.org/resources/are-iran-trade-ties-important-for-latin-america/>.

¹⁰⁵ Department of State, "Annex A: Unclassified Summary of Policy Recommendations," June 2013.

Venezuela¹⁰⁶

During Ahmadinejad's presidency, Iran had particularly close relations with Venezuela and its president, Hugo Chavez, who died in office in March 2013. Neither Rouhani nor Chavez's successor, Nicolas Maduro, have expressed the enthusiasm for the relationship that Chavez and Ahmadinejad did. Even during the presidencies of Chavez and Ahmadinejad, the United States did not necessarily perceive a threat from the Iran-Venezuela relationship. In July 2012, President Obama stated that Iran-Venezuela ties have not had "a serious national security impact on the United States."¹⁰⁷ Only a few of the economic agreements announced were implemented. A direct air link was established but then suspended in 2010 for lack of sufficient customer interest, although it was reportedly restarted by President Maduro in January 2015 in order to try to promote tourism between the two countries.¹⁰⁸ Petroleos de Venezuela (PDVSA) has been supplying Iran with gasoline since 2009, in contravention of U.S. secondary sanctions, and PDVSA was sanctioned under the Iran Sanctions Act in May 2011.¹⁰⁹ However, on January 16, 2016, the United States lifted sanctions on PDVSA in accordance with the JCPOA.

Argentina¹¹⁰

In Argentina, Iran and Hezbollah carried out acts of terrorism against Israeli and Jewish targets that continued to affect Iran-Argentina relations. The two major attacks were in Buenos Aires—the 1992 bombing of the Israeli embassy and the 1994 bombing of a Jewish community center (Argentine-Israeli Mutual Association, AMIA). Based on indictments and the copious investigative information that has been revealed, there is a broad consensus that these attacks were carried out by Hezbollah operatives, assisted by Iranian diplomats and their diplomatic privileges.

The Buenos Aires attacks took place more than 20 years ago and there have not been any recent public indications that Iran and/or Hezbollah are planning attacks in Argentina or elsewhere in Latin America. However, in February 2015, Uruguay stated that an Iranian diplomat posted there had left the country before Uruguay issued a formal complaint that the diplomat had tested the security measures of Israel's embassy in the capital, Montevideo.¹¹¹

Many in Argentina's Jewish community opposed a January 2013 agreement between Iran and the government of then President of Argentina Cristina Fernandez de Kirchner to investigate the 1994 bombing by forming a "truth commission," rather than to aggressively prosecute the Iranians involved. Opponents of that agreement assert that it undermined Argentina's efforts to prosecute the Iranians involved. In May 2013, the Argentine prosecutor in the AMIA bombing case, Alberto Nisman, issued a 500-page report alleging that Iran has been working for decades in Latin America, setting up intelligence stations in the region by utilizing embassies, cultural organizations, and even mosques as a source of recruitment. In January 2015, Nisman was found dead of a gunshot wound, prompting turmoil in Argentina amid reports that he was to request indictment of Argentina's president for allegedly conspiring with Iran to bury the AMIA bombing

¹⁰⁶ For more information, see CRS Report R43239, *Venezuela: Background and U.S. Relations*, by Mark P. Sullivan.

¹⁰⁷ Comments by President Barack Obama on "CNN: The Situation Room," July 11, 2012.

¹⁰⁸ <http://panampost.com/sabrina-martin/2015/04/06/iran-takes-venezuelan-money-passes-on-deliveries/>.

¹⁰⁹ <http://www.reuters.com/article/2011/05/24/us-iran-usa-sanctions-idUSTRE74N47R20110524>.

¹¹⁰ For more information, see CRS Report R43816, *Argentina: Background and U.S. Relations*, by Mark P. Sullivan and Rebecca M. Nelson.

