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A Balancing Act:

# What's Next for Iran?

Highlights from an Academic Outreach workshop

Canada

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This report is based on the views expressed during, and short papers contributed by speakers at, a workshop organised by the Canadian Security Intelligence Service as part of its academic outreach program. Offered as a means to support ongoing discussion, **the report does not constitute an analytical document, nor does it represent any formal position of the organisations involved**. The workshop was conducted under the Chatham House rule; therefore no attributions are made and the identity of speakers and participants is not disclosed.

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# A Balancing Act:
# What's Next for Iran?

Highlights from an unclassified workshop of the
Canadian Security Intelligence Service (CSIS)

29 November 2018, Ottawa

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# The Workshop and its Objectives

On 29 November 2018, the Academic Outreach program of the Canadian Security Intelligence Service (CSIS) hosted a workshop to consider how the future of Iran may unfold in light of economic challenges and concomitant political turmoil, as well as to assess the related risks and implications domestically, regionally and for the international community.

Held under the Chatham House rule, the workshop was designed around the work of six experts from Canada, the United States and Europe, and benefited from the insights of security practitioners representing a range of domestic and international experiences. The papers presented at the event form the basis of this report. **The entirety of this report reflects the views of those independent experts, not those of CSIS.**

The CSIS Academic Outreach program seeks to promote a dialogue between intelligence practitioners and leading specialists from a wide variety of disciplines working in universities, think-tanks, business and other research institutions. It may be that some of our interlocutors hold ideas or promote findings that conflict with the views and analysis of CSIS, but it is for this specific reason that there is value to engage in this kind of conversation.

# Executive Summary

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The leaders of the Islamic Republic must manage a formidable array of threats to Iran's stability and prosperity. US hostility and renewed sanctions have badly damaged the economy, and popular protests have become widespread. International relationships are shifting as sanctions are implemented, yet the Regime has revealed a capacity to both adapt and endure.

## Regime (in)stability and domestic unrest

Bitter divisions exist between the supporters of Supreme Leader Ali Khamenei and the administration of President Hassan Rouhani, leaving both discredited with a restive population. Iran's political leadership is fundamentally divided on how the Islamic Republic can be rejuvenated.

- Although the regime is tired, and many Iranians are frustrated with political divisions, mismanagement and economic stagnation, there is no coherent threat to the continuance of the Islamic Republic.
- Neither the clerical leadership around the Supreme Leader nor the presidential political establishment is viewed positively by a majority of the population. Many are weary of religious rule and the conservatism of the clerics. The failure of the Joint Comprehensive Plan of Action (JCPOA) to bring economic relief has undermined President Rouhani's credibility.
- Clerics have directly attacked the presidential administration by impeaching cabinet ministers and firing key officials. A new generation of radical religious conservatives has limited influence, but as economic difficulties and protests persist conservatives may exert more influence, limiting President Rouhani's room for reform.
- Authoritarian rule, oil dependence and the impact of sanctions have created a culture of corruption which has increased popular discontent with the regime.

Protests have grown and spread across Iran. Polls suggest that up to 75 per cent of the population is dissatisfied, and 30 per cent believe the regime cannot be reformed. The leadership has modified its response to recognise legitimate grievances without abandoning harsh treatment of those who are arrested if protests are deemed to be riots.

- The popular protests of December 2017 were the largest since 2009. Significantly, they originated in cities outside Tehran, demonstrating widespread popular discontent. Although initially condemning the demonstrations, the regime later shifted to a strategy of recognising legitimate grievances and remedying them. The Islamic Republic had its origin in street protests and is sensitive to the need to manage rather than suppress complaints.

- Economic decline is at the centre of many protests. Inflation is high and the rial has fallen precipitously in value. Young Iranians have seen their economic prospects destroyed. Protests have also focused on water shortages, pollution, corruption and unpopular religious rules, such as compulsory wearing of the hijab.

- Protests by ethnic and religious minorities, and in border regions, were viewed by authorities as more threatening to the regime than the broader popular protests, and met with a more ruthless response.

- The regime now relies on elite anti-riot forces rather than militias to control protests. Even though protests are treated more sympathetically than in the past, those arrested and jailed may receive long sentences, risking harsh treatment and potentially death.

- One of the responses to anti-government demonstrations has been the organisation of counter-demonstrations, drawing on the deep support for the regime amongst its core supporters, who constitute about 20 per cent of the population.

## Economic survival in the face of renewed sanctions

Iran attempted to rebuild its economy after sanctions were suspended with the signing of the JCPOA. US withdrawal from the agreement and the re-imposition of sanctions has again made Iran dependent on oil exports, which contribute a third of government revenues. Previous sanctions had a permanent negative impact on the economy, having never been completely lifted. Financial sanctions isolating a target country are destructive, and if they cannot be effectively ended, diminish the incentive for negotiations.

- The EU continues to support the JCPOA and promote economic ties despite the US withdrawal. EU countries are setting up a Special Purpose Vehicle to facilitate trade and investment relationships with Iran.

- Iran defends the preservation of the JCPOA as a question of the integrity of agreements, and the common interest of many countries in rejecting US unilateralism, which imposes economic sanctions on both friend and foe. The US rallies support against Iran because of its activities in Syria and Yemen and ties to Hizballah. Iran is suspected of supporting terrorist plots in Europe.

- Russia, China and India are also interested in economic ties with Iran. China and India need oil, and Russia is a nuclear power technology partner. China and Russia both hope to sell arms to Iran. None want to completely alienate the United States. Iran distrusts Russia and China, and is placing its primary emphasis on the EU as an economic and diplomatic ally.

- Sanctions imposed before the JCPOA was signed left Iran dependent on oil exports and generated corrupt practices as facilitators engaged in profiteering and work-arounds. The influence of the Islamic Revolutionary Guard Corps (IRGC), which was hostile to engagement with the US, increased during the original sanctions period. With the re-imposition of sanctions, Iran again faces short and long-term harm to the economy. It has no incentive to re-negotiate the agreement.

## Shifts in foreign relations and international partnerships

Iran's foreign policy is dominated by the need to retain markets for its oil, and by its ambitions as an influential actor across the Middle East. As Iran occupies a vital part of the land bridge between Europe and Asia and is at the centre of numerous Middle East confrontations, its trading partners all have an interest in promoting Iranian stability.

- Iran's need to focus on the economic and trade links necessary for its economy has not stopped its aggressive intervention in regional geopolitics. Iran is competing for influence in Iraq, Syria, Lebanon and Yemen.
- Iran has successfully supported the Assad regime in Syria, but its reconstruction plans are not supported by Russia, and its role in the conflict has undermined its international reputation.
- Iran's geopolitical position between Asia and Europe makes its stability sensitive for all partners. It is a vital link in China's Belt and Road initiative and is geographically connected to Russia's restive caucus region. For India, Iran provides a port of entry to the Middle East and Europe. The EU wants to preserve the JCPOA to prevent a Middle East arms race.
- US withdrawal from the JCPOA is having the unintended consequences of increasing Russian and Chinese influence in Iran, and in the wider Middle East, and could push the country in an even more conservative and authoritarian direction.

## Outlook

As Iran struggles to maintain the JCPOA, it will remain at the centre of international attention. There is no current indication that Iran will attempt to re-start its nuclear weapons program, but a desperate need to improve its negotiating position might lead it to consider this step. If Iran did withdraw, it would again find almost all countries aligned against it. Divisions within the regime, and the diminished reputation of both the clerical leadership and the president, could lead to greater influence for the military. Several future events could have an impact on Iran's future.

- Supreme Leader Khamenei is now 79. His death and replacement would have an impact on the internal political dynamics of the Islamic Republic, and on its external relations. There is no heir apparent.

- Celebration of the 40th anniversary of the Islamic Republic may stimulate antagonism between rival groups within Iran.

- Parliamentary elections are scheduled for early 2020 and will again be a forum for the competition between conservative and reformist forces. The intensity of the elections may generate provocative and destabilising actions by Iranian factions. Iran's election will overlap with the primary elections cycle in the United States.

- The 2020 US elections will be very important for Iran, as they will either re-elect a Republican administration, which took the US out of the JCPOA, or bring in a Democratic administration, which might return the US to participation in the agreement.

- Iran faces two very different but conceivable scenarios. Renewed US adherence to the JCPOA could reduce Iran's diplomatic isolation and allow the economy to recover. A further move towards clerical conservatism, perhaps with renewed military influence, could ultimately lead to Iran becoming a securitised, radicalised and impoverished garrison state.

CHAPTER 1

# The Art of Endurance: The Islamic Republic at 40

The Islamic Republic has reacted to popular protests by acting on legitimate complaints. Special Units effectively manage peaceful demonstrations, but violent countermeasures are used if protesters directly threaten the regime. Those who unconditionally support clerical governance are essential to the regime's support strategy, as are appeals to nationalism in the face of foreign enemies. As economic pressures and unrest limit government options, harsher reactions to opposition may turn Iran into an impoverished garrison state.

Despite years of revolutionary turmoil, a devastating war with Iraq, near-relentless sanctions and economic tumult punctuated by political upheaval, the Islamic Republic has survived to celebrate its fourth decade. It is, however, facing a convergence of crises and problems—from a multi-pronged challenge by the US administration to widespread dissatisfaction at home and severe environmental challenges. To preserve its grip on power, the leadership is deploying a panoply of tools, ranging from pressure to persuasion. These could in principle guarantee stability in the short run, but are unlikely to provide a long-term solution to the system's structural defects and inherent contradictions.

