

MEI Policy Paper 2015-1



Iran's Failed Foreign Policy: Dealing from a Position of Weakness

Thomas Juneau



Middle East Institute
Policy Papers Series

April 2015

Cover photo: Iranian Foreign Minister Mohammad Javad Zarif (center) stands with members of the P5+1 to announce the framework of an agreement on the Iranian nuclear program, April 2015.

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About the Author

Thomas Juneau is an assistant professor at the University of Ottawa's Graduate School of Public and International Affairs. From 2003 to 2014, he was an analyst with Canada's Department of National Defence.



Introduction

Iran's ambition is to be the dominant state in the Persian Gulf and an indispensable regional power in the broader Middle East. This is a plausible aspiration. Iran's potential assets include a large population, a central geographic position, and a wealth of hydrocarbon resources. Despite facing favorable regional circumstances after 2001, however, Iran failed to fulfil this ambition. Iran's power is brittle: its conventional military is increasingly obsolescent, its economy is strangled by sanctions and mismanagement, and the country is more diplomatically isolated than it has been for decades. Iran has mostly developed a narrow power base that enables it to engage in spoiling tactics and to deny opportunities to its adversaries. As a result, Iran's influence—its ability to actually shape the regional environment in the direction it favors—is heavily constrained.

This paper explains why Iran is not a rising regional hegemon, as one often hears, but rather a mid-sized regional power frustrated at not reaching its ambitions.¹ It analyzes the brittleness of Iran's power and explains how this constrains its ability to influence regional developments, especially in Yemen, the Arab-Israeli conflict, Iraq, and the ongoing civil war in Syria. The report also explains how Iran's nuclear program has been excessively costly despite the limited gains it has brought the country. Even more worryingly for Iran, the situation is unlikely to improve in coming years, as a number of regional trends are set to perpetuate or even worsen the constraints on its ability to project its influence.

This has important implications. As it continues negotiations with the P5+1 (the five permanent members of the UN Security Council—China, France, Russia, the United States, and the UK—and Germany) on its nuclear program, Iran is dealing from a position of significant and growing weakness, not strength. The status quo is, for the Islamic Republic, excessively and increasingly costly. Tehran's optimal outcome from these talks has thus not been to consolidate its regional preponderance but rather to cut its losses after years of mounting sanctions and isolation. In approaching the next and potentially final stages of

the nuclear negotiations, the United States is in a position of strength. Pressure has worked: the Islamic Republic has been contained. It is militarily weak, economically strangulated, and diplomatically isolated.

Iranian Power: Less than Meets the Eye

Iran faced favorable regional circumstances after 2001. This window of opportunity was created by the convergence of many beneficial factors, namely the collapse of two neighbors that had served as checks on Iranian power projection, Afghanistan in 2001 and Iraq in 2003; the rise of close allies, especially Hezbollah, Hamas, and groups in post-Saddam Iraq; the drop in U.S. regional legitimacy and the increasing appeal of Iran's policies; and the rise in oil prices. Yet Iran failed to consolidate these gains. The growth in Iranian power—the assets it can bring to bear upon its foreign policy—came mostly from unconventional elements, while hard aspects of Iran's power—wealth and conventional military capabilities—declined. As a result, Tehran has painted itself into a corner by accumulating a narrow band of tools that increasingly restricts the influence it can achieve.

This is most obvious with Iran's armed forces. Its major weapons systems are increasingly obsolescent and suffer from low serviceability and reliability rates and critical spare parts shortages. Iran's military strengths instead lie in its unconventional capabilities, especially its ability to support militant groups across the region, its missile arsenal, and its ability to inflict damage to military and commercial fleets in the Persian Gulf. These assets allow Iran to adopt policies of deterrence, denial, interdiction, and spoiling, but rarely to shape events. These major weaknesses are unlikely to be resolved in the foreseeable future, largely because of sanctions, resource constraints, and the cumulative effect of decades of underinvestment.²

Iran's economy represents its second major weakness. It is stagnating, dependent on oil, beset by corruption and mismanagement, and suffocated by sanctions. Unilateral U.S. sanctions, in particular, have made it increasingly costly for Iranian businesses to access the international financial and banking

