

## Iran in the Middle East: leveraging chaos

Karim Sadjadpour and Behnam Ben Taleblu

➤➤ No country in the Middle East has Iran's combination of geographic size, strategic location, large and educated population, ancient history, and vast natural resources. Regardless of whom rules Tehran, these attributes will always fuel aspirations of regional primacy. During the reign of the United States (US)-allied Shah, Mohammed Reza Pahlavi, Iran's external ambitions were cloaked in nationalism and prioritised developing Iranian power and influence within the international system. Since the 1979 revolution and the advent of the Islamic Republic, Iran's foreign policy has been cloaked in an anti-Imperialist, Islamist revolutionary ideology that has expanded the country's regional influence by challenging the international system — but has subjected its population to economic hardship, insecurity, and global isolation.

Foremost among these policies has been the Islamic Republic's staunch opposition to the US and its interests and allies in the Middle East. Since radical students seized the US embassy in the 1979 hostage crisis, Iran and the US have been engaged in an often cold, and occasionally hot, political and asymmetrical conflict from the Levant to the Persian Gulf. While the promise of a nuclear deal has raised hopes for US-Iran reconciliation, Iranian Supreme Leader Ayatollah Khamenei has consistently made clear his profound mistrust toward Washington and his opposition to political normalisation.

### HIGHLIGHTS

- Iran has been the most effective country at leveraging the ongoing disorder across the Middle East to expand its regional influence.
- Tehran has done this by providing substantial political, military and financial backing to allies and proxies in Bahrain, Iraq, Lebanon, Syria and Yemen.
- Despite the pending nuclear deal, relations with the US are unlikely to be realigned, while relations with Saudi Arabia, Iran's regional rival, look set to deteriorate further.



Along with opposition to the US, the active rejection of Israel's existence has been one of the Islamic Republic's chief ideological principles. Many of Iran's revolutionary leaders – such as the father of the 1979 revolution, Ayatollah Khomeini – became politicised after the loss of Palestinian/Muslim lands to the newly founded State of Israel in 1948. Today, they continue to see Zionism and Western imperialism as two sides of the same coin. To counter Israel, Iran has generously funded and armed groups like the Lebanese Shiite militia Hezbollah ('Party of God'), which it helped create after the 1982 Israeli invasion of Lebanon. Tehran has also provided extensive financial and military support to Palestinian Sunni militant groups such as Hamas and Palestinian Islamic Jihad (PIJ).

Iran's revolutionary ideology is not only a source of internal legitimacy for the Islamic Republic, but also a means for Shiite, Persian Iran to transcend ethnic and sectarian divides and try to lead the predominantly Sunni Arab Middle East. In 2011, for example, Iran sought to co-opt the Arab spring by branding it an 'Islamic awakening' against Western-supported Arab autocrats, inspired by the 1979 Islamic revolution. This narrative was quickly punctured, however, when the Bashar al-Assad regime in Syria and the government of Nouri al-Maliki in Iraq – both close Iranian allies – crushed their predominantly Sunni Arab dissenters. Iran's complicity in these slaughters has undermined its popularity and leadership in the Sunni Arab world and deteriorated its relationship with its key Arab rival, Saudi Arabia.

### **HOW TEHRAN WIELDS INFLUENCE**

More than any other state in the Middle East, Iran has been effective at filling regional power vacuums. The four Arab countries in which Tehran currently wields most influence – Syria, Iraq, Lebanon, and Yemen – are engulfed in civil strife and are ruled by weak, embattled central governments. In each of these contexts and elsewhere in the region, Tehran spreads its influence by 1) creating and cultivating non-

state actors and militant groups; 2) exploiting the fears and grievances of religious minorities, namely Shiite Arabs; 3) fanning anger against America and Israel; and 4) influencing popular elections in order to ensure the victory of its allies.

Nowhere are these dynamics more evident than in Lebanon, where Iran's long time Shiite proxy Hezbollah plays an outsized role in Lebanese politics and society while continuing to be the country's most active military power. Over the last three decades, Iran has used Hezbollah as both a threat and deterrent against the US and Israel, but more recently, Hezbollah has fought to ensure the survival of the Alawite-ruled Assad regime in Syria. The increased vulnerability of Assad and Hezbollah has made them more reliant on Tehran for financial support and protection, giving Iran unprecedented influence (and burdens) in the Levant.

