

Iran and the turmoil in West Asia

Shri Sanjay Singh, IFS (Retd)[®]

Abstract

Tension in and around the Persian Gulf is on the rise and any conflict involving Iran would be devastating for the region and harmful for the global economy. Economic sanctions imposed by the US on Iran have inflicted considerable damage to its economy. These sanctions came into full force in May 2019 and coincidentally, since then the region has been witnessing attacks on the energy sector through damage to maritime transportation and onshore assets. These attacks, some of which have been highly sophisticated, and the lack of effective US response has led to considerable reassessment. With the re-imposition of US sanctions, Iran is also no longer keeping its nuclear development programme on hold. While Iran may generally not confront the US directly, it may create considerable difficulties for other Gulf states. In the vitiated atmosphere that exists in the region, accidents can occur leading to the situation spiralling out of control and causing enormous harm globally. Priority should be accorded to avoiding any conflict in the Gulf. Iran can withstand the sanctions and deal with internal dissent. Nevertheless, with a view to find a way out, President Rouhani unveiled the Hormuz Peace Endeavour (HOPE) in the UN in September 2019. President Macron of France too has made considerable efforts to launch confidence-building interactions between Iran and the US. Given that peace and stability in the Gulf region are in its strategic interest, India should play a proactive role, along with other like-minded countries, to promote this.

[®]Shri Sanjay Singh, IFS (Retd) joined Indian Foreign Service in 1976. He retired as Secretary (East) in April 2013. He had a number of coveted assignments during his service including India's Ambassador to Iran.

Introduction

The conflicts in the West Asian region reflect the deepening divide between Iran and Saudi Arabia, as well as between Iran and other GCC members, especially UAE and Bahrain. They are also indicative of the growing confrontation between Iran and the US and Israel. Tension in and around the Persian Gulf is on the rise and any direct conflict between Iran and the others would be devastating for the region and harmful for the global economy. Priority should be accorded to avoid any such conflict in the Gulf. India should play a proactive role, along with other like-minded countries, in reducing the potential for a region-wide conflagration given that peace and stability in the Gulf is in its strategic interest.

In particular, the confrontation between Iran and the US has now become extremely destabilising for the Gulf. While the US has not yet fired a shot at Iran, the economic sanctions it has imposed on Iran amount to nothing less than an assault on the Iranian nation. The Iranian economy, according to IMF, is expected to contract by a record 9.5 per cent in 2019, its worst performance since 1984, when it was in the midst of its war with Saddam Hussein's Iraq.

In May 2018, the US withdrew from the Joint Comprehensive Plan of Action (JCPOA) or the P5+1 deal with Iran, of which it was the main architect. The agreement on this deal had been reached in July 2015 under President Obama. In November 2018, the US reimposed the sanctions on Iran that had been lifted or waived under the JCPOA. While Iran has been under some level of US sanctions since 1979, it is the US recourse to secondary sanctions that hurts Iran the most, as it prevents other countries from maintaining normal economic relations with it. The secondary sanctions came into force in November 2018 with profound consequences for Iran's energy and banking sectors. US waivers on the application of the sanctions to countries like China, India, South Korea, Japan, Turkey, etc. ended in May 2019. Since then Iranian oil imports have fallen from a peak of 2.8 mbd to 1 mbd today. In addition, the US has since also applied sanctions on Iran's petrochemical and gold sectors, as well as on Iranian Supreme Leader Khamenei and Foreign Minister Zarif.

A curious coincidence has been that since the beginning of May 2019 the region has been witnessing attacks on the energy sector through damage to maritime transportation and onshore production assets. On 12 May 2019, there was a sabotage attack on 4 ships off Fujairah just outside the straits of Hormuz. The US and its Gulf allies pointed in Iran's direction as the source of the attack. Such finger pointing became the pattern in respect of the incidents that followed, without any overt action against Iran barring the ratcheting up of sanctions.

Just a day later, on 13 May 2019, the Yemen's Houthi group, who are battling the Saudis and Saudi-supported forces in Yemen, attacked two oil pumping stations on the 1000 km long Saudi East-West pipeline with missiles. Again, on 12 June 2019 two oil tankers were attacked in the Gulf of Oman. This put paid to the mediation mission of Japanese Prime Minister Abe who was visiting Tehran on 12 June 2019 immediately after the G-20 summit in Tokyo, presumably with the implicit acquiescence of President Trump. The Iranians were perhaps signalling that they had no intention of bolstering President Trump's image as he embarks on his re-election campaign and had no interest in engaging with the US unless the sanctions on Iran were lifted. Since President Trump is not seen as being friendly, Iran's actions may also be designed to hinder his campaign.

On 20 June 2019, Iran's Islamic Revolutionary Guard Corps (IRGC) shot down a United States Global Hawk surveillance drone with a surface-to-air missile over the Straits of Hormuz. While initially President Trump made some belligerent noises, ultimately, he took no action barring putting some more sanctions on Iran. Again, Iran perhaps read the tea leaves correctly, that President Trump would not take any action that might provoke tit-for-tat hostilities and detract from his re-election prospects.