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systems. Since 2011, the EU has also adopted sanctions that have surprised Iran by their severity. Most strikingly, in 2012 Brussels banned European refineries from importing Iranian oil. Like the United States, the EU also adopted restrictions banning the selling of insurance for the shipping of Iranian oil. As a result, Iran’s oil production fell to under three million barrels per day (bpd) in 2013, its lowest level since 1990 and less than half the levels before the 1979 revolution. Iran now has an export capacity of only one million bpd, down from 2.3 million in 2011, a drop in revenue of \$60 billion per year. The Iranian riyal lost half its value against the U.S. dollar in 2012. Inflation, in double digits for years, is likely to remain high for the foreseeable future. Unemployment and underemployment, already high, are rising, causing growing discontent. The recent drop in oil prices further worsens Iran’s bleak economic outlook; by some accounts, Iran’s revenues are set to decline by \$30 billion in 2015.³

The situation is worsening. The IMF calculates that though Iran’s economy grew between 6 and 8 percent per year from 2002 to 2007 thanks to high oil prices, growth has since stalled and was even negative in 2012 and 2013 (-6.5 and -1.9 percent). The Fund forecasts that on current trends, growth will average only about 2 percent between 2015 and 2019. Because of the country’s demographics, low growth results in rising youth unemployment. Prolonged stagflation, the combination of stagnating growth with high inflation, is a real threat.⁴

All has not been bleak for the Islamic Republic. The appeal of its opposition to the U.S.-dominated regional order increased throughout the Middle East after 2001. The occupation of Afghanistan and Iraq, the war on terrorism and its symbols such as Guantanamo and Abu Ghraib, and U.S. support for Israel created a pool of resentment into which Iran could tap. Iran’s ability to use this as a source of leverage reached a peak around 2006-2007, when U.S. troubles

in Iraq were most pronounced, and in the wake of the 2006 war between Israel and Hezbollah.⁵

As with other elements of its power, however, the gains that Iran has made through the appeal of its policies were brittle and have since declined. The repression of protests after the controversial 2009 elections, for example, tainted Iran's reputation. Tehran's support for the Bashar al-Assad regime in Syria has also been damaging. A poll conducted by the Pew Research Center in 2013 found that majorities in Muslim countries had negative opinions of Iran, including 81 percent in Jordan, 78 percent in Egypt, and 55 percent in the Palestinian Territories, much higher proportions than in 2006.⁶ Iran's failed attempt to stake a moral leadership claim in the Arab uprisings illustrates the limits of its appeal. It initially labelled them as an "Islamic awakening" inspired by its own revolution, but it was not able to shape events in any of them. Even in Bahrain, where a restive Shi'i majority took to the streets to protest against oppression by a Sunni regime, protesters did not look to the Islamic Republic as a model to emulate.

Not a Major Player in Yemen

Taking advantage of Yemen's fractured and weak government, the Houthis emerged from their northern base and seized Yemen's capital, Sana, in September 2014. As they steadily expanded their control, the weak president, Abdu Rabbu Mansour Hadi, fled Sana in February 2015, precipitating an escalation of violence that morphed into civil war.⁷ In late March 2015, Saudi Arabia assembled a coalition of ten mostly Arab states to launch air strikes with the objectives of weakening the Houthis and reinstating Hadi. Given the Houthis' ties to Iran, these events have created an opening for predictably overblown accusations that Tehran has taken over yet another Arab country. The Houthis, however, are not Iranian proxies; Tehran's influence in Yemen is in fact marginal. The civil war in Yemen is driven first and foremost by local political factors; it is at its base neither an international proxy war nor a sectarian confrontation.

Iran pursues a variety of objectives when it decides to support sub-state actors throughout the region. In many cases, it seeks to generate actual or potential

pressure points on rivals (chiefly Israel, Saudi Arabia, and the United States); to gain access to specific areas to use as launching pads to project its influence; and to develop ties to groups that could retaliate against the United States or its regional interests and partners in the event of a confrontation, thereby improving Iran's deterrence and capacity to hurt its rivals.

