

Politics and Economics of the Middle East

RIVALRY IN THE MIDDLE EAST

SAUDI ARABIA AND IRAN



MACKENZIE TYLER
ANTHONY M. BOONE
Editors

NOVA

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This publication is designed to provide accurate and authoritative information with regard to the subject matter covered herein. It is sold with the clear understanding that the Publisher is not engaged in rendering legal or any other professional services. If legal or any other expert assistance is required, the services of a competent person should be sought. FROM A DECLARATION OF PARTICIPANTS JOINTLY ADOPTED BY A COMMITTEE OF THE AMERICAN BAR ASSOCIATION AND A COMMITTEE OF PUBLISHERS.

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PREFACE

The Middle East is undergoing an era of revolutionary change that is challenging the foreign policies of the United States and virtually all regional states. One of the most important rivalries defining the strategic landscape of the Middle East is between Iran and Saudi Arabia. The competition between these two states is long-standing, but is especially important now. This book examines how the successor presidency of Mahmoud Ahmadinejad has damaged relations in the Saudi-Iranian relationship along with the Saudi-led intervention into Bahrain.

Chapter 1- Saudi Arabia and Iran have often behaved as serious rivals for influence in the Middle East, especially the Gulf area, since at least Iran's 1979 Islamic Revolution and the 1980-88 Iran-Iraq War. While both nations define themselves as Islamic, the differences between their foreign policies could hardly be more dramatic. In most respects, Saudi Arabia is a regional status quo power, while Iran often seeks revolutionary change throughout the Gulf area and the wider Middle East with varying degrees of intensity. Saudi Arabia also has strong ties with Western nations, while Iran views the United States as its most dangerous enemy. Perhaps the most important difference between the two nations is that Saudi Arabia is a conservative Sunni Muslim Arab state, while Iran is a Shi'ite state with senior politicians who often view their country as the defender and natural leader of Shi'ites throughout the region. The rivalry between Riyadh and Tehran has been reflected in the politics of a number of regional states where these two powers exercise influence.

The 2011 wave of pro-democracy and anti-regime protests, now known as the Arab Spring, introduced new concerns for both Saudi Arabia and Iran to consider within the framework of their regional priorities. Neither

government's vital interests were involved in the outcome of the struggle in Tunisia where the Arab Spring began, but both leaderships became especially interested in these events once the unrest spread to Egypt. While Saudi Arabia watched the ouster of Egypt's President Hosni Mubarak with horror, the Iranian leadership saw some potential opportunities. Riyadh's decision in late May to grant Egypt \$4 billion in loans and grants quickly became a powerful incentive for Cairo to consider Saudi priorities, especially in light of Egypt's declining tourism revenues and the interruption of Western private investment in the Egyptian economy. Both nations are continuing their efforts to improve relations with post-Mubarak Egypt, although Saudi Arabia's financial resources give it an advantage in the struggle for influence.

Chapter 2- Saudi Arabia's 2011 population was estimated to be about 26.1 million, including about 5.6 million resident foreigners. Until the 1960s, most of the population was nomadic or seminomadic; due to rapid economic and urban growth, more than 95% of the population now is settled. Some cities and oases have densities of more than 1,000 people per square kilometer (2,600 per sq. mi).

Saudi Arabia is known as the birthplace of Islam, which in the century following the Prophet Muhammad's death in 632 A.D. spread west to Spain and east to India. Islam obliges all Muslims to make the Hajj, or pilgrimage to Makkah, at least once during their lifetime if they are able to do so. The cultural environment in Saudi Arabia is highly conservative; the country officially adheres to the strict Wahhabi interpretation of Islamic religious law (Shari'a). Cultural presentations must conform to narrowly defined standards of ethics. Men and women often are not permitted to attend public events together and are segregated in the work place.

Chapter 3- Iran is a pluralistic society. Persians are the largest ethnic group in Iran, though many are actually of mixed ancestry. The population of the country has important Turkic elements (e.g., Azeris) and Arabs predominate in the southwest. In addition, Iran's population includes Kurds, Balochi, Bakhtyari, Lurs, and other smaller minorities, such as Armenians, Assyrians, Jews, and Brahuis (or Brohi).

The 1979 Islamic Revolution and the 1980-88 Iran-Iraq war transformed Iran's class structure politically, socially, and economically. During this period, Shi'a clerics took a more dominant position in politics and nearly all aspects of Iranian life, both urban and rural. After the fall of the Pahlavi dynasty in 1979, much of the urban upper class of prominent merchants, industrialists, and professionals, favored by the former monarch, Shah Mohammad Reza Pahlavi, lost standing and influence to the senior clergy and

their supporters. However, Bazaar merchants, who were allied with the clergy against the Shah, gained significant political and economic power after the revolution. The urban working class has enjoyed a somewhat enhanced status and economic mobility, spurred in part by opportunities provided by revolutionary organizations and the government bureaucracy. Though the number of clergy holding senior positions in the Majles and elsewhere in government has declined since the 1979 revolution, Iran has nevertheless witnessed the rise of a post-revolutionary elite among clerics who are strongly committed to the preservation of the Islamic Republic.

Chapter 1

THE SAUDI-IRANIAN RIVALRY AND THE FUTURE OF MIDDLE EAST SECURITY^{*,†}

W. Andrew Terrill

SUMMARY

Saudi Arabia and Iran have often behaved as serious rivals for influence in the Middle East, especially the Gulf area, since at least Iran's 1979 Islamic Revolution and the 1980-88 Iran-Iraq War. While both nations define themselves as Islamic, the differences between their foreign policies could hardly be more dramatic. In most respects, Saudi Arabia is a regional status quo power, while Iran often seeks revolutionary change throughout the Gulf area and the wider Middle East with varying degrees of intensity. Saudi Arabia also has strong ties with Western nations, while Iran views the United States as

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its most dangerous enemy. Perhaps the most important difference between the two nations is that Saudi Arabia is a conservative Sunni Muslim Arab state, while Iran is a Shi'ite state with senior politicians who often view their country as the defender and natural leader of Shi'ites throughout the region. The rivalry between Riyadh and Tehran has been reflected in the politics of a number of regional states where these two powers exercise influence.

The 2011 wave of pro-democracy and anti-regime protests, now known as the Arab Spring, introduced new concerns for both Saudi Arabia and Iran to consider within the framework of their regional priorities. Neither government's vital interests were involved in the outcome of the struggle in Tunisia where the Arab Spring began, but both leaderships became especially interested in these events once the unrest spread to Egypt. While Saudi Arabia watched the ouster of Egypt's President Hosni Mubarak with horror, the Iranian leadership saw some potential opportunities. Riyadh's decision in late May to grant Egypt \$4 billion in loans and grants quickly became a powerful incentive for Cairo to consider Saudi priorities, especially in light of Egypt's declining tourism revenues and the interruption of Western private investment in the Egyptian economy. Both nations are continuing their efforts to improve relations with post-Mubarak Egypt, although Saudi Arabia's financial resources give it an advantage in the struggle for influence.

Iran seeks to expand its power in the Gulf, which is a key area of competition between the two states. Saudi Arabia and to varying extents other Gulf Arab states often seek to contain Iran's quest for dominance. In the struggle for Gulf influence, Saudi Arabia has consistently maintained a vastly higher level of political clout with local states than Iran. Iran currently cannot hope to overshadow Saudi regional influence in the Gulf, but it does seek to influence Gulf Arab states and is especially interested in pressuring them to minimize or eliminate their military links to the West. In recent years, Sunni-Shi'ite tension in the Gulf seems to have been rising for a number of reasons. Such problems reached a high point with the March 2011 Saudi-led military intervention in Bahrain. Consequently, it is increasingly likely that the rivalry between Riyadh and Tehran will intensify in the near future. In this environment, U.S. intelligence officials and policy-makers will correspondingly need to be aware of the possibility that Saudi Arabia may overestimate Iranian involvement in any regional crisis and at times conflate Shi'ite assertiveness with Iranian activism on the basis of their own form of worst-case analysis and very little evidence.

Iran's closest Arab ally has been Syria, and Tehran has been watching the 2011 popular unrest in Syria with considerable alarm. Syrian leaders some-

times believe that their country is or could become the junior partner in the relationship with Iran, and Damascus has disagreed with Tehran on a variety of important issues within an overall context of cooperation and friendly ties. The Syrian relationship with Riyadh is different. As a monarchy, Saudi Arabia has maintained a long tradition of distrust towards Syria, which defines itself as a republican and sometimes a revolutionary regime. While the Saudis have been willing to work with Damascus on occasion, they do not have much in common with the Syrian government beyond Arabism. More recently, both Saudi Arabia and Iran have needed to consider how Syrian unrest impacts upon their interests. Tehran clearly has the most to lose, and it is mostly standing by its Syrian ally. The previous Saudi détente with Damascus was significant, but Riyadh never viewed the Assad regime as an ally and could be expected to take some pleasure in seeing Tehran lose its most important Arab partner should this regime fall. On the negative side, Riyadh almost certainly would not view the turmoil in Syria as an unqualified Saudi victory even if the Assad regime was overthrown and replaced by an anti-Iranian government. The Saudi leadership remains ultraconservative and, correspondingly, takes a dim view of both revolutionary upheaval and Arab democracy, although Riyadh would almost certainly seek to maintain a high level of influence with any post-Ba'athist government. If Syrian President Assad is overthrown, the United States may seek to work with Saudi Arabia and other friendly states to make certain that Syrian financial and military ties to Iran do not survive the transition.

In a major bid to enhance its regional influence, Tehran has attempted to portray itself as the leading power supporting Palestinian rights and opposing Israel through a variety of means, including supplying weapons and funding to Palestinian militants. Saudi Arabia has made numerous efforts to help the Palestinians and to use its financial resources and political influence on their behalf, but it has also served as the chief sponsor of an Arab League peace plan that is of interest to some Israeli leaders. Riyadh maintains normal political relations with both of the major Palestinian political parties, Fatah and Hamas, the latter of which has been designated a terrorist organization by the United States. Saudi influence with Hamas has declined steadily in recent years and been almost totally displaced by that of Iran. Elsewhere in the Levant, large numbers of Lebanon's Shi'ites consider Iran to be an important ally that has extended considerable support to the Lebanese in resisting what they define as Israeli aggression. In this environment, the United States will almost certainly wish to continue to pursue the Middle East Peace Process for

both its intrinsic value and in order to undermine Iran's efforts to enhance its role in Lebanon and the Palestinian territories.

The future of Iraq is a central concern for both Iran and Saudi Arabia, as well as the United States. The planned withdrawal of U.S. troops from Iraq will also complicate the Saudi-Iranian rivalry in the region. The departure of U.S. troops may radically change the ways in which regional states help their Iraqi supporters. After the United States withdraws the remainder of its military forces from Iraq, it will be difficult for Saudi Arabia and the other Sunni Gulf monarchies to remain passive should Iran continue to arm Iraqi Shi'ite militias. One of the most troubling ways in which Iran exerts its influence in Iraq is through various Shi'ite militia organizations that engage in terrorism and strikes against U.S. troops and other targets inside Iraq. These pro-Iranian militias are sometimes called Special Groups. Iran has considerable influence with them and provides weapons and training to some of these forces through the elite Iranian Revolutionary Guards Corps' al-Quds Force.

Finally, U.S. diplomats and military leaders dealing with Iraq must be prepared for Iranian attempts to take advantage of serious disagreements between Baghdad and Riyadh after Washington withdraws its troops from Iraq. To contain Iran while supporting stability and democracy, the United States must be prepared to mediate between Saudi Arabia and Iraq and limit Iranian efforts to insert itself into such a process. Since key Saudi concerns may involve Iraqi government actions in Sunni Arab areas, the United States will have to be aware of issues in those areas, and be prepared to support measures to increase Sunni Arab willingness to participate in the political system along with a Shi'ite and Kurdish willingness to share power.

INTRODUCTION

Saudi Arabia and Iran have viewed themselves as serious rivals for influence in the Middle East, particularly the Gulf area, at least since Iran's 1979 Islamic Revolution and the 1980-88 Iran-Iraq War, when Riyadh provided strong diplomatic and financial backing to Baghdad. The nature of this rivalry has fluctuated significantly in the decades since Iran's Islamic Revolution, and the rivalry approached the level of a cold war in the years immediately following the ouster of the last Iranian shah by Islamic revolutionaries. In more recent years, limited cooperation between these two states has been possible within an overall atmosphere of suspicion and

competition. Yet, even at high points in this relationship, cooperation between these two states is almost always tinged with suspicion. Additionally, in 2011, the Saudi-Iranian relationship took a dramatic turn for the worse due to strong disagreements over the wave of unrest known as the Arab Spring and the March 2011 Saudi-led military intervention to prop up the Bahraini monarchy.

Rivalry between the two states is often fueled by significant ideological and geopolitical differences that can become more divisive during times of regional turbulence. Saudi Arabia is governed by a Sunni Muslim absolute monarchy with a political agenda that often centers on preserving the status quo in the Gulf region. The Saudi leadership works closely with the smaller Gulf Arab monarchies to achieve this objective, sometimes assuming the role of a well-intentioned, if somewhat overbearing, “older brother.”¹

This coordination is frequently carried out through the Gulf Cooperation Council (GCC), a six-nation regional organization consisting entirely of Gulf Arab monarchies and based in Riyadh.² As part of its long established traditionalist orientation, the Saudi leadership is uncomfortable with the idea of expanding regional democracy, and often looks with concern on the possibility that Arab monarchies or other conservative states will be replaced by radical, liberal, or populist governments. The Saudi Royal Family is unwilling to share power with elected bodies in their own country and has sought to pressure other monarchies to reject this option and thereby avoid setting what Riyadh views as the wrong kind of example.³ Conversely, Iran seldom seeks to defend the regional status quo regarding pro-Western monarchies, although it maintains an uneven level of commitment to revolutionary changes throughout the Middle East. This commitment is usually based on prevailing regional conditions and the degree to which potential change in various Middle Eastern countries appears to benefit Tehran. Another factor influencing Iranian foreign policy is the existence of ongoing power struggles in Tehran where different leaders often work at cross purposes for a variety of reasons including efforts to outmaneuver and weaken their political rivals. Iran is a non-Arab and non-Sunni country, and these factors are important in Iranian interaction with Saudi Arabia and other Arab states. As a general principle, Tehran also seeks to eliminate U.S. influence in the region, although Iranian leaders can sometimes see some limited value to U.S. regional diplomacy on those few occasions where Iranian and U.S. interests overlap to some extent.

Sectarian issues often influence the policy orientations of both states. Saudi Arabia has never been known for its strong commitment to religious diversity even within the Islamic community. Rather, Saudi Arabian society

mostly embraces the ultra-conservative form of Islam usually known in the West as Wahhabism, although its adherents usually prefer the terms Unitarians or Salafis.⁴ According to Thomas Hegghammer, a scholar of political Islam, mainstream Saudi religious scholars often did not view non-Wahhabis to be Muslims throughout the kingdom's early history. This approach changed in the 1950s when the Saudi Grand Mufti met with senior non-Wahhabi religious leaders of Sunni Arab communities outside of Saudi Arabia.⁵ Despite this breakthrough, Saudi views of Shi'ite Muslims often remained disapproving into contemporary times. Saudi Arabia is therefore often described as hostile to Shi'ite empowerment throughout the region, and concerned that its own Shi'ite minority of two million people could emerge as a source of recurring difficulties for the government.⁶ Iranian leaders, by contrast, often tend to be publicly dismissive of the divide between Sunnis and Shi'ites, but their consistent support for Shi'ite parties to any dispute suggests a deeper commitment to the members of their own sect. Iran often views itself as the chief defender of Shi'ite rights, although it does not consider this to be its only important regional role. Rather, Iranian leaders often view their country as a key regional state that stands as an important leader for the Islamic World.

Despite their competition with Riyadh, the Iranians most serious military rival for influence within the region is the United States, not Saudi Arabia. Correspondingly, Tehran often finds itself in the difficult position of opposing Saudi foreign policy objectives while seeking to avoid pushing the United States and Saudi Arabia into a closer political relationship. In this environment, major Iranian leaders have often found it necessary to reassure the Saudis in public that they do not wish them ill.⁷ Rather, they maintain that the United States is seeking to "dupe" the Gulf States into believing that the Islamic Republic constitutes a threat when it does not.⁸ In some ways, the competition between Iran and the GCC states mirrors that of the United States with Iran, while in other ways these rivalries differ. Both regional leaderships are aware of ways in which they can seek advantages by maintaining a civil dialogue with the other party when this is possible. The Iranians are often at odds with Saudi Arabia and its allies, but sometimes seek to project that opposition in ways that focus most of their criticism on the United States. Conversely, Saudi Arabia remains alert to the danger that an assertive opposition to Iran could cause Tehran to escalate its acts of hostility. At various points in the relationship, Riyadh has even provided reassuring comments about Iran's peaceful intentions and high level visits have occurred between the two countries.

Additionally, neither Tehran nor Riyadh is immune to the political turbulence now sweeping the Middle East. Saudi Arabia has seen limited levels of political discontent during the Arab Spring, while Iran experienced serious unrest in 2009 following its disputed June presidential election, which is widely understood to have been “stolen” by the Ahmadinejad government.⁹ Saudi Arabia seems to have contained serious domestic unrest by introducing massive new economic benefits programs for its citizens designed to increase their stake in the current political system. Iran, by contrast, used repression to defeat the Green Movement, which called for substantial reform and the decertification of President Ahmadinejad’s disputed re-election victory in the immediate aftermath of the 2009 election crisis. To the extent possible, both countries will correspondingly adjust their foreign and domestic policies to guarantee regime survival in the face of regional unrest. The future replacement of either or both countries’ governments, should this occur, will probably alter rather than eliminate their rivalry, which is based on a variety of factors in addition to the differing systems of government.

THE BACKGROUND OF SAUDI-IRANIAN RELATIONS

Iran’s 1979 Islamic revolution overthrew a pro-American autocrat and replaced his government with a radical Islamic regime to the consternation of both the United States and Saudi Arabia. After achieving power, the Iranian revolutionaries quickly established themselves in strong opposition to both the institution of monarchy (which they had just ended in their own country) and the pro-American foreign policy of Saudi Arabia and the smaller Gulf Arab states.¹⁰ In November 1979, shortly after the success of the Iranian revolution, serious unrest ignited among Shi’ites in Saudi Arabia’s Eastern Province, beginning with an illegal religious procession to celebrate the important Shi’ite holiday of Ashura. These religious activities had a political edge to them, and some members of the crowd carried pictures of the Iranian revolutionary leader, Ayatollah Ruhollah Khomeini, as well as signs denouncing the Saudi government and United States. When Saudi authorities attempted to disperse the crowds, three days of rioting ensued, culminating in considerable property damage. The Saudi Arabian National Guard (SANG) was then called upon to suppress the riots, which it did with a number of civilian casualties.¹¹ Riyadh viewed Iran as the instigator of these problems.

In the early zealous years following the Islamic Revolution, Tehran directed a great deal of incendiary propaganda against the Saudis and what the

Iranians called Riyadh's American brand of Islam. Adding to the discord, during the early 1980s, Iranian pilgrims repeatedly disrupted the Hajj pilgrimage to Mecca in Saudi Arabia which all Muslims who are able must make at least once in their lifetime.¹² This problem became a crisis in 1987 when Iranian protest efforts led to over 400 people being killed as demonstrations turned into riots.¹³ Iran blamed Saudi Arabia for the incident and in a sea of invective demanded that Riyadh turn over custody of the Holy Places to the Islamic Republic.¹⁴ Saudi Arabia, which closely controls the entry of foreigners into the kingdom, had few options other than accepting at least some Iranian Muslims seeking to fulfill a religious duty, but Riyadh also moved to dramatically reduce the number of Iranians allowed into the kingdom for Hajj in the aftermath of this event. After Ayatollah Khomeini's death in 1989, relations gradually improved between Saudi Arabia and Iran, with post-Khomeini leaders including Ali Akbar Hashemi Rafsanjani and Mohammad Khatami, who established themselves as less contentious than their predecessor. Khatami, in particular, sought to improve relations with Riyadh and end Iranian subversion and covert action directed against Saudi Arabia.¹⁵ In 1999, he became the first serving Iranian president to visit Saudi Arabia, where he was courteously received. Nevertheless, neither Rafsanjani nor Khatami were fully able to control the hard liners, and the Islamic Revolutionary Guards Corps (IRGC) remained capable of conducting covert actions in foreign countries, including Saudi Arabia, without consulting the president, who was not their commander-in-chief (the Supreme Leader is constitutionally at the top of the IRGC chain of command). Since 1989 the office of Supreme Leader has been held by Ayatollah Ali Khamenei who is conservative and suspicious of reform.