Indeed, since the start of the Syrian unrest Tehran has stood by Assad despite numerous atrocities – including the repeated use of chemical weapons – highlighting a statement by Iran's Islamic Revolutionary Guard Corps Quds-Force (IRGC-QF) Commander, Qassem Soleimani, who reportedly said: 'We're not like the Americans. We don't abandon our friends'. For the Islamic Republic, the fight to save Assad is the fight to save Hezbollah. Former President Ali-Akbar Hashemi Rafsanjani alluded to this in 2013, proclaiming: 'We must possess Syria. If the chain from Lebanon to [Iran] is cut, bad things will happen'.

US attempts to weaken Iran's regional influence have often backfired. Though the 2003 US-led war against Saddam Hussein intended to spread Iraq's nascent democracy to Tehran, the subsequent power vacuum that was created instead helped spread Iranian theocracy to Baghdad. Iranian-backed Iraqi Shiite politicians prevailed over their more liberal counterparts in popular elections, and Iranian-backed Shiite militias repelled America's military presence in Iraq, making Tehran the single most important external force in Iraq. The resulting anger and

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radicalisation of Iraq's Sunni community and the rise of Daesh (also known as Islamic State) has only increased the Iraqi Shiite ruling elite's dependency on Iran.

Given that Shiites constitute a small percentage of the largely Sunni Middle East, the region's growing sectarian tension is inimical to Iranian interests. Yet this has not stopped Tehran from seizing opportunities to exploit Arab Shiite grievances in order to undermine its regional nemesis Saudi Arabia. In Yemen, Tehran has attempted to co-opt an indigenous Zaydi Shiite movement called Ansar-Allah (popularly known as the Houthis) with financial and military aid. In September 2014, Ansar-Allah took the Yemeni capital Sana'a, and has recently been fighting back a coalition of ten countries led by Saudi Arabia. While Yemen was already often referred to as a failed state, the ceaseless violence has only worsened the country's humanitarian crisis.

In the majority Shiite island of Bahrain, which is ruled by the US-aligned al-Khalifa monarchy, Iran also attempted to co-opt large scale protests in 2011 spurred by the Arab spring. Bahrain has long been the subject of Iranian irredentist rhetoric, and Iranian elites openly tout their disdain of the Sunni al-Khalifa dynasty. Despite Tehran's attestations of not meddling in the island's civil unrest, Bahraini security forces have intercepted Iranian arms shipments allegedly destined for the island's anti-government forces. Home to the 5<sup>th</sup> Fleet of the US Navy, a change of regime in Bahrain would suit both Tehran's strategic and sectarian interests.

Tehran's foremost criterion in strategic allies, however, is not sectarian affiliation but ideological affinity. Hamas and PIJ, both Sunni, have been generously supported by Iran in their fight against Israel. In its efforts to counter the US, Tehran has shown a willingness to offer discreet tactical support for ideological adversaries such as the Sunni Taliban in Afghanistan, or to allow al-Qaeda finance networks and personnel in Iranian territory. On a global scale, Tehran has forged alliances with a motley crew of non-Shiite, non-Muslim actors – including North

Korea and Venezuela – who are united only by their common adversaries.

### **CLEAR INTENTIONS, UNCLEAR CONTRIBUTIONS**

Given the covert character of Iranian support for local proxies as well as the lack of transparency of the Iranian system, it is impossible to assess the precise nature and scope of Tehran's regional exploits. What is clear, however, is the fact that Iran's political-ideological army, the Islamic Revolutionary Guard Corps (IRGC) and its elite Quds Force unit are responsible for devising and implementing Iran's regional policies, not diplomats in the Iranian foreign ministry.

While Iranian budget data is notoriously nebulous, the IRGC's share of the country's official defence budget appears to have increased to almost 62 per cent (see Figure 2), although its unofficial resources greatly exceed its parliamentary appropriation. The IRGC and its veterans have also come to play a sizable role in Iran's economy, controlling large conglomerates that dominate Iran's energy and infrastructure projects. One such conglomerate, Khatam al-Anbia, reportedly controls over 800 companies and employs more than 25,000 people. The IRGC also earns tens of billions of dollars by operating dozens of small ports (jetties) throughout Iran that are not subject to tariffs. Furthermore, some Iranian international airports (also controlled by the IRGC) reportedly contain sections outside the realm of customs. According to some estimates, the IRGC earns US\$12 billion a year just from contraband activities.