¹¹¹ "Questions Swirl Over Incident Involving Iranian Diplomat in Uruguay." *LatinNews Daily*, February 9, 2015.

issue. President Kirchner was succeeded in December 2015 by Mauricio Macri, who has not indicated inclination for closer ties with Iran.¹¹²

Africa

With few exceptions, Sub-Saharan Africa has not generally been a focus of Iranian foreign policy—perhaps because of the relatively small size of most African economies and the limited influence of African countries on multilateral efforts to address international concerns about Iran's policies. Former President Ahmadinejad tried to build ties to some African countries, both Christian and Muslim dominated, and the attention was reciprocated by a few countries, including Senegal, Comoros, and Djibouti, in addition to Iran's longer-standing relationship with Sudan. However, most African countries apparently did not want to risk their economic and political relationships with the United States by broadening relations with Iran. Few of the announced economic agreements between Iran and African countries during the Ahmadinejad era were implemented, although Iran did establish an auto production plant in Senegal capable of producing 5,000 vehicles annually.¹¹³

Still, the overwhelming majority of Muslims in Africa are Sunni, and Muslim-inhabited African countries have tended to be responsive to financial and diplomatic overtures from Iran's rival, Saudi Arabia. Amid the Saudi-Iran dispute in January 2016 over the Nimr execution, several African countries broke relations with Iran outright, including Djibouti, Comoros, and Somalia, as well as Sudan. Senegal has publicly supported the Saudi-led military effort against the Houthi rebels in Yemen, who are backed by Iran. Perhaps in recognition of Iran's limited appeal in Africa, Rouhani has made few statements on relations with countries in Africa and has apparently not made the continent a priority. However, the sanctions relief provided by the JCPOA could produce expanded economic ties between Iran and African countries.

The increase in activity by Islamic State and Al Qaeda-affiliated Sunni extremist movements in Africa could cause Iran to increase its focus on politics and security issues in Africa. Iran is positioned to intervene more actively in Africa if it chooses to do so. The IRGC-QF has operated in some countries in Africa (including Sudan, Nigeria, Senegal, and Kenya), in part to secure arms-supply routes for pro-Iranian movements in the Middle East but also to be positioned to act against U.S. or allied interests, to support friendly governments or factions, and act against Sunni extremist movements. In May 2013, a court in Kenya found two Iranian men guilty of planning to

Figure 4. Sudan



Source: Created by CRS.

¹¹² <http://www.thedialogue.org/resources/are-iran-trade-ties-important-for-latin-america/>.

¹¹³ Michael Baca. "Saudi Competition Gets in the Way of Iran's Outreach in Africa. World Politics Review, April 14, 2016.

carry out bombings in Kenya, apparently against Israeli targets. In September 2014, Kenya detained two Iranian men on suspicion of intent to carry out a terrorist attack there. In 2011, Senegal, even though it was a focus of Ahmadinejad's outreach, temporarily broke relations with Iran after accusing it of arming rebels in Senegal's Casamance region.

Sudan

Iran has had close relations with the government of Sudan since the early 1990s, but that relationship appears to have frayed substantially in recent years as Sudan has moved closer to Iran's rival, Saudi Arabia. Sudan, like Iran, is still named by the United States as a state sponsor of terrorism. At their height, Iran's relations with Sudan provided Iran with leverage against Egypt, a U.S. ally, and a channel to supply weapons to Hamas and other pro-Iranian groups in the Gaza Strip.¹¹⁴ The relationship began in the 1990s when Islamist leaders in Sudan, who came to power in 1989, welcomed international Islamist movements to train and organize there. Iran began supplying Sudan with weapons it used on its various fronts, such as the one with South Sudan, and the QF reportedly has armed and trained Sudanese forces, including the Popular Defense Force militia.¹¹⁵ Some observers say Iranian pilots have assisted Sudan's air force, and Iran's naval forces have periodically visited Port Sudan. Israel has repeatedly accused Iran of shipping weapons bound for Gaza through Sudan¹¹⁶ and, in October 2012, Israel bombed a weapons factory in Khartoum that Israel asserted was a source of Iranian weapons supplies for Hamas. In March 2014, Israel intercepted an Iranian shipment of rockets that were headed to Port Sudan.¹¹⁷

