

IRAN 2016: FROM THE SAUDI EMBASSY ATTACK TO THE DEMISE OF
RAFSANJANI

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The year 2016 was an internal and external test for Iranian President Hassan Rouhani. The February legislative elections represented strong support for his administration and the nuclear accord with the P5+1 group of nations. But the lack of visible improvements at the economic level, the increasing internal criticism from the hardliners, and the demise of Hashemi Rafsanjani, the second most powerful man in Iran, made this the most difficult year of Rouhani's tenure so far. At the international level, the confrontationist policy towards Saudi Arabia and direct military involvement in Syria caused a deterioration in the country's external image, generating an increasing regional isolationism, despite the successful conclusion of the nuclear deal. The implementation of the Joint Comprehensive Plan of Action in January brought to an end the nuclear-related international sanctions and started a slow and gradual process of Iranian normalization within the international commercial and financial markets. However, the election of US President Donald Trump and his impending inauguration in 2017 introduced measures that would potentially endanger the continuity of the US-Iran honeymoon.

1. *Introduction*

The year 2016 proved to be a very difficult year for Iranian President Hassan Rouhani's administration, which faced challenges both from abroad and from within the country. The external challenges were represented by increasing tension in the region following events related to the wars in Syria, Yemen, and Iraq and the diplomatic escalation with Saudi Arabia and the rest of the Gulf Cooperation Council (GCC) and Arab states. In this regard, the year started with attacks on the Saudi embassy in Tehran and consulate in Mashhad, on 2 January, which escalated already high tensions with neighbouring Saudi Arabia. The diplomatic rift added to Iran's direct involvement in the Syrian conflict, which deeply affected the Iranian image within the Middle East region. Nonetheless, implementation of the multilateral nuclear accord (Joint Comprehensive Plan of Action, JCPOA) on 16 January represented the most positive aspect of Iranian foreign policy, since the Iranian authorities demonstrated their serious commitment in regard to the international community. In the US, the presidential election of Donald Trump, with his very aggressive stance against Iran and his declared intention of reviewing/cancelling the JCPOA, also created some concern within Iran in the prelude to the presidential election in May 2017, which may affect the chances for Rouhani to be re-elected.

Internally, the February legislative elections signalled strong support for Rouhani's project, though not a reformist return to politics. In the economic sphere, to date few achievements can be attributed to the JCPOA and the lifting of economic sanctions.

The death on 9 January 2017 of Hashemi Rafsanjani, a key figure in the history of the Islamic Republic, represented the end of a year that will leave the country under uncertainties for the following year in which Rouhani expects to be re-elected on May 19th. Moreover, bearing in mind the still unclear policy that Donald Trump will implement regarding Iran, his February 2017 temporary ban on Iranian nationals travelling to the US can provide some signals about his stance.

2. *Domestic policies*

President Hassan Rouhani experienced a difficult year of domestic performance in 2016. Even though the February legislative elections represented clear popular support in regard to the JCPOA, three key factors may leave Rouhani in an uncertain position for 2017, including his chances for re-election on May 19. First, pressure from conservative sectors forced a reshaping of the cabinet; second, increasing discontent is evident from a population that is losing patience with the promised but as yet unaccomplished benefits of lifting sanctions; and finally, the decease of

Hashemi Rafsanjani, undoubtedly Rouhani's strongest supporter, removed an element of political support for the president.

2.1. *The February legislative elections*

Legislative elections for the Iranian Majlis (parliament) were held in two rounds, on 26 February, when 220 seats were filled, and on 29 April, to fill the remaining 70 seats. These elections were held jointly with the Assembly of Experts elections to choose the 88 clerical members of the collegiate body which has the important function of choosing, confirming the annual performance, and even removing the Supreme Leader of the Islamic Republic of Iran.