More broadly, Iran can afford to underwrite its support to allies and proxies in the Middle East chiefly by way of its petroleum revenues. Despite enduring onerous economic sanctions, Iran still exports over 1 million barrels per day of oil to six countries (China, Japan, South Korea, Taiwan, India, and Turkey), which have received waivers from the US. According to International Monetary Fund (IMF) assessments, Iranian oil and gas earnings for the 2013-2014 fiscal year amounted >>>>>

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to roughly US\$56 billion. While dropping from the previous year's reported figure of US\$63 billion, non-oil exports have also been increasing. Furthermore, should a comprehensive nuclear deal be inked this summer, Iran may receive up to US\$50 billion of its roughly US\$100-US\$140 billion in frozen oil-revenues upfront.

While Tehran's financial assistance has been indispensable to the Assad regime's survival, the precise figures are widely contested. Amidst reports of lines of credit in the low billions to the Syrian government, United Nations Special Envoy for Syria Staffan de Mistura allegedly stated that the Islamic Republic was providing Syria with up to US\$35 billion annually. And while exact figures about Iranian financial support to Hezbollah are also elusive, appraisals of Iranian aid have ranged between US\$200 to US\$500 million dollars annually. Together, Iran and Hezbollah have helped create a Syrian paramilitary group called Jaish al-Sha'abi, reportedly 50,000-strong in support of Assad.

Furthermore, Iran's commitment to a Shiite dominated government in Baghdad has meant increased IRGC activities in that country. Iran's closest allies remain the Iraqi central government and numerous Shiite militias. To date, Iran has

provided the central government with Su-25 fighter jets and a US\$195 million arms deal. Iraq's Shiite militias have benefited from Iranian arms, but most importantly, the battlefield experience of Iran's IRGC-QF chief, Qassem Soleimani, who has been pictured with numerous groups in Iraq. Soleimani's visibility in supporting both the Iraqi military and Shiite militias in the front lines against Daesh has also boosted their morale.

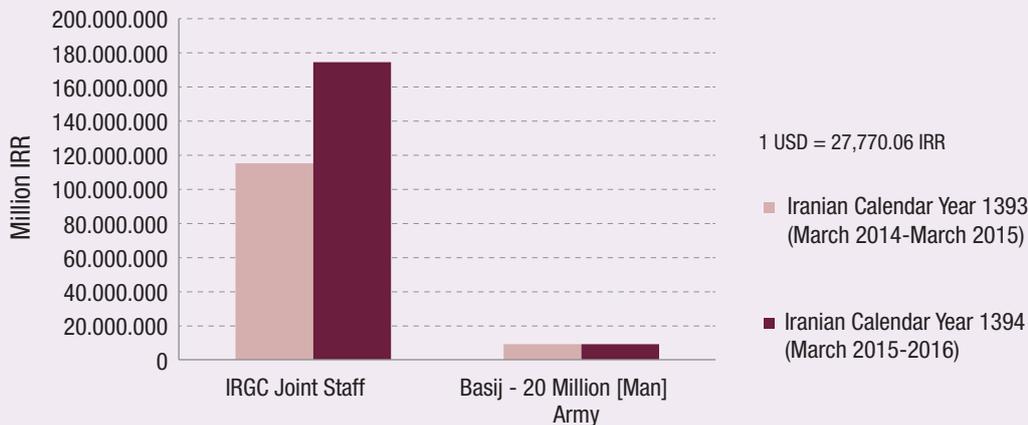
**THE IRAN-SAUDI RIVALRY**

In the eyes of the Islamic Republic's leadership, its chief adversaries in the Middle East are Israel and Saudi Arabia, both of whom they disparage as pawns of the US. While revolutionary ideology drives Iran's antipathy toward Israel more than national interests (prior to the 1979 revolution Iran and Israel had substantial economic and security cooperation), the Saudi-Iran rivalry is sectarian (Sunni vs. Shiite), ethnic (Arab vs. Persian), ideological (US-allied vs. US opposed), and geopolitical. Both Tehran and Riyadh see themselves as the natural leaders of not only the Middle East, but also the broader Muslim world.