Contrary to a widespread misperception, Iran does not choose such partners on the basis of a common adherence to Shi'ism. Rather, actors tend to become the Islamic Republic's partners according to their views of the regional order dominated by the United States and its local partners, especially Israel and Saudi Arabia. To become candidates for Iranian support, states and sub-state actors must oppose this status quo. That is why Hamas and Palestinian Islamic Jihad—Sunni nationalist groups opposed to Israel—are Iran's partners in the Palestinian Territories, or why the Assad regime—dominated by Alawites, a distant offshoot of Shi'ism but also including other minorities and some Sunnis—is Iran's ally.

Iran has historically had very limited interests in Yemen. Recent trends, however, have increased—albeit to limited levels—Tehran's willingness to support actors in the country. Regionally, Tehran's growing perception of encirclement and its troubles in Syria and elsewhere have motivated it to pursue new opportunities to maximize its security and influence. Second, rising disorder in Yemen has led to a greater opening for involvement by external actors. And third, the growing dissatisfaction of the Houthis has led to the emergence of an attractive potential partner.

The Houthis rightly believe that the political order in Yemen has long excluded them and is dominated by Sana-based elite with no interest in giving them a greater say. In their view, the protests of 2011 and the Saudi Arabian and U.S.-mediated transition agreement that led to former President Ali Abdullah Saleh's resignation and to Hadi's accession to the presidency only led to a reshuffling of the balance of power among the elite but not to the inclusion of previously marginalized actors.⁸ Furthermore, this domestic order is backed by Saudi Arabia and the United States. It is this dissatisfaction that makes the Houthis an attractive partner, not sectarianism; religious affinity between Iran's Twelver

Shi'ism and the Houthis' Zaydi or Fiver version is limited.

That said, the nature and extent of Iranian activities in Yemen are unknown. Most analysts agree that though Iran's interest in Yemen is relatively low, especially in comparison to its much greater stakes in Iraq and Syria, its presence increased starting in 2011.⁹ There is no evidence, however, suggesting that its support for the Houthis, which reportedly includes cash transfers, weapons, advice, and training, is at more than a fairly low level.¹⁰ It also pales in comparison to the billions of dollars that Saudi Arabia has poured into Yemen over the years in support of the government and various tribal, religious, and military leaders. Indeed, whereas Yemen ranks relatively low on Tehran's priorities list, it ranks very high for Riyadh: instability in Yemen probably affects Saudi Arabia, through its "soft underbelly," more than any other country.¹¹

Houthi actions are driven almost entirely by local—political, tribal, economic—concerns. There is no indication that Iran has any ability to shape, let alone steer, Houthi decision making. Perhaps most crucially, the Houthis would never have been able to seize Sana and extend their presence toward the south and east without the support—tacit at first, increasingly overt with time—of former President Saleh, who retains the loyalty of significant units in the military and among tribal forces. It is Saleh's cooperation, not Iran's marginal support, that is most responsible for the Houthis' successes since mid-2014.

Iran, in sum, has limited interests in Yemen, its presence has a marginal impact on the domestic balance of power, and its support is puny compared to the resources Saudi Arabia has poured into the country. Yemen is, quite simply, much less of a priority for Iran than it is for Saudi Arabia. Tehran thus understands that its potential gains from getting involved there are limited, whereas losses could mount if, hypothetically, it actually invested large amounts of resources

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and significantly annoyed Riyadh. In this context, Tehran's influence in Yemen is heavily constrained; it is far from a game changer, while the Houthis are not a proxy or pawn of Tehran.

Troubles in the Levant

From Tehran's perspective, reducing a rival's margin of maneuver can represent a gain. Iran has succeeded in some instances in constraining Israel's options. In part because of Iranian support for Hamas, Islamic Jihad and, to a greater extent, Hezbollah, Israel needs to act with greater restraint. During the 2006 war between Israel and Hezbollah, for example, an Iranian-made version of a Chinese radar-guided anti-ship missile struck an Israeli warship, killing four.¹² The knowledge that Hezbollah possesses this capability limits Israel's ability to operate off the Lebanese coast, challenging its influence in the southeastern Mediterranean Sea. It does not deny Israel access to the area, but raises the costs of operating there by forcing its navy to operate farther from the coast and to invest more in protective measures.