President Khatami's effort to improve relations with Saudi Arabia was further motivated by occasional U.S. efforts to persuade the Gulf States to increase their role in isolating Iran due to that country's support for terrorism and suspicions about a surreptitious Iranian nuclear weapons program. U.S. diplomatic efforts have increased as concerns about that program have grown over time, while Khatami's successor as president, Mahmoud Ahmadinejad, has not made improving relations with Riyadh a priority. This failure seems to have led to predictable results. In early 2010, then-Secretary of Defense Robert Gates and Secretary of State Hillary Clinton called for the Gulf Arab states to use their influence with China to help persuade Beijing to agree to tough United Nations (UN) Security Council sanctions on Iran. Saudi Arabia, for its part, appeared publicly skeptical that increased sanctions would slow the Iranian nuclear program and displayed no public interest in approaching

China on this issue.¹⁶ Privately things might have been different, and various journalist sources suggested that Foreign Minister Prince Saud made a confidential effort to encourage China to support sanctions.¹⁷ Secretary of Defense Gates also stated, without elaborating, that he had detected an increased Saudi willingness to use its commercial ties with China to push Beijing to distance itself from Iran.¹⁸ In any event, the Chinese agreed to a fourth round of UN sanctions, including a comprehensive arms embargo that passed the Security Council in June 2010. There remained limits to the level of Chinese support for efforts to sanction Iran, and Beijing later criticized President Barack Obama for signing a bill that imposed more expansive unilateral American sanctions.¹⁹

These events are not unusual. Riyadh has often found itself navigating between U.S. policy priorities and maintaining some level of normal relations with Tehran. No one in Riyadh wishes to return to the poisoned relations of the early 1980s when Iran was intensely involved in supporting propaganda, subversion, and terrorism directed at the Arab monarchies. Likewise, the Saudis and other GCC states do not wish to place themselves in a position where they are automatically brought into an escalating political conflict or even a war between the United States and Iran, should one break out. Beyond the gamesmanship, however, issues do matter, and the Iranian nuclear program is of considerable concern to the Saudis.²⁰ Should Tehran cross the nuclear threshold, this development could add enormously to Iran's regional standing and the prestige of the Islamic Revolution. The damage to the Iranian nuclear infrastructure caused by the Stuxnet computer virus/worm has been described as serious by a variety of journalist sources, but it is unclear how long such assaults will delay the acquisition of an Iranian nuclear weapon. It is also unclear if the Iranian discovery of a second major computer virus attack following the Stuxnet strike is a real event, and, if so, if it is a serious and potentially debilitating attack.²¹ Moreover, a nuclear armed Iran is often viewed as having a much more robust capability to threaten or engage in either unconventional or conventional military operations since other states may be more reluctant to escalate any confrontation with a nuclear power. Additionally, friendly Arab states might fear that U.S. backing for any disagreement with Tehran would be less enthusiastic, should Iran become a nuclear power.

RIYADH AND TEHRAN VIEW EGYPT AND THE ARAB SPRING

The 2011 wave of pro-democracy and anti-regime protests known as the Arab Spring introduced new concerns for both Saudi Arabia and Iran within the framework of their regional priorities. Neither government's vital interests were involved in the outcome of the struggle in Tunisia where the Arab Spring began, but both leaderships became especially interested in these events once the unrest spread to Egypt. President Hosni Mubarak's Egypt had sometimes played a significant role in opposing the expansion of Iranian influence in the Middle East, and the two countries never re-established diplomatic relations throughout the years of the Mubarak presidency. In particular, Mubarak often worked against the interests of the radical Palestinian Islamist group Hamas, which is an important and well-funded ally of Tehran. The future of Egyptian-Iranian relations consequently remains uncertain, as Egyptians decide on their future foreign policy orientations and priorities following the revolution. There is, nevertheless, a strong bias among Egyptians favoring a dramatically expanded regional leadership role for their country after the long years of a mostly passive foreign policy under Mubarak.²² Simultaneously, the interim military government has been under public pressure to improve its relations with the Palestinians, including Hamas. In late May 2011, Egypt opened its border with the Gaza Strip to ease the Israeli blockade of that territory, which was imposed after Hamas seized control of Gaza. Egyptian leaders announced the Fatah/Hamas reconciliation rendered the blockade unnecessary, a very different interpretation of the situation than found in Israel. Egyptian Foreign Minister Nabil al-Arabi stated that his country's previous involvement with the blockade was "shameful."²³

In the short term, the ouster of a hostile Egyptian president following an 18-day uprising may play to Iranian advantage, although in the long term there could be problems for Tehran. Currently, Egypt's future governance is subject to considerable uncertainty, and the Iranians are calling for an Islamist government, which, at this point, could only be led by the Muslim Brotherhood, Egypt's most important contemporary Islamist movement. While Iranian preferences are irrelevant for Egyptian priorities, the destruction of the Mubarak regime is expected to allow Egypt's Muslim Brotherhood a chance to compete for a share of political power. If this organization rises to political dominance in Egypt, the United States may face a potentially dramatic setback, but this sort of development would not necessarily be advantageous to

Tehran. Ideological regimes can often emerge as bitter rivals, which viciously denounce each other for failing to understand and implement the correct path. The potential for such developments have already been seen elsewhere in the Middle East, including Kuwait, where hardline Sunni Islamists are often among Iran's most bitter critics.²⁴ In the Kuwaiti parliament, for example, various Sunni Islamist leaders do little to hide their deep hostility toward the Iranians, which is clearly influenced by their strongly sectarian outlook.²⁵ In this spirit, some opposition Kuwaiti members of parliament (MPs) have sharply criticized their Prime Minister for failing to support Saudi Arabia by dispatching Kuwaiti troops to Bahrain in March 2011 to help crush Shi'ite-led demonstrations.²⁶ Additionally, the decision for a large and important country like Egypt to play a more important regional role might inevitably place it in disagreement with Iran, which seeks a similar position of leadership.

Despite these potential difficulties between Cairo and Tehran, the Saudi leadership also has trepidations over Egyptian developments, and now considers their kingdom to be more isolated in efforts to contain Iranian influence without Mubarak's Egypt.²⁷ The Riyadh leadership viewed the Egyptian uprising with considerable alarm once it started gathering momentum and quickly and severely began criticizing the protesters while proclaiming solidarity with Mubarak. At the beginning of the crisis, Saudi King Abdullah condemned what he called protester acts of "malicious upheaval" and *fitnah* (creating discord and chaos within the Islamic community).²⁸ Later, as the Saudis understood the increased likelihood that the Mubarak regime would be ousted, they softened their rhetoric and focused on calling for a peaceful settlement between the government and its opponents.²⁹ In the aftermath of Mubarak's fall, it seems increasingly possible that Riyadh will become more engaged in regional politics since it is no longer certain that it can depend upon Egypt to play a major role in supporting the containment of Iran.

While Saudi Arabia watched the Mubarak ouster with horror, the Iranian leadership also saw some potential opportunities. Early in the crisis, Iranian Supreme Leader Ayatollah Ali Khamenei made enthusiastic statements endorsing the Egyptian protesters and attempting to portray events in that country as an Iranian-style revolution likely to lead to an Egyptian Islamic republic.³⁰ He further stated that region-wide regime-changing upheaval and demands for Islamic government were natural extensions of Iran's 1979 Revolution. This set of statements represents an unlikely analysis of events since Islamic elements were not leading either the Tunisian or Egyptian revolutions, although such groups did hope to benefit from the revolutionary aftermath. Khamenei's statements are more objectively understood to

represent good politics, suggesting that populations in both countries sought to oust their leaders in order to install an Islamic government based on the Iranian model. Iranians, by contrast, already have an Islamic republic, and under this logic there is no need to challenge the Tehran government with grievances such as those directed at Mubarak's regime. Khamenei has also publicly worried that the United States will "confiscate" the Arab Spring revolutions.³¹

Following Mubarak's removal from power, the Tehran leadership requested that Egypt take the "courageous step" of reestablishing diplomatic relations with Iran.³² Then-Egyptian Foreign Minister Nabil al-Arabi seemed well-disposed to this action and stated in April 2011 that, "The Egyptian and Iranian people deserve relations which reflect their history and civilization, provided they are based on mutual respect of state sovereignty and non-interference in any kind of internal affairs."³³ Predictably, Riyadh reacted with shock to these overtures and shortly after al-Arabi's statement pressed Egypt to limit any rapprochement with Iran, noting a surge in hostility between Tehran and the GCC states following the March 2011 Saudi intervention in Bahrain. In late April 2011, Egyptian Prime Minister Essam Sharaf met with Saudi King Abdullah in Riyadh for comprehensive discussions of key regional issues where the king clearly emphasized GCC concerns about Iran. In response, Prime Minister Sharaf stressed Egypt's interest in "stronger political relations" with Saudi Arabia, as well as the need to "bolster economic cooperation."³⁴ Riyadh's decision in late May 2011 to grant Egypt \$4 billion in loans and grants quickly became a powerful incentive to respect Saudi priorities, especially in light of Egypt's declining tourism revenues and the interruption of Western private investment in the Egyptian economy.³⁵ Additionally, some of the smaller Gulf Arab states, especially Qatar, appear to be interested in helping Egypt with loans and grants as well.³⁶ While the Qataris have better relations with Iran than Saudi Arabia, they would likely still be concerned if Cairo moved too rapidly to improve relations with Tehran.

Currently, both Iran and Saudi Arabia remain uncertain over how Egypt's foreign policy fundamentals might evolve, and both are encouraging Cairo to move more closely in line with them. The Arab Spring also introduces the possibility that various other governments beyond Egypt, Tunisia, and Libya may be overthrown, creating gaps that can be exploited by a variety of nations who may attempt to realign postrevolutionary governments or take advantage of chaos. Saudi Arabian and the smaller Gulf Arab states are particularly concerned about preventing the overthrow of any monarchical Arab government. To this end, the GCC has shown an interest in offering full

membership to the two Arab monarchies that are not yet part of the organization, Jordan and Morocco.³⁷ Such membership can be lucrative, and the extending of invitations for Jordan and Morocco to apply for membership reflects a concern by current GCC members to bolster monarchies that do not have much wealth, even though they are not geographically part of the Gulf.

SAUDI-IRANIAN COMPETITION IN THE GULF AREA

The most important arena of Saudi-Iranian conflict traditionally has been the Gulf, although this competition has recently expanded to include efforts to influence post-Saddam Iraq. In the struggle for Gulf influence, Saudi Arabia has consistently maintained a higher level of political influence with local states than Iran. Riyadh has worked diligently to establish strong ties with the other Gulf monarchies and with Yemen in order to support regional stability. The GCC, which includes the six Gulf monarchies, was established in 1981 during the Iran-Iraq War as part of a strategy for these countries to advance their common interests in the face of regional turmoil. Since that time, the GCC has developed into a useful instrument for advancing its members' conservative approach to regional security. Likewise, Saudi Arabia is more influential in Yemen than any other regional or extra-regional power due to its willingness to commit impressive financial resources to the Yemeni economy, even in times of political upheaval.³⁸

While Iran cannot hope to compete with Saudi regional clout in the Gulf, it does seek to influence Gulf Arab states, and is especially interested in pressuring them to minimize or eliminate their military links to the West. Tehran also seeks to establish some degree of influence with local Arab Shi'ite communities in order to pressure the Gulf Arab governments on issues of particular importance to Tehran. The GCC does not have a unified strategy to deal with the expansion of Iranian power, although each of the Gulf Arab leaderships is concerned about Iranian assertiveness to varying degrees.³⁹ In particular, some states view Tehran as having the power to inspire and support internal opposition to their governments. Gulf nations with a significant number of Shi'ites often view themselves as particularly vulnerable to Iranian subversion since Shi'ite communities are often considered more susceptible to Iranian propaganda than Sunni Muslims. The Bahraini leadership has been especially concerned since it maintains a Sunni monarchy and a majority Shi'ite population in a country where relations between the two communities have experienced serious episodes of violence even before the dramatic events

of the Arab Spring.⁴⁰ In 1994-99, for instance, there was an especially serious cycle of violence, confrontations, and repression between opposition Shi'ites and the monarchy.⁴¹

The above concerns are informed by some recent history. Middle Eastern Sunni-Shi'ite tensions in the recent past have often been at least partially linked to the state of relations between Iran and the Arab World. The most important example of this trend was the 1979 Iranian Revolution, which was viewed by some Arab Shi'ites as an empowering event.⁴² According to Yitzhak Nakash, a leading scholar of Shi'ite politics, Saudi Arabian Shi'ites regard the era following the Iranian revolution as the most difficult in their recent history because of increased Saudi government suspicion and repression, as well as the escalating hostile rhetoric of Saudi Arabia's government-supported Sunni clerics.⁴³ Moreover, increased government repression helped to render the Saudi Shi'ites more receptive to Iranian propaganda. Formal reconciliation between the Saudi government and Shi'ite community leaders occurred in 1993, but bitterness and continuing anti-Shi'ite discrimination remain, albeit at lower levels.⁴⁴ Tensions also increased in some Gulf Arab countries during the Iran-Iraq War, when many Shi'ites were viewed as potentially sympathetic to Iran's efforts to encourage armed opposition to anti-Iranian Sunni monarchies.⁴⁵

Sunni-Shi'ite tensions have been especially worrisome in Kuwait. Kuwait has a population which is around 30-40 percent Shi'ite, and some of the Shi'ite leadership has claimed their community faces ongoing problems with discrimination. An especially unfortunate time occurred during the Iran-Iraq War of 1980-88, when a small but serious campaign of Shi'ite terrorism was directed against the government for supporting Iraq in the struggle against Iran, a decision the Kuwaiti government later came to regret.⁴⁶ More recently, Kuwaiti leaders and media have expressed occasional concerns about Iranian sleeper agents, whom the Iranians could activate to perform acts of sabotage in any future conflict involving Kuwait or U.S. military bases there.⁴⁷ On at least one occasion, the authorities have arrested individuals whom they have described as members of an Iranian espionage and covert action ring.⁴⁸ In March 2011, two Iranians and a Kuwaiti national were convicted in a Kuwaiti court of espionage on behalf of Iran and sentenced to death.⁴⁹ The charges centered on accusations that the suspects had obtained information on the Kuwaiti military and U.S. military units in Kuwait, and then passed it on to the Iranian Revolutionary Guards Corps.⁵⁰ In explaining the meaning of the trial, one Kuwaiti columnist stated that "Iran is shown to be systematically enlisting people to spy on its behalf."⁵¹ Kuwait also expelled Iranian diplomats for

espionage activities and recalled the Kuwaiti ambassador from Tehran as part of the fallout from the crisis.⁵² The Iranians, for their part, have denied the existence of spy rings in Kuwait and accused the United States of pressuring the GCC states to accuse Iran of interfering in their domestic politics.⁵³

Saudi Arabia and Iran have also maintained serious differences over the recent conflict between the Yemeni government and Yemen's Houthi minority, who live in Sa'ada province in the northern part of that country. Both Saudi and Yemeni government leaders have frequently accused Iran of backing the Houthi rebels with funding, training, and material aid. Yemen further claims that such support is provided either directly by Iran or through Arabic speaking surrogates such as the radical Lebanese group, Hezbollah.⁵⁴ Yemen's charges involving Iranian materiel support and training have not been proven and may be at least partially based on the fact that the rebels are Shi'ite, although they are Fiver Shi'ites rather than the Twelver Shi'ites found in Iran. The Iranian leadership adds to this perception with rhetorical support for the Houthis in a policy of religious solidarity, but it is difficult to imagine they could remain silent on an issue so important to the Shi'ite community.⁵⁵ Saudi and Yemeni government officials have sometimes charged that the Houthi leadership seeks to move its followers away from the principles and practices of moderate Shi'ite Islam to a more militant form of Twelver Shi'ism modeled after the Iranian approach to religion.⁵⁶

The Yemeni government's conflict with the Houthis assumed a new dimension with direct Saudi Arabian military intervention into the northern Yemen in November 2009. At this time, some of the rebels crossed into Saudi territory, killing at least two border guards and apparently taking control of two or more Saudi border villages.⁵⁷ These audacious actions provoked a strong Saudi response due to the Riyadh leadership's anger over the aggressive violation of its sovereignty and the special concerns they maintain about hostile forces based in Yemen. Yemen has a 700-mile border with Saudi Arabia that is porous in many places and can be used by criminals, smugglers, terrorists, and insurgents. The easy availability of arms in Yemen is a further complication, and most of the illegal weapons and explosives smuggled into Saudi Arabia come from Yemen. The Saudis correspondingly watched the Sa'ada conflict carefully, and became especially concerned when Houthi forces crossed into Saudi territory. Houthi spokesmen stated that they had crossed into Saudi Arabia because Riyadh had allowed the Yemeni military to use their territory to wage war against them.⁵⁸ In response, Riyadh unleashed military strikes against Houthi rebels with the permission of the Sana'a government. This engagement rapidly emerged as the largest combat operation

that Saudi Arabia had undertaken since the 1991 Gulf War. Saudi tactics in this conflict involved the heavy use of artillery and airpower bombardment followed by the deployment of infantry in mopping up operations.⁵⁹ The goal of this form of warfare was to destroy large elements of the Houthis forces with ordinance so that Saudi infantry could more easily defeat the residual military forces. Such tactics were only partially successful.

The Saudi army reported that at least 133 of its soldiers were killed in action, with an undisclosed number of others wounded or captured in the fighting.⁶⁰ The Saudis discontinued their military involvement in the war in February 2010, when the Houthis withdrew from Saudi territory, a cease fire involving both the Yemeni and Saudi governments was established and all Saudi prisoners were returned.⁶¹ It remains possible that, at a time they feel most beneficial to them, the Houthis will seek to take advantage of the 2011 Yemeni crisis in governance to renew their demands for regional autonomy should government authority continue to recede.

THE MARCH 2011 SAUDI-LED INTERVENTION IN BAHRAIN AND THE IRANIAN RESPONSE

The island nation of Bahrain is currently an important center of Saudi-Iranian political conflict. This small state is ruled by a Sunni Royal family, and Sunni Muslims comprise the political elite of the nation, although Sunnis make up, at most, 35 percent of the population. Bahrain's close proximity to Saudi Arabia has often caused Riyadh to pay special attention to it. The Saudis are continuously suspicious of Iranian intentions regarding Bahrain, due to its majority Shi'ite population. Bahrain is also connected to Saudi Arabia by the 16-mile King Fahd causeway, and political activity there can consequently echo throughout the kingdom. The Bahraini monarchy has consistently welcomed Saudi support including financial aid and does not display the independent streak that can be seen with some of the wealthier small states of the Gulf, most notably Qatar.

Bahrain has endured a series of difficult encounters with Iran under both the last Iranian shah and the Islamic Republic, dating back to the formal independence of the Bahraini state from protectorate status under the United Kingdom (UK) in 1971. At that time, the shah revived historical Iranian claims to Bahrain and announced that the island nation would be reunited with its Iranian homeland upon the British withdrawal. He also maintained that

unification would be accomplished by force if necessary. Iranian claims were nevertheless weak and based on the temporary Persian occupation of Bahrain in the 18th century.⁶² Most leading members of the international community opposed such an annexation. The crisis was averted when the shah instead focused his attention on seizing three tiny but strategically important islands near the mouth of the Gulf. These islands were also claimed by the United Arab Emirates (UAE) which, like Bahrain, had achieved independence in 1971. Iran then backed away from its claim to Bahrain, but Manama's problems with Iran did not end with the overthrow of the Iranian shah. In a burst of revolutionary exuberance, Ayatollah Rouhani, a leading spokesman of the Islamic Republic, briefly reasserted the Iranian claim to Bahrain shortly after the shah's removal from power, although his irredentist statements received almost no official follow-up.⁶³ Also, during this time frame, Iranian naval maneuvers near Bahraini waters led to a request from Manama for Saudi Arabian military support. Riyadh met the request and airlifted two infantry brigades for temporary duty in Bahrain.⁶⁴

Even more ominously, in December 1981, 73 Bahrainis were arrested and accused of planning a coup against the Bahraini government. This plot was unexpectedly uncovered when a Dubai airport immigration official noticed various irregularities in the passports of some young men waiting for a flight to Bahrain. These individuals and others later identified as part of their network were charged with being members of the Tehran-based Islamic Front for the Liberation of Bahrain and coordinating their subversive actions with Iranian intelligence.⁶⁵ Iran vehemently denied involvement in the effort to overthrow the government.⁶⁶ The Bahraini and Saudi leaderships remained certain that Iran was responsible for the planned coup attempt, and the entire episode helped to move Bahrain and Saudi Arabia closer to Saddam Hussein in the then-ongoing Iran-Iraq War.⁶⁷ Many Saudi and Bahraini Sunni leaders, including Bahraini King Ha-mid, remain deeply concerned about this history and harbor strong suspicions about Iranian designs for sovereignty over Bahrain.

Currently, almost one-third of Bahrain's Shi'ites are Arabic-speakers of Persian origin, who are often particularly distrusted by the Sunni monarchy. Even prior to the Arab Spring unrest, violent confrontations have occurred between the communities. In a variety of instances after 1981, the government claims to have unmasked additional terrorist cells linked to Iran. The government has also conducted harsh periodic campaigns to root out any actual or potential resistance in the rural Shi'ite areas.⁶⁸ The ability of the Iranians to influence the majority of Bahrain's Shi'ite citizens is nevertheless

in considerable doubt. Most Bahraini Shi'ites appear to be more interested in seeking spiritual guidance from the leading Shi'ite clergy in Iraq rather than in Iran.⁶⁹ These clerical leaders, including Grand Ayatollah Ali Sistani, have a tradition of "quietism," which calls for religious leaders to confine their statements to moral and religious issues and remain outside of politics. Ayatollah Sistani's quietism nevertheless could not extend to the Bahraini revolt which began in February 2011, and he called upon the regime to stop attacking unarmed civilians.⁷⁰

Beginning in February 2011 and continuing throughout the 2011 Bahraini mass demonstrations for expanded rights and democracy, the Saudi leadership solidly backed King Hamid, stating somewhat disingenuously that it stood "with all its power behind the state and people of Bahrain."⁷¹ At this point, Bahraini protestors were focusing their attention on the need for political and economic reform, including efforts to address unemployment, anti-Shi'ite discrimination, severe poverty, and the powerlessness of the elected parliament.⁷² These demonstrators were mostly Shi'ite, although some sympathetic Sunnis were also involved with the movement at its early stages. Later, when some of the demonstrators began calling for the end of the Khalifa monarchy, virtually all Sunni support evaporated.⁷³ In Riyadh, the leadership viewed either a constitutional monarchy or a republic as an anathema and feared that revolutionary actions in Bahrain would provide an unacceptable incitement for the Saudi population, as well as empowering an unpredictable Shi'ite majority that could easily collaborate with Iranian military and intelligence organizations.