At the moment the two countries are on opposing ends of several bloody conflicts, including Syr-

**Figure 1**  
**Select Iranian Defense Spending (Million IRR)**

Source: Translated and adapted from a cached Persian-language article on proposed figures in the 1394 [March 2015-March 2016] budget: 'A 32.5 Per cent Increase in the Defense Budget of the Nation', *Mashregh News*, 7 December 2014.†: Xe.com currency converter (conversion rates accessed on 3 March 2015)



ia, Iraq, Yemen, Lebanon, Bahrain, and the Palestinian Territories. It is a vicious cycle: regional conflicts exacerbate the animosity and mistrust between Iran and Saudi Arabia, which in turn exacerbates the regional conflicts. The festering conflicts in Syria and Iraq have provided fertile ground for radical Sunni militants such as Daesh, which combines remnants of al-Qaeda and Saddam Hussein's Baathist military. Though Daesh is a threat to both Tehran and Riyadh, it is unlikely that the two sides will manage to directly collaborate against it given their divergent diagnosis of the problem; Iran attributes Daesh's rise to Saudi financial and ideological support, while Saudi Arabia attributes it to the repression of Sunni Arabs in Syria and Iraq.

The Saudi ruling family is in a difficult position in that the spread of Daesh and its radical ideology pose a grave danger to Riyadh; yet, appearing to join forces with Shiite Iran against their Sunni brethren would have domestic repercussions. Daesh is not a sensitive political issue within Iran, but neither the Iranian government nor its Syrian client has an incentive to see its total elimination. Daesh's savage behaviour – including mass rapes, pillages, and immolations – makes Assad, Hezbollah, and Iran appear progressive in comparison. In essence, the Iranian government is willing to fight Daesh

but does not want it totally eradicated yet, while Saudi Arabia would like Daesh eradicated but does not want to fight it.

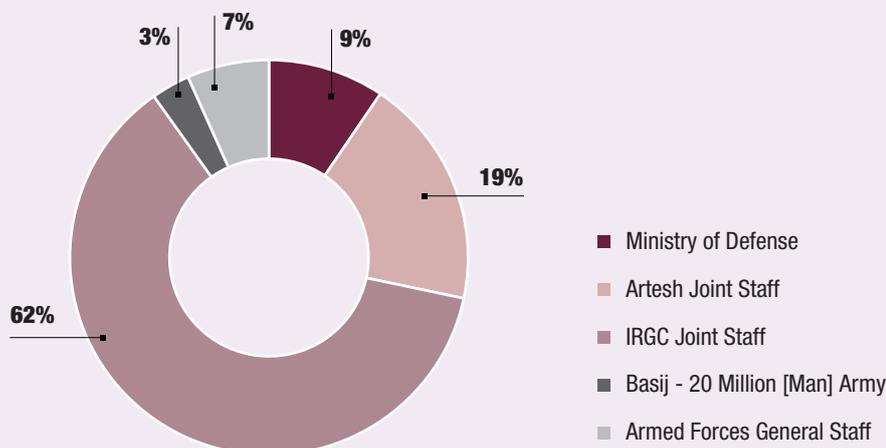
While the Sunni Arab world has been perennially plagued by internal discord, mutual concerns about Iran have seemingly begun to unite them, as evidenced by the coalition in 'Operation Decisive Storm' arrayed against the Iranian-backed group Ansar-Allah in Yemen. Led by Saudi Arabia, Decisive Storm has featured jets from the United Arab Emirates (UAE), Qatar, Jordan, Kuwait, Bahrain, Morocco, and Sudan. Even Turkey, a key Iranian trading partner, issued its support for the action. Just days before an impending trip to Tehran, Turkey's President Erdogan warned that 'Iran is trying to dominate the region'.

**IRAN'S OUTLOOK:  
NATIONAL INTERESTS VERSUS  
REVOLUTIONARY IDEOLOGY**

While the Islamic Republic of Iran's regional prowess may be a source of national pride for some Iranians, it has produced few tangible benefits for the vast majority of the people. Apart from Syria and Iraq, Iran has virtually no veritable allies in the Middle East. Despite the hundreds of billions

**Figure 2**  
**Proposed Public Iranian Defense Spending for 1394 (Million IRR)**

Source: Translated and adapted from a cached Persian-language article on proposed figures in the 1394 [March 2015-March 2016] budget: 'A 32.5 Percent Increase in the Defense Budget of the Nation', *Mashregh News*, 7 December 2014.





of dollars Tehran has invested in the region since 1979, Arab foreign investment in Iran is negligible. And given the Iranian government's violent crackdown on peaceful 'Green Movement' demonstrators in 2009 and its support for an Assad regime that has displaced nearly half of Syria's 20 million people, few Arabs look to Iran today as a source of emulation.