Similarly, Hezbollah's ability to penetrate Israeli main battle tanks with Iranian-provided anti-tank guided missiles during the 2006 war imposed an additional constraint on Israel's margin of maneuver in Lebanon, limiting its ability to circulate with heavy armor.¹³ Iran's provision of military support to Palestinian groups has a similar effect: it does not fundamentally alter the local balance of forces, but it does tip it in a direction slightly less favorable to Israel, further constraining the latter's options by increasing the costs of certain courses of action.

Iran thus only has a narrow set of tools to influence the Arab-Israeli conflict; its influence suffers from limited breadth. It does not, in particular, possess extensive economic tools or conventional military assets to shape events. Instead, its main tools are ties to militant groups and the appeal of its anti-status quo policies. This limited arsenal heavily constrains its options: it can do little more than raise the costs for its adversaries of taking certain courses of action and score rhetorical points by provoking them.

Iran, as a result, mostly failed in its efforts to align the regional environment on the basis of its preferences. Instead, its main success has been in sometimes preventing its rivals from shaping the regional environment on the basis of their own interests. Iran has been able to play this spoiler role by establishing footholds surrounding Israel and by making inroads into Palestinian and Lebanese politics.

The eventual normalization of Israel's relations with the Arab world would therefore cost Iran regional influence. Should Israel and the Palestinians make peace, a number of Palestinian groups (though probably not all) would end violent resistance toward Israel (without necessarily recognizing it). Iran's ability to project power in the Levant by opposing Israel would be hindered. Moreover, a reduction in its isolation would remove constraints on Israel's ability to project its power, improving its position relative to Iran. The conflict's perpetuation, on the other hand, ensures a permanent pool of resentment and frustration on which Iran can capitalize.

Most importantly, the costs of Iran's policy toward the Arab-Israeli conflict have been high. It is true that Iran can constrain its adversaries: partly as a result of its retaliatory tools, the United States and Israel have refrained from directly attacking Iran. Yet its stance contributes to the regional U.S. military buildup and alienates Iran from most of its neighbors and increases its diplomatic isolation. Indeed, every Arab state, with the exception of Syria, as well as Turkey is highly suspicious of Iran, opposes its ambitions, and refuses to accompany it in its opposition to Israel.

Partial Success in Iraq

Post-Saddam Iraq represents the main area where Iran has achieved some foreign policy success. By supporting and prodding them to cooperate, Tehran has played since 2003 a major role in consolidating the dominance of Shi'i political and armed groups. This, in turn, has helped ensure that Iran's key interest in Iraq has been fulfilled: that Iraq would be neither led by a pro-United States or anti-Iran Sunni Arab nationalist regime, nor that it would collapse or break apart.

The first indicator of the Islamic Republic's partial success in Iraq after 2003 was its ability to constrain the U.S. margin of maneuver and hinder its ability to shape the nascent post-Saddam order. During the American occupation, Iran's support for militant groups, in particular, heavily constrained the United States and hindered its ability to pursue its objectives. Iran's provision of the technology and training for explosively-formed penetrators (EFPs), for example, raised the cost to the United States of engaging in ground operations. EFPs, which are quick to deploy, accurate, and lethal, accounted for only about 1 percent of roadside bombings against U.S. forces but had the highest lethality rate of any type of attack.

Their use compelled U.S. troops to adopt costly force protection measures and forced them to put greater emphasis on aerial movements, limiting the time they could spend outside bases.¹⁴ Similarly, Iran's ties with armed groups provided it with retaliatory tools in the event of a military confrontation with the United States or Israel. This constrained the latter by raising the cost of an attack, as it had to take into consideration the possibility that U.S. interests in Iraq would be targeted in response.

As is its usual strategy, Iran has often hedged its bets in post-Saddam Iraq. It initially supported a large number of groups, ensuring that it would back eventual winners. Iran also frequently supported the formation of splinter groups when it feared that an ally was growing autonomous or less reliable. These groups were smaller and more dependent on Tehran and thus were more likely to act on the basis of Iranian interests. Today, Iran still significantly relies on breakaway groups from large Shi'i factions, such as Kata'ib Hezbollah and Asa'ib Ahl al-Haq.¹⁵

Some of Iran's successes will last, as it is today and will remain for the foreseeable future the most influential external player

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in Iraq. The main Iraqi Shi'i groups are likely to maintain close ties with Tehran and remain dominant in Baghdad. In addition, rivalry between Shi'i groups will continue to allow Iran to consolidate its position as an indispensable power broker.