The reciprocal seizure of oil tankers followed. The first seizure was by the British of the Iranian-flagged tanker Grace I or Adrian Darya I on 04 July 2019 off Gibraltar, followed by the Iranians of British-flagged Stena Impero on 19 July 2019 in the Persian Gulf. The British blinked first and Adrian Darya I was released on 19 July 2019 and Stena Impero by Iran on 27 September 2019..

On 17 August 2019, the Saudi Shaybah Oil Field on the boundary with Abu Dhabi, some 1000 km from Yemen, came

under a drone attack claimed by the Houthis. Finally, on 14 September, there was a concerted missile and drone attack in Saudi Arabia on Abqaiq, the world's largest oil processing facility (5.7 mbd) and the giant Khuras oilfield, causing a disruption of 60 per cent of Saudi and 5 per cent of global oil production, leading to a temporary oil price surge of 20 per cent. While the Houthis claimed ownership of this attack, the US and Saudi Arabia blamed Iran.

This precision attack eluded the Saudi air defences built up at considerable expense. The Saudis who have spent US \$ 65-80 billion per annum (pa) on defence in recent years, mainly on US weaponry including the Patriot system, were unable to counter the drone and missile attack. The US and Israel were, till then, the only powers in the region known to possess such a capability. These attacks heralded the rise of another power in the region which also possessed the highly technical capabilities to design, produce and use weapons for precision strikes. The sense of impunity felt by Israel and those under US protection is no longer sustainable. While President Trump proclaimed that the US was 'cocked and ready', he did not take any action saying that he would do so only at the request of Saudi Arabia.

This attack, and the subsequent lack of US response to it and earlier to the drone attack, has concentrated minds in the region and led to considerable recalibration. US allies in the region would also have paid close attention to the US abandonment of the Syrian Kurds and drawn the necessary lessons from it.

While Iran spends only around \$13 billion pa on defence, it has developed some cutting-edge capabilities including cyber capability. This was underscored by the reported cyber-attack, allegedly by Iran, on Saudi Aramco's facilities earlier in 2012. Iran also possesses the Russian S-300 air defence system. Interestingly, just after the attack on Saudi ARAMCO facilities, President Putin (with Presidents Rouhani of Iran and Erdogan of Turkey by his side) suggested tongue in cheek that Saudi Arabia should purchase the Russian S-400 system for better security. Turkey, a NATO member, is buying the S-400 system much to the annoyance of the US.

The P5+1-Iran Nuclear deal had curbed Iran from continuing to develop its nuclear capabilities. With the US pulling out of the

deal and reapplying broad-spectrum sanctions, the nuclear deal could only be kept alive if the other five countries, especially the European powers, could help Iran to continue its economic engagement with the rest of the world and continue selling its oil abroad. The Europeans did put together the INSTEX mechanism to help Iran trade despite sanctions. But this came so late, with such limited utility and with so many conditions unacceptable to Iran, that it decided to reject it.

The European inability to help Iran tide over US sanctions removed the rationale for Iran to keep its nuclear development programme on hold. Iran has begun reprocessing at an accelerating pace and by July 2019 had exceeded the 300 kg limit placed by JCPOA on it to accumulate enriched Uranium as well as the 3.67 per cent enrichment threshold and is now enriching up to 4.5 per cent. It has restarted development of the faster IR8 machines, and in November 2019 began work once again at the Fordo underground reprocessing facility.

While Israel had railed against the nuclear deal, its breakdown will add to its insecurity. The earlier interference in Iraq by the US and the West as well as GCC countries and then later in Syria, created the conditions for Iran to expand its influence in the two countries. This has resulted in bringing Iranian armed presence nearer to Israel's borders. IRGC and the Hezbollah cadres are now positioned in South West Syria off the Golan heights, much closer to Israel and perhaps armed with precision weapons. Should Iran develop WMD capability, it would pose a mortal danger to Israel.

While Iran's economy has been severely affected by the US sanctions its activities around the region have not diminished. The strengthening Shia crescent through Iran, Iraq, Syria and Lebanon is evidence of its growing influence. Iran has been quick to grasp opportunities as they have developed in Lebanon, Iraq and Yemen. These opportunities have arisen partly due to the interventions of the US and others, which disturbed the political balance in these countries. However, the recent disturbances in Lebanon and Iraq indicate a push-back against the growing Iranian influence.

In pursuit of its policy to expand its influence in the Levant and the Gulf, Iran has developed considerable equities in the region, including among the Shia populations in the Arabian Peninsula.

Iranian cooperation will be required to address conflicts in each of these countries. Unless this is sought, and this will require Iran's terms to be discussed and met, Iran may remain a spoiler.

The ratcheting up of the US pressure on Iran, both military and economic, has not been helpful. An Iran under pressure of sanctions is not likely to be a rational interlocutor. The more pressure on Iran, the more it will lash out to relieve it. While Iran may generally not confront the US directly, unlike what it did through the shooting down of the drone, it may create considerable difficulties for other Gulf states through its proxies, such as the Houthi Missile attack on Saudi oil installations.