Just as painful economic sanctions forced the Iranian government to contemplate a nuclear compromise, staggering financial, human, and reputational costs will eventually force the leaders of the Islamic Republic to reassess their regional policies. Yet there is little evidence to suggest such a reassessment is currently taking place. On the contrary, the public pronouncements of Iranian officials portray a clear sense of regional ascendancy. In 2014, a member of Iran's parliament reportedly proclaimed that, 'Three Arab capitals (Beirut, Damascus, and Baghdad) have already fallen into Iran's hands and belong to the Iranian Islamic Revolution'. More recently, Iran's IRGC-QF Commander Qassem Soleimani boasted, 'We are witnessing the export of the Islamic revolution throughout the region'.

Some hope that a nuclear deal – when and if finalised – could strengthen pragmatic forces in Tehran who favour prioritising national and economic interests before revolutionary ideology, which could augur a more diplomatic Iranian approach toward regional conflicts. At the same time, sceptics fear a deal would not only fail to moderate Iran's regional policies, but would also provide Tehran with a significant financial boost to buttress Assad, Hezbollah, Iraqi Shiite militias, and other radical groups hostile to human rights, civil society, and Western interests.

While Iran's domestic politics are famously unpredictable, there is little evidence to suggest that 75-year-old Supreme Leader Ayatollah Khamenei is prepared to abandon or meaningfully alter the Islamic Republic's longstanding revolutionary principles, namely opposition to US influence and Israel's existence. Throughout the last three decades, these pillars of Iran's foreign policy have shown few signs of change, despite the election

of 'moderate' presidents or tremendous financial strain due to sanctions and/or low oil prices.

This is despite the fact that since 1979, the United States and Iran have faced common adversaries in the former Soviet Union, Saddam Hussein, the Taliban, al-Qaeda, and now Daesh. While the overlap in US and Iranian interests may at times allow for tactical cooperation, as long as Khamenei remains supreme leader Iran is likely to maintain strategic hostility toward the United States. Indeed, one of the historic fault lines between Iran's so-called 'principalists' – those who believe in fealty to the principles of the 1979 revolution – and its pragmatists is the fact that the latter have been willing to work with the United States against Sunni radical groups (such as the Taliban), while the former have been willing to work with Sunni radical groups against the United States.

Though Khamenei's hostility is cloaked in ideology, it remains driven by self-preservation. As the powerful Ayatollah Ahmad Jannati once noted, 'If pro-American tendencies come to power in Iran, we have to say goodbye to everything. After all, anti-Americanism is among the main features of our Islamic state'. In July 2014, Khamenei indicated he strongly agreed with an American commentator whom he paraphrased as saying, 'Reconciliation between Iran and America is possible, but it is not possible between the Islamic Republic and America'.

## CONCLUSION

The paradox of Iran is that of a society which aspires to be like South Korea – proud, prosperous and globally integrated – hindered by a hard-line revolutionary elite whose ideological rigidity and militarism more closely resembles isolated North Korea. During Iran's 2013 presidential campaign,

**'We are witnessing the export of the Islamic revolution throughout the region'**

Hassan Rouhani marketed himself as the man who could reconcile the ideological prerogatives of the Islamic Republic with the economic interests of the Iranian nation. Despite these elevated expectations, however, Iran today remains a country of enormous but unfulfilled potential. And unless and until Tehran starts to privilege its national interests before revolutionary ideology, both the Iranian people and those in its regional crosshairs will continue to suffer the consequences.

*Karim Sadjadpour is a Senior Associate at The Carnegie Endowment for International Peace.*

*Behnam Ben Taleblu is an Iran Research Analyst in Washington, DC, and has been published in The National Interest, War on the Rocks, and The Long War Journal*

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**e-mail: [fride@fride.org](mailto:fride@fride.org)**  
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