However, Sudan is inhabited by Sunni Arabs and has always been considered susceptible to overtures from Saudi Arabia and other GCC countries to distance itself from Iran. Since 2014, Saudi economic assistance to and investment in Sudan have caused Sudan to realign. In September 2014, the Sudan government closed all Iranian cultural centers in Sudan and expelled the cultural attaché and other Iranian diplomats on the grounds that Iran was using its facilities and personnel in Sudan to promote Shiite Islam.¹¹⁸ In March 2015, Sudan joined the Saudi-led Arab coalition against the Houthis in Yemen, appearing to confirm that Sudan has significantly downgraded its strategic relations with Iran. In mid-October, a reported 300 Sudanese forces arrived in Yemen to fight against the Iran-backed Houthis and alongside Saudi Arabia, the UAE, and other members of the Saudi-led Arab coalition.¹¹⁹ In December 2015, Sudan joined the Saudi-led coalition against terrorism discussed earlier. The extent of the Sudanese realignment was demonstrated in January 2016 when Sudan severed ties with Iran in connection with the Saudi-Iran dispute over the Saudi execution of Al Nimr.

¹¹⁴ Michael Lipin. "Sudan's Iran Alliance Under Scrutiny." VOANews, October 31, 2012. <http://www.voanews.com/content/article/1536472.html>.

¹¹⁵ <http://www.csmonitor.com/World/Security-Watch/terrorism-security/2012/1025/Did-Israel-just-blow-up-an-Iranian-weapons-factory-in-Sudan>.

¹¹⁶ "Were the Israelis Behind the 'Mystery' Air Strike in Sudan?" *Time*, April 6, 2011; "Car Blast in E. Sudan, Khartoum Points to Israel," *Reuters*, May 22, 2012; "Rockets and Meetings," *Africa Confidential*, May 25, 2012. Weapons Documented in South Kordofan," *Small Arms Survey*, April 2012.

¹¹⁷ <http://www.jpost.com/Defense/Israel-Navy-intercepts-Gaza-bound-Iranian-rocket-ship-near-Port-Sudan-344369>.

¹¹⁸ Sudan Expels Iranian Diplomats and Closes Cultural Centers. *The Guardian*, September 2, 2014.

¹¹⁹ Sudan sends ground troops to Yemen to boost Saudi-led coalition. *Reuters*, October 18, 2015. <http://www.reuters.com/article/2015/10/18/us-yemen-security-sudan-idUSKCN0SC0E120151018#EvfuzFr1DiRokyo9.99>.

Prospects and Alternative Scenarios

A key question is whether sanctions relief will cause alterations in Iran's foreign policy. Iran's Supreme Leader has said on several occasions since the JCPOA was finalized that the agreement will not cause change in Iran's foreign policy or a rapprochement with the United States. The IRGC and other allies of the Supreme Leader in various Iranian institutions have reiterated his position. President Rouhani, in contrast, has stated that the JCPOA is "a beginning for creating an atmosphere of friendship and co-operation with various countries."

There have been no indications to date that the JCPOA will cause Iran to abandon any of its core foreign policy principles or policies. As noted above, Iran has not withdrawn support for the Assad regime in Syria. Iran has conducted several ballistic missile tests since Implementation Day and has vowed to conduct more without adhering to any restrictions. U.S. officials have called the tests "destabilizing and provocative," but stopped short of calling the tests violations of Resolution 2231. Iran's overtures to purchase new major combat systems from Russia also appear to defy a clear limitation in Resolution 2231.