As the crisis escalated, Bahraini authorities declared martial law and sought help from other Gulf monarchies in suppressing the unrest. On March 14, 2011, Saudi Arabia sent around 1,000 troops to support the Bahraini government in its effort to suppress the overwhelmingly Shi'ite protesters. Around 500 police officers were also sent from the UAE. Several other Arab Gulf States made token contributions to the effort, and all GCC members provided political backing to the operation, which was conducted under GCC aegis following a request from the Bahraini government. The Saudi and Emirati soldiers and police did not confront the demonstrators but instead took up routine duties such as infrastructure protection. This approach was implemented in order to release Bahrain troops from routine duties and allow them to be deployed to control the demonstrators. In an effort to justify the intervention, Saudi and Bahraini officials maintained that GCC forces had intervened to help protect the island country from an Iranian threat, not to become involved in Bahraini domestic politics.⁷⁴ Tehran responded with fury

to both the Saudi intervention in Bahrain and the GCC efforts to blame it for the Bahraini unrest, referring to the intervention as an occupation. Iranian leaders also demanded UN intervention to “stop the killing of the people of Bahrain.”⁷⁵

On March 21, Bahraini King Hamid stated, “An external plot has been fomented for 20 to 30 years until the ground was right for subversive designs. . . . I announce today the failure of the fomented plot.”⁷⁶ These charges were clearly directed primarily at Iran, but Manama also accused the Lebanese Shi’ite group Hezbollah of playing a role in fomenting civil unrest.⁷⁷ The Bahraini government was particularly angered by a statement from Hezbollah Secretary-General Hassan Nasrallah, in which he told Bahraini demonstrators that their blood would “defeat the tyrants.”⁷⁸ The Manama government suspended flights from Bahrain to Lebanon and later accused Hezbollah of training Bahraini oppositionists at military camps in Lebanon and Iran.⁷⁹ These charges remain unproven and farfetched. A departure date for the Saudi troops in Bahrain has not been announced, and it is possible that they will remain for some time. If Bahraini unrest escalates again, it is also likely that Riyadh will reinforce its troops there and even consider using them to assist Bahraini forces in suppressing riots and demonstrations. Despite GCC fulminations, no clear evidence of an Iranian covert or military role in this unrest has been made public.

Following the Saudi-led intervention, Bahraini authorities unleashed a more comprehensive crackdown. The government moved to establish its own control of all mosques throughout the country, asserting that this was necessary to ensure clerics did not promote radical ideas.⁸⁰ As part of this confrontation, the authorities destroyed at least 30 Shi’ite places of worship, including at least 16 mosques, which they claimed had been built on private or government land.⁸¹ Whatever the merits of these charges, they were not fairly adjudicated in court, and the destruction certainly contributed to the deepening of the sectarian divide. Bahraini Sunni hostility to Shi’ites became especially overt and ugly at this time. Throughout the Bahraini demonstrations and upheaval, Sunni leaders frequently accused Shi’ites of being loyal to Iran, suggesting that they immigrate to that country. Some moderate Shi’ites admitted that community relations are harmed by the rhetoric of Shi’ite extremists, as well as the history of discrimination the Shi’ite community has suffered. Many Bahraini Sunnis also claim that Iraq’s post-2003 history of internal Sunni-Shi’ite war and crisis suggests that democracy does not work in sectarian states such as their country.

There were other problematic ways in which the Bahraini government sought to consolidate its power after the Saudi-led intervention. In April 2011, the Bahraini government moved to have the Wafaq party and the Islamic Action Association, a smaller Shi'ite party, banned.⁸² Wafaq is the largest political party in Bahrain and held 18 of the 40 seats in the lower (elected) house of the Bahraini parliament when unrest broke out on February 14. While the government move to crush Shi'ite political representation was almost certainly viewed with approval by Saudis, the United States reacted with concern and defended the organizations as legitimate political parties that were struggling for reform by legal means.⁸³ The Bahraini government quickly reconsidered its position due to sharp U.S. criticism, and movement towards outlawing these parties seems to have halted. In this regard, the Bahraini government continues to value good relations with the United States, even though its most important ally remains Saudi Arabia. It is probable that Bahrain's monarchy would like some sort of counterweight to Saudi influence in order to prevent their further decline into complete satellite status. Additionally, the Bahrainis may value U.S. cooperation against Iran and view the presence of the U.S. Fifth Fleet headquarters in Bahrain as an important deterrent in limiting Iran's military options against them. Charges and countercharges over Bahrain also led to a substantial escalation of hostile rhetoric between Iran and the GCC over other issues. In April 2011, a meeting of the GCC foreign ministers issued a statement that the member states of the organization were "deeply worried about continuing Iranian meddling" and maintained that Tehran was "violating the sovereignty" of GCC states.⁸⁴ Previously, Riyadh had responded to Iranian criticism of the Saudi-led intervention in Bahrain by stating that Iranian charges were "irresponsible" and contained "void allegations and blatant offence against the Kingdom of Saudi Arabia."⁸⁵ Kuwaiti Foreign Minister Mohammad Sabah al-Sabah also called on Iran to change its behavior, but none of the Gulf States severed relations with Tehran.⁸⁶ Bahrain has, on a variety of occasions, arrested individuals suspected of working with Iran. In one recent incident, Bahraini authorities placed two Iranians and one Bahraini on trial on charges of conducting espionage on behalf of the Iranian Revolutionary Guards Corps.⁸⁷

SAUDI ARABIA AND THE SYRIAN-IRANIAN RELATIONSHIP

Iran's closest Arab ally has been Syria, and Tehran has been watching the 2011 popular unrest in Syria with considerable concern. The scope of the

Syrian unrest and bravery of the demonstrators is impressive, but at the time of this writing, it remains unclear whether the Assad regime will fall as a result of this unrest. The Alawite minority Islamic sect who comprise the Syrian leadership view remaining in power as essential to their future welfare and perhaps the future survival of many members of their community. Although members of the Alawite community comprise only around 10 percent of the Syrian population, the repressive regime that they dominate has remained in power for 40 years and under two presidential regimes. Elite units including Syria's Republican Guard and the 4th Armored Division are manned almost exclusively by Alawite officers and soldiers. Intelligence and security forces are also Alawite-dominated, and non-elite units usually have Alawite officers placed in key positions throughout their organizational structure. All of these structural precautions make it exceedingly difficult to mount an effective rebellion against regime authority, although angry demonstrators are certainly showing a stunning level of courage in confronting regime forces, perhaps in the hope that they can incite Sunni members of the armed forces to commit mutiny and join them.

In watching the ongoing struggle in Syria, the Tehran leadership likely understands that it has a great deal to lose. Iran and Syria have maintained good relations for over 3 decades, since the establishment of the Islamic Republic.⁸⁸ After the triumph of the Iranian Revolution, Syria was one of only two Arab states that provided diplomatic and rhetorical support for Tehran during the Iran-Iraq War (the other being Colonel Qadhafi's Libya).⁸⁹ The animosity that both Iran and Syria held for Saddam Hussein's Iraq helped to maintain this alignment, despite the very different political systems that these countries maintain. Syria, as a secular Ba'athist state, differed sharply in governmental structure from the Islamic Republic. Yet, the good relations between these states lasted beyond the Iran-Iraq War for a number of reasons. One particularly important factor in bolstering the ongoing relationship was Iran's professed willingness to provide support for Syria in any future confrontation with Israel. Both states are also deeply distrustful of the United States. During the presidency of George W. Bush, Iran and Syria were pushed together by the unrelenting hostility of the United States toward both countries. While only Iran was designated an "Axis of Evil" state, Damascus was openly worried that the U.S.-led invasion of Iraq might be followed by an invasion of Syria if Iraq could be quickly pacified and turned over to a pro-Western government, as the Bush administration hoped to do.⁹⁰ Although such Syrian concern now appears to have been unfounded, it did reflect the abysmal state of U.S.-Syrian relations at that time. While U.S.-Syrian relations

improved slightly during the administration of President Obama, they remained poor due to Syrian unwillingness to reduce its backing of Hamas and Hezbollah (despite promises that they would significantly reduce such support).⁹¹ Later, relations with Washington declined even further due to U.S. sympathy for demonstrators struggling against the brutal repression of the Assad regime.

In recent years, the Syrians and the Iranians have called themselves, along with Hamas and Hezbollah, “the axis of resistance,” referring to the shared willingness of these countries and organizations to confront Israel. The Iranians often seem to view themselves as the natural leaders of this coalition, while Damascus resists Tehran’s efforts to push it into a junior partnership in this relationship. This struggle has sometimes been difficult since Iran is an important source of military aid for the Syrians, particularly with regard to rocket and missile technology. Tehran has also sought to help deter future Israeli attacks against Syria. At a press conference in Damascus, Iranian Vice President Mohammad Irda Rahimi stated that Iran would fight beside Syria against any aggression by Israel.⁹² Damascus, by contrast, appears to have less to offer to Tehran. The chief value of the Syrian relationship to Iran is providing it with the logistical support that allows Tehran to support its allies in Lebanon. Since Hezbollah is a Syrian ally as well, it is difficult to maintain that Syria is making any sort of sacrifice to support the Iranians in this way. Additionally, Iran’s value as an ally against Israel has probably diminished as the Assad regime has become increasingly aware that Israeli leaders doubt that regime change in Syria will enhance Israeli security. Interestingly, Israelis appear divided in their assessment of the implications of Syrian unrest for their country. While generally detesting the Damascus regime, the Israelis are also concerned about an energized and equally anti-Israel post-Assad regime replacing a decrepit Ba’athist government.⁹³

The key questions for many Israelis may be whether a democratic revolution in Syria can produce a liberal regime, and, more importantly, could revolution in Syria help reignite revolutionary turmoil in Iran, such as what occurred in the aftermath of the disputed 2009 election.

As noted, Syrian leaders have sometimes believed that their country is or could become the junior partner in the relationship with Iran. This concern may be one of a number of reasons for Syria to establish good or at least acceptable relations with other regional powers. In pursuing this effort to gain a variety of allies, Damascus established dramatically improved relations with Turkey prior to the Arab Spring, although these relations then collapsed as Ankara became increasingly critical of escalating Syrian repression in 2011.⁹⁴

It is also a serious oversimplification to suggest that Syria has automatically sided with Iran on all major issues. In Iraqi politics, the Assad regime has consistently backed secular leader Ayad Allawi, and Damascus also maintains a friendly relationship with some deposed Iraqi Ba'athists despised by Tehran.⁹⁵ Despite this preference, the Iraqi government, including many of its Shi'ite leaders, have been generally supportive of the Syrian government throughout the popular uprising against it.⁹⁶ The chief reason for this support appears to be a fear among Iraqi Shi'ites that Assad will be succeeded by a radical Sunni regime. Such a regime might be inclined to support rebellious Sunni tribes hostile to Baghdad's Shi'ite-dominated government. The Syrians have also shown independence from Tehran on issues related to Yemen. As noted earlier, Saudi Arabia and Iran maintained deeply opposing policies on Yemen's Houthi rebellion, but, at least rhetorically, Damascus has sided with Saudi Arabia.⁹⁷ The Syrians further supported the Saudi military intervention in Bahrain in March 2011 in an especially vivid break with Tehran.⁹⁸

As a monarchy, Saudi Arabia has maintained a long tradition of distrust towards Syria, which defines itself as a republican, and sometimes a revolutionary regime. While the Saudis have been willing to work with Syria on occasion, they do not have much in common with the Syrian state or government beyond Arabism. Since 1970, Syria has also been led by strong Alawite presidents from the Assad family. Alawites are usually viewed as a subgroup of Shi'ite Muslims that are even further from orthodox Sunni practices and beliefs than the Twelver Shi'ites found in Iran, Iraq, and Lebanon. Nevertheless, the Saudi approach of seeking to bribe and co-opt potential adversaries has been applied to Syria with considerable success on occasion, and sometimes the two nations have found the basis for serious cooperation. The most notable example of this approach may have been the 1990 Gulf crisis, when Damascus sent an armored division and supporting troops (totaling 300 tanks and 17,000 personnel) to Saudi Arabia to participate in the 1990-91 international coalition opposing Saddam Hussein's invasion of Kuwait.⁹⁹

Saudi-Syrian relations took a dramatic turn for the worse on February 14, 2005, when former Lebanese Prime Minister Rafiq Hariri and eight of his aides died after a massive bomb placed in his car detonated as his motorcade drove home from parliament along Beirut's seafront road. In the immediate aftermath of the attack, it was almost universally assumed that the bombing was the work of the Syrian intelligence services. Saudi Arabia's special relationship with Hariri made his murder an important geostrategic setback, as well as an act of savagery directed against someone who was well-known and

liked by the Saudi leadership. In the aftermath of the attack, Saudi Arabia renewed its support for UN Security Council Resolution 1559 (September 2, 2004) which required Syria to withdraw its military forces from Lebanon and backed U.S. diplomatic efforts to remove the Syrian military and intelligence services from Lebanon.¹⁰⁰ These efforts led to the April 2005 removal of Syrian forces from Lebanon, where they had been stationed since the mid-1970s.

At some point, the Saudis were able to overcome their hostility towards the Syrian regime, and sought to work with Damascus in an effort to help salvage a deteriorating situation in Lebanon involving political polarization aggravated by Hariri's assassination. Riyadh may also have been interested in rolling back Iranian influence in both Syria and Lebanon, while Damascus saw value in Saudi ties to avoid overdependence on Iran. In January 2010, Prince Saud stated that "If the situation reaches separation or division of Lebanon, this would mean the end of Lebanon as a model of peaceful coexistence between religions, ethnicities and different groups."¹⁰¹ He went on to describe such an outcome as "a loss for the Arab nation."¹⁰² On July 30, 2010, Assad and Saudi King Abdullah made a joint visit to Beirut to help calm the situation and defuse tensions created by the feared reaction to the expected indictment of Hezbollah members for the murder of former Prime Minister Rafiq Hariri by the UN Special Tribunal on Lebanon (STL).¹⁰³ Surprisingly, the STL did not hold Syria directly responsible for Hariri's murder, and instead issued arrest warrants for four Lebanese suspects who are Hezbollah members. Hezbollah reacted with fury to the indictment while pro-Hariri groups demanded Lebanese cooperation with the STL. This situation has yet to be resolved, although the indicted individuals have disappeared from public view and may have fled to Iran.

More recently, both Saudi Arabia and Iran have needed to consider how Syrian unrest impacts upon their interests and how to address these new developments. Tehran clearly has the most to lose if the Assad regime is overthrown, and it is mostly standing by its Syrian ally.¹⁰⁴ Various U.S. and European leaders including representatives of the U.S. State Department and European Union (EU) have accused the Iranians of helping Syria repress anti-regime demonstrators, although few details of such activities have been given in public.¹⁰⁵ Journalistic sources suggest that Iran has provided Syria with equipment, planning advice, and technical expertise related to breaking up efforts to organize anti-government protests.¹⁰⁶ Some of this support may be quite useful and allow the Syrian security forces to learn from Iranian experiences in suppressing massive unrest in their country following the 2009

elections. Syrian demonstrators have also accused Iran of providing snipers to fire on the crowds in Syria, but this seems unlikely. The Syrian regime would not lack committed marksmen to perform this function, and would have little need to call upon foreigners to do so.

Iran will probably be the last country to abandon the Syrian regime for a variety of reasons, including fear of a Sunni-led successor government that will be more oriented towards working with other Arab states rather than with Iran. Tehran's leaders are also concerned about the potential emergence of a pro-American government in Damascus.¹⁰⁷ Either of these types of successor government may also seek a complete break from the previous relationship with Tehran. Moreover, if a new Syrian government discontinued its relationship with Iran, Tehran would lose a great deal of its capability to project power into Lebanon and perhaps the Palestinian territories, a serious setback for Iranian efforts to portray their country as a regional leader.

The uprising in Syria has also introduced a new dimension into Saudi views about Syria, which has led to a more hardline approach. This new toughness was clear when Saudi King Abdullah demanded "an end to the killing machine and the bloodshed" that the Syrian regime had unleashed against its population.¹⁰⁸ The Saudis, Kuwaitis, and Bahrainis also withdrew their ambassadors to Damascus in early August 2011 to protest Assad regime policies.¹⁰⁹ The previous détente with Damascus was significant, but Riyadh never viewed the Syrian regime as an ally, and could be expected to take some pleasure in seeing Tehran lose its most important Arab partner should this regime fall. Conversely, Riyadh almost certainly would not view the situation in Syria as an unqualified Saudi victory, even if the Assad regime was overthrown and replaced by an anti-Iranian government.¹¹⁰ The Saudi leadership remains ultra-conservative, and correspondingly takes a dim view of both revolutionary turmoil and Arab democracy. A strong, vibrant Syrian democracy would at least be a serious inconvenience for Riyadh, and it could emerge as a real challenge to the Middle Eastern status quo.

SAUDI-IRANIAN COMPETITION IN THE PALESTINIAN TERRITORIES AND LEBANON

Evaluations of Saudi Arabian attitudes and policies towards the Palestinian issue and the Middle East Peace Process vary widely. Clearly, Riyadh is a strong supporter of Palestinian national rights and a sharp and

frequent critic of Israel. Additionally, the Saudis have strongly supported Palestinian Muslim claims to East Jerusalem and are hostile to Israeli efforts to expand their presence in the old city. Critics of Saudi foreign policy sometimes charge that Riyadh tolerates or supports Palestinian terrorist activities and these concerns are examined later in this monograph. Despite the blame directed against it, a variety of observers consider the Saudi government to be moderate, or at least to have a moderate side on Arab-Israeli issues. The strongest evidence for this viewpoint is the Saudi Arabian Peace Plan adopted by the Arab League at a March 2002 summit conference in Beirut.¹¹¹ The proposal offers comprehensive recognition of Israel by all Arab League states in exchange for the return of all territories captured in the June 1967 War. Many Israeli political leaders, including Defense Minister Ehud Barak and Kadima party leader Tzipi Livni, have stated that they see many positive aspects to the Plan, although they refuse to accept it on a take-it-or-leave-it basis.¹¹² While Riyadh has not always been enthusiastic about the potential for progress in the peace process, Saudi leaders also fear that its complete collapse will enhance Iranian regional power at their expense. Under such conditions, the hard line approach of the Iranians would appear vindicated to many Arabs, while any efforts to negotiate peace will appear to be acquiescing to Israeli delaying tactics used to consolidate control of the Palestinian territories.

Saudi Arabia has made numerous efforts to help the Palestinians and to use its financial resources and political influence on their behalf. Riyadh maintains normal political relations with both of the major Palestinian political parties, Fatah and Hamas, the latter of which has been designated as a terrorist organization by the United States. In this regard, the Saudi government has transferred funds directly to a variety of Palestinian organizations and causes over a considerable period of time. A significant amount of this money has been provided to the Palestinian Authority in the West Bank, which is controlled by Fatah and has also been supported by the United States.¹¹³ Financial relations with Hamas are more controversial and murky. The Saudi government has condemned terrorist actions by Hamas against the Israelis, but King Abdullah has also called Israeli military strikes into the Gaza Strip acts of genocide against the Palestinians.¹¹⁴ Additionally, the Saudi government strongly maintains that it does not provide money directly to Hamas, although in the early 2000s, Saudi private money was estimated to be around half of the Hamas operating budget.¹¹⁵ Since that time, both Israeli and American sources have indicated that private Saudi money flowing to Hamas has diminished or even largely dried up.¹¹⁶ These developments may be the result of international pressure on Riyadh, or, more likely, Saudi discomfort that Hamas has leaned

so dramatically towards Iran. It is also possible that at least some private Saudi donors have become more discrete.

Iran has approached the Palestinian problem very differently. Instead of presenting formulas for peace, Tehran has attempted to portray itself as the leading militant power supporting Palestinian rights and opposing Israel through a variety of means, including supplying weapons and funding to Palestinian Islamic militants. This leadership role is important to Tehran as a way of consolidating support for the regime internally and elevating its regional role and standing among anti-Israeli publics throughout the region. At present, Iran has clearly become the leading financial patron for Hamas. Hamas now depends so heavily on Iran that it is often accused of being a proxy. Fatah leaders have stated that Iran seeks to use Hamas to impose its own agenda on the Palestinian people.¹¹⁷

Iran's interest in providing weapons to Palestinian groups is well established. One of the most dramatic incidents involving Iranian-Palestinian relations occurred on January 3, 2002, when the Israelis captured the Palestinian owned-freighter *Karine A*. In late 2001, the *Karine A* had stopped off at an island near the Iranian coast where the ship was loaded with arms, including Katyusha rockets, mortars, Kalashnikov rifles, ammunition, anti-tank weapons, plastic explosives, and other weapons, which the Israelis maintained were to be provided to the Palestinian Authority (rather than Hamas).¹¹⁸ While Iran has often been hostile to the Palestinian Authority, Tehran was interested in supporting and militarizing the al Aqsa Intifada, a Palestinian revolt against Israeli authority that broke out in September 2000. This interest in taking advantage of unfolding events seems to have been Tehran's primary motivation in seeking to provide weapons. Yassir Arafat, then the leader of the Palestinian Authority, denied any link to the ship, although he later became much more equivocal about the issue.¹¹⁹ If Iran hoped to harm the peace process, it could hardly have staged a more effective undertaking. The capture of the *Karine A* also had a catastrophic impact on Israeli-Palestinian relations and undermined U.S. ties with the Palestine Authority. Unfortunately for Tehran, the *Karine A* incident also contributed to U.S. President George W. Bush's belief that Iran was an irredeemable rogue state. In his January 29, 2002, State of the Union Address, President Bush identified Iran, Iraq, and North Korea as part of an "axis of evil."