That said, Iran's influence in Iraq started declining after its peak in 2006-2007 because of the gradual intensification of a number of trends. As the main Iraqi political parties have become more autonomous and focused on serving the interests of their domestic constituents, support for smaller, more violent militias has come to occupy an increasingly prominent role in Iran's arsenal. This narrows its options and confronts it with consequences, such as Iraqi resentment, of supporting violence.

Similarly, Iran's weak economy constrains its ability to penetrate the Iraqi market and therefore to broaden and consolidate its influence. As Najaf, Iraq's main Shi'i holy city, gradually regains its place as the center of Shi'i learning, the limited appeal to Iraqis of Qom and its activist model of clerical governance is increasingly apparent. And perhaps most importantly, the more the Iraqi state rebuilds, the less permeable it is to external penetration—including by Iran. As will be discussed below, the emergence of the Islamic State since 2014 has slowed or reversed some of these trends, but the long-term prognostic remains somewhat bleak for Iran's influence in Iraq.

The Nuclear Program: Costly Benefits

Iran's performance in achieving regional influence through its nuclear program is mixed but ultimately underwhelming. On the basis of one indicator of influence—the ability to set the terms of the regional debate—Iran has had some limited success. Its efforts focus on emphasizing that negotiations are a pretext for American bullying designed to prevent Iran, a developing nation, from acquiring advanced technology.

For Tehran, the double standards whereby others—read Israel—are given free rein represent nuclear apartheid, an argument that resonates among many in

the region. At a summit of the Non-Aligned Movement in 2006, for example, the 118 member states reaffirmed “the basic and inalienable rights of all states to develop research, production, and use of atomic energy for peaceful purposes,” implicitly supporting Iran’s position. The statement also

“The more Iran has progressed, the greater regional opposition to its ambitions has become.”

called for the establishment of a nuclear weapons free zone in the Middle East and for Israel to join the Non-Proliferation Treaty (NPT), also Iranian positions. Tehran succeeded in inserting its preferred wording in the statement, but this had no discernible effect on the nuclear dispute. As has often been the case, Iran scored a tactical rhetorical win but failed to make a tangible gain.¹⁶

The nuclear program has provided Iran with other, limited benefits. The country, in particular, has developed over the years significant expertise and extensive infrastructure in the nuclear field, an important gain that will bring benefits over the long term. The pursuit of its nuclear program has also allowed Iran to constrain U.S. options. For Washington, years of negotiations within the P5+1 have been costly: they have exposed divisions with the Europeans and forced difficult negotiations with Russia and China. The latter two, in particular, know the high price Washington attaches to the nuclear issue and have thus been able to force repeated dilutions of sanctions. This has shut the United States out of the Iranian market while allowing Russian and Chinese companies to increase their access.

The manner in which Iran has gone about this pursuit, however, has been excessively costly. Despite limited gains, Iran has suffered increasingly harsh consequences. Iran’s military has been weakened by sanctions, which prevent it from acquiring spare parts for its many U.S.-acquired weapons systems dating from the pre-revolutionary era. The 2010 UN sanctions, in addition, ban the sale of major offensive weapons systems to Iran. Its conventional military power, partly as a result, has steadily declined since 1979. This narrows its options by

pushing it toward the maximization of unconventional assets, which in turn reinforces its tendency to resort to spoiling and denial tactics. Sanctions have also crippled Iran's economy, significantly contributing to its high levels of inflation, unemployment, and stagnation. Iran's oil and gas sector, in particular, suffers from massive underinvestment, causing a deficiency of at least two million barrels per day compared to pre-1979 output. A quick counterfactual exercise suggests that over the past 35 years, Iran's economy—and therefore its power—would have become much stronger had it not been for this shortfall.