Similar to previous legislative processes, 2016 will be remembered for the controversy surrounding the application vetting process. Most first- and second-line reformist candidates as well as many ultraconservatives such as Hamid Resaei were left out of the legislative electoral race after being rejected by the Guardian Council. Even more controversial was the rejection of the application of Hassan Khomeini,¹ grandson of the Republic's founder, allegedly due to his refusal to attend an aptitude exam to aspire for a seat in the Assembly of Experts. Nonetheless, most understood that his proximity to figures from the reformist and moderate camps, such as Mohammad Khatami, Rouhani, and Rafsanjani, was the real political motivation behind his disqualification. In spite of these controversies, the 2016 election had the most applicants in the history of Iranian legislative elections: 12,123 compared to 5,405 in 2012, 7,129 in 2008, and 8,172 in 2004². It is also true that despite the historically low acceptance rate (51.3%), the number of accepted candidates who contested the 290 seats – 6,229 candidates, including 586 women – was the highest number ever. The figure was even higher than in 2000, the year when the reformists gained control over the chamber.

The peculiarity of the Iranian electoral system, which allows citizens to vote in any polling station in the country without prior registration, as well as the characteristics of the individual candidacies and lists, make it difficult to properly assess the electoral process as a whole. The international press referred to the existence of three major lists in the legislative elections: the «principlists», or conservatives; the «reformists and moderates», and the

¹ Surprisingly, Hassan Khomeini received 55,000 votes in the Assembly of Experts race despite the fact that he was disqualified; he received the second-highest number of votes for the Bushehr district, according to Ensaf News. See 'چند هزار رای به نام سیدحسن یینی' ('A few thousand votes to Hassan Khomeini in Iran?'), *Ensaf News*, 12 Esfand 1394 (2 March 2016) (<http://www.ensafnews.com/23486>).

² Luciano Zaccara, 'Who won the Iranian elections?', *OPEMAM Analysis*, 3 March 2016.

«Voice of the Nation». The latter group comprises conservatives critical of the administration of former President Mahmoud Ahmadinejad and who have supported some initiatives of President Rouhani, among them the nuclear agreement. However, the lists, which were many more than these three, are ambiguous and flexible, allowing the same candidate to be on more than one list simultaneously, as has happened in previous elections. The case of Ali Motahari, leader of the Voice of the Nation and main candidate on its list for Tehran, was the clearest in this election, since his name was also included on the reformist list, together with Reza Aref and other allies of Rouhani, Rafsanjani, and Khatami. Other conservative candidates allied with Ali Larijani, the incumbent parliament speaker, also appeared on the reformist lists. As confirmed by some interviews conducted in Tehran among key reformist figures, since there were not enough reformist or moderate candidates, their squad leaders proposed to other independent or conservative candidates who shared common support for the policies implemented by Rouhani that they appear in the «Reformist Alliance» list.³ This means that not all those who appeared on the reformist lists were in fact reformist, nor even that they accepted being on those lists, as was the case of Motahari, who explicitly denied having agreed to be included in the reformist list or having invited reformists to join his own list.

Regarding the results, the official 62% participation rate was marginally lower than the 64% turnout in 2012⁴, but significantly lower than the 72% in the presidential elections in 2013⁵. Despite noticeable public apathy at the beginning of the electoral campaign, in the end Iranians massively headed to the polling stations, even those who declared that they were not interested or were against the current system. Apparently, despite the aforementioned controversies, there is still room for political debate which is visible in the streets, universities, and the written press. The latter, especially, which reflects the views of the different factions and coalitions taking part in the elections, offered all types of comments, interviews, and pre-electoral statistics – though with little reliability, due to these publications' partisan and factional bias.

Official Iranian television and printed press outlets made an effort to highlight how the reformist list was able to win the 30 disputed seats in the Tehran district, a fact characterized by many foreign media as a reformist

³ Interview with Sadegh Zibakalam, Professor of Political Science at Tehran University, Tehran, February 2016.

⁴ See '2012 Parliamentary Elections', *Iran Data Portal* (<http://irandataportal.syr.edu/2012-parliamentary-elections>).