Since the *Karine A*'s capture, the success of Iranian smuggling efforts have sometimes been difficult to gauge, but a significant number of weapons have been smuggled over time to Gaza through tunnels from Egypt. The Israelis believe that many of the weapons and explosives provided in this way

originate with the Iranians.¹²⁰ More dramatically, the Israelis seized an additional merchant ship in March 2011, which they reported to be loaded with missile systems as well as operating manuals in Farsi.¹²¹ Israeli sources stated that the Iranian plan was to have these weapons offloaded in Egypt and then attempt to infiltrate them to Gaza through the tunnels. The Israelis maintain that there has been a substantial increase in problems along the Egyptian border since the January 2011 overthrow of President Mubarak.¹²² Iran may seek to take advantage of this situation.

The Iranian leadership has also made a number of flamboyant but transparently hollow promises to highlight its opposition to Israel and its support of the Palestinians in response to international headlines. One such incident occurred after a Turkish aid ship was intercepted in June 2010 by the Israeli Navy, creating a major international incident including nine Turkish deaths.¹²³ In the aftermath of the strike, a representative of Supreme Leader Ayatollah Ali Khamenei stated that Iran's Revolutionary Guard Corps would be willing to provide naval units to escort ships bringing supplies to Gaza in the future even though Iran's ability to implement this policy was nonexistent.¹²⁴ It is difficult to believe that even the most hard line Iranian leader believes that such actions would turn out well for them, and these statements are probably best understood as propagandistic bombast.

Elsewhere in the Levant, Iran often seems to dominate the rivalry with Saudi Arabia in Lebanon. Lebanon is a small, weak state influenced by a variety of countries from both within the region and globally. In recent years, the most important powers influencing Lebanon have been Syria, Iran, the United States, Israel, and Saudi Arabia. In this struggle, Iran has some clear advantages in the competition for influence, the most important of which are its strong ties to the Lebanese political organization Hezbollah, which maintains its own militia and is known to practice terrorism.¹²⁵ Hezbollah is often identified in the West as a terrorist organization, but it is also one of the most powerful political organizations in Lebanese politics. Hezbollah operates an extensive welfare and educational network for Lebanese Shi'ites who are expected to reward the organization with their loyalty and support. Hezbollah also has its own television station (*al-Manar* television) and has consistently maintained representatives in the parliament and cabinet. Perhaps most importantly, Hezbollah is the only Lebanese political organization that currently retains a militia from the civil war era. Other political parties that used armed axillaries in the Lebanese Civil War (1975-90) have since disbanded them under the September 1989 Taif Agreement that ended that conflict. Hezbollah's decision to retain a military arm is often considered a

problem by other Lebanese, although Hezbollah members and the Iranians justify such actions as a deterrent to Israeli military action.¹²⁶

Iranian influence over Hezbollah is maintained through lavish financial and material aid, usually funneled into Lebanon through Syria.¹²⁷ Hezbollah may also be growing in its role as a strategic asset for Iran. In October 2010, Hezbollah leader Hassan Nasrallah claimed that his organization had increased its missile stocks to around 40,000 rockets and missiles, while in the 2006 War it only had around 14,000 to 20,000, of which at least 14,000 were short-range Katyusha rockets.¹²⁸ In April 2010, Israeli President Shimon Peres charged that Syria was providing SCUD missiles to Hezbollah, which would have been done in coordination with Iran. Peres was the first of a number of Israeli officials to make such charges, with U.S. journalistic sources reporting that Hezbollah has up to 10 SCUD-D missiles.¹²⁹ The International Crisis Group also suggested that Israel may have come close to attacking these weapons, according to interviews they conducted with Israeli officials.¹³⁰ Hezbollah officials refuse to discuss whether or not they had obtained such systems or anti-aircraft missiles capable of seriously increasing the threat to Israeli aircraft in a future attack.¹³¹ As long as these weapons continue to exist, Iran will have the ability to demand that Hezbollah unleash them in any future Israeli-Iranian conflict, particularly an Israeli attack on Iranian nuclear facilities.

Saudi Arabia became especially important in Lebanese politics after it helped broker the 1989 Taif Accords, which ended the Lebanese Civil War. Following the Taif Accords, Saudi Arabia also began playing a major role in Lebanese reconstruction. In 1992, pro-Saudi Lebanese billionaire Rafiq al-Hariri became prime minister as a result of the Taif Accords leading to a clear boost of Saudi influence within Lebanon and a strong potential for Saudi involvement in economic rebuilding. Hariri, a Sunni Muslim who made his vast fortune in Saudi Arabia, quickly overshadowed the traditional Sunni elite in Lebanon because of his financial power and his close relationship with the Saudi leadership. According to Beirut's *Daily Star* editor, Michael Young, it was often difficult to discern where Hariri's personal fortune ended and Saudi funding began when being directed at Lebanese investments, patronage, and aid networks.¹³² In Young's estimation, Hariri was something of a front man for Saudi interests in Lebanon.¹³³ He served as prime minister from 1992-98 and again from 2000-04.

The July-August 2006 Israeli military intervention into Lebanon against Hezbollah is sometimes considered to have created opportunities for Tehran since Israeli leaders, by their own admission, were deeply dissatisfied with the

outcome of that intervention.¹³⁴ Israel's poorly-planned 33-day war against Hezbollah in the summer of 2006 failed to meet its objectives and dramatically elevated the status and reputation of Hezbollah and its Iranian supporters due to the spirited resistance the Lebanese Shi'ite fighters displayed. Even more dramatically, Hezbollah was able to strike back against the Israelis using large numbers of Katyusha rockets and some longer-range missiles. During the 2006 Lebanon war, Saudi officials and clerics were often critical of Hezbollah's adventurism for kidnapping two Israeli soldiers and thereby igniting the conflict.¹³⁵ Saudi caution was not always appreciated by Arab publics watching these events unfold, and at least initially many Arab observers chose to embrace the narrative of brave resistance fighters struggling against Israel's high technology war machine. According to this interpretation, Iran was viewed as helping maintain the dignity of the Arab resistance, while Saudi Arabia was blaming them for inciting the Israeli strike. This narrative began to fade over time as Hezbollah leader Hassan Nasrallah was increasingly blamed for the 1,100 Lebanese deaths in the war and the \$3-5 billion worth of damage to the Lebanese economy include the destruction of 10,000 homes.¹³⁶

In the aftermath of the 2006 war, the struggle between Iran and Saudi Arabia and their Lebanese clients continued. In the deeply fragmented environment of Lebanese politics, different groups often view Iranian involvement in their country in starkly contrasting ways. Large numbers of people within Lebanon's Shi'ite community consider Iran to be an important ally that has extended considerable support to the Lebanese in resisting what they define as Israeli aggression. The March 8 Movement, a political coalition led by Hezbollah, is an important leader of this trend, which Tehran finds to be of considerable value. Iranian President Ahmadinejad made his first state visit to Lebanon in October 2010, at a time of escalating tension between Hezbollah and its rivals, as a way of highlighting Iranian-Hezbollah ties. The 2-day visit involved a trip to the southern part of the country near the Israeli border, where Iran has also built a number of roads.¹³⁷ The Iranian president viewed the visit as highly successful and was mobbed by adoring crowds.¹³⁸

Various other groups within Lebanon view Iran as an intruder and meddler in Lebanese politics, and seek the support of Saudi Arabia as a counterweight to Tehran, at least in the realm of financial aid. The group most closely identified with this outlook is the March 14 Movement, which includes a variety of important political leaders usually drawn from the Christian and Sunni Muslim communities. Some March 14 Movement officials are quite blunt about their assessment of the relationship with Iran. Former Prime Minister Saad Hariri, the leader of the Future Movement and son of Rafiq

Hariri, went so far as to state, “We in Lebanon do not accept to be an Iranian protectorate.”¹³⁹ He then went on to say that, “Saudi Arabia is the biggest and first investor in Lebanon’s stability. This investment is priceless. It is the basis for Lebanon’s progress and economic growth.”¹⁴⁰ Such statements were further emphasized by a variety of other pro-Saudi politicians, including former Prime Minister Fouad Siniora, who also noted that Hezbollah ignored the role of Saudi aid in rebuilding Lebanon after the 2006 war.¹⁴¹ Other leaders of the Lebanese Future Movement’s Parliamentary bloc have claimed that Saudi Arabia provided tremendous support to Lebanon, surpassing that of Iran after the 2006 war, including providing funds for the construction of 55,200 residential units. These statistics were quoted in an angry debate in which Future Movement leaders strongly criticized Hezbollah leader Hassan Nasrallah for thanking Iran, but not Saudi Arabia, for post-war assistance.¹⁴² The importance of Iran in Lebanese politics has nevertheless also been acknowledged by moderates in the Lebanese government who are known to distrust Tehran. In November 2010, then-Lebanese Prime Minister Saad Hariri made an official visit to Tehran in what was described as an effort to strengthen the economic and political ties between the two countries.¹⁴³ Iran’s influence is simply too sweeping for any Lebanese Prime Minister to disregard while in office.

Prime Minister Saad Hariri’s government collapsed in January 2011 when Hezbollah cabinet members and their allies resigned *en mass* in order to bring the government down. They did this over disagreements about whether or not to cooperate with the UN Special Tribunal on Lebanon (STL) investigating the murder of Rafiq Hariri in 2005. The STL was then on the verge of indicting four members of Hezbollah.¹⁴⁴

After Hariri’s ouster, a new Lebanese government was not assembled until 5 months later, when billionaire and former Prime Minister Najib Mikati was able to gain that post with Hezbollah backing.¹⁴⁵ The new cabinet was dominated by Hezbollah and its allies.¹⁴⁶ Under these circumstances, the Saudi Arabian and Sunni Lebanese communities’ hopes for obtaining some kind of justice in the murder of Rafiq Hariri suffered a considerable setback. Mikati, for his part, strongly maintained that he is an independent politician and not a Hezbollah stooge.¹⁴⁷ Despite these assurances, his ministers have been widely indentified as comprising one of the most pro-Syrian and pro-Iranian cabinets in Lebanese history, and the new Prime Minister is sometimes described as a close friend of Syrian President Bashar Assad.¹⁴⁸

Unsurprisingly, the Mikati government has directed no serious criticism at Syria’s brutal repression of demonstrators, while the Future Movement has

denounced the Syrian actions as “crimes against humanity.”¹⁴⁹ Future Movement leader Saad Hariri has called on the Mikati government to denounce the “open massacre.”¹⁵⁰ On one particularly memorable occasion, he presented his stance as following the lead of Saudi King Abdullah’s decision to denounce Syrian actions and recall the Saudi Ambassador in Damascus. Hariri stated, “There is no doubt that the historic speech yesterday of the Custodian of the Two Holy Mosques King Abdullah bin Abdul Aziz to Syria and its people came at a pivotal moment to crown the Arab stance with an honest and firm vision which issues a warning against the risks of continued violence, bloodshed, and chaos.”¹⁵¹

The establishment of the Mikati government created problems for the United States, which has previously designated Hezbollah as a terrorist organization, and took a dim view of their newfound prominence within the Lebanese government. In 2010, Lebanon received around \$100 million in U.S. military aid to help strengthen its security forces. The United States provided up to \$800 million in funding for military and law enforcement programs since the end of 2006.¹⁵² Following the establishment of the Mikati government, some U.S. policymakers raised questions about continuing this aid.¹⁵³ In response, the Iranian government announced that it was willing to replace the United States as Lebanon’s chief source of military aid. This change is unlikely, as any serious attempt to realign defense procurement to Iran would create a severe domestic and international crisis.¹⁵⁴ Saudi Arabia continues to back the Lebanese opposition, particularly the leadership of Lebanon’s Sunni Muslim community.

THE SAUDI-IRANIAN RIVALRY AND THE FUTURE OF IRAQ

Iraq is of central concern to both Iran and Saudi Arabia, and prior to 2003 mutual hostility to the Sad-dam Hussein regime was one of the chief anxieties that these countries shared. Both Riyadh and Tehran have contended with an unfriendly Iraq at important points in their history, and both nations are concerned about the possible emergence of a hostile regime in Baghdad. Since Saddam’s ousting, this problem has appeared more difficult for Riyadh than Tehran. Iran has significantly improved its relations with Iraq under a series of post-Saddam Shi’ite dominated governments, while Saudi Arabia has maintained fairly strained relations with many Iraqi leaders including Prime Minister Nouri al-Maliki. There is also the question of oil. Iraq is now beginning a serious effort to work with international oil companies to rebuild

its oil infrastructure in a way that may allow it to emerge as a leading oil exporter.¹⁵⁵ This development could weaken Riyadh's regional and international influence over the world oil market, but would probably not be a problem for Iran since Tehran and Baghdad have similar concerns regarding oil. More ominously, the Saudis are certainly worried that any establishment of a Shi'ite-dominated government in Baghdad could create the conditions under which Iraq and Iran could join forces to organize against them in a diplomatic propaganda, and perhaps subversion effort. Even a temporary alliance of this sort could be potentially devastating for the advancement of Saudi interests throughout the region.

Iranian leaders, despite their current influence in Baghdad, remain aware that they have more to fear from a hostile re-energized Iraq than Saudi Arabia if relations sour. The legacy of the 8-year Iran-Iraq War, in which hundreds of thousands of people were killed on both sides, is particularly sobering in this regard. The presence of hundreds of thousands of disabled war veterans (*janbazan*) within Iranian society makes the war's consequences difficult to forget.¹⁵⁶ More tellingly, while often judged as a stalemate, the war ended on terms significantly more favorable to Baghdad than Tehran. As the war entered its final phases, the Iranians agreed to a cease-fire only after offensive operations no longer seemed possible for them. At the war's conclusion, Iraq gained control of disputed territory, and the border with Iran was defined in a way that reflected Iraqi interests.¹⁵⁷ Several years later, Iran watched with interest as Iraq was comprehensively defeated in Operation DESERT STORM in conventional combat. While Iranian leaders were delighted to see Saddam defeated, it was troubling to watch U.S. forces easily slice through Iraqi military forces that they had been unable to defeat in 8 years of fighting. Currently, the Iranians with their own aging conventional weapons and equipment would not wish to be at war with an Iraq armed with Western military technology.¹⁵⁸ While Iran has spent considerable sums on its missile forces and nuclear enrichment program, it has badly neglected its conventional forces, which have not been modernized much since the Iran-Iraq War and are obsolete by Western standards.¹⁵⁹ Moreover, even if Iran chose to invest in modernizing its conventional forces, this would probably be impossible because of UN sanctions, which impose a comprehensive arms embargo on Iran due to its undeclared nuclear activities.¹⁶⁰ The only country that is violating this embargo in any clear way is North Korea, which cannot serve as a major military patron for conventional arms.¹⁶¹

The Iranians are further concerned about the future of a U.S. military presence in Iraq, which Tehran views as providing Washington with increased

conventional options against them. Even a limited or temporary U.S. Navy or Air Force presence that does not involve ground combat troops would be problematic for the Iranians. Additionally, Tehran cannot be comfortable with the prospect of a well-armed Iraq with continuing access to U.S. military technology unless its leadership believes that Iraq will emerge as a permanent ally, which can hardly be taken for granted. Currently, the Iraqi Army remains dominated by non-mechanized infantry forces, but Baghdad is also seeking to acquire expanded armored forces and a modern air force, including F-16 fighter aircraft.¹⁶² The Iranian Air Force, which is based on older Russian/Soviet and Chinese aircraft, could never compete with a force equipped with modern Western-supplied aircraft. Some Iraqi politicians are also calling for a large and well-equipped military, which they view as a complement to Iraq's role as an important regional power, and such comments only increase Iranian unease.¹⁶³ The dangers presented to Iran by Iraqi conventional forces will naturally be mitigated if Iran crosses the nuclear threshold, but Iran may not be able to use nuclear weapons without provoking a response from the United States.¹⁶⁴

Riyadh is also known to have maintained serious reservations about the 2003 U.S.-led invasion of Iraq to oust Saddam Hussein, although these concerns were not based on a fear of expanding U.S. regional influence. While the Saudis were deeply concerned about Saddam Hussein when he was at the height of his strength and aggressiveness shortly after the Iran-Iraq War, these fears receded following Iraq's massive military defeat in 1991 and the imposition of postwar military sanctions that made it difficult for Iraq to modernize and even perform proper maintenance on its weapons and military equipment. Concurrently, the Riyadh leadership understood that a friendly government in either a democratic or undemocratic Shi'ite-led Iraq would always be elusive. One of Saudi Arabia's greatest fears after Saddam's 1991 defeat was the potential emergence of an energized, anti-Saudi Shi'ite regime in Iraq led by pro-Iranian politicians. After Operation DESERT STORM ended, Riyadh appears to have viewed Saddam as a crippled and isolated Sunni strongman who was treated with loathing by much of the world and placed under ongoing sanctions. As such, his capacity to threaten Saudi Arabia was severely limited in ways that would not constrain a hostile successor.

Tehran has been significantly more active in attempting to gain influence in Iraq than Riyadh has since 2003, in part because it was especially alarmed by the sudden rise of U.S. military power and influence in its neighboring states of Iraq and Afghanistan.¹⁶⁵ This Iranian effort has involved diplomacy, economic investment, covert action, and cultivating Iranian clients within the

Iraqi political system including the leadership of armed militias. This approach has produced results, and Iran has emerged as a major power in domestic Iraqi politics. Iraq's Prime Minister Maliki, who is drawing on a Shi'ite domestic power base, is reluctant to offend Tehran, and has stated that strategic ties between the two nations serve the interest of both.¹⁶⁶ He also hosted Iranian President Ahmadinejad on an official visit to Baghdad in March 2008. This was the first visit of a serving Iranian president to Iraq. In another indication of Iranian influence, Tehran has helped to broker important agreements between competing Iraqi Shi'ite factions, including helping to establish a 2010 working relationship between Maliki and populist leader Muqtada al-Sadr to help them put together a governing Shi'ite-led coalition in the Iraqi parliament.¹⁶⁷ Maliki and Sadr have detested each other since at least March 2008, when Maliki ordered the Iraqi army to move against Sadr's followers in Basra in Operation CHARGE OF KNIGHTS. This confrontation resulted in a number of deaths and was a substantial setback to Sadr's bid for political influence in Iraq. It is difficult to imagine that these two sides could have reached agreement without Iranian intercession.¹⁶⁸ The Iranians view the Sadr Movement's influence within the Iraqi government as useful, despite its leader's erratic behavior, because Sadr is so passionately committed to a speedy withdrawal of all U.S. forces from that country. He could also reasonably be expected to oppose all future strategic ties between the United States and Iraq, and is currently the leading Iraqi politician demanding a full U.S. withdrawal from Iraq without leaving any residual force.¹⁶⁹

One of the most troubling ways in which Iran exerts its influence in Iraq is through various Shi'ite militia organizations, which engage in terrorism and military strikes against U.S. troops and Iraqis opposed to these forces. These pro-Iranian militias are sometimes called Special Groups. Iran has considerable influence with them and provides weapons and training to some of these forces through the elite Iranian Revolutionary Guards Corps' al-Quds Force.¹⁷⁰ In the years immediately following Saddam's removal from power, the Iranians worked closely with a number of Shi'ite Iraqi political parties and movements, including the Sadr Movement. This movement maintained its own militia, the Mahdi Army (*Jaysh al Mahdi*), which received financial aid and military supplies from Tehran. Around 2007, the Iranians appear to have de-emphasized their support for the Mahdi Army due to its reckless behavior and the inability of anyone to control it. Later, in 2008, Sadr disavowed violence against other Iraqis and ordered the Mahdi Army to disarm and become a "humanitarian group."¹⁷¹ At the present time, Sadr remains in Iran and controls another militia organization, the Promised Day Brigade. The

Promised Day Brigade, which has a strength of 5,000 men, is a mere shadow of the Mahdi Army, which, at its peak strength, included 60,000 militiamen.¹⁷²

Despite his problems, Muqtada al-Sadr remains an important Iraqi political and militia leader. He controls around 40 seats in the 325-member Iraqi parliament and revels in his role as an uncompromising political leader opposing any U.S. military presence in Iraq after December 2011. To underscore his commitment, Sadr has issued a number of warnings that any U.S. troops remaining in Iraq as trainers past the December 2011 deadline for their withdrawal will become targets for his militia forces.¹⁷³ This threat was reiterated following the August 2011 Iraqi government announcement that it would open talks with the United States about some U.S. troops remaining as trainers and subsequent indications of progress in these talks.¹⁷⁴ Sadr also stated that, “[the Iraqi] government which agrees to them staying, even if it is for training, is a weak government.”¹⁷⁵ Iraqi domestic politics are moving in a way that suggests it will be a severe political problem for any major non-Kurdish Iraqi leader to support an extension of a U.S. military presence remaining in that country, although Baghdad’s national security needs could be well-served by such a request.