## The survival toolbox

The ruling elite is fully aware of endemic popular discontent. It has commissioned multiple surveys and studies that clearly demonstrate that society is mostly disillusioned with the revolution's ideals, broadly disenchanted with all political factions, and tired of economic malaise[1]. Over the past four decades, the leadership in Tehran has honed certain tools of self-preservation and acquired new ones. The assessment of the tactics and techniques the political and security establishment has deployed is based on a study of two recent rounds

of nation-wide unrest since 2017: protests that started in Mashhad in December 2017 and spread to nearly 100 cities and villages by January 2018, as well as a wave of protests that began in Isfahan and several other cities, including Karaj, Shiraz and Tehran in July and August 2018.

*The iron fist*

The Islamic Republic has continuously exercised, enhanced and expanded its muscle for social control and suppression of dissent. It has come, however, to increasingly rely on its well-organised, -trained and -equipped anti-riot police, known as Special Units (یگان ویژه), to quash protest movements. This is in contrast to its deploying the hardline vigilantes known as Ansar-e-Hezbollah (انصار حزب الله), who crushed the 1999 student uprising, or the Islamic Revolutionary Guard Corps (IRGC) and the Basij militias in the 2009 uprising that followed the controversial re-election of former President Mahmoud Ahmadinejad. The anti-riot forces, which operate as part of the Law Enforcement Force of the Islamic Republic (نیروی انتظامی جمهوری اسلامی or NAJA), are more adept at avoiding violence while performing effective crowd control.

After the 2009 revolt, NAJA significantly expanded its capacity. For instance, it established more than 400 new police patrolling forces in 375 municipal districts in Tehran[2]. It also established new branches, like the Cyber Police, to focus on the use of social media and an anti-riot unit comprised of women to disperse female protestors. Interestingly, the Special Units are among the best paid within NAJA[3].

NAJA's heightened (and, by the standards of the Islamic Republic, more subtle) coercive capacity is in large part the reason why, during the recent protests, the IRGC did not intervene in most theatres. This was also partly because the protests were smaller in scale and scope, even if they were geographically wider spread, and because of the lessons the security establishment has drawn from the 2009 revolt and the Arab uprisings. Twenty-two protestors were killed during the unrest that rocked nearly 100 cities last winter. In the words of a senior Iranian official, "The more people are killed on the streets,

the more ammunition regime change advocates have to add fuel to the fires of domestic discontent[4]". However, nearly 5000 were arrested, some for several hours, others for days or months[5]. Imprisonment has also been the option of choice in dealing with labour and student protests throughout the year[6].

The regime nevertheless distinguishes between protests and riots, expressing sympathy for the former and condemning the latter[7]. It has also designated a few stadiums in Tehran as Iranian versions of London's Hyde Park corner, with the aim of channelling protests into more easily controllable venues[8]. The state also continues to brandish its iron fist as a deterrent. For instance, in late October 2018 residents of Shiraz witnessed the transformation of their city into a garrison in the run-up to the anniversary of Cyrus the Great, an ancient Persian king, at his tomb in the outskirts of the city[9].

Equally deterring have been the mass arrest of protestors, the ill treatment of detainees, and the mysterious death of others at prisons. Human rights groups have reported the deaths of protesters either in street confrontations or in custody, the intensified crackdown on human rights lawyers, and the heavy sentences handed out to protestors[10]. Accusing several environmentalists in October 2018 of "sowing corruption on earth", which could entail capital punishment, has had a chilling effect on civil-society actors across the board[11]. In June, the judiciary released a list of twenty lawyers in Tehran province permitted to represent prisoners facing national security charges during investigations. None were human rights lawyers[12].

In the same vein, in August 2018 the Supreme Leader called for establishing a special court for economic crimes. One month later, those courts sentenced three people to death, including a controversial gold trader known as the 'Sultan of Coins'[13]. The harsh legal actions seem aimed at warning speculators against exploiting the country's current financial predicaments, while also showing the government's seriousness in combatting endemic corruption. Under pressure from hardliners, the Iranian government banned access in May 2018 to the most popular messaging application in Iran, Telegram, which was used by protestor to coordinate slogans and share information[14].

Reaction to instability in the border areas has been much harsher. Perceiving the hand of its regional rivals and the CIA behind ethno-sectarian dissident groups in its border provinces, Iran has resorted to brute force to deter attacks stemming from the peripheries. In September 2018, the IRGC retaliated against attacks carried out by the Kurdistan Democratic Party of Iran (KDPI) by firing a dozen missiles towards the groups' bases in Iraqi Kurdistan, killing 11 and wounding 30[15]. Tehran's retaliation, in October 2018, against alleged ringleaders of the terrorist attack on a military parade in Ahvaz on 22 September, claimed by both Daesh[16] and an Arab separatist group, also took the form of missile strikes in eastern Syria[17]. Iranian security forces have threatened that they would not hesitate to cross into neighbouring countries in pursuit of armed dissident groups[18].

*The velvet glove*

The Iranian leadership has adopted a more 'kid-glove' strategy when addressing some of the drivers of local protests lest they snowball into a country-wide crisis. For instance, one of the factors that fuelled anti-government protests in late 2017 was the bankruptcy of several unlicensed credit unions that resulted in hundreds of thousands of depositors witnessing their savings disappear into thin air[19]. The government intervened and repaid billions of dollars to the depositors[20]. Likewise, when Iran's southwest regions experienced a shortage of drinking water during the summer of 2018, prompting protests throughout Khuzestan province, the government quickly dispatched the IRGC to build a new pipeline for potable water[21].

In an effort to cushion the impact of renewed US sanctions, the administration of President Hassan Rouhani has started to distribute food stamps and baskets containing items such as rice, chicken and dairy products[22]. It has also announced a 20 per cent increase in wages of government employees for 2019[23], and agreed to increase transportation fees by 20 per cent and provide subsidies for tires and spare parts to satisfy truck drivers who had organised nation-wide strikes[24]. In an unprecedented move, the government has even gone so far as to apologise for the economic shortcomings[25]. For its part, the judiciary has shown its seriousness in stemming corruption and

the IRGC has started to roll back its footprint in the country's economy[26].

But the system's main focus remains on co-opting its core constituents. In the words of a senior Iranian official, "it is the depth of our support that is key to preserving the Islamic Republic, not its breadth. We are now focused on that 15-20 per cent to make sure they remain steadfast in their support[27]". Some of the protection rackets aimed at ensuring that this stratum of society remains satisfied will see a 14 per cent increase in monthly donations to families covered by the Imam Khomeini Relief Foundation, a charitable organisation supporting the most vulnerable (and loyal) segments of the Iranian population[28]. The government has also allocated approximately USD 2 billion to poverty reduction programs[29].

*Mass mobilisation*

The Islamic Republic, itself a product of a popular uprising and a referendum, has always valued mass mobilization—be it in the form of voter-turnout or rallies to commemorate a specific occasion—as a means of showcasing its broad support and legitimacy. It uses religious and revolutionary rhetoric to portray mass rallies as the population's renewal of allegiance (the Islamic concept of *bay'at*) to its rulers. Images of these state-sponsored demonstrations are projected to both friends and foes as a show of force, using circular propaganda. In fact, staging pro-government protests was the tool that the state employed in the aftermath of the 2009 uprising to discredit and quash the anti-government Green movement[30]. The 40th anniversary of the Islamic revolution, celebrated on 11 February 2019, is likely to be a critical opportunity for the state to demonstrate its resilience in the face of crippling US sanctions, an upsurge of internal disgruntlement, and increasing pressure from regional rivals.

*One nation indivisible*

A relatively new and perhaps surprising element in the state's efforts to preserve its grip on power is its use of nationalism. The political elite has been warning for a while that the hostile US administration

is not targeting the Islamic Republic, but Iran as a polity[31]. The discourse revolves around the concept of Iran's 'Syria-cization' (سوریه سازی), an alleged ploy by the US and its allies to fragment Iran along its ethnic and sectarian fault lines. Propagating a siege mentality could help change the subject domestically from complaints over mounting economic troubles to a nationalistic rallying around the flag to preserve the country's territorial integrity, which by definition requires a strong central government. Recent instability in some of the border provinces, from Kurdistan to Sistan-Balouchestan and Khuzestan, in addition to attacks staged by Daesh on Iranian soil have given more credence to this narrative and the state's discourse justifying its regional interventionism: if Iran does not fight extremists abroad, it will have to fight them on its streets.

In pursuing this narrative, the government is already pushing on an open door. During the January 2018 protests, which unlike the 2009 uprising did not enjoy the support of Iran's middle class, who seem loath to sacrifice their security in the absence of a viable alternative to the Islamic Republic, the highest trending hashtag in Iranian social media was #Iran_Isn't_Syria (#ایران_سوریه_نیست). In general, as an Iranian sociologist explained, "All ideologies in Iran, from Islamism to leftist schools of thought, have proven to be an abject failure. The only organizing principle than remains is nationalism, which the system is trying to mobilize in the face of external threats[32]".

## Dark clouds gathering

As US sanctions take their toll and Iran's economic situation worsens from the fall of 2018, discontent is likely to grow and result in a renewed wave of protests. This is bound to deepen concerns among the leadership in Tehran that the US and its regional allies are seeking to destabilize the country at home as a means of curbing its influence in the region or prompting regime change. As a result, it is expected that the regime's tolerance for dissent will wear thinner to address real threats and dissuade new ones. In parallel, it is likely that the system's capacity to co-opt its constituents could start to dwindle over time, forcing it to increasingly rely on its coercive apparatus.