Those who argue that the lifting of sanctions makes Iran a more challenging regional actor generally maintain the following:

- Sanctions relief could facilitate efforts by Iran to illicitly acquire technology that it could potentially use to enhance the accuracy of rockets and short-range missiles it supplies to its regional allies and proxies.
- To demonstrate that the nuclear agreement does not represent a "capitulation," Iranian naval elements might become more active in patrolling or undertaking provocative action in the Persian Gulf. Some evidence for this view appeared in January 2016 with Iran's firing of rockets near a U.S. aircraft carrier and its reported flying of a drone over U.S. ships in the Gulf in late January.
- The lifting within five years of the U.N. ban on arms sales to Iran will enable Iran to modernize its armed forces, even if Russia and other suppliers refuse to defy any U.N. Security Council vote to disapprove such sales before the five years are expired. Acquiring additional systems could strengthen its capabilities to the point where it can move ground forces across waterways such as the Strait of Hormuz and thereby intimidate the GCC states.
- Iran could decide to use its additional financial resources to increase its assistance to hardline opposition factions in Bahrain, who have thus far made little headway in challenging the government's control of the country.¹²⁰
- Iran can use additional financial resources to recruit more Shiite fighters from around the Muslim world to fight on behalf of Assad.
- Iran might succeed in emerging as a major regional energy and trading hub, potentially undermining the ability of the United States to effect significant economic pressure on Iran if Iran does not comply with the JCPOA.
- India and Pakistan might expand their separate military cooperation with Iran, a development that could strengthen Iran's conventional military capabilities.

¹²⁰ Ibid.

- Iran's reintegration into the international economic community could enable Iran to expand its relationships with countries in Latin America or Africa that have thus far been hesitant to broaden their relations with Iran.

A counterargument is that sanctions relief gives Iran incentive to avoid provocative actions.¹²¹ President Obama has argued that Iran has a strong national interest in avoiding re-imposition of sanctions as a potential consequence of pursuing "expansionist ambitions."¹²² U.S. officials argue that domestic political and economic pressures constrain Iranian leaders from directing expected financial benefits of the JCPOA toward foreign policy efforts that are adverse to U.S. and allied interests. Some examples of possible JCPOA-related Iranian foreign policy shifts that might benefit U.S. and allied interests include the following:

- Iran and the United States might cooperate directly against Islamic State forces in Iraq, and Iran might yet cooperate in identifying an alternative to Assad in Syria.
- Iran might curtail its delivery of additional long-range rockets or other military equipment to Hezbollah and Hamas, although Iran is unlikely under any circumstances to reduce its political support for Hezbollah.
- Saudi Arabia and Iran might potentially agree to a political solution in Yemen.
- Iran and the UAE might resolve their territorial dispute over Abu Musa and the two Tunbs islands in the Persian Gulf.
- Iran might obtain admission to the WTO, which could improve the transparency of Iran's economy and Iran's adherence to international economic conventions.
- Iran is likely to gain admission to the Shanghai Cooperation Organization, which could lead to broader cooperation between Iran and Central Asian states against the Islamic State or other terrorist organizations.
- The potential for completing regional energy and transportation projects gives Iran incentives to restrain its regional behavior. These projects include energy fields in the Caspian Sea; separate gas pipeline linkages between Iran and Kuwait, Bahrain, and Oman; the Iran-Pakistan natural gas pipeline; the development of Iran's Chahbahar port; and transportation routes linking Central Asia to China.

There are factors beyond the JCPOA that could cause Iran's foreign policy to shift. An uprising in Iran or other event that changes the regime could precipitate policy changes that either favor or are adverse to U.S. interests. The unexpected departure from the scene of the Supreme Leader could change Iran's foreign policy sharply, depending on the views of his successor(s). Other factors that could force a shift could include the expansion or institutionalization of a Saudi-led coalition of Arab Sunni states that might succeed in defeating movements and governments backed by Iran.

¹²¹ "David Kirkpatrick. "Saudis Make Own Moves as U.S. and Iran Talk." *New York Times*, March 31, 2015.

¹²² "President Obama Interview with Jeffrey Goldberg," *The Atlantic*, May 21, 2015.

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