Other Iranian-supported militias in Iraq include the *Asaib a! Haq* (AAH-League of the Righteous), which has about 1,000 militiamen, and the *Kata’ib Hezbo!!ah* (Party of God Brigade). The smaller size of the Hezbollah Brigades may allow them to be more easily controlled by the Iranians. The Iranians have supplied both of these groups with increasingly effective weapons including rocket assisted exploding projectiles (RAEPs), which they use for attacks on U.S. troops.¹⁷⁶ Iranian weapons supplied to Special Groups have been used with considerable effectiveness against U.S. forces in Iraq, causing Defense Secretary Leon Panetta in July 2011 to comment that, “We’re seeing more of these weapons coming from Iran, and they’ve really hurt us.”¹⁷⁷ Yet in addition to its involvement in arming the radical militias, Iran also has a number of legitimate interests in Iraq. President Ahmadinejad visited Iraq in early March 2008, at which time a variety of trade agreements were signed providing the basis for further economic ties.¹⁷⁸ At this time, Iran is Iraq’s largest trading partner, and the Iranians are also one of the largest investors in Iraq’s construction and industrial sector.¹⁷⁹

Surprisingly, Washington and Tehran also had some overlapping interests in Iraq as the United States was beginning its troop drawdown in that country. The United States supported Iraqi Prime Minister Maliki and his State of Law political coalition because he was viewed as a leader of continuity who would continue to support Iraqi self-sufficiency in internal defense. Iran also supports

Maliki, whom they view as a friendly Shi'ite leader whose responsiveness to the United States will probably decline after the United States withdraws from that country. Conversely, the Saudis have often been deeply critical of the U.S. policies in Iraq, which they have viewed as pro-Shi'ite, pro-Kurdish, and anti-Sunni. Saudi leaders have also sometimes portrayed U.S. policies as playing into the hands of the Iranians.¹⁸⁰ Saudi leaders further dislike Maliki, and accuse him of being a sectarian figure who hinders reconciliation among Iraqi communities. At an international conference in Sharm al-Sheikh, Egypt in May 2007, King Abdullah refused to meet Maliki, whom he described as, "embodying sectarian divisions."¹⁸¹ Serious differences continued, and the Iraqi government has sometimes accused Saudi Arabia of failing to stop its citizens from entering Iraq and joining the Shi'ite dominated insurgency. This was a serious charge that carried the potential to complicate or even damage Riyadh's relationship with Washington.

As noted, Riyadh has not involved itself in Iraq to nearly the extent of its Iranian rivals. Saudi Arabia got off to a slower start due to its reluctance to send diplomats to Iraq in the aftermath of the invasion of that country by U.S.-led forces. Previously, the Saudis had broken relations with Iraq in 1991 on the eve of Operation DESERT STORM, but they formally reestablished these ties in 2004. Riyadh did not, however, reopen its embassy in Iraq, citing security issues and the targeting of Arab diplomats by terrorists and insurgents. Neither Iraq nor the United States took these statements at face value, although various Arab diplomats were certainly being attacked by insurgents in this time frame. Iraq reopened its embassy in Riyadh in 2007, but relations remained tense. Conversely, the Iranians appointed an ambassador to that country in May 2006.¹⁸² The United States has encouraged the GCC states to improve ties with Iraq and possibly to include such moves as considering allowing Iraq to join the GCC, which seems almost impossible. During an April 25, 2009, visit to Baghdad, Secretary of State Clinton expressed concern about the poor state of relations between Baghdad and Riyadh according to journalistic sources, citing conversations with U.S. diplomats.¹⁸³ In a 2009 address to Arab military officers in Washington, Defense Secretary Gates stated, "The embrace of Iraq by its fellow Gulf States will help to contain the ambitions of Iran."¹⁸⁴

During the lead up to the March 2010 Iraqi national election, the Saudis clearly favored secular Shi'ite leader, Dr. Ayad Allawi, who led a political coalition friendly to Sunni Arab interests and concerns. In this environment, Riyadh was widely believed to have provided funds to Dr. Allawi for his organization's electioneering efforts.¹⁸⁵ Prime Minister Maliki was particularly incensed about this possibility and warned against the influence of money

coming from Saudi Arabia, the UAE, and other Arab countries.¹⁸⁶ Conversely, some Sunni politicians and secular leaders maintain that Iraqi Shi'ite parties accept substantial instruction, as well as money, from the Iranians.¹⁸⁷ Ayad Allawi has been particularly critical of Iranian meddling in Iraqi politics and complained that Iran interfered quite heavily in the political negotiations that followed that election.¹⁸⁸ The March 2010 election was inconclusive and underscored the fact that Iraq remains deeply divided on sectarian and ethnic lines.¹⁸⁹ Prime Minister Maliki noted this himself when he stated that the nation had returned to square one on the issue of sectarianism in the aftermath of the election.¹⁹⁰

The *Iraqiyah* bloc under Dr. Allawi has strongly criticized Prime Minister Maliki and his allies for failing to defend Iraqi interests in interactions with Iran. These politicians specifically charge that Maliki has failed to address Iranian military incursions into Iraqi territory or the bombardment of Iraqi Kurdish villages by Iranian forces. The *Iraqiyah* bloc also maintains that Iran has diverted water from rivers flowing into Iraq so that they are virtually dry by the time they reach Iraq.¹⁹¹ Sunni Iraqis have sometimes demonstrated against Iranian leaders visiting Iraq to indicate their community's distrust of Tehran.¹⁹² More alarmingly, the *New York Times* has reported that members of the pro-U.S. Sunni Awakening Councils are reestablishing links to Sunni insurgents, including al-Qaeda, as a way of hedging their bets against an oppressive Shi'ite majority government once the United States has withdrawn its military forces from Iraq.¹⁹³ Some observers have suggested that Saudi Arabia has been providing financial support to some of Iraq's major Sunni tribes, including those involved with the Awakening movement.¹⁹⁴ Saudi Arabia has attempted to mediate among Iraqi factions under the umbrella of the Irbil initiative, which sought to bring Iraqi political factions together to form a coalition government.

Iraq's Shi'ite dominated government has maintained a number of disagreements with Saudi Arabia into the era of the Arab Spring. Strong Iraqi criticism of both Bahrain and Saudi Arabia over the crackdown also led to a GCC decision to request the cancelation of an Arab League Summit Conference to be hosted in Baghdad in 2011.¹⁹⁵ This action further angered the Iraqi leadership, many of whom viewed the Summit as an important step towards Iraq's reintegration into the Arab World as the U.S. occupation of that country draws to an end. A compromise settlement led to a decision to postpone the Summit until March 2012 because of the turmoil in the region, with the location to remain in Baghdad.¹⁹⁶ Large numbers of Iraqi Shi'ite citizens were also deeply angered by the Saudi intervention in Bahrain. A

leading Iraqi Shi'ite newspaper called for a boycott of Saudi goods to protest the intervention in Bahrain.¹⁹⁷ Shi'ites throughout Iraq held demonstrations against the Saudi intervention in cities including Baghdad, Basra, and Najaf.¹⁹⁸

Sectarian problems therefore remain serious within Iraq, and are of concern to both Saudi Arabia and Iran. After the United States withdraws the remainder of its military forces from Iraq, it will be difficult for Saudi Arabia and the other Sunni Gulf monarchies to remain passive should Iran continue to arm Shi'ite militias.¹⁹⁹ Previously, the most important power opposing Iranian influence within Iraq was the United States, but the removal of all or most U.S. military forces from that country will have some impact on U.S. ability to counter this influence. In the past, Saudi Arabia could rely on the United States to oppose Tehran without seeking to use its own influence. Moreover, any high profile Saudi activism in Iraq prior to the U.S. withdrawal threatened to irritate that United States, which has been supportive of Prime Minister Maliki, a leader whom the Saudis deeply distrust.

CONCLUSION

The Saudi-Iranian rivalry is a central feature in the Middle Eastern security landscape that reaches into both the Gulf region and the Arab-Israeli theater. It is therefore a reality that will touch upon the interests of the United States in a number of situations. In many instances, Saudi opposition to Iran will serve U.S. interests, but this will not occur under all circumstances. Saudi Arabia remains a deeply anti-revolutionary state, with values and priorities that sometimes overlap with those of Washington on matters of strategic interest, and often conflict over matters of reform and democracy for other Middle Eastern states. Additionally, Middle East regional politics do not consist of rigid blocs that can be viewed as a miniature cold war, even in cases where sectarian differences are involved. With these parameters in mind, this monograph makes the following recommendations.

1. The United States must understand that the differences between Saudi Arabia and Iran will be reflected elsewhere in the Middle East, particularly in Iraq and Lebanon. In this regard, it is possible that the United States will not be the most influential external power interacting with the Iraqi government. Nevertheless, the U.S. leadership may have to decide what kind of Saudi Arabian behavior it is willing to accept in Iraq if Riyadh chooses to support Iraq's Sunni Arab population against a Shi'ite-dominated government in Baghdad. In the future, it is possible that Saudi Arabia will consider a policy

of ignoring the efforts of potentially increasing numbers of its citizens to infiltrate Iraq and fight beside Iraq's Sunni Arabs if a bloody intercommunal conflict breaks out. Riyadh will be given increased freedom to do this by the U.S. military withdrawal, which would end the possibility for Saudi infiltrators to strike at U.S. targets in Iraq. Such intervention may be an inevitable response to intercommunal warfare, but cannot end well for either the United States or Saudi Arabia since a new crop of radicals will be generated to bedevil civilized nations throughout the world, possibly for decades to come. Therefore, the United States must seek to deescalate conflict among Iraqi communities before such a scenario can play out.

2. U.S. intelligence officials and policymakers must also be aware of the possibility that Saudi Arabia may overestimate Iranian involvement in any regional crisis and may conflate Shi'ite assertiveness with Iranian activism on the basis of very little evidence. Such concerns may reflect an honest Saudi appraisal based on their own assumptions or worst-case planning, but these cannot be accepted without a skeptical examination of the evidence. In many cases, Arab Shi'ite leaders will work closely with the Iranians, but not always. This problem of overestimating Iranian influence appears to be present to some extent in Saudi evaluations of both the Houthi rebellion in northern Yemen and the situation in Bahrain immediately prior to the March 2011 Saudi-led military intervention. Iran has shown an interest in the conflicts in Bahrain and Yemen, but there is a lack of conclusive evidence of Iranian involvement beyond the levels of propaganda and diplomacy. While Iran could become more involved in each of these conflicts, it appears to be a secondary player at the current time.

3. The United States needs to recognize that Saudi Arabia will seek to support conservative regimes in the Gulf, such as Bahrain, and that this Saudi support may come regardless of other governments' willingness to engage in human rights abuse, especially against Shi'ites. The United States should distance itself from such policies by continuing to call for reform. While Saudi Arabia is a friend and partner to the United States, U.S. leaders cannot remain unconcerned about repression based on sectarianism. Such repression is an open invitation to radicalization and the expansion of Iranian influence. It also inflames the situation in Iraq.

4. U.S. military training for GCC states, including Saudi Arabia, must have a strong human rights component. This should include both training provided in the GCC countries, and military education and training provided in the United States. The importance of this training must be stressed for both moral and practical reasons. It should be presented to U.S. allies as a valuable

tool that will allow them to reduce the potency of Iranian propaganda and attempts at subversion. Repression against Shi'ites can honestly be portrayed as playing into Iranian hands. Also, when dealing with foreign military officers, U.S. trainers and educators should avoid accusatory approaches and indicate that respect for human rights is simply good strategic planning.

5. The U.S. civilian and military leadership must be aware of the fact that Saudi influence is not always an effective counterweight to Iranian activism in many instances, including those where U.S.-Saudi interests overlap. While Saudi Arabia usually attempts to influence its neighbors by using money and diplomacy, Iran is much more willing to fund radical militias in states that have weak central governments and a large Shi'ite community, including pro-Iranian elements. The foremost model of this policy, serving to advance Iranian interests, is Hezbollah in Lebanon, a strong and reliable Iranian ally. This policy is also apparent in the creation of the Special Groups in Iraq. In both cases, the establishment of militias has helped pro-Iranian elements not only operate as open allies of Tehran, but also to become influential players within the national government. In Lebanon, Hezbollah is the most important and influential political organization with its members and allies currently dominating the government. In Iraq the pro-Iranian groups have not achieved this level of power, but Tehran is clearly seeking to empower them towards that goal. Tehran will also be willing to put a great deal more effort and resources into an attempt to dominate Iraq since Baghdad's concerns and ambitions directly touch upon Iranian core interests in a way that activities in Lebanon almost never do. These efforts will have to be countered by the United States in conjunction with its regional partners.

6. The United States must remain aware that local powers such as Saudi Arabia are sometimes viewed as overbearing by even their closest allies. The United States may, at times, have a stake in providing a friendly counterweight to Saudi Arabia for states seeking to emphasize their independent streak. This effort will sometimes be tricky, and U.S. policy will have to be adjusted on a case-by-case basis. In general, the small Gulf States view Saudi Arabia as one of their most important allies, but believe that they will have more freedom of action on a variety of important issues if they have more than one important ally.

7. The United States leadership must also understand that many countries concerned about Iran are nevertheless reluctant to confront such a powerful regional state. U.S. officials sometimes complain that Saudi and other Gulf officials are unwilling to say the same things in public as they do in private about such issues as the Iranian nuclear weapons program and Iranian

sponsorship of terrorism. This may be true, but Riyadh and the smaller capitals have a vested interest in not returning to the 1980s pattern of relations, which involved virulent propaganda, constant acts of subversion, and serious efforts to disrupt and cause casualties at the Hajj. The United States will therefore have to understand when a firm stand is possible for these states and when it is problematic.

8. The U.S. military should be prepared for possible new relations with a post-Assad government in Syria so long as that government does not seek to threaten Israel. If President Assad is overthrown, the United States may seek to work with Saudi Arabia and other friendly states to make certain that Syrian ties to Iran do not survive the transition. This effort may require the development of low level military ties including military education and training so long as Damascus appears to be interested in peace and democracy. In this regard, it might be remembered that Sadat's Egypt formed an important civilian and military relationship with the United States prior to its peace treaty with Israel. These ties helped to pave the way to that treaty, but they could not go beyond a certain point until the peace treaty became a reality.

9. The United States military should consider the need to continue working with the Bahraini military for the time being to help prevent Bahrain from becoming a total Saudi satellite, so long as the United States makes progress in pushing for improvements to the Bahraini human rights situation. The U.S. ability to moderate repression and encourage reform will be diminished, or even ended, if the United States withdraws its forces, and no other nation is capable of performing even a limited role in pressuring the Bahraini government to show moderation in its governance. Training opportunities for Bahraini military personnel should, whenever possible, stress human rights issues. Military leaders within the Bahraini military with known human rights problems in their background should not be allowed to participate in U.S.-sponsored military education and training programs.

10. The United States should strongly encourage Gulf States, including Saudi Arabia, to support large-scale anti-poverty programs for Bahraini Shi'ites who currently have solid reasons for giving up on the political system and turning to Iran for help. The deplorable living conditions of many Shi'ites are a reminder of what this community believes is unrelenting discrimination against them by a Sunni minority. Strong jobs and anti-poverty programs could help improve relations between the communities and ease the process of reconciliation and national dialogue. Since Bahrain's total population is less than one million citizens, targeted economic aid could go a long way in easing suffering there.

11. The United States must use what influence it has to encourage Iraq to treat Sunni Arabs fairly, and thereby prevent intercommunal warfare that would almost certainly involve supporting roles for Iran and Saudi Arabia. The fragmented political mosaic of Iraq is a perfect context for these differences to play themselves out if Iraqi political leaders fail to act with wisdom and tolerance. The United States will have to work closely with Saudi Arabia on Iraq policy. Saudi Arabia is, nevertheless, an imperfect partner for U.S. efforts to promote stability in Iraq, and the United States must not be distracted from efforts to mediate and resolve differences at an early stage, while recognizing the rights and claims of all parties to any Iraqi internal conflicts.

12. The United States should continue to pursue the Middle East Peace Process for both its intrinsic value and to moderate tendencies within states such as Saudi Arabia, while seeking to undermine Iran's efforts to enhance its role in Lebanon and the Palestinian territories. The Iranians prosper when they are able to portray themselves as the champions of Palestinian and Lebanese forces opposing what they maintain is an aggressive Israel. They are diminished when they are seen as seeking to disrupt a viable peace process.

13. The U.S. Army should keep the U.S. Congress particularly well informed about the value of its training mission for Lebanon, and any problems that mission faces because of the Mikati government and its Hezbollah allies, but it should not assume that military cooperation with Lebanon is no longer possible. Lebanon has special problems with sectarianism that make its military different from a Western military. Lebanese government requirements for the military to take significant action in the interests of only one sect or political trend could lead to the collapse of the military as an institution. It will only become an effective instrument for repression if it is thoroughly purged, which probably cannot happen without inciting civil unrest. The severing of U.S. ties to the Lebanese military could demoralize Western-oriented officers within that organization while raising the importance of the Hezbollah militia forces to the Lebanese defense. These forces will continue to be well-armed and equipped by Iran.

14. The U.S. diplomats and military leaders dealing with Iraq must be prepared for Iranian attempts to take advantage of serious disagreements between Saudi Arabia and Iraq after Washington withdraws its troops from that country. To contain Iran while supporting stability and democracy, the United States must be prepared to mediate between Saudi Arabia and Iraq, and limit Iranian efforts to insert itself into such a process. Since key Saudi concerns may involve Iraqi government actions in Sunni Arab areas, the United States will have to be aware of issues in those areas, and it will have to

be prepared to support measures to increase Sunni Arab willingness to participate in the political system along with a Shi'ite and Kurdish willingness to share power.

15. The United States should remain aware of political changes that might occur in Iran in the hope that meaningful dialogue on security issues may become possible at some point. The failure of the Green Revolution in 2009 was a serious disappointment to many Americans and other supporters of liberal, democratic government. Nevertheless, the last chapter may not have been written in this story. The examples of Egypt, Tunisia, and Libya are already of considerable concern to Tehran. In these times of revolutionary upheaval, the United States must continue to point out the hypocrisy and opportunism of the Iranian regime on issues such as Syrian repression.

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End Notes

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Chapter 2

SAUDI ARABIA COUNTRY PROFILE*

United States Department of State



* This is an edited, reformatted and augmented version of United States Department of State, Publication from <http://www.state.gov/r/pa/ei/bgn/3584.htm>, dated December 2011.



Flag of Saudi Arabia.

Official Name: Kingdom of Saudi Arabia.

GEOGRAPHY

Area: 2,149,690 sq. km. (829,995 sq. mi.), slightly more than one-fifth the size of the continental United States.

Cities (2009 est.): *Capital*--Riyadh (pop. 4.7 million). *Other cities*--Jeddah (3.2 million), Makkah, (1.5 million), Dammam/Khobar/Dhahran, (1.6 million).

Terrain: Primarily desert with rugged mountains in the southwest.

Climate: Arid, with great extremes of temperature in the interior; humidity and temperature are both high along the coast.

PEOPLE

Nationality: *Noun*--Saudi(s). *Adjective*--Saudi Arabian or Saudi.

Population (July 2011 est.): 26.1 million (20.5 million Saudis, 5.6 million foreign nationals).

Annual population growth rate (2011 est.): 1.536%.

Ethnic groups: Arab (90% of native pop.), Afro-Asian (10% of native pop.).

Religion: Islam.

Language: Arabic (official).

Education: *Literacy*--total 78.8% (male 84.7%, female 70.8%).

Health: *Infant mortality rate* (2011 est.)--16.16 deaths/1,000 live births. *Life expectancy*--male 72 years, female 76 years.

Work force: 7.3 million, about 80% foreign workers (2010 est.); *industry*--21.4%; *services* (including government)--71.9%; *agriculture*--6.7%.

GOVERNMENT

Type: Monarchy with Council of Ministers and Consultative (or *Shura*) Council.

Unification: September 23, 1932.

Constitution: The Holy Qur'an (governed according to Islamic Law), Shari'a, and the Basic Law.

Branches: *Executive*--King (chief of state and head of government; rules under the title Custodian of the Two Holy Mosques). *Legislative*--a Consultative (or *Shura*) Council with advisory powers was formed September 1993. *Judicial*--Supreme Court, Supreme Judicial Council, Islamic Courts of First Instance and Appeals.

Administrative divisions: 13 provinces.

Political parties: None; formal political parties are not recognized by the government and have no legal status.

ECONOMY

GDP (2010 est.): \$622 billion.

Annual growth rate (2010 est.): 3.7%.

Per capita GDP (2010): \$24,200.

Natural resources: Hydrocarbons, gold, uranium, bauxite, coal, iron, phosphate, tungsten, zinc, silver, copper.

Agriculture: *Products*--dates, grains, livestock, vegetables. *Arable land*--1.76%.

Industry: *Types*--petroleum, petrochemicals, cement, fertilizer, light industry.

Trade (2010 est.): *Exports*--\$238 billion: petroleum and petroleum products. *Imports*--\$88 billion: manufactured goods, transportation equipment, clothing and textiles, processed food products. *Major trading partners*--China, France, Germany, India, Japan, Singapore, South Korea, Taiwan, U.K., U.S.