In this crisis there is, theoretically, an opportunity to implement overdue structural reforms that would completely overhaul the Iranian banking system, cut out the hands of semi-governmental institutions and the IRGC from the economy and restore the central bank's independence. This would not fully mitigate the impact of US sanctions, but it would at least address some of the systemic ills that are in Tehran's ability to remedy. The current circumstances could also offer a chance for national reconciliation, ending the house arrest of the 2009 presidential candidates and leaders of the Green Movement, thereby ensuring that external pressure is not being furthered from within. None of this, however, is in accord with the world-view of Iran's Supreme Leader, Ayatollah Khamenei, who believes that compromise under pressure will not alleviate, but invite more pressure from the US or domestic critics. A reform agenda could also undercut the support of the system's core (and more conservative) constituents at a critical moment.

> *...the more Iran's security is threatened, the more the ruling elite will rely on its security forces for self-preservation.*

In fact, to circumvent US sanctions, precedent suggests that the government may end up relying on the IRGC and a shadowy network of sanctions-busting insiders who see Iran's isolation as an opportunity for preserving and expanding their vested interest. By the same token, the more Iran's security is threatened, the more the ruling elite will rely on its security forces for self-preservation. The net outcome is likely to be an impoverished and radicalised garrison state which is unlikely to pursue more moderate policies at home and abroad.

CHAPTER 2

# Popular Protest and Political Infighting: The Impact of Domestic Unrest on Iranian Stability

Iran's economic, environmental and ethical challenges must be confronted despite serious ideological differences between the clerical leadership and the presidential administration. Although external pressures sometimes provoke regime unity, clerical conservatives have often harassed and sabotaged President Rouhani, his ministers, and public servants. The president must implement an agenda which effectively manages Iran's difficulties, without generating a conservative backlash.

The Islamic Republic is at a difficult juncture. Renewed US sanctions are expected to further undermine its battered economy and arrest Tehran's efforts to break out of its isolation. And there is not much prospect for improvement on the domestic scene where discontent is rife, factional infighting continues and other significant challenges remain.

On the economic front, Iran suffers from double-digit inflation[33], a severely devalued currency, a high unemployment rate, and a deceleration in growth to 3.8 per cent in 2017-2018, with a further drop expected in 2019[34]. Corruption is rampant, fuelling resentment towards the ruling elite[35], and smuggling is believed to be on the rise[36]. Many in Iranian civil society and even some members of the elite question the Rouhani administration's ability to resolve these problems. Environmental issues also have become a major source of concern. From pollution to water shortages [37], these questions have become politicised and provide a new arena for political infighting[38]. With a growing lack of opportunity, Iranians have taken to the streets to demand reform, with the largest country-wide protests since the 2009 elections breaking out in December 2017. While these demonstrations eventually subsided, the sentiments driving them did not; smaller-scale protests addressing water distribution, unpaid

salaries, compulsory hijab laws, religious minority rights, and corruption continue in various parts of Iran.

Another significant challenge facing the Islamic Republic is its institutional future: will the system evolve to allow greater reform and openness, or will it close in on itself in reaction to renewed efforts to further isolate it? A key to the Islamic Republic's survival will be how smoothly the succession process can be carried out to replace the Supreme Leader on his death.

This section examines the domestic threats to regime stability in Iran by studying the protests that broke out in late 2017 and analysing the status of the protest movement today as well as the state of domestic infighting.

## The December 2017 wave of protests

On 28 December 2017, protests erupted in the conservative city of Mashhad over the rising cost of basic goods, and rapidly spread to more than 80 cities. Demonstrations are not new in Iran, with sit-ins and peaceful protests regular features, especially since President Hassan Rouhani took office. However, they were in sharp contrast to protests that have traditionally occurred in the capital, and which were led by the educated elite. The more recent demonstrations have not only been widespread but also featured bolder slogans, some of which have targeted Supreme Leader Ayatollah Ali Khamenei himself[39]. They originated in and spread throughout rural, traditionally conservative areas not known for their political activism. As such, their sweep and slogans caught the elite off guard.

In the immediate aftermath, the government as usual blamed foreigners and seditionists for instigating the protests. Thousands were arrested, and more than 20 deaths were recorded in the crackdown that followed[40]. However, elements within the regime quickly changed course: certain clerics, members of the judiciary and government officials began to express sympathy for the protesters. President Rouhani made bold statements highlighting the legitimacy of the demonstrations. He dismissed claims that they were only

economically driven, and called on the system to heed the people's demands[41]. He even highlighted the plight of the young in a jab at his hard line opponents, stating that the Islamic Republic would have to adapt to the lifestyles of the newer generation, rather than impose that of the older revolutionaries. Eshaq Jahangiri, Iran's vice-president, also weighed in by dismissing the claim that foreign forces were behind the demonstrations and insisting that the country's media should be the people's voice. Most interesting, however, was Supreme Leader Khamenei's response, acknowledging protestors' demands, calling on the government to listen and accepting responsibility for the people's discontent[42]. A short month later, he reiterated an apology[43].

The elite's acknowledgement that protesters had valid reasons to be out on the streets is a significant departure from Iran's usual response. The rumours that the hardline camp had incited the demonstrations to destabilise the Rouhani government led the administration to acknowledge its failures, thereby undermining the conservatives. But the change in approach is also a product of the regime's pragmatism. The governing elite recognised that today's Iran can no longer continue as it has. Iranians are young, connected, aware of life outside their borders and exasperated with the elite's internal bickering. In order to stay in power, the Islamic Republic has to concede to certain demands and adjust to the changes occurring in Iranian society. Following the December 2017 and January 2018 protests, the system has grappled with how to reform while changing as little as possible.

## The continuation of discontent: Who are the protestors?

While the major demonstrations have petered out, small-scale protests have continued in various parts of Iran. The movements address a wide range of issues such as water distribution, unpaid salaries, compulsory hijab laws, religious minority rights and corruption. Some even have taken up the anti-government slogans, including businesspeople in June 2018 who shouted 'Death to the Dictator' during three days of protests[44]. However, the protests that have endured are focused on specific economic and occupational demands,

and pushing to change the distribution of state resources. They remain fragmented, localised and uncoordinated for now.

> *Iranians are young, connected, aware of life outside their borders and exasperated with the elite's internal bickering.*

Throughout February of the same year, women continued to peacefully protest the imposition of the hijab[45]. On 5 March, workers in a factory in Arak held a protest against unfulfilled promises on their living conditions. On 8 March, authorities detained 80 protesters after a peaceful gathering was organised on International Women's Day. On 11 May, anti-US protests took place in Tehran following President Trump's announcement that the US would no longer be party to the nuclear deal with Iran. Throughout early May 2018, protests also took place in the city of Kazeroon, south of Tehran, against the redrawing of council lines. On 25 June, protests broke out in the capital, shutting down the Grand Bazaar due to fears of the impact of renewed US sanctions and the fall in the value of the rial; this is a significant development as bazaaris, or the merchant class, are traditionally government supporters. In early July, protests erupted in Khorramshahr over water shortages, a phenomenon that has become too common throughout the country's southwestern region, and over the government's management of the water crisis. On 2 August, protests were held in multiple cities, including Tehran, Arak, Isfahan, Karaj and Shiraz over the significant increase in prices and the downward spiral in the value of the rial, which had lost nearly 80 per cent of its value since August 2017. Truckers, who had first gone on strike in May 2018, calling for a wage increase, resumed their strikes in August. In October, teachers called for national strikes and sit-ins, demanding higher pay, improved pensions and health insurance.

The discontent is not likely to fade away, especially in light of the growing pressure from US sanctions. The Islamic Republic's ability to weather the storm will largely depend on its willingness to tackle the causes of discontent and its ability to manage the economic

hardship effectively. The external threat coupled with the increasingly aggressive anti-Iranian rhetoric has the benefit of rallying Iranians around the flag. This may deflect from the underlying problems for some time, but ultimately the causes of the protests will have to be addressed.

## Political infighting: The state of play

Iranian politics is notoriously dynamic, with different factions constantly competing with each other. While the Supreme Leader is the final arbiter, he is not the only decision-maker. Politics continues to be fluid. If the threat from an increasingly belligerent Trump administration has somewhat tempered the infighting, the discord has not completely dissipated and will likely resurface once the effects of renewed sanctions make themselves felt and spur further outbreaks of discontent.

Since their second electoral defeat in 2017, Iran's hardliners have increased their efforts to discredit Rouhani and his policies. From harassing dual nationals to arresting environmentalists, much of their strategy has involved opposing the Rouhani government in a range of areas and demonstrating how powerless the President is. Hardliners have opposed the government on many issues, from the 2015 nuclear deal, which in their minds has been of little benefit to Iran and set a dangerous precedent for dialogue with the US, to the government's continued 'mishandling' of the economic crisis. For example, conservative students recently penned a letter to the president asking for his resignation over his poor management of the economy and inability to lower unemployment[46]. Calls for his resignation from the hardliner camp have continued throughout 2018, including rumours that parliament might seek to dismiss him[47].

The Rouhani administration also has been undermined through the impeachment of and questioning by parliament of his cabinet members, as well as the dismissal of high-level officials. In July 2018, Central Bank Governor Valiollah Seif was ousted for his handling of the currency crisis. In August, parliament impeached Rouhani's Labour Minister Ali Rabiei, and Economy Minister Masoud Karbasian.

In October, the president accepted Minister of Industries, Mines and Business Mohammad Shariatmadari's resignation, after rumours of an attempt to impeach him. President Rouhani has filled these cabinet positions with a number of unsurprising insiders, for example inviting Shariatmadari to join Cabinet again as labour minister.

The administration has also faced opposition on a number measures it has sought to take to make the Iranian economy more transparent and compliant with international norms; these include adhering to the Financial Action Task Force (FATF) measures and joining the UN Convention Against Transnational Organized Crime. Despite Supreme Leader Khamenei's reticence, parliament approved a bill against the funding of terrorism in early October, thus removing Iran from FATF's blacklist[48].