Iran's progress along the nuclear path has also had negative implications for the power it derives from partnerships. Moscow and Beijing share common interests with Tehran, especially in their opposition to U.S. preponderance. They are therefore willing to cooperate on specific issues to stymie U.S. goals. Russia and China, however, believe that the prospect of a nuclear-armed Iran would go against their interests. They are thus not sympathetic to the prospect of a more powerful Islamic Republic assertively pursuing its regional interests. They have also typically been careful not to damage their ties to Iran's Arab rivals at the expense of their ultimately limited ties to Tehran. As a result, the more Iran has approached nuclear capability, the more they have supported tougher sanctions and the less they have been willing to cooperate with Iran.

The more Iran has progressed, moreover, the greater regional opposition to its ambitions has become. Indeed, Iran's pursuit of nuclear capabilities has been one of the main factors driving its isolation. Most Arab states, especially in the Persian Gulf, have been particularly anxious. Their main fear is not so much that a nuclear-armed Iran would attack them but rather that nuclear capability would drive Tehran to behave more assertively.

Similarly, they fear that Hamas and Hezbollah, emboldened by Iran's nuclear umbrella, would also adopt more assertive stances. As a result, Iran's nuclear program has led most regional states to balance increasingly firmly against it. In particular, Arab states of the Gulf are massively investing in advanced defense capabilities and have increased security cooperation with the United States.¹⁷ This has been counterproductive; one of the Islamic Republic's core objectives is

to block regional U.S. influence, yet its nuclear ambitions guarantee a long-term U.S. presence in the Persian Gulf.

Darkening Clouds

Iran could be a highly influential player in the Middle East. But with the partial exception of Iraq, it has not developed the assets necessary to shape outcomes; rather, it has primarily developed the means to block or spoil regional developments. And the situation is unlikely to improve significantly in coming years. Iran's two main weaknesses—its feeble military and its stagnating economy—are likely to continue deteriorating or will, in the best of cases, take years and even decades to improve.

Having reached the peak of its influence in Iraq in 2006-2007, Iran saw its ability to shape events there steadily decline afterward. The rise of the Islamic State (IS), a Sunni coalition dominated by the successor to al-Qa'ida in Iraq alongside remnants of Saddam's regime and tribes resentful of Baghdad's Shi'a-centric policies, has caused a temporary reversal in Iran's declining fortunes in the country. Indeed, to help counter IS after it seized swathes of northwestern Iraq in 2014, Iran sent advisors and equipment to support Iraqi troops. It also remobilized Shi'i militias it supported at the time of the U.S. occupation, allowing them to regain a prominent role in Iraqi security. This has allowed Iran to remain the external actor with the most influence in Iraq by increasing the weakened Baghdad government's dependence on and need for Iranian support.

Yet despite these recent gains, the longer-term trend of growing constraints on Iran's power in Iraq remains. It is certainly the case that the partial collapse of the Iraqi military in 2014 implies that its role as a growing counterpoise to Iranian military power is weaker than previously thought. Yet the Iraqi military—fuelled by a steadily growing \$17 billion defense budget, larger than Iran's, and reinvigorated U.S. assistance—continues to rebuild. Baghdad, in particular, is investing in heavy artillery and armor and in fighter aircraft to transform its army into a more conventional one. It has taken or will soon take delivery, for example, of U.S.-made F-16s and advanced tanks, far superior to

Iran's equivalent kit.¹⁸ A growing number in the Iraqi population and security forces, moreover, are suspicious of Iran's ambitions.

In addition, many of Iran's Iraqi allies continue to become more autonomous. The more the Islamic Supreme Council of Iraq (ISCI), the Da'wa Party, and the Sadrists integrate the political process—similarly to Hezbollah—the more they need to satisfy their own constituents. They are also diversifying their support, becoming less dependent on Iran. As a result, Iran's ability to steer them to take into consideration Iranian interests will continue to diminish. For Iran, the decline of ISCI is especially worrisome, as its loss of popularity has been partly attributed to its ties to Tehran. Iran is therefore becoming increasingly forced to rely on armed militias to exert its influence.