PEOPLE

Saudi Arabia's 2011 population was estimated to be about 26.1 million, including about 5.6 million resident foreigners. Until the 1960s, most of the population was nomadic or seminomadic; due to rapid economic and urban growth, more than 95% of the population now is settled. Some cities and oases have densities of more than 1,000 people per square kilometer (2,600 per sq. mi).

Saudi Arabia is known as the birthplace of Islam, which in the century following the Prophet Muhammad's death in 632 A.D. spread west to Spain and east to India. Islam obliges all Muslims to make the Hajj, or pilgrimage to Makkah, at least once during their lifetime if they are able to do so. The cultural environment in Saudi Arabia is highly conservative; the country officially adheres to the strict Wahhabi interpretation of Islamic religious law (Shari'a). Cultural presentations must conform to narrowly defined standards of ethics. Men and women often are not permitted to attend public events together and are segregated in the work place.

Most Saudis are ethnically Arab. Some are of mixed ethnic origin and are descended from Turks, Iranians, Indonesians, Indians, Africans, and others, most of whom immigrated as pilgrims and reside in the Hijaz region along the Red Sea coast. Many Arabs from nearby countries are employed in the kingdom. There also are significant numbers of Asian expatriates mostly from India, Pakistan, Bangladesh, Indonesia, and the Philippines. Westerners in Saudi Arabia number under 100,000.

HISTORY

Except for a few major cities and oases, the harsh climate historically prevented much settlement of the Arabian Peninsula. People of various cultures have lived in the peninsula over a span of more than 5,000 years. The Dilmun culture, along the Gulf coast, was contemporaneous with the Sumerians and ancient Egyptians, and most of the empires of the ancient world traded with the states that existed on the peninsula, which lay along important trade routes.

The Saudi state began in central Arabia in about 1750. A local ruler, Muhammad bin Saud, joined forces with an Islamic reformer, Muhammad Abd Al-Wahhab, to create a new political entity. Over the next 150 years, the

fortunes of the Saud family rose and fell several times as Saudi rulers contended with Egypt, the Ottoman Empire, and other Arabian families for control on the peninsula. The modern Saudi kingdom was founded by the late King Abdul Aziz Al Saud (known internationally as Ibn Saud, or "Son of Saud"). In 1902, Abdul Aziz recaptured Riyadh, the Al Saud dynasty's ancestral capital, from the rival Al-Rashid family. Continuing his conquests, Abdul Aziz subdued Al-Hasa in the east, the rest of the central Nejd region, and the Hijaz along the Red Sea coast between 1913 and 1926. In 1932, Abdul Aziz declared these regions unified as the Kingdom of Saudi Arabia.

Boundaries with Jordan, Iraq, and Kuwait were established by a series of treaties negotiated in the 1920s, with two "neutral zones"--one with Iraq and the other with Kuwait--created. The Saudi-Kuwaiti neutral zone was administratively partitioned in 1971, with each state continuing to share the petroleum resources of the former zone equally. Tentative agreement on the partition of the Saudi-Iraqi neutral zone was reached in 1981, and partition was finalized by 1983. The country's southern boundary with Yemen was partially defined by the 1934 Treaty of Taif, which ended a brief border war between the two states. A June 2000 treaty further delineated portions of the boundary with Yemen. The location and status of Saudi Arabia's boundary with the United Arab Emirates is not final; a de facto boundary reflects a 1974 agreement. The border between Saudi Arabia and Qatar was resolved in March 2001.

King Abdul Aziz died in 1953 and was succeeded by his eldest son, Saud, who reigned for 11 years. In 1964, Saud abdicated in favor of his half-brother, Crown Prince Faisal, who had served as both prime minister and foreign minister. Because of fiscal difficulties, King Saud had been persuaded in 1958 to delegate direct conduct of Saudi Government affairs to Faisal as prime minister; Saud briefly regained control of the government in 1960-62. In October 1962, Faisal outlined a broad reform program, stressing economic development. Proclaimed King in 1964 by senior royal family members and religious leaders, Faisal also continued to serve as prime minister. This practice has been followed by subsequent kings.

The mid-1960s saw external pressures generated by Saudi-Egyptian differences over Yemen. When civil war broke out in 1962 between Yemeni royalists and republicans, Egyptian forces entered Yemen to support the new republican government, while Saudi Arabia backed the royalists. Tensions subsided only after 1967, when Egypt withdrew its troops from Yemen.

Saudi forces did not participate in the Six-Day (Arab-Israeli) War of June 1967, but the government later provided annual subsidies to Egypt, Jordan,

and Syria to support their economies. During the 1973 Arab-Israeli war, Saudi Arabia participated in the Arab oil boycott of the United States and the Netherlands. A founding member of the Organization of Petroleum Exporting Countries (OPEC), Saudi Arabia had joined other member countries in moderate oil price increases beginning in 1971. After the 1973 war, the price of oil rose substantially, dramatically increasing Saudi Arabia's wealth and political influence.

In 1975, King Faisal was assassinated by a nephew, who was executed after an extensive investigation concluded that he acted alone. Faisal was succeeded by his half-brother Khalid as King and Prime Minister; their half-brother Prince Fahd was named Crown Prince and First Deputy Prime Minister. King Khalid empowered Crown Prince Fahd to oversee many aspects of the government's international and domestic affairs. Economic development continued rapidly under King Khalid, and the kingdom assumed a more influential role in regional politics and international economic and financial matters.

In June 1982, King Khalid died, and Fahd became King and Prime Minister in a smooth transition. Another half-brother, Prince Abdullah, Commander of the Saudi National Guard, was named Crown Prince and First Deputy Prime Minister. King Fahd's full brother, Prince Sultan, the Minister of Defense and Aviation, became Second Deputy Prime Minister. Under King Fahd, the Saudi economy adjusted to sharply lower oil revenues resulting from declining global oil prices. Saudi Arabia supported neutral shipping in the Gulf during periods of the Iran-Iraq war and aided Iraq's war-strained economy. King Fahd played a major part in bringing about the August 1988 cease-fire between Iraq and Iran and in organizing and strengthening the Gulf Cooperation Council (GCC), a group of six Arabian Gulf states dedicated to fostering regional economic cooperation and peaceful development.

In 1990-91, King Fahd played a key role before and during the Gulf war, helping consolidate the coalition of forces against Iraq and define the tone of the operation as a multilateral effort to reestablish the sovereignty and territorial integrity of Kuwait. Acting as a rallying point and personal spokesman for the coalition, King Fahd helped bring together his nation's GCC, Western, and Arab allies, as well as nonaligned nations from Africa and the emerging democracies of Eastern Europe. He used his influence as Custodian of the Two Holy Mosques to persuade other Arab and Islamic nations to join the coalition.

King Fahd suffered a stroke in November 1995. From 1997, Crown Prince Abdullah took on much of the day-to-day responsibilities of running the government. Upon King Fahd's death on August 1, 2005, Abdullah assumed the throne as King. Prince Sultan, Minister of Defense and Aviation, became Crown Prince and First Deputy Prime Minister until his death in October 2011. He was succeeded as Crown Prince by Second Deputy Prime Minister and Minister of Interior Prince Naif bin Abdulaziz. Prince Salman bin Abdulaziz was named the new Minister of Defense. Since ascending to the throne, King Abdullah has continued to pursue an incremental program of social, economic, and political reforms. In September 2009, he inaugurated the King Abdullah University of Science and Technology (KAUST), a graduate-level research institution and Saudi Arabia's first co-educational university. In 2011, he issued royal decrees setting a minimum wage and establishing a new anti-corruption commission. In September 2011, King Abdullah opened the 60,000-student Princess Nora bint Abdulrahman University, the largest all-female university in the world. He also announced that women would be allowed to serve as full members of the appointed Consultative Council and would be allowed to vote and run for office in the next municipal elections.

GOVERNMENT AND POLITICAL CONDITIONS

The central institution of Saudi Arabian Government is the monarchy. The Basic Law adopted in 1992 declared that Saudi Arabia is a monarchy ruled by the sons and grandsons of King Abdul Aziz Al Saud, and that the Holy Qur'an is the constitution of the country, which is governed on the basis of Islamic law (Shari'a). There are no officially recognized political parties. Following the first municipal elections in 2005, elections to select half of all municipal councilors took place in September 2011. The king has broad powers with limitations coming from a need to observe Shari'a and other Saudi traditions. He also must maintain consensus among the Saudi royal family, religious leaders (ulema), and other important elements in Saudi society. In the past the leading members of the royal family chose the king from among themselves with the subsequent approval of the ulema. In November 2006, King Abdullah established an Allegiance Commission to select future kings and crown princes, a step designed to help formalize the selection process.

Saudi kings gradually have developed a central government. Since 1953, the Council of Ministers, appointed by and responsible to the king, has advised on the formulation of general policy and directed the activities of the growing

bureaucracy. This council consists of the king (as prime minister), the first and second deputy prime ministers, 20 ministers, two ministers of state, and a small number of advisers and heads of major autonomous organizations.

Legislation is by resolution of the Council of Ministers and the Consultative (or *Shura*) Council, ratified by royal decree, and must be compatible with Shari'a. Justice is administered according to Shari'a by a system of religious courts. A 2007 law created a new Supreme Court to replace the Supreme Judicial Council (SJC) as Saudi Arabia's highest court authority. The same law transfers powers that the Ministry of Justice formerly exercised to the SJC, such as the authority to ability to establish and abolish courts, and name judges to the Courts of Appeal and First Instance. The independence of the judiciary is protected by law. The king has the authority to hear appeals and has the power to pardon in cases where the punishment is not ordained in the Qur'an. Access to high officials (usually at a public audience, or majlis) and the right to petition them directly are well-established traditions.

The kingdom is divided into 13 provinces governed by princes or close relatives of the royal family. All governors are appointed by the king.

In March 1992, King Fahd issued several decrees outlining the basic statutes of government and codifying for the first time procedures concerning the royal succession. Fahd's political reform program also provided for the establishment of the national Consultative (or *Shura*) Council, with appointed members having advisory powers to review and give advice on issues of public interest. It also outlined a framework for councils at the provincial level.

In September 1993, King Fahd issued additional reform decrees, appointing the members of the national Consultative Council and spelling out procedures for the new council's operations. He announced reforms regarding the Council of Ministers, including term limitations of 4 years and regulations to prohibit conflict of interest for ministers and other high-level officials. The members of 13 provincial councils and the councils' operating regulations also were announced in September 1993. In February, March, and April 2005, Saudis voted in the country's first municipal elections in more than 40 years. Only male, nonmilitary citizens at least 21 years old were permitted to vote.

In July 1997, the membership of the Consultative Council was expanded from 60 to 90 male members, and again in May 2001 from 90 to 120 members. In 2005, membership was expanded to 150 members. The Council also includes female non-voting advisors; in 2010, their numbers were increased from 10 to 13, and in 2011, King Abdullah announced that women

would be allowed to serve as full members. Membership has changed significantly during expansions of the council as many members have not been reappointed. The role of the royally-appointed Council is gradually expanding as it gains experience.

In November 2006, King Abdullah announced the formation of an Allegiance Commission to select a king and crown prince upon the death or incapacitation of either. A December 2007 royal decree named the initial members of the Commission, all of whom are sons, grandsons, or great-grandsons representing each branch of the descendants of the kingdoms' founder, King Abdul Aziz. Only direct male descendants of Abdul Aziz are eligible to become crown prince or king. The Allegiance Commission process was used for the first time following the death of Crown Prince Sultan and confirmed his successor, Prince Naif bin Abdulaziz.

PRINCIPAL GOVERNMENT OFFICIALS

King, Prime Minister, Custodian of the Two Holy Mosques--Abdullah bin Abdul Aziz Al Saud

Minister of Foreign Affairs--Saud al-Faisal bin Abdul Aziz Al Saud

Ambassador to the U.S.--Adel al-Jubeir

The Embassy of the Kingdom of Saudi Arabia is located at 601 New Hampshire Avenue NW, Washington, DC 20037; tel. 202-342-3800.

ECONOMY

Oil was discovered in Saudi Arabia by U.S. geologists in the 1930s, although large-scale production did not begin until after World War II. Oil wealth has made possible rapid economic development, which began in earnest in the 1960s and accelerated spectacularly in the 1970s, transforming the kingdom.

Saudi oil reserves are the largest in the world, and Saudi Arabia is the world's leading oil producer and exporter. Oil accounts for more than 90% of the country's exports and nearly 75% of government revenues. Proven reserves are estimated to be 263 billion barrels, about one-quarter of world oil reserves.

More than 95% of all Saudi oil is produced on behalf of the Saudi Government by the parastatal giant Saudi ARAMCO. In June 1993, Saudi ARAMCO absorbed the state marketing and refining company (SAMAREC),

becoming the world's largest fully integrated oil company. Most Saudi oil exports move by tanker from Gulf terminals at Ras Tanura and Ju'aymah. The remaining oil exports are transported via the east-west pipeline across the kingdom to the Red Sea port of Yanbu.

Due to a sharp rise in petroleum revenues in 1974 following the 1973 Arab-Israeli war, Saudi Arabia became one of the fastest-growing economies in the world. It enjoyed a substantial surplus in its overall trade with other countries; imports increased rapidly; and ample government revenues were available for development, defense, and aid to other Arab and Islamic countries.

But higher oil prices led to development of more oil fields around the world and reduced global consumption. The result, beginning in the mid-1980s, was a worldwide oil glut, which introduced an element of planning uncertainty for the first time in a decade. Saudi oil production, which had increased to almost 10 million barrels per day (b/d) during 1980-81, dropped to about 2 million b/d in 1985. Budgetary deficits developed, and the government drew down its foreign assets. Responding to financial pressures, Saudi Arabia gave up its role as the "swing producer" within OPEC in the summer of 1985 and accepted a production quota. Since then, Saudi oil policy has been guided by a desire to maintain market and quota shares and to support stability in the international oil market.

Saudi Arabia was a key player in coordinating the successful 1999 campaign of OPEC and other oil-producing countries to raise the price of oil to its highest level since the Gulf War by managing production and supply of petroleum. That same year saw establishment of the Supreme Economic Council to formulate and better coordinate Saudi economic development policies in order to accelerate institutional and industrial reform.

In response to increasing international demand for oil, Saudi ARAMCO engaged in an expansion of its oil production capacity and raised its capacity from 11 million barrels/day (mb/d) to 12 mb/d in 2009. Saudi ARAMCO is also increasing production of associated and non-associated natural gas to feed the expanding petrochemical sector. Notably, Saudi Arabia has awarded contracts to foreign companies to conduct gas exploration in selected regions of the country--the first such foreign participation in the petroleum sector upstream since the nationalization of ARAMCO began in the 1970s.

Saudi Arabia continues to pursue rapid industrial expansion, led by the petrochemical sector. The Saudi Basic Industries Corporation (SABIC), a parastatal petrochemical company, is now one of the world's leading petrochemical producers, and the government promotes private sector

involvement in petrochemicals. The government also plans new investments in the mining sector and in refining.

After Saudi Arabia announced its intention to join the World Trade Organization (WTO), negotiations focused on increasing market access to foreign goods and services and the timeframe for becoming fully compliant with WTO obligations. In April 2000, the government established the Saudi Arabian General Investment Authority to encourage foreign direct investment in the country. Saudi Arabia signed a Trade Investment Framework Agreement with the U.S. in July 2003, and joined the WTO in December 2005.

Through 5-year development plans, the government has sought to allocate its petroleum income to transform its relatively undeveloped, oil-based economy into that of a modern industrial state while maintaining the kingdom's traditional Islamic values and customs. Although economic planners have not achieved all their goals, the economy has progressed rapidly. Oil wealth has increased the standard of living of most Saudis. However, significant population growth has strained the government's ability to finance further improvements in the country's standard of living. Heavy dependence on petroleum revenue continues, but industry and agriculture now account for a larger share of economic activity. The mismatch between the job skills of Saudi graduates and the needs of the private job market at all levels remains the principal obstacle to economic diversification and development; foreigners made up about 80% of the work force in 2010.

Saudi Arabia's first two development plans, covering the 1970s, emphasized infrastructure. The results were impressive--the total length of paved highways tripled, power generation increased by a multiple of 28, and the capacity of the seaports grew tenfold. For the third plan (1980-85), the emphasis changed. Spending on infrastructure declined, but it rose markedly on education, health, and social services. The share for diversifying and expanding productive sectors of the economy (primarily industry) did not rise as planned, but the two industrial cities of Jubail and Yanbu--built around the use of the country's oil and gas to produce steel, petrochemicals, fertilizer, and refined oil products--were largely completed.

In the fourth plan (1985-90), the country's basic infrastructure was viewed as largely complete, but education and training remained areas of concern. Private enterprise was encouraged, and foreign investment in the form of joint ventures with Saudi public and private companies was welcomed. The private sector became more important, rising to 70% of non-oil GDP by 1987. While still concentrated in trade and commerce, private investment increased in

industry, agriculture, banking, and construction companies. These private investments were supported by generous government financing and incentive programs. The objective was for the private sector to have 70% to 80% ownership in most joint venture enterprises.

The fifth plan (1990-95) emphasized consolidation of the country's defenses; improved and more efficient government social services; regional development; and, most importantly, creating greater private-sector employment opportunities for Saudis reducing the number of foreign workers.

The sixth plan (1996-2000) focused on lowering the cost of government services without cutting them and sought to expand educational training programs. The plan called for reducing the kingdom's dependence on the petroleum sector by diversifying economic activity, particularly in the private sector, with special emphasis on industry and agriculture. It also continued the effort to "Saudiize" the labor force.

The seventh plan (2000-2004) focused more on economic diversification and a greater role of the private sector in the Saudi economy. For the period 2000-04, the Saudi Government aimed at an average GDP growth rate of 3.16% each year, with projected growths of 5.04% for the private sector and 4.01% for the non-oil sector. The government also set a target of creating 817,300 new jobs for Saudi nationals.

The eighth plan (2005-2010) again focused on economic diversification in addition to education and inclusion of women in society. The plan called for establishing new universities and new colleges with technical specializations. Privatization as well as emphases on a knowledge-based economy and tourism would help in the goal of economic diversification.

The ninth plan (2010-2014) aspires to eliminate poverty and increase development in infrastructure, medical services, educational capacity, and residential housing. The plan also aims to increase real GDP by 15% over 5 years and calls for substantial government investment in human resource development, in order to decrease Saudi unemployment from 9.6% to 5.5%.

FOREIGN RELATIONS

Saudi foreign policy objectives are to maintain its security and its paramount position on the Arabian Peninsula, defend general Arab and Islamic interests, promote solidarity among Islamic governments, and maintain cooperative relations with other oil-producing and major oil-consuming countries.

Saudi Arabia signed the UN Charter in 1945. The country plays a prominent and constructive role in the International Monetary Fund, the World Bank, and Arab and Islamic financial and development assistance institutions. One of the largest aid donors in the world, it still gives some aid to a number of Arab, African, and Asian countries. Jeddah is the headquarters of the Secretariat of the Organization of Islamic Cooperation and its subsidiary organization, the Islamic Development Bank, founded in 1969.

Membership in the 11-member OPEC and in the technically and economically oriented Arab producer group--the Organization of Arab Petroleum Exporting Countries--facilitates coordination of Saudi oil policies with other oil-exporting governments. As the world's leading exporter of petroleum, Saudi Arabia has a special interest in preserving a stable and long-term market for its vast oil resources by allying itself with healthy Western economies which can protect the value of Saudi financial assets. It generally has acted to stabilize the world oil market and tried to moderate sharp price movements.

The Saudi Government frequently helps mediate regional crises and supports the Middle East peace process. A charter member of the Arab League, Saudi Arabia supports the position that Israel must withdraw from the territories which it occupied in June 1967, as called for in United Nations Security Council Resolution 242. Saudi Arabia supports a peaceful resolution of the Arab-Israeli conflict but rejected the Camp David accords, claiming that they would be unable to achieve a comprehensive political solution that would ensure Palestinian rights and adequately address the status of Jerusalem. Although Saudi Arabia broke diplomatic relations with and suspended aid to Egypt in the wake of Camp David, the two countries renewed formal ties in 1987. In March 2002, then-Crown Prince Abdullah offered a Middle East peace plan, now known as the Arab Peace Initiative, at the annual summit of the Arab League in which Arab governments would offer "normal relations and the security of Israel in exchange for a full Israeli withdrawal from all occupied Arab lands, recognition of an independent Palestinian state with Jerusalem as its capital, and the return of Palestinian refugees." In March 2007 the Arab League reiterated its support for the Arab Peace Initiative by emphasizing that it could be the foundation for a broad Arab-Israeli peace. In November 2007, Saudi Foreign Minister Prince Saud al-Faisal attended the Annapolis Conference, along with more than 50 representatives of concerned countries and international organizations. The conference was convened to express the broad support of the international community for the Israeli and Palestinian leaders' courageous efforts and was a launching point for

negotiations designed to lead to the establishment of a Palestinian state and the realization of Israeli-Palestinian peace.