⁵ See Ministry of Interior, 'یاست جمهوری' گزارش نهایی یازدهمین ('Final Report of the 11th Presidential Elections') (<https://www.moi.ir/Portal/Home/ShowPage.aspx?Object=News&CategoryID=cc1955c9-7610-428d-b15c-fafc947cc884&WebPartID=47942904-35b9-4ecc-bfc4-4d6d3bee26d8&ID=ab52b9a8-e2a6-41e4-bbcc-15665125a6b2>).

victory and the beginning of a change in Iran.⁶ Still, taking into account what was mentioned before, many of the reformists that appear on the Reformist Alliance lists cannot be considered as such even though most of the Iranian press reproduced the figures mentioned in the table below. However, the fact that Hadad Adel lost his seat in Tehran can certainly be considered as big setback for the conservatives. The defeat of this historical head of the conservative list and former speaker of parliament means that at least in the capital the popular support has drifted away from the conservatives. Another aspect that must be highlighted is that Mohammad Reza Aref, the only reformist representative *stricto sensu*, received the most votes among all candidates in the country, at 1,6 million votes,⁷ a success which strengthened him against the conservative political establishment.

Majlis composition, 2016–2020.

| List/Group | Number of seats |
|-----------------------------|-----------------|
| United Fundamentalist Front | 84 |
| Reformist Alliance | 122 |
| UFF/RA | 3 |
| Voice of the Nation | 10 |
| Independents | 65 |
| Religious minorities | 5 |
| Total | 289* |

Source: Author’s compilation based on several Iranian press sources.

Note: * The result in one Isfahan province district was cancelled.⁸

Despite the arguable popular support for reformist candidates, the flexibility and changeability of intra-parliamentarian alliances were demonstrated once again during the first voting process to choose the speaker of the Majlis. On 29 May, Mohammad Reza Aref lost the vote for the temporary speakership when he received only 103 votes compared to the 173 that the incumbent speaker Ali Larijani obtained. The number of votes obtained by Aref does not reflect the 122 seats the reformists had supposedly obtained in the two rounds. After this defeat, Aref withdrew his candidacy for the position, for which a vote was held two days later. On that definitive election on 31 May, Larijani obtained 237 out of 273 votes cast, representing an overwhelming victory that demonstrated the popularity of the veteran

⁶ See ‘Iran election: Reformists win all 30 Tehran seats’, *BBC*, 28 February 2016; ‘Reformists win in Tehran province as Iran awaits election results’, *CNN*, 1 March 2016.

⁷ See [بیش‌ها + « » بیج \(Election results, Majlis + Table Trends\), ISNA, 10 Esfand 1394 \(29 February 2016\) \(http://www.isna.ir/news/94121006540\).](http://www.isna.ir/news/94121006540)

⁸ For more information, see ‘Isfahan candidate disqualified despite voter support’, *Radiozamaneh*, 22 March 2016.

conservative politician. The reformist candidate Mostafa Kevakebian obtained only 11 votes. However, the reformists managed to secure the first deputy speakership, with Masoud Pezeskhian receiving 158 votes. Ali Motahari, leader of the Voice of the Nation list, became the second deputy speaker after obtaining 133 votes.⁹

It is worth highlighting the similarities between the Assembly of Experts and Majlis elections in terms of list composition and assessment of results. The composition of the 16-candidate member list for the Tehran district for the Assembly of Experts was even more blurry than that for the Majlis. The two main lists, the conservative one led by Ahmad Jannati, Mohammad Yazdi, and Taqi Mesbah, and the «Hope» list led by Hashemi Rafsanjani and Hassan Rohani, shared seven candidates. This made it almost impossible to assert that there were real ideological differences among them, except for those heading the lists. Among these seven, five obtained a seat, which further complicates the attribution of a victory to either of the two lists. The same phenomenon took place in most districts. Moreover, in some of them there was just a single list proposed to the voters.

The results of the Assembly of Experts elections nevertheless contain some very significant data. Hashemi Rafsanjani, defeated by Ahmadinejad in the 2005 presidential elections, having lost all his popularity and almost politically dead after 2009, seemed to have regained his charisma among Tehranians. He was the most popular candidate with 2,3 million votes, even more than current President Rouhani, who obtained 2,2 million votes, or than Aref in the legislative elections.¹⁰ The veteran politician seemed to have had his thousandth – and last – political comeback. This result also seems to be enhanced by the conservatives' defeat in Tehran, where they were not able to obtain a seat in the assembly for their two main figures, Yazdi and Mesbah.