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Iran's ability to influence the Arab-Israeli conflict has been limited. To the extent it was able to shape outcomes, it was through its ability to deny, block, and spoil. Moreover, because the imbalance of power between Iran and Israel will continue to significantly favor the latter for the foreseeable future, Iran will become even more dependent on its ties to militant groups in its attempts to influence the Arab-Israeli theater. Yet these alliances will provide Tehran with diminishing returns. Hezbollah's power is not declining, but the movement is increasingly autonomous. Its priorities are shifting, as it must first satisfy the interests of its constituents. It is still reliant on Iran's support, but it has also expanded its sources of funding, reaching out to the Lebanese diaspora and increasing revenues from various legitimate and illegitimate businesses. As a result, Iran's ability to leverage its ties to Hezbollah is declining.

Ba'thist Syria has been the Islamic Republic's only state ally since their common opposition to Saddam Hussein brought them together during the Iran-Iraq War

of 1980-1988. The relationship has brought Iran important benefits, allowing it to avoid complete isolation and providing it with a valuable platform from which to pressure Israel. Yet the onset of the civil war in Syria reinforces the trend of declining Iranian influence in the Levant.

Iran's increased support for the Assad regime since 2011 is essential to the latter's survival; it is therefore not inaccurate to argue that Iran has been able to increase its presence in Syria. In a way, this does boost Tehran's influence by making Damascus dependent on Iranian assistance. It is more accurate, however, to assess that Iran's support allows it to cut its losses by preventing the Assad regime's collapse, not to make net gains. Indeed, the severe weakening of its only state ally and its possible defeat represent a major loss for the Islamic Republic.

Even if the Assad regime survives, it will be weakened and inward-focused; it will not act as a check on Israel as before. Tehran's support for the Assad regime, moreover, is very costly. It acts as a drain on limited Iranian resources, while it makes leveraging the regional appeal of the Islamic Republic's opposition to the United States and Israel—until recently a key source of its ability to project influence—much more difficult. The benefits that Iran reaps from its partnership with Syria, in other words, can only continue to decline from their peak of a decade ago.

The Syrian war has also been costly for Hezbollah. More precisely, the war, alongside developments inside Lebanon, has damaged Iran's ability to gain from its partnership with it. Hezbollah has certainly benefitted on some fronts. It has gained fighting experience and has allegedly received more advanced weaponry from Syria and Iran since 2011, including through the transfer of some of Syria's missiles to Lebanon.¹⁹ This would increase its capability to impede the Israeli navy's ability to operate near Lebanon. Yet the Lebanese militia-cum-party has lost hundreds of fighters in Syria, while its legitimacy has suffered. It is now viewed less as the chief frontline resistance against Israel and more as the lifeline of a regime that oppresses Sunnis. At the same time, Hezbollah has become more deeply entrenched in Lebanon which, over time, is pushing it to become

more responsive to the interests of its domestic constituents and less to those of its external patrons. These evolutions are consistent with the overall negative trends affecting Iran's influence: Tehran is increasingly reliant on spoiling and denial assets, while what appear to be gains are actually opportunities to cut its losses.

There are also growing limits to Iran's ability to benefit from its ties to Hamas. Attitudes toward Iran among Palestinians are ambivalent. Even within Hamas, there is discomfort with receiving assistance from Iran, a Shi'i and Persian state with which the Muslim Brotherhood (from which Hamas is the Palestinian offshoot) has tense relations. The conflict in Syria has widened this chasm. A Sunni Arab organization, Hamas leans toward the Syrian opposition, causing most of its leadership to leave Damascus for Cairo and Doha. Angered by Hamas's refusal to side with Assad, Iran has since decreased its support.²⁰ This damages Iran's ability to pressure Israel and forces it to rely on the more violent Palestinian Islamic Jihad (PIJ). This represents a loss for Iran; again, it further narrows and militarizes its future options.

For years, the nuclear standoff muddled along, with neither a U.S. or Israel attack nor a deal resolving the crisis. The election of a pragmatic conservative, Hassan Rouhani, to the Iranian presidency in 2013 catalyzed the launch of serious negotiations. Thus after many failed attempts, Iran and the P5+1 agreed in November 2013 to a Joint Plan of Action, an interim agreement establishing parameters for negotiations. In April 2015, after 18 months of hard negotiations, Iran and the P5+1 reached a framework agreement establishing the parameters that would form the basis for a final agreement, to be negotiated by June 30, 2015. The framework places

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severe restrictions on Iran's nuclear program and imposes a stringent inspections regime in exchange for the gradual lifting of some sanctions.²¹ Though the April deal was reached in a climate of cautious optimism, many details remain to be worked out and negotiations still face opposition in the U.S. Congress and from U.S. partners in the Middle East, especially Israel and Saudi Arabia.