Saudi Arabia supports the establishment of a unified, independent, and sovereign Iraq. The kingdom is a charter member of the International Compact with Iraq and participates in the Expanded Iraq Neighbors process. In January 2008, Foreign Minister Prince Saud al-Faisal reiterated Saudi Arabia's intention to open a diplomatic mission in Baghdad and appoint an ambassador, although this has not yet happened. In 1990-91, Saudi Arabia played an important role in the Gulf War, developing new allies and improving existing relationships between Saudi Arabia and some other countries, but also suffering diplomatic and financial costs. Relations between Saudi Arabia and Tunisia, Algeria, and Libya deteriorated. Each country had remained silent following Iraq's invasion of Kuwait but called for an end to violence once the deployment of coalition troops began. Relations between these countries and Saudi Arabia later returned to their pre-war status. Saudi Arabia's relations with those countries which expressed support for Saddam Hussein's invasion of Kuwait--Yemen, Jordan, and Sudan--were severely strained during and immediately after the war. For example, several hundred thousand Yemenis were expelled from Saudi Arabia after the Government of Yemen announced its position, thus exacerbating an existing border dispute. Saudi Arabia's relations with the Yemeni Government have improved, but the current instability in Yemen remains a significant concern to the Saudi Government. The Palestine Liberation Organization's support for Iraq cost it financial aid as well as good relations with Saudi Arabia and other Gulf states. Saudi Arabia's relations with Jordan and the Palestinian Authority later improved, with the Saudi Government providing assistance for the Palestinian Authority. During and after the Gulf War, the Government of Saudi Arabia provided water, food, shelter, and fuel for coalition forces in the region, and also made monetary payments to some coalition partners. Saudi Arabia's combined costs in payments, foregone revenues, and donated supplies were \$55 billion. More than \$15 billion went toward reimbursing the United States alone. Since ascending to the throne, King Abdullah has followed a more activist foreign policy, offering Saudi assistance and support in efforts to resolve regional crises in Lebanon, Sudan, and Somalia; fostering Israeli-Palestinian peace efforts; and increasing Saudi diplomatic engagement around the world. In particular, he has pursued an Interfaith Dialogue Initiative to encourage religious tolerance on a global level, which was endorsed in a session of the UN General Assembly in November 2008.

U.S.-SAUDI ARABIAN RELATIONS

Saudi Arabia's unique role in the Arab and Islamic worlds, its possession of the world's largest reserves of oil, and its strategic location make its friendship important to the United States. Diplomatic relations were established in 1933; the U.S. embassy opened in Jeddah in 1944 and moved to Riyadh in 1984. The Jeddah embassy became a U.S. consulate general. The U.S. consulate general in Dhahran opened in 1944 in response to the growing oil-related U.S. presence in eastern Saudi Arabia.

The United States and Saudi Arabia share common concerns about regional security, oil exports and imports, and sustainable development. Close consultations between the U.S. and Saudi Arabia have developed on international, economic, and development issues such as the Middle East peace process and shared interests in the Gulf. The continued availability of reliable sources of oil, particularly from Saudi Arabia, remains important to the prosperity of the United States as well as to Europe and Japan. Saudi Arabia is one of the leading sources of imported oil for the United States, providing more than one million barrels/day of oil to the U.S. market. The U.S. is Saudi Arabia's largest trading partner, and Saudi Arabia is the largest U.S. export market in the Middle East.

In addition to economic ties, a longstanding security relationship continues to be important in U.S.-Saudi relations. The U.S. Army Corps of Engineers has a role in military and civilian construction activities in the kingdom reaching back to the 1950s. A U.S. military training mission established at Dhahran in 1953 provides training and support in the use of weapons and other security-related services to the Saudi armed forces. In 1973, another security assistance organization (SAO) was established to assist in the modernization of the Saudi Arabian National Guard. More recently a SAO was authorized to train and equip a Facility Security Force, part of the Ministry of Interior. All three of these SAOs are funded through the U.S. Foreign Military Sales (FMS) program. The United States has sold Saudi Arabia military aircraft (F-15s, AWACS, and UH-60 Blackhawks), air defense weaponry (Patriot and Hawk missiles), armored vehicles (M1A2 Abrams tanks and M-2 Bradley infantry fighting vehicles), and other equipment. In December 2011 the U.S. and Saudi Arabia finalized the largest-ever FMS sale of U.S. fighter aircraft and helicopters to the Saudi military services in support of defense modernization plans.

Although Saudi Arabia's relations with the United States were strained after September 11, 2001, Saudi Arabia is now one of the United States' strongest partners against terrorism. Fifteen of the suicide bombers in the attacks of September 11 were Saudi citizens. In May 2003, a terrorist organization directly affiliated with al-Qaeda launched a violent campaign of terror in Saudi Arabia. On May 12, suicide bombers killed 35 people, including nine Americans, in attacks at three housing compounds for Westerners in Riyadh. On November 8, 2003, terrorists attacked another compound housing foreign workers from mainly Arab countries. At least 18 people, including five children, died in this attack, and more than 100 were injured. On May 1, 2004, terrorists killed two Americans in the Yanbu oil facility in the western part of the country. On May 29, 2004, terrorists killed one American and wounded several others in attacks on an official building and housing compound in al-Khobar in the Eastern Province. On June 6, terrorists shot and killed a BBC journalist. On June 9 and June 12, 2004, terrorists killed Americans Robert Jacobs and Kenneth Scroggs. On June 18, 2004, terrorists kidnapped and beheaded American Paul Johnson. On December 6, 2004, terrorists attacked the U.S. Consulate in Jeddah, killing five consulate employees. Terrorists also targeted and killed other foreign nationalities during this time. As a result, in 2005, the Saudi Arabian Government enacted new laws to increase punishment for terrorist-related crimes. Saudi security services have waged an active counterterrorism campaign that has largely neutralized this terrorist organization, though sporadic instances of terrorism still occur. In May 2006, terrorists attempted to attack the major ARAMCO oil-processing facility at Abqaiq. In February 2007, four French nationals were killed in western Saudi Arabia in a suspected terrorist attack. In August 2009, an al-Qaeda in the Arabian Peninsula (AQAP) suicide bomber attempted to assassinate a Saudi royal and senior Ministry of Interior official. Saudi Arabia is a strong partner in the campaign against terrorism, providing military, diplomatic, and financial cooperation. Counterterrorism cooperation between Saudi Arabia and the United States increased significantly after the May 12, 2003, bombings in Riyadh and continues today. In February 2005, the Saudi Government sponsored the first-ever Counterterrorism International Conference in Riyadh. The Saudis were instrumental in thwarting the planned October 2010 "printer bomb" attack against the United States. They also provided crucial information on the planned May 2010 Times Square terrorist attack. In addition, they work closely with U.S. law enforcement to ensure the security of both countries' national security interests.

HUMAN RIGHTS

Despite generally good relations, the United States remains concerned about human rights conditions in Saudi Arabia. Principal human rights issues include abuse of prisoners and incommunicado detention; prohibitions or severe restrictions on freedom of speech, press, peaceful assembly and association, and religion; denial of the right of citizens to change their government; systematic discrimination against women and ethnic and religious minorities; and suppression of workers' rights.

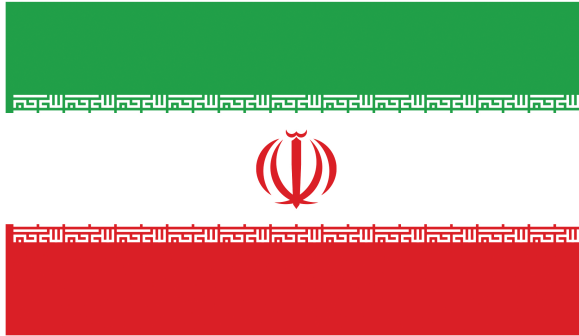
Chapter 3

IRAN COUNTRY PROFILE*

United States Department of State



* This is an edited, reformatted and augmented version of United States Department of State, Publication from <http://www.state>, dated February 2011.



Flag of Iran.

Official Name: Islamic Republic of Iran.

GEOGRAPHY

Area: 1.6 million sq. km. (636,295 sq. mi., slightly larger than Alaska).

Arable land: 9.78% of the country.

Cities: *Capital*--Tehran. *Other cities*--Isfahan, Tabriz, Mashhad, Shiraz, Yazd, Qom.

Terrain: Desert and mountains.

Climate: Semiarid; subtropical along the Caspian coast.

PEOPLE

Nationality: *Noun and adjective*--Iranian(s).

Population (July 2010 est.): 76,923,300 million.

Population growth rate (July 2010): 0. 1.253%%.

Ethnic groups: Persians 51%, Azeri 24%, Gilaki and Mazandarani 8%, Kurd 7%, Arab 3%, Lur 2%, Baloch 2%, Turkmen 2%, other 1%.

Religions: Shi'a Muslim 89%; Sunni Muslim 9%; Zoroastrian, Jewish, Christian, and Baha'i 2%.

Languages: Persian and Persian dialects 58%, Turkic languages (besides Turkish) 26%, Kurdish 9%, Luri 2%, Arabic 1%, Turkish 1%, other 2%.

Education: *Literacy* (total population age 15 and over who can read and write, 2003)--79% (male: 86%, female: 73%).

Health (2010 est.): *Infant mortality rate*-- 43.45 deaths/1,000 live births. *Life expectancy at birth* (2010)--total population: 69.77yrs.

GOVERNMENT

Type: Islamic republic.

Constitution: Ratified in December 1979, revised 1989.

Branches: *Executive*--Supreme Leader (head of state), President (head of government), Council of Ministers, Assembly of Experts, Expediency Council, Council of Guardians. *Legislative*--290-member Majles (National Assembly, or Islamic Consultative Assembly). *Judicial*--Supreme Judiciary.

Political parties: Several conservative groups have come together under two separate coalitions, the United Front of Principlists and the Broad and Popular Coalition of Principlists. Some conservative groups remain outside either coalition. Similarly, several reformist groups, such as the Islamic Iran Participation Front (IIFP, also known as Mosharekat) and the Mojahideen of the Islamic Revolution (MIRO) came together as a reformist coalition in advance of the 2008 Majles elections. Another influential reformist group is the National Trust Party.

Administrative subdivisions: 30 provinces.

Suffrage: Universal suffrage; 18 years of age.

ECONOMY

GDP (purchasing power parity, 2010 est.): \$ 863.5 billion.

GDP (official exchange rate, 2010 est.): \$337.9 billion.

GDP real growth rate (2010 est.): 3%.

GDP composition by sector (2010 est.): Agriculture 11%, industry 45.9%, services 43.1%.

Per capita income (PPP, 2010 est.): \$11,200.

Work force (2010 est.): 25.7 million.

Work force - by occupation (June 2007): Agriculture 25%, industry 31%, services 45%.

Unemployment rate (2010 est., according to the Iranian Government): 14.6%.

Natural resources: Petroleum, natural gas, coal, chromium, copper, iron ore, lead manganese, zinc, sulfur.

Agriculture: *Principal products*--wheat, rice, other grains, sugar beets, fruits, nuts, cotton, dairy products, wool, caviar.

Industry: *Types*--petroleum, petrochemicals, textiles, cement and building materials, food processing (particularly sugar refining and vegetable oil production), metal fabricating (particularly steel and copper), armaments.

Trade (2010 est.): *Exports*--\$78.69 billion (2010 est.): petroleum 80%, chemical and petrochemical products, carpets, fruits, nuts. *Major export partners* (2009)--China (16.58 %), Japan (11.9 %), India (10.54 %), South Korea (7.54 %), Turkey (4.63 %). *Imports*--\$58.97 billion (2010 est.): industrial raw materials and intermediate goods, capital goods, foodstuffs and other consumer goods, technical services, military supplies. *Major import partners* (2009)--U.A.E. (15.14 %), China (13.48 %), Germany (9.66%), South Korea (7.16 %), Russia (4.81 %), Italy (5.27%), India (4.12%).

PEOPLE

Iran is a pluralistic society. Persians are the largest ethnic group in Iran, though many are actually of mixed ancestry. The population of the country has important Turkic elements (e.g., Azeris) and Arabs predominate in the southwest. In addition, Iran's population includes Kurds, Balochi, Bakhtyari, Lurs, and other smaller minorities, such as Armenians, Assyrians, Jews, and Brahuis (or Brohi).

The 1979 Islamic Revolution and the 1980-88 Iran-Iraq war transformed Iran's class structure politically, socially, and economically. During this period, Shi'a clerics took a more dominant position in politics and nearly all aspects of Iranian life, both urban and rural. After the fall of the Pahlavi dynasty in 1979, much of the urban upper class of prominent merchants, industrialists, and professionals, favored by the former monarch, Shah Mohammad Reza Pahlavi, lost standing and influence to the senior clergy and their supporters. However, Bazaar merchants, who were allied with the clergy against the Shah, gained significant political and economic power after the revolution. The urban working class has enjoyed a somewhat enhanced status and economic mobility, spurred in part by opportunities provided by revolutionary organizations and the government bureaucracy. Though the number of clergy holding senior positions in the Majles and elsewhere in government has declined since the 1979 revolution, Iran has nevertheless witnessed the rise of a post-revolutionary elite among clerics who are strongly committed to the preservation of the Islamic Republic.

Most Iranians are Muslims; 89% belong to the Shi'a branch of Islam, the official state religion, while about 9% belong to the Sunni branch. Non-Muslim minorities include Zoroastrians, Jews, Baha'is, and Christians.

HISTORY

The ancient nation of Iran, historically known as Persia, has traditionally been a major power in the region. Despite invasions by Arabs, Seljuk Turks, and Mongols, Iran has always reasserted its national identity and taken pride in its unique cultural and political heritage.

Archeological findings indicate that human activity in Iran dates back to the middle Paleolithic era, about 100,000 years ago. The sixth millennium B.C. saw the emergence of a fairly sophisticated agricultural society and the rise of proto-urban population centers. Many dynasties have ruled Iran, beginning with the Achaemenid (559-330 B.C.), which was founded by Cyrus the Great. After the conquest of Persia by Alexander the Great ushered in the Hellenistic period (300-250 B.C.), ancient Iran was ruled by the Parthian (250 B.C.-226 A.D.) and the Sassanian (226-651) dynasties.

The seventh century Arab conquest of Iran, which introduced Islam to the population, was followed by invasions by the Seljuk Turks and the Mongols. Iran experienced a political and cultural revival under the Safavid dynasty (1502-1736), during which Shah Abbas expelled the Uzbeks and Ottomans from Persia. The conqueror Nadir Shah and his Afsharid dynasty (1736-1749) were succeeded by the Zand dynasty (1750-1794), which was founded by Karim Khan, and later the Qajar (1795-1925) and the Pahlavi (1925-1979) dynasties.

Many date the beginning of modern Iranian history to the nationalist uprisings against the Shah in 1905 and the establishment of a limited constitutional monarchy in 1906. The discovery of oil in 1908 would later become a key factor in Iranian history and development.

In 1921, Reza Khan, an Iranian officer of the Persian Cossack Brigade, seized control of the government. In 1925, after finally ousting the Qajar dynasty, he declared himself Shah and established the Pahlavi dynasty.

Reza Shah forcibly enacted policies of modernization and secularization in Iran and reasserted government authority over the country's tribes and provinces. In 1935, Reza Shah Pahlavi changed the country's name to Iran to accentuate Persia's Aryan roots. During World War Two, the Allies feared that the Shah's close relations with Nazi Germany would jeopardize Iran as a

source of oil and a vital supply link to the Soviet Union. In September 1941, following the occupation of western Iran by the Soviet Union and the United Kingdom, Reza Shah was forced to abdicate. His son, Mohammad Reza Pahlavi, ascended to the throne.

After the war, Soviet troops stationed in northwestern Iran refused to withdraw across the border and, instead, supported short-lived, pro-Soviet separatist regimes in the northern provinces of Azerbaijan and Kurdistan. In 1946, under U.S. and United Nations pressure, the Soviets were forced to withdraw their troops. The Shah's forces then moved in to suppress the Azerbaijani and Kurdish revolts.

In 1951, the government of nationalist Prime Minister Mohammed Mossadegh (alternatively spelled Mossadeq) nationalized the British-owned Anglo-Iranian Oil Company.

In the face of strong public support for Mossadegh, the Shah fled to Rome. Although Mossadegh was not a communist, the U.S. and U.K. feared that his links to the communist Tudeh party would cause Iran to align with the Eastern Bloc. Consequently, in August 1953, the U.S. and U.K. engineered a coup against the democratically elected Mossadegh, during which pro-Shah army forces arrested the Prime Minister. The Shah returned to Iran soon thereafter and, fearing further opposition, began to govern Iran in an increasingly authoritarian manner.

In 1961, Iran administered a series of economic, social, and administrative reforms--pushed by the Kennedy administration--that became known as the White Revolution.

As a result of this program, which was driven by reform, modernization and economic growth proceeded at an unprecedented rate. This tremendous growth was fueled by Iran's vast petroleum reserves, which were then the third-largest in the world. However, while Iran's economy prospered, democratic reform and civil liberties deteriorated. The Shah's autocratic method of rule and the abusive practices of SAVAK (his internal security and intelligence service) alienated large sectors of the population, including the Shi'a clergy.

In 1978, domestic turmoil turned to revolution driven by several disparate groups--nationalists, Islamists, Marxists, and students--who joined together in opposition to the Shah. In January 1979, the Shah fled Iran for Egypt, later traveling to the U.S. to seek medical treatment for cancer; he died in exile in Egypt one year later.

On February 1, 1979, exiled religious leader Ayatollah Ruhollah Khomeini returned from France to assume control of the revolution and

establish himself as Supreme Leader of a new, theocratic republic guided by Islamic principles. Following Khomeini's death on June 3, 1989, the Assembly of Experts chose the outgoing president of the republic, Ali Khamenei, to succeed him as Supreme Leader. Although the transition appeared smooth externally, there was debate amongst senior clerics regarding Khamenei's relative lack of religious credentials.

In August 1989, Akbar Hashemi-Rafsanjani, Speaker of the Majles, was elected President by an overwhelming majority. He was re-elected June 1993, albeit with a more modest majority. Some Western observers attributed the reduced support for Rafsanjani in 1993 to popular disenchantment with Iran's deteriorating economy.

In August 1997, an overwhelming majority of Iranians elected reformist cleric Mohammad Khatami as President, hoping he would usher in a new era of freedom and reform. Khatami had modest successes in broadening the participation of Iranians in government by holding popular elections for local government councils and encouraging the development of civil society. Although many liberal-minded Iranians were disappointed that Khatami did not support student protesters in 1999, he retained enough popular support to secure re-election in June 2001.

In February 2004, elections were held for the Seventh Majles, in which many reformists were prohibited from running, resulting in a more conservative group of parliamentarians in control of the Majles. In March 2008, the Iranian Government again interfered in parliamentary elections. Although reformist candidates managed to hold onto their positions, the Eighth Majles remained under the control of conservative blocs.

None of the seven presidential candidates on the ballot for the June 17, 2005 elections received a majority, resulting in a two-candidate runoff on June 24 between Tehran mayor Mahmoud Ahmadi-Nejad and former president Akbar Hashemi Rafsanjani. Some Iranian politicians alleged voter fraud and electoral interference by the Basij militia forces during the first round of voting.

Ahmadi-Nejad, who won in the second round with nearly 62% of the vote according to Iranian Government figures, assumed office in August 2005. Ahmadi-Nejad was re-elected as Iran's president in June 2009, in a multiparty election that many Iranians considered neither free nor fair. Due to a lack of independent international election monitors, international organizations could not verify the results. Although the final vote tallies remain disputed, the Iranian Government's official results allocated 62.6% of the vote to Ahmadi-Nejad, with his closest challenger, Mir Hossein Mousavi, receiving 33.8%.

GOVERNMENT

The December 1979 Iranian constitution defines the political, economic, and social order of the Islamic Republic. The document establishes Shi'a Islam of the Twelver (Jaafari) sect as Iran's official religion. Sunni Islam, Zoroastrianism, Judaism, and Christianity are the only other recognized, legal minority religions. The country is governed by secular and religious leaders through governing bodies, whose duties often overlap.

The Supreme Leader holds power for life unless removed by the Assembly of Experts. He has final say on all domestic, foreign, and security policies for Iran, though he establishes and supervises those policies in consultation with other bodies, including the National Security Council and the Expediency Council. The Supreme Leader is the final arbiter on nearly all disputes among the various branches of government, although the Expediency Council is charged with resolving disputes between the Majles and the Guardian Council. The Supreme Leader appoints officials to key positions including the head of judiciary and the Council of Guardians. He has the power to remove the president and is commander-in-chief of the armed forces.

The constitution stipulates that the Assembly of Experts, which consists of 86 popularly-elected clerics elected to 8-year terms, chooses the Supreme Leader based on jurisprudent qualifications and commitment to the principles of the revolution. The Assembly of Experts reviews his performance periodically and has the power to depose and replace him. Pragmatic conservative candidates generally polled better than their hardline conservative opponents during the December 15, 2006 elections for the Assembly of Experts. (This vote coincided with municipal council elections, and turnout, according to unverified Iranian Government statistics, was reportedly 60%.) Citizens will not vote for representatives for the Assembly again until 2014.

The Council of Guardians consists of 12 persons. The Supreme Leader appoints the six religious members of the Council, while the Majles selects the six lay members from candidates recommended by the judiciary (which is, in turn, selected by the Supreme Leader). The non-clerics play a role only in determining whether legislation before the Majles conforms to Iran's constitution. The religious members, on the other hand, take part in all deliberations, considering all bills for conformity to Islamic principles. The Council of Guardians can veto any law. This body also certifies the competence of candidates for the presidency, the Assembly of Experts, and the Majles, and it has the power of approbatory supervision over elections.

The president of the Islamic Republic of Iran is elected by universal suffrage to a 4-year term. The president supervises the affairs of the executive branch, appointing and supervising the Council of Ministers (members of the cabinet), coordinating government decisions, and selecting government policies to be placed before the Majles.