The tensions between US and Iran are a major cause for concern. Iran is playing a cat and mouse game with the US, taking care to not provoke it beyond a point. But if Iran continues to harm the interests of the US and its regional Allies, and its actions cross the red line that the US has drawn for itself, there could be massive retaliation. As only the US knows where its red line is, this adds considerably to the uncertainty in the region.

Other major countries with a presence in the region need to try and maintain some degree of beneficial interactions with Iran so that they are in a position to counsel restraint. This would help in strengthening the position of the moderate elements in Iran. President Macron of France tried to break the ice between the US and Iran this August by inviting Iranian Foreign Minister (FM) Zarif to Biarritz while the G-7 summit was being held. This, however, did not help in launching confidence-building interactions as the Americans ignored the gesture.

President Macron followed up by floating a proposal to set up a US \$15 bn fund, around 50 per cent of the annual revenues accruing to Iran from oil sales, to allow Iran to resume trading. This had two purposes: firstly to help Iran tide over problems created by oil sales lost due to American sanctions and secondly to induce Iran to remain compliant with the 2015 nuclear accord. But the Americans shot this proposal down as well. Brian Hook, the US special representative for Iran said that the US is committed to maintaining extreme pressure on Iran. It is possible that President Trump is looking for a 'Grand Bargain' covering issues beyond the nuclear deal, such as curbs on Iran's missile development as well

as its activities around the region that are inimical to the interests of the US and its allies. If he could achieve this, it would be a major feather in his cap. The Iranians, however, seem to be in no mood to do him this favour.

Iran boasts modern infrastructure, a developed industrial base and considerable acumen in science and technology. It has developed space and nuclear capacities. It is manufacturing drones and missiles with the capacity for precision attacks. Iran's agricultural sector provides it food security and its resources, energy security. It has the 2nd largest gas reserves and 4th largest oil reserves in the world. With these resources, Iran can withstand the harshest of sanctions. Given its current economic difficulties, Iran will experience disturbances such as the one recently, related to the hike in fuel prices. However, the governing regime is capable of dealing with such internal dissent.

Nevertheless, the Government of Iran, given the economic difficulties it is encountering, seems to be keen to find a way out of this situation without losing face. With this in view, President Rouhani and FM Zarif have been promoting the Hormuz Peace Endeavour (HOPE) which President Rouhani unveiled in the UNGA in September 2019. HOPE proposes inclusive dialogue to promote sector-wise cooperation between the Gulf states as confidence-building-measures(CBMs).

Separately, in early October there were reports that mediation by President Macron in New York had led to Presidents Trump and Rouhani agreeing to a four-point arrangement as a basis for relaunching negotiations between the US and Iran. This entailed Iran pledging not to acquire nuclear weapons and fully complying with its nuclear obligations and commitments and negotiating a long-term framework for its nuclear activities. Iran was also to refrain from developing its missile programme, curb any aggression in the region and work to promote peace. In return the United States would lift all the sanctions re-imposed since 2017 on Iran and its ability to export oil. The proposal did not take off, with Iran insisting on the US first lifting the sanctions unilaterally, before any negotiations took place and the US rejecting this.

In the vitiated atmosphere that exists in the region, there is a high probability that accidents can occur leading to the situation

spiralling out of control and causing enormous harm globally. The danger is evident to countries in the region as well to other countries involved. It is this realisation that creates the conditions to launch efforts towards promoting a region-wide inclusive dialogue to put in place CBMs that build peace and stability. Proposals such as 'HOPE' and the French Initiative and similar ideas need to be given serious consideration.

An immediate need is for an initiative to be put in place to ensure free and safe passage in the Gulf. This will be in the interest of all Gulf nations and the health of the global economy. In order to encourage Iranian acquiescence to the arrangement, the US would need to relax its sanctions and to continue providing specific waivers to countries for oil purchases from Iran. These steps would help in creating conditions to put CBMs in place and promote peace and stability in the Gulf and the wider West Asian region.

From the Indian perspective, peace and stability in the Gulf region are of strategic interest, given its significant economic engagement with the region, the presence of over eight million Indians in the region and its dependence on the region for its energy security. The CBMs being contemplated and steps to dilute and eventually remove the sanctions on Iran would be in Indian interest. Iran is a major source of oil for India, it shares the objective of countering the threat from terrorist elements emanating from Pakistan-Afghanistan and provides a conduit for India's outreach to Central Asia for which the Chabahar port and the International North-South Transport Corridor (INSTC) are major facilitators. However, the relationship between India and Iran is complicated by Iran's confrontations with other important Indian partners - the US, Saudi Arabia, UAE and Israel and at times Iran's own destabilising behaviour in the region. The stability of the region which is a primary Indian objective could also be affected by Iran's nuclear and missile development activities. It is nevertheless important that India exercises its autonomy with regard to its relations with Iran, in order to be able to influence its behaviour, as well as preserve its economic and political space. India's approach towards Iran should continue to be fashioned in a pragmatic manner that serves Indian interests. For this peace in the region is essential. India would be well advised to join proactively in efforts towards this objective.