> *Since their second electoral defeat in 2017, Iran's hardliners have increased their efforts to discredit Rouhani and his policies.*

Despite these relentless attacks, and following the US withdrawal from the nuclear deal in May 2018, the Rouhani administration has called for unity. In June, Foreign Minister Javad Zarif warned that "the enemies' goal is neither Iran's system nor Rouhani's government (...) The target is Iran. They want to destroy Iran[49]". Rouhani echoed the sentiment a few days later, stating that his administration would not resign, and calling for unity[50]. His administration has adopted a harder line towards external enemies. In July, Rouhani threatened to close the Straits of Hormuz over US oil sanctions; while this prospect is something Iranian officials often dangle, the regime has generally demonstrated restraint regarding issuing such threats. In a rare display of solidarity, Quds Force General Soleimani published a letter praising the president and pledging support to implement his threat should it be necessary[51]. This indicated, unsurprisingly, that the more the system is threatened from outside, the more it is likely to unify. But this unity may be short-lived and will be challenged by two new developments: the rise of a new generation of radical conservatives who are critical of the older generation for being too

cautious[52]; and the actual impact of sanctions. If the government is not able to weather the storm, discontent and protests will continue to rise and those refusing to heed calls for unity will likely use this as an opportunity to resume their attacks on the Rouhani administration.

## Conclusion

Today, the Islamic Republic faces a number of challenges on the domestic front. Following the wave of protests in December 2017, the system acknowledged the protestors' demands. The regime must now capitalise on the moment of unity to forge ahead with reforms that are unpopular with certain segments of the elite. It is important, however, that the administration implement changes slowly. Should Rouhani push his agenda too aggressively, it will result in a conservative backlash and another tightening of the reins. This would ultimately make the regime more fragile because of renewed popular discontent. In other words, both too little or too much will have negative consequences for the country.

CHAPTER 3

# Does the Islamic Republic Run on Machine Politics?

Many accounts of Iranian politics have claimed that social programs are designed to gain supporters for the Islamic Republic. Survey results illustrate that state aid programs have broader coverage of the population than the semi-governmental "bonyads", and that there is no significant relationship between aid program coverage and voting patterns.

Scholarly and think-tank accounts of Iranian politics allege that welfare linkages to the state function as a crucial source of regime legitimation among poorer and conservative-leaning citizens. Analysts often assume that the political elite's conservative factions successfully mobilise the votes of individuals who receive aid or welfare from government, engendering a dependent class of beneficiaries in the process. More specifically, scholars have touted the organisational prowess and popular reach of semi-governmental welfare foundations in the post-1979 era (*bonyads*). To quote one of many such assertions: "the *bonyads* simultaneously provide essential social services and strengthen the regime. In short, *bonyads* are the means for patronage as well as social control[53]".

How accurate is this portrayal of social welfare linkages between individuals and the regime? The *Iran Social Survey*, a nationally representative survey fielded via landline phone to 5005 randomly selected respondents throughout the country, was conducted in late 2016[54]. The primary goal of the project was to empirically assess prevailing accounts of social and political dynamics in Iran.

One of the most comprehensive survey segments measured household linkages to social welfare services. To gauge the degree and range of state-society linkages through social welfare policy, respondents were asked whether "anyone in their household receives insurance, aid or income" from a list of public, semi-public and private

organisations. Included in the list were several post-revolutionary *bonyads*.

The four largest social welfare programs in Iran, as reported by survey respondents, are:

- *Imam Khomeini Relief Committee* (IKRC): Founded in 1979, this is the largest self-identified, revolutionary welfare institution in Iran. Funded through government sources, income-generating investments, as well as private donations, benefits include monthly income transfers, in-kind aid and subsidies for health care costs. By population reach, this is the biggest *bonyad* in Iran[55];

- *Social Security Organisation* (SSO): Founded before the 1979 revolution by the Pahlavi monarchy (1925-79), the SSO provides social insurance for formal employees in large firms in the public and private sector. Since the late 1990s, enrollment among employees in small firms and informal self-employed has also been encouraged. Social insurance includes health, pension and disability benefits. The SSO is administered by the Ministry of Cooperatives, Labour and Social Welfare;

- *Civil Service Pension Fund* (CSPF): Descending from the oldest social welfare institution of the Pahlavi monarchy, the CSPF provides social insurance for government employees. It is also managed by the Ministry of Cooperatives, Labour and Social Welfare, and does not cover employees in the military, law enforcement or Islamic Revolutionary Guards, each of which has its own social insurance organisation; and

- *Yaraneh*/cash transfer: Enacted in 2011 by the Ahmadinejad administration as partial compensation for the liberalisation of price subsidies on fuel and electricity, this is a direct cash transfer to a specified bank or credit institution account held by eligible individuals under a given income threshold. After 2013, the Rouhani administration continued the *yaraneh* program, although the real amount has declined due to inflation.

## Measuring social welfare linkages

The *Iran Social Survey* categorised respondents by household income bracket that reported a *household linkage* to each social welfare institution. Overall, most households reported the receipt of unconditional cash transfers in Iran, a relatively new policy innovation, amounting to roughly USD 11-12 per month per person[56]. It should be noted that 85 per cent of survey respondents fall into the lowest three income categories, with 23.4 per cent of respondents self-reporting household incomes under 500,000 tomans (USD 130) a month. Nearly all of the respondents in the poorest household category (N=1169) reported receiving cash transfers.

Moreover, within this poorest income category more respondent households are linked to the Social Security Organisation than the Imam Khomeini Relief Committee. In other words, among poorer Iranians, more beneficiaries are linked to the main governmental social insurance organisation than the largest semi-governmental *bonyad*. This might be a surprising finding for Middle East analysts given popular accounts of semi-governmental *bonyads* as the key Iranian institutions of aid and insurance for low-income households. Yet the limited reach of the IKRC can be seen in claims by the organisation itself. In 2008, only two years into the Ahmadinejad administration and well before the implementation of cash transfers, the IKRC reported that 1.9 million households (around 10 per cent of the total) were covered by its services[57]. The SSO, on the other hand, covered over 40 per cent of the population in 2008, and continued to expand coverage over the next decade[58].

> *...among poorer Iranians, more beneficiaries are linked to the main governmental social insurance organisation than the largest semi-governmental* bonyad.

Households can be linked to *multiple* social welfare institutions in Iran. As an Iranian health-policy analyst described in a 2011 interview:

> There is no one insurance fund that pools the health costs in Iran. For instance, with a 75 million population, there are almost 85, or some figures say, 90 million insurance booklets, which means that there are some people with two or even three insurance schemes, which is absolutely a waste of resources. If your dad is a public servant, you are entitled to insurance from the [CSPF]; if your mom is a factory laborer, you are also entitled to insurance from the SSO, and if your brother is in the military, you can have insurance from the Armed Forces Insurance, and if your sister works in the mayor's office, you are entitled to a type of private insurance for some special services. This is the story, more or less, across the country[59].

Contrary to popular accounts of social welfare as a vehicle to specifically target poor citizens, the main linkages to Iran's social welfare system, as with most middle-income countries, are clustered around households in the middle and upper-income strata of the population. In the poorest stratum of survey respondents, this sort of cross-organisational linkage is less apparent: only 2 per cent of survey respondents reported linkages to *both* the IKRC and the SSO. Among middle and upper income strata, the reach of the SSO expands while linkages to the IKRC are absent. This is to be expected, as the IKRC uses means-testing to deliver aid to low-income households. The reach of the SSO to lower income strata is consistent with the expansion of benefits to a range of occupations in the informal, self-employed sector of Iran's economy over the past decade, where poorer Iranians tend to earn a living. In reality, however, it is higher-income households which are more likely to be linked to pensions and health insurance across multiple organisations: 14 per cent of respondents in the survey reported that their household was linked to *both* the SSO and the CSPF.

Respondents were asked to comment on other well-known *bonyads* in Iran also purported to be organisations of mass patronage and party mobilisation. In the case of the Foundation for the Dispossessed,

only 36 respondents out of 5005 (0.7 per cent) reported a household linkage. In the case of the *Martyrs Foundation*, only 95 respondents (1.9 per cent) reported a household linkage. These shares are also consistent with the counts of beneficiaries officially reported by these organisations. Moreover, even if there is under-reporting in the survey for these organisations due to a perceived stigma (though this is arguably not the case for cash transfers, a policy equally associated with conservative Iranian politicians), this underreporting would have to be extremely widespread to raise the importance of these *bonyads* to the level of linkages from other social welfare organisations. On the whole, the survey data illustrates the reach of core welfare organisations under the control of the central Iranian government, not semi-governmental *bonyads*, into the poorer strata of society.

## A rural exception?

It is regularly stated by journalists and scholars that the political base of the Iranian regime is strongest among rural citizens who tend to be poorer and less educated than urban residents. Household linkages to the above social welfare organisations among only rural respondents (living in a settlement size under 5,000 people) were also analysed in the *Iran Social Survey*. Even rural households are more likely to be connected to the government-run SSO than the *bonyad* IKRC. Overlap among rural household linkages to both organisations is minimal (3.2 per cent). In addition, nearly all rural households receive a bimonthly cash transfer. The *yaraneh* program is often construed as a naked 'handout' of cash in exchange for votes. Given the basic design of the policy, this is a misleading characterisation. While the recipients of cash transfers might perceive particular politicians or factions more favourably due to the implementation and advocacy of this program, the distributional structure of a universal cash grant does not resemble a patron-client relationship. Every household receives one cash transfer per individual, regardless of occupation or voting behaviour.

Given the mix of cash transfers, health subsidies and social insurance reported in the survey, a narrowly targeted clientelist machine does

not seem to be prevalent in rural Iran. Rather, rural household linkages to social welfare organisations resemble those under a modern welfare state with programmatic policies at its centre.