Should Iran and the P5+1 reach a comprehensive agreement, Iranian power would be boosted. Most importantly, some sanctions would be lifted, which would benefit Iran's economy. Yet any gains Iran would make would only allow it to partially recoup the massive losses it has incurred because of its choices. Indeed, the text of the Joint Plan of Action is clear in stating that only "nuclear-related sanctions" are to be lifted after a comprehensive agreement, while the United States has emphasized that non-nuclear sanctions—imposed over the years because of its concerns over Iran's support for terrorist groups and its violations of human rights—would remain in place. Moreover, to the extent that there would be sanctions relief, it would likely take years and would thus not be a short-term panacea for Iran's battered economy.

Iran, moreover, would remain the main geopolitical competitor for Israel, Saudi Arabia, and the other Arab states of the Persian Gulf. For Tehran's rivals in the Middle East, the nuclear program has been a symptom, not a cause, of its ambitions. As such, regional states would be even more concerned at the prospect of an Iran unshackled by the removal of some sanctions. Its regional ambitions would therefore provoke even greater resistance. In addition, the U.S. security architecture in the Gulf and the Middle East, partly aimed at containing Iran, would remain in place. Even after a comprehensive deal, in sum, major constraints on Iran's ability to project its power would remain or even intensify, while only some would gradually be lifted.²² Therefore, a nuclear deal would not by any means compound the "nightmare" of Iran's alleged "domination" of a "satellite Shiite crescent."²³

Dealing from a Position of Weakness

Iran is a powerful state with the ability to influence events throughout the Middle East. But though the Islamic Republic has the potential—and the ambition—to be a hegemonic regional power, it is far from being one. Iran can plausibly aspire to an important regional role, but its weak conventional military and its stagnant economy prevent it from reaching its potential. Its tool kit emphasizes unconventional and retaliatory assets instead of conventional power projection. It can intimidate or threaten, it can spoil or deny, it can increase the costs for the United States and its regional partners of undertaking certain actions. Yet its ability to actually shape events is limited, well below its potential—and declining.

Iran, moreover, is unlikely to emerge as a dominant regional power for the foreseeable future. Even if circumstances change—if, in particular, Iran and the P5+1 agree to a final deal resolving the nuclear standoff—many of the trends playing against it will remain. A comprehensive agreement would not represent a cure-all for Iran, as many sanctions would remain in place, and others would only be gradually lifted over many years. As a result, Iran's oil production would not suddenly leap. The Iranian economy would still be mismanaged and weakened by corruption, an unpredictable and sometimes hostile investment climate, and dependence on hydrocarbons. Its military would need decades to rebuild.

Moreover, the eventual emergence of a stronger Iraq will act as a strong check on Iranian influence. It will also remove one of the Islamic Republic's only real foreign policy successes, as a more robust Iraq will not be a powerful ally or proxy of the Islamic Republic but a competitor. Most fundamentally, any gains that Iran would make from an agreement resolving the nuclear issue or from recent events in Iraq must be seen as opportunities for Tehran to cut its losses, not to make net gains. Iran has made extremely costly choices that have caused major harm to its economy, diplomatic standing, and military power. The Islamic Republic will need decades to repair this damage and eventually generate sufficient capabilities to fulfil its regional ambitions.

This paper is based on the author's forthcoming book with Stanford University Press, Squandered Opportunity: Neoclassical Realism and Iranian Foreign Policy. Used with permission.

Endnotes

1 References to Iran's status as an emerging regional superpower are frequent in the United States, Israel, and Arab monarchies and republics aligned with the United States. Charles Krauthammer, for example, wrote of "growing Iranian hegemony" in "Iran's Emerging Empire," *Washington Post*, January 22, 2015. Similarly, three prominent pundits recently referred to the Iranian-led resistance front "galloping across the region." See Dennis Ross, Eric Edelman, and Ray Takeyh, "Time to Take it to Iran," *Politico*, January 23, 2015.

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