In sum, these two elections combined were a victory for the candidates and groups who support President Rouhani, which represent a parliament that will not oppose his foreign policy and his foreseeable economic initiatives to attract foreign investments. However, it was not a political opening like the one brought on by the reformist President Mohammad Khatami in 1997. Finally, this was a victory for the «centrists» in the assembly, which would guarantee a smooth transition in case a new leader of the Republic needs to be elected. Nevertheless, the election of the very conservative Ahmad Jannati, head of the Guardian Council since 1980, as speaker of the assembly, after obtaining 51 out of 88 votes,¹¹ shows that even

⁹ See 'A selection of the latest news stories and articles published in Iranian news outlets, compiled by AEI Critical Threats Analysts', *Critical Threats*, 31 May 2016; and 'Larijani re-elected Iran's Tenth Majlis Speaker', *Press TV*, 31 May 2016.

¹⁰ See 'Final Results of Parliamentary, Expert Assembly Polls in Tehran Released', *Al Alam*, 29 February 2016.

¹¹ See 'Jannati next chair of Iran's Assembly of Experts', *Mehr News*, 24 May 2016.

apparent alliances within the chamber do not match with the arguable victory of reformists-moderates in the elections. On the contrary, they reflect the continued control by the conservatives over the key institutions of the Republic, which can be expected to guarantee the survival of the system and the clerical elite in power.

2.2. *The institutional struggle*

A side effect of the legislative elections was a new chapter in the institutional confrontation within the Islamic Republic. The above-mentioned disqualification of Hassan Khomeini, followed by the unprecedented disqualification of a female reformist candidate, Minoo Khaleghi, after she won her seat for the Isfahan district, brought to the fore a discussion about the electoral oversight role of the Guardian Council. In a very confrontational tone, Rafsanjani – head of the Expediency Council, the third most powerful institution of the country – asked, «Who gave the Guardian Council the right to vet candidates? Where did you get your qualifications? Who allowed you to judge?»¹² Those comments generated a wave of criticism against the veteran politician from the hardliners, who even requested the same Guardian Council to disqualify Rafsanjani from the Assembly of Experts elections.

The Majlis also engaged in the institutional dispute in September by passing a bill limiting the Guardian Council's electoral vetting powers. The bill stated that the council cannot disqualify a candidate after the vetting process has finished, meaning two weeks before the elections are held. Since all legislation also must be approved by the Guardians, the bill was rejected and returned to the parliament, which re-approved the resolution in October.¹³ The bill was again rejected by the end of October, and even though Expediency Discernment Council conservative member Dorri Najafabadi asked for comprehensive electoral reform, the legislative dispute remains unresolved.¹⁴

¹² See 'ید' هاشمی رفسنجانی: هدیه ی به بیت (‘Hashemi Rafsanjani: Imam gave a bad gift’), *Asiran*, 1 February 2016 (<http://www.asiran.com/fa/news/448133/>-هدیه-بدی-). (به-بیت- دادید).

¹³ See 'کدخدایی: یه مجلس به دلیل محدود کردن حق اظهار نظر شورای نگهبان در صلاحیت نامزدهای' (Kadkhodae: Guardian Council rejected Majlis enquire regarding candidates rejections.), *Jamaran*, 20 Shahrivar 1395 (10 September 2016) (<http://www.jamaran.ir/>-کردن-به-دلیل-استفساریه-صلاحیت-نامزدهای-نیازمند-مصوبه-اظهار نظر-شورای-نگهبان-). (باز-ی-های-سیاسی-نکنید).

¹⁴ For more information, see Pendleton Caitlin Shayda 'Iran's Guardian Council Pushes the Limits of Its Electoral Control,' *Critical Threats*, 20 May 2016.