## Do state linkages displace associational activities?

Civil society, defined as *non-state* and *non-family* associational activities, is a concept often invoked in scholarship on Iran and the broader Middle East, which often claims that associational activities are largely absent in these countries. Some reports on Iran portray everyday life as routinely captured by state penetration, displacing the associational arenas where public social interaction could take place[60]. This assertion has rarely been empirically assessed outside of anecdotal or official accounts. To gauge the degree of participation in a variety of non-state associational activities, the *Iran Social Survey* asked respondents whether they currently participate or used to participate in a range of formal or informal groups, clubs or other associations[61].

Respondents identified the neighbourhood religious association (*hey'at-e mazhabi*) as the one in which they most commonly participated. Such organisations often arrange holiday celebrations in Iran, endorse candidates for local offices, and sponsor commemorations of notable individuals. They are commonly funded privately by local residents and do not require the participation of state-appointed clerics. Four decades ago, during the build-up to the 1979 Iranian revolution, the neighbourhood religious association was arguably a more important institution than the local mosque for organising collective behaviour, sharing political information and mobilising individuals towards action[62].

Little research has been conducted on the role of neighbourhood associations in contemporary Iran. With the inclusion of this type of association in the *Iran Social Survey*, one can estimate participation and examine variation between different groupings of respondents.

The survey also compared self-reported participation in a neighbourhood religious association across respondent households

that are linked to three types of social welfare: the IKRC, the SSO, and cash transfers. There is no significant difference in neighbourhood religious associational participation across the types of social welfare linkages. For the most common type of non-state, non-family associational activity in Iran, then, state linkages are not associated with lower rates of participation in civil society.

## Vote choice and the Iranian welfare system

Do beneficiaries of different welfare organisations in Iran, *bonyad* or governmental, vote differently? If *bonyads* were consequential vehicles for turning out the vote for conservative politicians in Iran, this might be observed in the reported vote choice by individuals who live in households linked to the Imam Khomeini Relief Committee. After all, to become eligible for IKRC aid, a household usually has to receive a visit from a local IKRC officer in order to take a means test or have their home examined. This would be a prime site for clientelist mobilisation to occur, especially if the IKRC made benefits contingent on vote choice. Respondents were asked to recall their vote choice, if any, for president in 2013. Given the competitive race between the moderate candidate Hassan Rouhani and four conservative politicians, the vote choice of respondents might tell us about how welfare linkages affect political inclinations in a mobilised election with wide turn-out.

However, among all vote choices for the 2013 presidential election, including the choice not to vote at all, there is no significant difference among respondents linked to different welfare organisations. The higher share of respondents in IKRC-linked households who reported that they did not remember for whom they voted (19 per cent) is likely due to the fact that poorer voters in general reported in higher numbers that they did not remember (17 per cent).

These data suggest an important finding about electoral mobilisation in Iran. Individuals linked to welfare programs currently or formerly associated with conservative politicians or factions (the IKRC with post-revolutionary conservatives; cash transfers with the Ahmadinejad administration) are not voting differently on average than people

linked to welfare programs associated with technocratic or moderate politicians or factions (SSO).

Given that an individual's linkages to the largest Iranian social welfare organisations, including the largest *bonyad* in the IKRC, do not seem to correlate with associational and electoral behaviour, it is worth asking if the model of a clientelist-welfare machine is operational in the Islamic Republic of Iran?

If such a model was on display during the chaotic and violent post-revolutionary period after 1979, it has been subsumed and surpassed by a much different system of social welfare distribution. Even with numerous forms of electoral competition, high levels of intra-elite strife, and a marked degree of ideological friction, the clientelist model of welfare-based mobilisation is not discernable in Iran at a *systematic* level[63]. Given the findings from the *Iran Social Survey,* it is perhaps time to reassess which models of politics and state-society relations are observable in Iran for other spheres as well.

CHAPTER 4

# Iran in the Era of Financial War: Reclaiming Sanctions as a Tool of Coercive Diplomacy

The Iranian case suggests that financial sanctions must be reconsidered as a tool of coercive diplomacy. Cutting Iran off from international financial entities has empowered corrupt facilitators, and in effect spread the sanctions to exempted goods and services. The lack of credible sanctions removal processes and the absence of aid to address residual harmful impacts result in sanctions being viewed as a weapon of destruction rather than an incentive to negotiate.

The US administration's decision to withdraw from the Joint Comprehensive Plan of Action (JCPOA) and to re-impose secondary sanctions on Iran has thrust Washington and Tehran into what US officials have described as a financial war. The remaining parties of the JCPOA are implicated in this new conflict as they strive to sustain the promised economic benefits of the nuclear deal in the face of unilateral and extraterritorial US sanctions. But government officials in Europe, China and Russia—and by extension the international community which remains overwhelmingly supportive of the JCPOA—are already questioning whether extraordinary efforts are warranted on behalf of Iran. After all, while confronting Iran is the principal foreign policy priority for the Trump administration, engaging Iran is not the main priority for Russia, China nor the European powers (setting aside the unique case of the European Union). Aware of this imbalance, Iranian President Hassan Rouhani has sought to cast US policy towards the nuclear deal as a threat to multilateralism and diplomatic engagement generally. He recently declared, "the only way to overcome difficulties is through concerted international efforts based on mutual interests, and not the short-sighted demands of one or a few states[64]".

With the potential collapse of the nuclear deal looming, and an Iranian dash to build a bomb an increasing possibility, such appeals to

multilateralism are a heartening reminder of how far Iran has come as an actor on the international stage and how far it could slide back. This is not, however, the foremost reason why the international community must act to mitigate the re-imposition of US sanctions. The main challenge arising from the US administration's use of sanctions is not to the nuclear deal, but to the future efficacy of sanctions themselves as a tool of coercive diplomacy. This is not because of the unilateral and extraterritorial nature of the sanctions, but rather because, in this instance, sanctions were re-imposed despite clear evidence that sanctions relief will be near impossible to deliver should Iran partake in a future negotiation. As such, the Trump administration is using sanctions not as a tool of coercion, but of destruction.

## From 'tool' to 'weapon'

While the US has accrued sanctions powers over the course of several decades, financial sanctions remain a relatively new tool, first introduced to combat the financing of terrorism initiatives under the administration of George W. Bush. Juan Zarate, who served as Deputy National Security Advisor for Combating Terrorism under President Bush, was among the principal architects of the new sanctions approach. In *Treasury's War*, Zarate announced a new era of "financial warfare" in which sanctions would "...increasingly become the national security tools of choice for the hard international security issues facing the United States[65]". Zarate explained that while many sanctions powers were first developed in the context of the global war on terror, it was the threat of Iranian nuclear proliferation that gave the US Treasury Department, by then under the authority of President Obama, the test case for financial sanctions as a tool of state conflict.

For the Obama administration, still dealing with the wreckage of the Iraq war, sanctions were an attractive foreign policy tool. The United States' failure to create a broad coalition for the invasion of Iraq and subsequent quagmire eliminated recourse to military means to deter or halt Iran's proliferation activities. In a 2008 campaign speech outlining his foreign policy goals, Obama specifically compared John

McCain's desire to seek a military solution to Iranian proliferation, "a failed policy that has seen Iran strengthen its position" to his own progressive desire to pursue "diplomacy backed with strong sanctions[66]".

President Obama's misfortune was that his first term coincided with the second term of the Ahmadinejad administration, a period of hardliner dominance in Iran's domestic politics. Iran sought to resist the economic impact of US sanctions, buoyed by historic oil prices. Ahmadinejad avoided diplomatic negotiations with the Obama administration, in part because sanctions had actually helped concentrate political and economic power in the Islamic Revolutionary Guard Corps (IRGC) which saw engagement with the US as anathema to its interests, especially while military gains were being made in Iraq and Syria. In 2012, the US, working in cooperation with European allies, sought to increase pressure with new "crippling sanctions" that added additional restrictions on the Iranian financial sector and international financial institutions that retained links to designated Iranian banks [67]. In applying these additional sanctions, the Obama administration misinterpreted the lack of engagement from Iran as an indication that sanctions had not yet had sufficient coercive impact to bring Iran to the table.

Nonetheless, the financialisation of the sanctions meant that Iran was no longer being targeted with a coercive tool, but an out-and-out weapon. Targeting financial networks makes sanctions risks systemic in a way that focusing on individual industrial sectors does not. Moreover, for banks, the facilitation of business with Iran does not necessarily require a deliberate commercial action. Routine transactions could implicate a bank because of the clients or other stake-holders involved, even without the bank's active knowledge. Bank compliance officers quickly understood the implications of the new sanctions, whose risks were amplified by the unrelated but concurrent introduction of new laws intended to tackle the lax oversight that contributed to the global financial crisis. These laws introduced personal criminal liability for compliance failures. Almost overnight, Iranian banks were isolated from the global financial system. As intended, Iran began to feel the economic pain of the

sanctions more acutely.

However, shortly after their imposition, warning signs emerged that the financial sanctions were also having various unintended consequences. Shortages of foodstuffs and medicine in Iran became more common as US and European exporters struggled to find financial channels for the trade that was technically sanctions-exempt. In the face of such challenges, trade was increasingly funnelled through opaque intermediaries in Turkey and the United Arab Emirates, suggesting that financial sanctions could actually lead to less transparency in Iran's financial dealings. The politicisation of global finance spurred by sanctions was in evidence as the US and Europe disagreed as to whether the international payment messaging system SWIFT should disconnect Iranian banks, which it eventually and unwillingly did under US pressure. Even the bank accounts of members of the Iranian diaspora living in Europe were affected, demonstrating 'over-compliance' from banks that had come to see any link to Iran as a liability.