The Majles, or National Assembly, consists of 290 members elected to 4-year terms. Elections are held by secret ballot from amongst the candidates approved by the Council of Guardians.

In 1988, Ayatollah Khomeini created the Council for Expediency, which resolves legislative issues on which the Majles and the Council of Guardians fail to reach an agreement. Since 1989, it has been used to advise the Supreme Leader on matters of national policy as well. The Expediency Council is composed of the president, the speaker of the Majles, the judiciary chief, the clerical members of the Council of Guardians, and other members appointed by the Supreme Leader for 3-year terms. Cabinet members and Majles committee chairs also serve as temporary members when issues under their jurisdiction are considered. In 2005, it was announced that the Expediency Council, which now has over 40 members, would have supervisory powers over all branches of government, though that has not resulted in any noticeable change in this institution's day-to-day authority or operations.

Judicial authority is constitutionally vested in the Supreme Court and the four-member High Council of the Judiciary; although these are two separate groups, they have overlapping responsibilities and one head. Together, they are responsible for supervising the enforcement of all laws and establishing judicial and legal policies.

Iran has two military forces. The national military is charged with defending Iran's borders, while the Islamic Revolutionary Guard Corps (IRGC) is charged with protecting the revolution and its achievements. The Qods Force, a fifth branch of the IRGC, is the regime's primary mechanism for cultivating and supporting terrorists abroad. The Qods Force provides aid in the form of weapons, training, and funding to Hamas and other Palestinian terrorist groups, Lebanese Hizballah, Iraq-based militants, and Taliban fighters in Afghanistan.

Iran has 30 provinces managed by an appointed governor general. The provinces are further divided into counties, districts, and villages. Sixty percent of eligible voters took part in the first-ever municipal and local council elections in 1999, although a lower percentage went to the polls in the second round in 2003. Turnout for the December 15, 2006 elections, during which

citizens also elected Assembly of Expert representatives, was reportedly over 60%. The local councils select mayors.

PRINCIPAL GOVERNMENT OFFICIALS

Supreme Leader of the Islamic Revolution--Ayatollah Ali Hosseini-Khamenei

President--Mahmoud Ahmadi-Nejad

First Vice President--Mohammad Reza Rahimi

Foreign Minister--Ali Akbar Salehi

Ambassador to the United Nations--Mohammad Khazaei

Secretary of Supreme National Security Council and Lead Nuclear Negotiator – Saeed Jalili

POLITICAL CONDITIONS

The Islamic Republic of Iran's post-Revolution difficulties have included an 8-year war with Iraq, internal political struggles and unrest, and economic disorder. The early days of the regime were characterized by severe human rights violations and political turmoil, including the seizure of the U.S. Embassy compound and its occupants on November 4, 1979, by Iranian students. Iranian authorities released the 52 hostages only after 444 days of captivity.

By mid-1982, the clergy had won a succession of post-revolution power struggles that first eliminated the center of the political spectrum and then the leftists, including the communist Tudeh Party and the Mujahedin-e Khalq (MEK or MKO). Assassinations, acid attacks on uncovered women, and other acts of political violence punctuated this period. Although the Islamic Republic of Iran experienced a partial expansion of political and social freedoms during the tenure of former president Khatami, serious problems remained. Since taking office in 2005, President Ahmadi-Nejad's administration has cracked down on civil society, continued to violate human rights, tightened constraints on press freedom and harassed activists, including Nobel Prize laureate Shirin Ebadi.

The Islamic Republican Party (IRP) was Iran's sole political party until its dissolution in 1987. Iran now has a variety of groups engaged in political

activity; some are oriented along ideological or ethnic lines, while others are more akin to professional political parties seeking members and recommending candidates for office. Conservatives consistently thwarted the efforts of reformists during the Khatami era and have consolidated their control on power since the 2004 Seventh Majles elections and President Ahmadi-Nejad's 2005 electoral victory.

In the period following the June 2009 presidential election, Iran's already poor human rights record further degenerated. Following the June 13 announcement of President Ahmadi-Nejad's reelection, hundreds of thousands of citizens took to the streets to protest. Police and the paramilitary Basij violently suppressed demonstrations. The official death count was 37, but opposition groups reported approximately 70 individuals died, and human rights organizations suggested as many as 200. In August 2009 the judiciary estimated that authorities detained approximately 4,000 persons. During 2009, authorities continued to suppress periodic opposition protests and continued to arrest numerous political activists, women's rights reformers, minority rights activists, and student activists.

The Islamic Republic of Iran has faced armed opposition from a number of groups, including the Mujahideen-e Khalq (added to the U.S. Government's Foreign Terrorist Organizations list in 1999), the People's Fedayeen, the Kurdish Democratic Party of Iran, the Party for a Free Life in Kurdistan (added to the U.S. Government's Foreign Terrorist Organizations list in 2009), and the Baluchi group Jundallah (added to the U.S. Government's Foreign Terrorist Organizations list in 2010).

ECONOMY

Pre-revolutionary Iran's economic development was rapid. Traditionally an agricultural society, by the 1970s Iran had achieved significant industrialization and economic modernization, largely helped by the growing worldwide demand for oil. However, the pace of growth had slowed dramatically by 1978, just before the Islamic Revolution. Since the fall of the Shah, economic recovery has proven elusive due to a combination of factors, including state interference in the economy and fluctuations in the global energy market. Economic activity was further disrupted by years of domestic political upheaval immediately following the revolution. These conditions were worsened by the war with Iraq and the decline in world oil prices beginning in late 1985. After the Iran-Iraq war, Iran's economic situation

began to improve: GDP grew for two consecutive years, partly from an oil windfall in 1990, and there was a substantial increase in imports. Iran's social policies during the Iran-Iraq war additionally resulted in a baby boom, which has left Iran with a large, underemployed youth population today. As a result, Iran suffers from a "brain drain" as its educated youth leave the country to pursue better economic opportunities abroad.

In March 1989, the government instituted a new 5-year plan for economic development, which loosened state control and allowed Iranians greater latitude in accessing foreign capital. However, mismanagement and inefficient bureaucracy, as well as political and ideological infighting, hampered the formulation and execution of a consolidated economic policy, and Iran fell short of the plan's goals. Economic growth was further hindered by a decrease in oil revenues in 1991 and growing external debt. Former president Khatami followed the market reform plans of his predecessor, President Rafsanjani, and indicated that he would pursue diversification of Iran's oil-reliant economy, although he made little progress; high inflation and expansive public transfer programs, as well as powerful economic and political vested interests, posed obstacles for rapid reform during the Khatami era.

Unemployment, a major problem even before the revolution, has continued to plague Iran. However, unemployment statistics only tell part of the story--underemployment continues to affect a large portion of Iran's young, educated workforce. Although Iran's poorer, rural population initially enjoyed a psychological boost from the attention given them by the new Islamic government, they are only marginally better off in economic terms. The government has made some progress on rural development, including electrification, road building, and increased access to education, but Iran still suffers from inefficiencies related to agricultural land usage that are politically difficult to reconcile. The agriculture sector still suffers from shortages of capital, raw materials, and equipment--problems that date back to the 1980-1988 Iran-Iraq war.

Although Islam guarantees the right to private ownership, banks and some industries--including the petroleum, transportation, utilities, and mining sectors--were nationalized after the revolution. Under President Rafsanjani, Iran first began to pursue some privatization through its nascent equities markets. However, the industrial sector, plagued by low labor productivity and shortages of raw materials and spare parts, remains uncompetitive against foreign imports.

Today, Iran's economy is struggling as a result of a bloated and inefficient state sector and an overdependence on the oil sector (which provides over 85%

of government revenues). Although the Supreme Leader issued a decree in July 2006 to privatize 80% of the shares of most government-owned companies, private sector activity is typically limited to small-scale workshops, farming, and the service industry. As a result of inefficiencies in the economy, significant informal market activity flourishes and shortages of goods are common. President Ahmadi-Nejad has failed to make any notable progress in fulfilling the goals of the nation's latest 5-year plan. A combination of price controls and subsidies continues to weigh down the economy, while administrative controls and widespread corruption undermine the potential for private-sector-led growth. President Ahmadi-Nejad has made known his plan to eliminate Iran's inefficient subsidies on food and petroleum imports; however, whether this plan will be actually implemented is unclear. Previous government-led efforts at economic reform--such as fuel rationing in July 2007 and the imposition of the value added tax (VAT) in October 2008--were met with stiff resistance and violent protests.

High oil prices in recent years allowed Iran to greatly increase its export earnings and amass over \$70 billion in foreign exchange reserves. However, with widely fluctuating oil prices in 2009, the Iranian Government faced a particularly worrisome economic situation. The government has drawn heavily from the country's Oil Stabilization Fund and there have even been reports that President Ahmadi-Nejad's administration has illegally dipped into the foreign exchange reserves. Inflation is 16.8% (2009 estimate), while the unemployment rate continues to be in the double digits. Widespread underemployment amongst Iran's educated youths has convinced many to seek employment overseas. While Iran's economic quandary may look grim, the Islamic Republic has fared worse--notably during the Iran-Iraq war. With the government's 2009 budget formulated to anticipate lower oil prices, it is very possible that Iran will be able weather adverse economic circumstances once again.

FOREIGN RELATIONS

Following the revolution, Ayatollah Khomeini steered Iran's foreign policy sharply away from that of the Shah, who was once the U.S.'s strongest ally in the region. In September 1980, during the U.S. hostage crisis, Iraq invaded Iran to prevent the spread of the Islamic Revolution to Iraq's Shi'a, seize the heavily-Arab province of Khuzestan, and gain control of the Shatt al-Arab, the waterway between the two countries. With the remnants of the

Shah's strong (and U.S.-supplied) military infrastructure and thousands of willing youth volunteers, the Islamic Republic of Iran surprised Iraq with its ability to defend itself. In 1982, Ayatollah Khomeini turned down an Iraqi cease-fire proposal and demanded that Saddam Hussein be removed. After eight punishing years of war, in July 1988 the Islamic Republic of Iran at last agreed to the cease-fire implemented in UN Security Council Resolution 598. Neither nation made any significant territorial gains in the war, although both suffered massive casualties.

Iran's relations with many of its Arab neighbors were strained during the early years of the Islamic Republic because of fears that the Islamic Revolution would spread abroad.

In 1981, Iran supported a plot to overthrow the Bahrain Government and, in 1983, Ayatollah Khomeini expressed support for Shi'a who bombed Western embassies in Kuwait. In 1987, Iranian pilgrims rioted during the hajj (pilgrimage) in Mecca, Saudi Arabia. Iranian officials were involved in both training and assisting Saudi Hizballah operatives in executing the 1996 terrorist bombing of the U.S. military housing facility at Khobar Towers near Dhahran, Saudi Arabia, which killed 19 and wounded more than 500 other persons, including 240 U.S. military personnel. Senior IRGC and Qods Force officials were indicted by the Government of Argentina for their alleged roles in the 1994 terrorist bombing of the Asociación Mutual Israelita Argentina (the Argentine Israelite Mutual Association or AMIA), which killed 85 people and wounded scores of others.

Since September 2002, the International Atomic Energy Agency (IAEA) has been working to clarify the nature of Iran's nuclear program. In one of his most detailed reports to the Board of Governors on Iran's activities, IAEA Director General Mohamed ElBaradei indicated in November 2004 that Iran failed to report, declare, and provide design (or updated design) information on many issues. This included:

- Six failures to report the import of nuclear material, activities to process/use this material, testing of centrifuges, laser enrichment activities, production of specific nuclear materials, and the irradiation of nuclear materials and subsequent separation of plutonium.
- Two failures to declare nuclear facilities, including a pilot centrifuge enrichment facility at Kalaye Electric Company, the laser enrichment plant at the Tehran Nuclear Research Center, and a pilot uranium laser enrichment plant at Lashkar Ab'ad.

- Six failures to provide design information or updated design information for facilities in which nuclear material processing and storage took place.
- The report also indicated a frequent failure to cooperate to facilitate the implementation of safeguards as evidenced by the extensive concealment activities.

Since November 2004, the IAEA Director General has issued 23 reports on Iran's implementation of its Nuclear Nonproliferation Treaty (NPT) Safeguards Agreement and relevant provisions of UN Security Council Resolutions 1737, 1747, 1803, and now 1929. Prior to November 2004, and under international pressure, Iran agreed on November 10, 2003 to suspend all uranium-enrichment and reprocessing activities voluntarily, as well as cooperate fully with the IAEA. Iran then signed the Additional Protocol to its Safeguards Agreement on December 18, 2003, and agreed to implement it voluntarily pending ratification, granting IAEA inspectors greater access in verifying the correctness and completeness of Iran's revised declaration to the IAEA on its nuclear program. Iran terminated its first suspension following inconclusive negotiations with the EU-3 (France, Germany, and the United Kingdom) and disagreements as to the scope of the required suspension, leading to additional negotiations and a second suspension that began in November 2004. This second suspension ended with Iran's restart of its uranium conversion activities at its facility in Esfahan in August 2005. The IAEA Board found Iran in noncompliance with its Safeguards Agreement in September 2005 and, after Iran restarted uranium enrichment activities at Natanz in January 2006, the Board also reported Iran to the UN Security Council for its noncompliance. In February 2006, Iran ended its voluntary implementation of the Additional Protocol.

In response to the IAEA Board's report of noncompliance, the UN Security Council (UNSC) has adopted a Presidential Statement (S/PRST/2006, March 2006) and six resolutions (UNSCRs) on Iran: UNSCR 1696 (July 2006), UNSCR 1737 (December 2006), UNSCR 1747 (March 2007), UNSCR 1803 (March 2008), UNSCR 1835 (September 2008), and UNSCR 1929 (2010). Four of the five resolutions (UNSCRs 1737, 1747, 1803, and 1929) impose Chapter VII (legally binding) sanctions on Iran.

In June 2006, China, France, Germany, Russia, the United States, and United Kingdom--the P5+1, also known as the EU 3+3--offered Iran a substantial incentives package of economic cooperation and assistance in return for Tehran's full cooperation with the IAEA and suspension of its

uranium enrichment-related and reprocessing activities. The P5+1 presented Iran with a refreshed package of incentives in June 2008, but Iran has yet to respond clearly and positively to this offer, or comply with its UNSC and IAEA obligations. On April 8, 2009, the P5+1 invited Iran to meet with the group to resolve international concerns and rebuild the confidence of the international community. On October 1, 2009, the United States and the P5+1 members met with representatives from Iran in Geneva, Switzerland. During this meeting, the U.S. delegation also held a sidebar meeting with the Iranian delegation during which there was a frank exchange on human rights and the U.S. stressed again the need for Iran to take concrete and practical steps to meet its international nuclear obligations. Under Secretary for Political Affairs William J. Burns led the U.S. delegation both at the P5+1 talks in Geneva in December 2010 as well as in the most recent talks which took place January 21-22, 2011 in Istanbul, Turkey. The U.S. sought to launch a meaningful and practical process to address the core issues with Iran's nuclear program. No resolution was reached during either session.

In late 2009, Iran appealed to the IAEA for fuel assemblies for the Tehran research reactor (TRR), which has operated for decades and produces medical isotopes. The IAEA, with support from the United States, France, and Russia, offered a TRR re-fueling proposal that would utilize Iran's own available low-enriched uranium (LEU) at the Natanz fuel enrichment plant by sending 1,200 kilograms of the LEU to Russia for further enrichment, fabricating it into fuel, and returning it to Iran for use in this safeguarded reactor. The plan would both provide the TRR with much-needed fuel to continue to produce medical isotopes while also beginning to build international confidence in Iran's peaceful intent by removing the majority of its LEU stockpile from Iran's territory. As of June 2010, Iran continued its enrichment activities, now at nearly 20%, according to the IAEA, and had not agreed to this TRR fuel swap deal.

On June 9, 2010, the UNSC adopted Resolution 1929, the fourth legally binding resolution calling on Iran to halt its proliferation-sensitive nuclear activities and comply with its NPT, UNSC, and IAEA safeguards obligations. The resolution calls for several actions to restore international confidence in the peaceful nature of Iran's nuclear program. Specifically, UNSCR 1929 requires Iran to comply fully with its IAEA Safeguards Agreement; prohibits Iranian acquisition of interest in any commercial activity relating to uranium, including mining; prohibits certain arms transfers to Iran; prohibits Iran from undertaking any activity related to ballistic missiles; prohibits designated individuals listed in the annex of UNSCR 1929 from traveling to or through

the territory of any UN member state and freezes the assets of those entities and individuals; requires all UN member states to freeze the assets on their territories of the Iranian Revolutionary Guard Corps (IRGC); requires all UN member states to seize and dispose of all items as specified in UNSCRs 1737, 1747, and 1803 which could contribute to Iran's proliferation-sensitive nuclear activities; requires all UN member states to freeze the assets on their territories of the entities of the Islamic Republic of Iran Shipping Lines (IRISL) listed in the annex of UNSCR 1929; calls upon UN member states to prevent the provision of financial services to Iran if there is information that provides reasonable grounds to believe that such services or resources could contribute to Iran's proliferation-sensitive nuclear activities; requires all UN member states to ensure that their nationals exercise vigilance when doing business with entities incorporated in Iran if there are reasonable grounds to believe that such businesses could contribute to Iran's proliferation-sensitive nuclear activities or to the development of a nuclear weapons delivery system; and calls on UN member states to prohibit the opening of new branches, subsidiaries, or representative offices of Iranian banks in their territories or in Iran if there are reasonable grounds to believe that such businesses could contribute to Iran's proliferation-sensitive nuclear activities or to the development of a nuclear weapons delivery system.

Both Iran and Russia believe they have important national interests at stake in developments in Central Asia and the Transcaucasus, particularly regarding energy resources in the Caspian Sea. The U.S. has expressed concern about Russia's sales of military equipment and technology to Iran and Russian assistance in building a nuclear facility at Bushehr.

Iran spends about 3.3% of its GDP on its military. Iran's armed forces consist of both a national military, which was held over from the Shah's government, and the Islamic Revolutionary Guard Corps, each with its own ground, naval, and air branches. The Iran-Iraq war took a heavy toll on Iran's military, which was once the strongest in the region during the Shah's reign. Iran has since worked to modernize its military, both conventionally and through the development of its ballistic missile and nuclear programs.

U.S.-IRANIAN RELATIONS

On November 4, 1979, Iranian students seized the American Embassy in Tehran, where they held 52 Americans hostage for 444 days. Although it has been claimed that Ayatollah Khomeini did not have prior knowledge of the

students' plans, he gave his full support to them throughout the seizure. The students claimed that they occupied the American Embassy to avert another U.S.-orchestrated coup to restore the Shah to power; suspicions arose after the U.S. admitted the Shah for medical treatment in October 1979.

On April 7, 1980, the United States broke diplomatic relations with Iran, and on April 24, 1981, the Swiss Government assumed representation of U.S. interests in Tehran. Iranian affairs in the United States are represented by the Embassy of Pakistan, in the Iranian Interests Section, in Washington, DC. The Islamic Republic of Iran also has a permanent mission to the United Nations in New York City.

In accordance with the Algiers declaration of January 20, 1981, the Iran-U.S. Claims Tribunal (located in The Hague, Netherlands) was established for the purpose of handling claims of U.S. nationals against Iran and of Iranian nationals against the U.S. However, U.S. interaction with Iran at The Hague solely covers legal matters.

The U.S. Government, by executive orders issued by the President as well as by congressional legislation, prohibits nearly all trade with Iran. Sanctions have been imposed on Iran because of its sponsorship of terrorism, its refusal to comply with IAEA regulations regarding its nuclear program, and its human rights violations. However, these sanctions are meant to target the Iranian Government, not the people of Iran. As a result, there are a number of exemptions allowed by the U.S. Government intended to benefit the Iranian people. The following trade is permitted: licensed exports of U.S. agricultural and medical products to Iran, U.S. donations of articles intended to relieve human suffering in Iran (food, clothing, etc.), gifts valued at \$100 or less, and trade in "informational" materials (films, publications, etc.). Trade restrictions have been temporarily lifted in the past during humanitarian crises, such as the 2003 Bam earthquake, to allow for donations from American citizens and permit U.S.-based non-governmental organizations to assist with the relief and reconstruction efforts. As the sanctions towards Iran have changed throughout time, visit the website of the Treasury Department's Office of Foreign Assets Control for a comprehensive overview of legally permitted trade with Iran, (<http://www.treas.gov/offices/enforcement/ofac/programs/iran/iran.pdf>).

Obstacles to improved relations between the U.S. and the Islamic Republic of Iran remain. The U.S. objects to Iran's sponsorship of terrorism, its nuclear weapons ambitions, and its violations of human rights. The Islamic Republic of Iran still has not recognized Israel's right to exist and has hindered the Middle East peace process by arming militants, including Hamas, Hizballah, and Palestinian Islamic Jihad. Although the Islamic Republic of

Iran has contributed to positive reconstruction efforts in Iraq and Afghanistan, Tehran has also pursued policies to undermine stability in both countries. Additionally the U.S. Government is concerned with the Islamic Republic of Iran's recent crackdown on human rights and detainment of civil society actors.

Despite these obstacles, U.S. and Iranian representatives have discussed a number of issues of concern over the years. U.S. and Iranian envoys cooperated during operations against the Taliban in 2001 and during the Bonn Conference in 2002, which established a broad-based government for the Afghan people under President Karzai. In 2007, representatives from the two countries met several times to discuss Iraq.

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