## The failures of sanctions relief

These early instances of humanitarian consequences, harmful evasion, political disagreements and stubborn over-compliance were a harbinger of the much more profound policy failure that would later haunt the Obama administration in its implementation of the JCPOA. Despite the historic achievement of the nuclear deal and the broad international consensus that Iran had earned sanctions relief through its embrace of diplomatic engagement and verifiable non-proliferation commitments, the US failed to deliver timely sanctions relief in the aftermath of implementation, leaving the deal vulnerable to its eventual repudiation by the United States.

For Iran, the experience of implementation has been a bitter one. The Islamic Republic has continued to fulfil its obligations under the JCPOA. The US had only managed to lift sanctions in principle, while in practice the lingering effects of financial sanctions stymied the rebound of trade and investment until President Trump's withdrawal from the deal brought sanctions back into force. In a January 2018

survey of multinational executives active in Iran, 79 per cent of respondents reported that their company had delayed market entry plans in the preceding two years[68]. While Iran's complex business environment certainly posed hurdles for foreign companies seeking post-JCPOA opportunities, the lingering effects of sanctions remained the largest impediment.

The superficiality of sanctions relief has tainted Iranian public opinion. Whereas in December 2016 most Iranians believed that the US "had lifted the sanctions it agreed to lift in the JCPOA" but was "finding other ways to keep the negative effects of those sanctions" by January 2018 nationally representative polling showed that the majority of Iranians believed that the US had "not lifted all of the sanctions it agreed to lift in the JCPOA[69]". Such a turn in public opinion speaks to the worrying ways in which a failure to deliver sanctions relief in the present will prejudice a political system against constructive responses to sanctions pressures in the future. Can countries placed under sanctions really count on the prospect of sanctions relief as a reason to modify behaviour?

The US has spent the last decade converting sanctions from a tool of coercive diplomacy into a powerful weapon of financial war. But no commensurate effort has been made to evaluate the damage financial wars inflict on target countries, nor to devise the policy instruments that can help 'reconstruction' efforts when a financial war is brought to a negotiated end.

In a speech on the evolution of sanctions, then Treasury Secretary Jack Lew observed that "Since the goal of sanctions is to pressure bad actors to change their policy, we must be prepared to provide relief from sanctions when we succeed. If we fail to follow through, we undermine our own credibility and damage our ability to use sanctions to drive policy change". He was perhaps alluding to his own sobering failure to convince financial institutions to engage with Iran in the aftermath of sanctions-lifting. According to Lew, the Treasury Department relied on nothing more than "global outreach to help governments and businesses understand the sanctions relief provided" to implement its side of the JCPOA[70]. This outreach was

ineffective, not least because the same officials, who had just months previously been warning against commercial engagement with Iran, now were tasked with encouraging it.

The contradiction between the message and the messenger was notably pilloried by Stuart Levey, who served as Under-Secretary for Terrorism and Financial Intelligence under Bush *fils*, and later became chief legal officer for HSBC, the global bank. Reacting to a meeting between Secretary of State John Kerry and bank compliance officers in London in 2016, Levey noted that US officials were encouraging "non-US banks to do business with Iran without a US repudiation of its prior statements about the associated financial-crime risks. Moreover, there were "no assurances" provided "as to how such activity would subsequently be viewed by US regulatory and law-enforcement authorities[71]". Levey made it abundantly clear that HSBC would not be conducting business with Iran, reflecting a sentiment widely held among compliance officers within the financial sector.

In 2018, a chorus of former State and Treasury Department officials has warned that the Trump administration was misusing sanctions. The prevailing concern is maintaining the efficacy of the tool by ensuring that sanctions are not used in ways that undermine multilateral campaigns and thereby accelerate efforts to create alternative structures and instructions in the international financial system to reduce US primacy. But far less attention has been paid to the issue of sanctions relief, which in many respects seems to be the more urgent problem. While the capacities for multilateralism and US primacy in global financial system are supported by other factors which will ensure a certain baseline ability for sanctions to inflict economic pain, their efficacy in supporting positive policy outcomes is overwhelmingly related to the question of their effective lifting in response to a change in behaviour in the target country. To this end, the current instruments available to the international community for the lifting of sanctions are totally insufficient.

## New instruments for reconstruction

As the international community deals with the fall-out from the US

withdrawal from the JCPOA, most attention has been focused on the European effort to establish a Special Purpose Vehicle (SPV), now known as INSTEX, that would help enable Europe-Iran trade in the face of secondary sanctions, particularly by reducing the reliance of trade on direct financial transactions between European and Iranian banks. In this sense, the SPV is a hopeful solution to the problem of Iran's unrealised economic recovery under the nuclear deal. But seen another way, the SPV represents the first concerted attempt by governments to devise instruments that would help ensure sanctions relief can be delivered despite issues such as over-compliance among banks and possible cleavages in the sanctions policies of former partners in multilateral sanctions campaigns. Whether or not the SPV succeeds, it would behoove the international community to find new instruments for the more effective lifting of sanctions prior to seeking a new deal with Iran and before embarking on any new sanctions campaigns against other countries. For sanctions to remain a valuable tool for multilateral, non-military coercion, new instruments must be developed to address dilemmas of sanctions relief in two important areas.

> *For sanctions to remain a valuable tool for multilateral, non-military coercion, new instruments must be developed to address dilemmas of sanctions relief...*

First, the international community must make available resources to help targeted countries overcome the institutional impact of sanctions, namely the diminished capacities for trade and investment facilitation following years of economic isolation. These diminished capacities stem from changes in the target country's political economy, such as the concentration of assets among politically-connected elites, and its institutional frameworks, such as an increase in corruption among civil servants. While the negative effects of sanctions are well documented, no clear effort has been made to ensure that sanctions relief includes technical assistance to help remediate these negative impacts. Iran's experience in trying to satisfy the action plan set forth by the Financial Action Task Force (FATF) is indicative of the problem.

The US government refused to provide direct technical support to help Tehran achieve FATF compliance, for example by helping train Iran's financial intelligence teams, due to likely congressional resistance. European efforts to provide technical assistance were meanwhile hampered by the lack of US guidance on the permissibility of such assistance. The provision of such assistance is also central to addressing the stigma that is attached to countries and entities formerly placed under sanctions.

Second, like military conflict, financial wars can create societal path dependencies. In the case of Iran, the middle class has proven remarkably resilient to sanctions, able to rebound quickly when macroeconomic fortunes improve. But sanctions stunt the prospects of Iran's poor who are vulnerable to relatively low levels of economic growth and are dependent on welfare programs. Because the effects of sanctions are inherently intangible, such harms remain largely overlooked and are not remediated with development aid as would be expected in the aftermath of a military conflict. Responsible sanctions policy would require more direct assistance for the poor. Such aid would be relatively uncontroversial and broadly consistent with the existing humanitarian considerations in sanctions policy.

## Conclusion

There is a growing risk that the US administration's success in applying unilateral sanctions on Iran will embolden its use in the event of further escalation in disputes with Russia, Turkey and others. Depending on the circumstances of the political disagreements, Europe, Canada and other traditional US allies may face a choice as to whether to join or not in the proposed sanctions campaigns. But so long as the financial war between Washington and Tehran is unresolved, states should exercise caution in the application of sanctions on new targets while also moderating expectations when it comes to the ability of sanctions to push targets towards the negotiating table. Solving the Iran crisis, especially its sanctions dimension, is therefore about reclaiming sanctions as a tool of coercive diplomacy. This is a goal that warrants extraordinary effort.

CHAPTER 5

# Iran's Foreign and Security Policies

US withdrawal from the JCPOA and new conditions for sanctions relief unrelated to the nuclear program, have further complicated Iran's foreign policy. Iran is dependent on EU commitment to maintain the treaty and its economic benefits. China and Russia are helpful but opportunistic trading partners. While regional dynamics are changing marginally to Iran's advantage, it is possible that personnel changes in the US administration will further empower Iranian hardliners.

On 8 May 2018, US President Donald Trump withdrew the US from the Joint Comprehensive Plan of Action (JCPOA) after long criticising the nuclear agreement for failing to secure US interests. Since then, the Trump administration has undertaken a 'maximum pressure' campaign to modify both Iran's domestic and foreign behaviour. The campaign is designed to change the regime's calculus in 13 areas, as laid out by Secretary of State Michael Pompeo in his May 2018 speech and in an article in *Foreign Affairs* published that same month[72]. The list is comprehensive, ranging from Iran's nuclear and missile programs, to its regional activities and human-rights abuses.

To further curb Iranian regional ambitions, the US administration also has announced a shift in its Syrian policy, from countering Daesh[73] to containing Tehran[74]. Washington's campaign has created tensions between the US, the European Union and its key member states. Europe has worked ardently to maintain the JCPOA but has faced a number of challenges stemming from difficulty adjusting EU policy and alleged plots conducted by Tehran on European soil[75]. For its part, the Iranian regime has sought to undermine US policies by forging and maintaining critical relationships to ensure the country is not isolated and is able to keep the Iranian economy afloat.

Iran's international relations present the country with the greatest opportunity and greatest challenge going forward.

## How Iran leverages its international relations to overcome isolation

While attempting to secure European support for its Iran policy, the Trump administration has made it clear that it does not see the buy-in by Brussels and key European capitals as critical to the success of its pressure campaign. Instead, the administration has adopted a more forceful, 'go-it-alone' approach to its engagement with Europe and Canada[76] on this and a number of other issues.

Iran has tried to leverage the various points of tension between the US and its traditional allies by highlighting the Trump administration's willingness (and at times even eagerness) to pull out of international agreements and impose tariffs and sanctions on friends and adversaries alike[77]. As Iran's Foreign Minister Javad Zarif put it in two tweets on 3 October 2018, "UN top court rules that US must comply with obligations violated by re-imposing sanctions on Iranian people when exiting #JCPOA. Another failure for a sanctions-addicted USG and victory for rule of law. Imperative for int'l community to collectively counter malign US unilateralism". Zarif again, "US abrogated JCPOA–a multilateral accord enshrined in UNSC Resolution 2231- arguing that it seeks a bilateral treaty with #Iran. Today US withdrew from an actual US-Iran treaty after the ICJ ordered it to stop violating that treaty in sanctioning Iranian people. Outlaw regime[78]".

The Iranian approach has yielded some positive outcomes for the regime. For example, these divisions played out at the UN General Assembly meeting in September 2018, when the US failed to receive the support of the majority of the international community, including core allies, in condemning Tehran[79].

The US has also sought to use Iran's egregious activities against Tehran in its appeal for European support—a tactic used by the Bush and Obama administrations from 2005 to 2012[80]. Tehran has aided Washington in its efforts to single out the regime as deeply problematic

by continuing its support for the regime of Bashar al-Assad in Syria, the Houthis in Yemen, and a number of other non-state actors such as Hezbollah. Reported terrorist plots on European soil in 2018 have further tarnished its image in the eyes of European governments. In spite of these developments, however, European capitals have reiterated their commitment to the JCPOA and taken the lead to preserve the deal, with China and Russia taking a backseat to EU efforts.

Russia and China are two other critical parties in the JCPOA implementation process. Both have long leveraged Iranian isolation to their advantage, developing ties in a number of areas[81]. Beijing and Moscow allowed Iran to avoid complete isolation at the height of US pressure and sanctions, which ultimately led to the JCPOA. Following the US withdrawal from the agreement, the two giants have become once again instrumental lifelines for Iran. They have, however, a compartmentalised approach to their foreign policies and often try to balance conflicting interests, such as in the case of their relationship with Washington and Tehran. For example, the two giants have been wary of blatantly disregarding US sanctions. They continue their activities in Iran while carefully navigating their interests and ties with the United States as demonstrated by Moscow's refusal to sell the Sukhoi Superjet 100 to Iran until its aircraft meet the US requirement of incorporating less than 10 per cent of US components[82]. As a result, although Beijing and Moscow are critical to Iran's ability to overcome US pressure, Iranians do not fully bank on them and continue to pursue ties with the European Union, which the Supreme Leader deems central to the country's decision-making capacity in the matter[83].

Despite tensions, Iran's ties with Russia continue to shape the security landscape in the Middle East—a relationship now strengthened by realignment in the region[84]. The shift in Turkish domestic politics coupled with the rift in the Persian Gulf and tensions in the Saudi-Turkey relationship have pushed Tehran and Ankara closer to one another. The two countries are now cooperating closely with Russia[85].

## Relationships posing a challenge to Iran's reintegration into the world order

In recent years, Iran has become more active on the regional stage. The country has long forged ties to a number of non-state actors, from Afghanistan to Lebanon and Yemen. The level of command and control and support for these groups varies significantly but the US invasions of Iraq and Afghanistan, coupled with the Arab Spring and the rise of Daesh, have afforded the regime more flexibility and influence beyond its borders. Nonetheless, Tehran's support for various clients has created tensions in its relationship with Europe and provided the Trump administration with more ammunition for its pressure campaign.

> *...although Beijing and Moscow are critical to Iran's ability to overcome US pressure, Iranians do not fully bank on them and continue to pursue ties with the European Union...*

Iran is finally seeing the dividends of its participation in the Syrian civil war: it has helped secure the Assad regime's grip on power and reaped economic dividends from the reconstruction efforts. However, Tehran's close ally Russia also stymies to a certain extent the regime's reconstruction plans in Syria. The conflict has allowed Iranian troops to gain battlefield experience for the first time since the end of the Iran-Iraq War and create a significant force composed of fighters ready to be redirected to other theaters. On the other hand, the conflict has also taken a reputational toll on the regime.

The October 2018 killing of Jamal Khashoggi by Saudi operatives has brought to the fore a number of tensions in the US-Saudi relationship and created momentum for US disengagement from the Saudi-led coalition's efforts in Yemen[86]. Although this may not lead to a complete US withdrawal from the war, it does further bog down Tehran's main regional opponent in a conflict with no end in sight. Iranian presence in Yemen, however, also remains a point of contention with the international community, as it exacerbates an already catastrophic humanitarian situation.

## Looking ahead

A number of developments in the short- to medium-term could trigger an escalation of tensions between the United States and Iran and determine the long-term success or failure of the JCPOA.

The parliamentary elections in Iran will take place in 2020, just as the US presidential election campaign begins to ramp up. The campaign period in Iran, although fairly short, often exacerbates tensions and infighting within the regime. This could present a flashpoint as hardliners increase pressure on the moderates, pushing the JCPOA and the economy to the forefront of the campaign. Campaign season often sees increased destabilising activities, such as ballistic missile tests and increased pressure on civil society, including arrests of dual nationals.

*The parliamentary elections in Iran will take place in 2020, just as the US presidential election campaign begins to ramp up.*

Should the P4+1 and Iran successfully sustain the JCPOA until then, the 2020 US elections could determine the deal's future. If President Trump is re-elected, it will become far more challenging for Iran and the P4+1 to maintain the agreement in place, especially if the moderates lose ground in the presidential elections in Iran in 2021. However, if President Trump loses the election, especially to a Democrat, the United States may seek to revitalise the JCPOA.

A final unknown must also be factored into the equation: a possible escalation between Iran and Israel as a result of the volatile situation in Syria.

CHAPTER 6

# Iran's Relationships Beyond the Middle East

Iran is adhering to the JCPOA to obtain EU investment and technology, possibly from smaller European companies working through a Special Purpose Vehicle. The EU's goal is to prevent an arms race in the Middle East. China, Russia and India need stability to protect regional infrastructure investments and secure their interests in oil, arms and nuclear power technology, but their relationship with Iran is transactional. For Iran, the EU is the top priority.

Since it was created, the Islamic Republic has faced several periods of sanctions and crises with major powers. It has struggled also to break out of its isolation and establish meaningful partnerships with actors beyond the Middle East.

Tehran is now entering yet another phase of political and economic turmoil as a result of Washington's proclaimed policy of maximum pressure. Once again, it is trying to foster and possibly expand a number of recently established, extra-regional relationships, particularly in Europe and Asia. Iran will require support from those partners to withstand US sanctions, avoid isolation and boost its economy to meet the fundamental demands of a deeply dissatisfied population. Tehran might also have to consider entering into sustainable security arrangements with them if it wishes to withstand these rising pressures. Under these circumstances, the current US policy is likely to increase Russian and Chinese influence in Iran. If the nuclear deal falls apart completely, this will not only cement Moscow's and Beijing's status, but also negatively affect Iran's relationship with Europe.

## Looking at Europe

The 2015 nuclear agreement opened the way for Iran's gradual engagement with the European Union and its member states,

including regular, high-ranking talks and numerous official visits. On the economic front, the large majority of EU members have been able to boost their trade with Iran, with bilateral trade reaching more than €18.5 billion in value in the first eleven months of 2017. However, the re-instatement of US sanctions will seriously affect these economic ties. Major European companies such as the French oil company, Total, have already left the Iranian market.

Although Iran will not reap the economic benefits of the nuclear deal that were originally promised, it has not yet abandoned the agreement, lest it negatively impact its relations with Europe. Breaking the deal would result in the re-imposition of EU sanctions and open the door for a realignment of US and EU policies on Iran's nuclear program, so abiding by it can benefit Tehran in a number of ways.

Iran is in dire need of direct foreign investment as well as transfer of technology and know-how. While major European companies will not be able to support the Iranian economy with sufficient investments, some European economists have suggested that small and medium-sized enterprises (SMEs) could provide important technological assistance to Iran's highly inefficient energy sector. SMEs could use the Special Purpose Vehicle (SPV) that the EU launched as an alternative channel for financial transactions with Iran. If a large number of European SMEs engage in a variety of sectors, economic cooperation could continue in a meaningful way, thus keeping the door open for potential large-scale interaction in the future.

A relationship with the EU is important on two other levels. Solid EU-Iran relations decrease the leverage that Russia and China could exercise were Iran isolated. Given the strategic limitations dependency would impose on Iranian decision-makers and Iran's deep distrust of Moscow, and to a lesser extent Beijing, such a scenario is not an attractive one to Tehran. Furthermore, Europe could function as an intermediary between Iran and the United States in the future by providing communication channels with Washington and influencing future exchanges.

With this in mind, Iran is interested in enhancing relations with Germany and Italy, in addition to the EU more generally. Italy has enjoyed sound relations with Iran historically and maintained active diplomatic channels even through periods of heightened tensions between Europe and the Islamic Republic. Rome faces fewer constraints than other European actors (such as France and the UK) that are required to balance their relations with Iran and their traditional allies in the Persian Gulf. As Iran's number one trading partner in the EU, Italy has imported oil and gas condensates worth €3 billion from March 2017 to March 2018. However, in light of US secondary sanctions, no EU member state is likely to make substantial purchases of Iranian oil and gas in the near future. Italy also stands to lose considerable investments in Iran's energy and railway sectors. Yet, it is determined to pursue trade relations wherever possible.

Germany is Iran's other major European trading partner, with current German exports reaching close to €3 billion. The Iranian population and its decision-makers generally view Berlin favourably; interest for German products and technology remains high. While Berlin is also concerned about Iran's ballistic missile program and Tehran's regional engagement, it has been less outspoken in its criticism than other European capitals like Paris or London, whose relations with Iran remain tense. Tehran will continue to lean on Germany as a driving force within the European Union.

Despite varying assessments of other policy areas concerning Iran, the EU has stayed united with regard to the nuclear deal. EU members are concerned that a collapsing agreement would increase the odds of a regional nuclear arms race and a nuclear-armed Iran in the long run. The end of the deal might also lead to a military escalation that could destabilise the region, facilitate the spread of terrorism and possibly trigger another inflow of refugees. The EU therefore considers the nuclear agreement as critical to protecting its collective security. Instead of giving up on the deal, Europeans are trying to build on it. Italy and Germany, together with France and the UK, have entered into a dialogue with Iran on regional issues. So far, political consultations have been limited to Yemen but could be expanded in the future to include more sensitive security issues such

as Iran's ballistic missile program. If Europeans manage to set up functioning payment channels that allow for continued economic cooperation with Iran, there is a possibility of fostering Iran-EU relations as a whole. If, however, Europeans fail to salvage the nuclear deal, relations might rapidly deteriorate and the EU may lose significant leverage over Tehran.

### Turning to Asia

Given that Iran's economic relations with the EU will be severely constrained by US secondary sanctions and that prospects for security cooperation are limited, Tehran will have to turn towards states that have the capacity to meet the country's immediate economic needs and better serve its security interests. To this end, Iran is seeking to foster relations with Russia, China and India, countries that view the Islamic Republic as a rising power in the region and a hub for large-scale connectivity projects, as well as a key to the stability of their own neighbourhoods and, in some cases, their energy security.

> *If…Europeans fail to salvage the nuclear deal, relations might rapidly deteriorate and the EU may lose significant leverage over Tehran.*

Oil exports make up over a third of the Iranian government's general revenue. Tehran therefore needs to maintain significant oil exports to its main markets, most notably China and India, if it wants to withstand US sanctions. Both countries have received US exemptions that allow for significantly reduced imports for a period of 180 days. Given their large energy demands, China and India are unlikely to end their imports. However, in light of India's close relationship with the United States, it will most likely wind down its economic cooperation with Iran over time.

Apart from exporting oil and petrochemicals, Iran will also have to attract substantial investments, particularly in its energy sector where needs are estimated to be as high as USD 200 billion. With European energy companies such as France's Total or Germany's Wintershall out of the picture, China will be in the best position to fill the

investment vacuum. Beijing is already involved in small- and large-scale infrastructure projects in Iran, building dams, airports and highways. Two major Chinese energy companies, Sinopec and the China National Petroleum Corporation (CNPC), have invested several billion US dollars in Iranian oil fields in Yadavaran and North Azadegan, with CNPC holding a 30 per cent share in developing phase II of Iran's South Pars natural gas field. State-owned CNPC could also take over Total's 51 per cent share in the development of South Pars.

China's Belt and Road Initiative drives Beijing's economic engagement in Iran. As part of the China Central-West Asia Economic Corridor, Iran would serve as a land bridge to Europe. India, too, is pursuing its own regional infrastructure project through Iran with the port of Bandar Abbas part of the International North-South Transit Corridor (INSTC). The INSTC will provide India with vital access to Central Asian, Russian and European markets, an initiative also in line with Russian interests. Furthermore, India has invested in the development of Iran's deep seaport of Chabahar, valued at USD 500 million. Chabahar would allow India access to Afghanistan and Central Asia without having to go through the territory of its rival, Pakistan.

Iran also leans on Russia and China to further develop its nuclear sector. Russia is currently involved in the construction of two new reactor units in Bushehr worth USD 11 billion and the conversion of the Fordow enrichment plant into a research facility. China is also poised to complete two nuclear reactors in Iran in the years to come. Moreover, Russia and China are among the few international sources of arms and military equipment. Moscow and Beijing have shown a willingness to provide Iran with military technology and are likely to become main competitors for Iranian arms deals once the United Nations Security Council weapons embargo that restricts the export of conventional weapons to Iran expires in 2020. They are also stepping up their security cooperation with Iran, including holding joint military drills and naval exercises in the Caspian Sea and the Persian Gulf.

Russia, China and India have an interest in a secure and stable Islamic Republic. A regime collapse or military conflict could have an impact on the entire region where China and India have considerable infrastructure investments. Furthermore, Beijing and New Delhi depend on a secure flow of oil from the Persian Gulf and would be heavily affected should oil prices skyrocket as the result of a military conflict. Russia's concerns derive from the possible spill-over effects of a destabilised Middle East in the South Caucasus or Central Asia. Furthermore, as long as Russian involvement in Syria continues, Moscow will depend on its military alliance with Iran to preserve its interests on the ground. Lastly, any military escalation in the Middle East would place China and Russia in a difficult position; neither wants to have to take sides and put its relations with any major regional actor at risk.

Tehran, on the other hand, is continually seeking to broaden its options and compensate for its lack of formal security arrangements. This goal has gained urgency as the country faces not only US economic sanctions but also Washington's efforts to create a Middle East Strategic Alliance (MESA) that would bring together members of the Gulf Cooperation Council together with Jordan and Egypt together against Iran. While serious obstacles exist to forming such an alliance, the creation of MESA and the possibility of greater security cooperation between Saudi Arabia and Israel, pose a serious concern that Tehran must address.

Building on its experience with the so-called Astana process that has allowed for an alliance between Iran, Russia and Turkey to influence the Syrian conflict, Tehran has initiated its own informal mechanism by bringing Russia, China, India and Afghanistan together to discuss the thorny conflict in Afghanistan. The first 'Regional Security Dialogue' was held in September 2018 in Tehran. Discussions were not limited to Afghanistan but included economic cooperation, joint efforts to prevent the spread of terrorism to Central Asia and even the Syrian conflict. The fact that all parties agreed to establish a secretariat and hold annual meetings represents a significant success for Iran in its efforts to create a more sustainable platform. Iran is likely to continue informal alliance-building measures while

preserving support for regional integration through formal institutions such as the Shanghai Cooperation Organisation (in which Iran's full membership request is still pending).

Iran is determined to foster its relationships in Asia and enhance its military and defence cooperation in the region. One should recall, however, that Iran's relations with Russia, China and India are mainly transactional and do not signal the beginning of fully formed strategic partnerships. As major global players, Moscow and Beijing can turn their back on Tehran at any time. Relying heavily on Russia and China presents a risk for Tehran. Without other options, it will try to reduce the impact of this risk by leaning, for as long as possible, on Europe.

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ANNEX A

# Agenda

A BALANCING ACT:

# WHAT'S NEXT FOR IRAN?

An unclassified workshop of the Academic Outreach program of the Canadian Security Intelligence Service (CSIS)

29 November 2018, Ottawa

## AGENDA

| | |
|---|---|
| 8:30 – 8:45 | Opening remarks: Context and objectives of the seminar |
| 8:45 – 9:45 | **Module 1** – Internal disorder vs regime stability: The impact of domestic conflict on the future of Iran |
| 9:45 – 10:45 | **Module 2** – Collapse or endurance: Iran's economic outlook in the face of multiple pressures |
| 10:45 – 11:00 | Break |
| 11:00 – 12:00 | **Module 3** – Friends or foes: The future of Iran's foreign relations |
| 12:00 – 12:15 | Closing comments |
| 12:15 | Adjourn |

ANNEX B

# Academic Outreach at CSIS

## Intelligence in a shifting world

It has become a truism to say that the world today is changing at an ever faster pace. Analysts, commentators, researchers and citizens from all backgrounds—in and outside government—may well recognise the value of this cliché, but most are only beginning to appreciate the very tangible implications of what otherwise remains an abstract statement.

The global security environment, which refers to the various threats to geopolitical, regional and national stability and prosperity, has changed profoundly since the fall of Communism, marking the end of a bipolar world organised around the ambitions of, and military tensions between, the United States and the former USSR. Quickly dispelling the tempting end of history theory of the 1990s, the 2001 terrorist attacks on the United States, as well as subsequent events of a related nature in different countries, have since further affected our understanding of security.

Globalisation, the rapid development of technology and the associated sophistication of information and communications have influenced the work and nature of governments, including intelligence services. In addition to traditional state-to-state conflict, there now exist a wide array of security challenges that cross national boundaries, involve non-state actors and sometimes even non-human factors. Those range from terrorism, illicit networks and global diseases to energy security, international competition for resources, and the security consequences of a deteriorating natural environment globally. The elements of national and global security have therefore grown more complex and increasingly interdependent.

## What we do

It is to understand those current and emerging issues that CSIS launched, in September 2008, its academic outreach program. By drawing regularly on knowledge from experts and taking a multidisciplinary, collaborative approach in doing so, the Service plays an active role in fostering a contextual understanding of security issues for the benefit of its own experts, as well as the researchers

and specialists we engage. Our activities aim to shed light on current security issues, to develop a long-term view of various security trends and problems, to challenge our own assumptions and cultural bias, as well as to sharpen our research and analytical capacities.

To do so, we aim to:

- Tap into networks of experts from various disciplines and sectors, including government, think-tanks, research institutes, universities, private business and non-governmental organisations (NGOs) in Canada and abroad. Where those networks do not exist, we may create them in partnership with various organisations; and
- Stimulate the study of issues related to Canadian security and the country's security and intelligence apparatus, while contributing to an informed public discussion about the history, function and future of intelligence in Canada.

The Service's academic outreach program resorts to a number of vehicles. It supports, designs, plans and/or hosts several activities, including conferences, seminars, presentations and round-table discussions. It also contributes actively to the development of the Global Futures Forum, a multinational security and intelligence community which it has supported since 2005.

While the academic outreach program does not take positions on particular issues, the results of some of its activities are released on the Canada.ca web site. By publicising the ideas emerging from its activities, the program seeks to stimulate debate and encourage the flow of views and perspectives between the Service, organisations and individual thinkers.