In a parallel move, Supreme Leader Khamenei released on 15 October 18 general guidelines for elections that focussed primarily on campaign financing, external support, and vote-buying. Khamenei also referred to an accurate vetting of candidates, supporting the Guardian Council's «final say in approving candidates», «investigating complaints», and «confirming or annulling elections».¹⁵ The guidelines also reiterated a ban on the armed forces from interfering in elections.

2.3. *The reappearance of Ahmadinejad and the conservatives*

One of the most interesting political developments during 2016 was the reappearance of Mahmoud Ahmadinejad in the political arena. The former president had been maintaining a low profile since the end of his mandate in August 2013. The failed support for his closest collaborator, Esfandiar Rahim Mashaei, for the last presidential elections meant a strong setback for his political career. During the March legislative elections, Ahmadinejad had been gathering his former ministers and collaborators, towards the consolidation of a group within the «principlists» (conservatives) who would support his ideas in the parliament. He had also been mobilizing his followers in several provincial rallies, taking advantage of his still strong popularity in rural areas.

His last public act in August had doubtlessly attracted worldwide attention. He wrote an open letter to US President Barack Obama, criticising his lack of change towards Iran despite the JCPOA, and demanding the removal of the US\$ 2,000 million freeze of Iranian funds, which had been supported by a US Supreme Court ruling.¹⁶ This being a symbolic letter, it represented a re-entry in the international scene by Ahmadinejad, following his own tradition of missives to Obama and George Bush.

Even though Iranian presidential election results have proved to be unpredictable since 1997, a very reliable survey conducted by IPOS in February 2015 showed a small difference in voting intention, with 28% for Rouhani and 24% for Ahmadinejad. The same survey instrument indicated an increased margin in 2016, with 41% for Rouhani and 29% for Ahmadinejad.¹⁷ Without doubt, the endorsement of the JCPOA in July 2015,

¹⁵ See Office of the Leader, همه مردم با بصیرت و به قصد افزایش ی در انتخابات شرکت کنند (‘All the people will enhance the dignity and credibility of the elections and disappoint the enemy’), Press release, 7 Esfand 1394 (26 February 2016) (<http://www.leader.ir/fa/content/14297/> - رهبر - اسلامی - دهمین - پنجمین - شورای اسلامی - رهبری).

¹⁶ See ‘Former Iranian President Ahmadinejad Pens Letter to Obama’, *Tasnim News*, 8 August 2016.

¹⁷ See ‘2017 Presidential Elections: Rouhani 41%, Ahmadinejad 29%’, *IPOS*, 25 May 2016.

the hope for economic improvement, and the victory of Rouhani's followers in the legislative elections worked in his favour, although Ahmadinejad's support had also grown, and would have been encouraging to launch his candidacy.

His intended reappearance, however, was rapidly dismissed by the Leader, who clearly prohibited Ahmadinejad from running for a third term in the upcoming 2017 elections. Khamenei stated on September 26 that 'a man came to me, and I told him that it would currently be in his interests and the interests of the country for him not to participate in a certain issue. I did not tell him not to participate. I said I do not consider it to be expedient.' Khamenei stated that Ahmadinejad's candidacy «would polarize the country.»¹⁸ In a quick reaction, Ahmadinejad replied, «I do not plan on participating in next year's election. Keeping with the will of the leader of the great revolution, I have no plans to be present in the presidential competitions next year.»¹⁹

Even though the threat represented by Ahmadinejad disappeared by October, Rouhani's government had already faced strong criticism from the conservative and hard-line factions that forced the resignation of some of his ministers during 2016. On 19 October, Minister of Culture and Islamic Guidance Ali Jannati, Minister of Education Ali Asghar Fani, and Minister of Sports and Youth Affairs Mahmoud Goudarzi all submitted their resignations following several controversies on the implementation of policies. Jannati, for instance, had permitted a controversial concert in the city of Qom, severely criticized by the hardliners. Moreover, Fani was undergoing impeachment proceedings within the Majlis. By 1 November, the replacements of the three ministers – Reza Salehi Amiri as Minister of Culture and Islamic Guidance, Massoud Soltani Far as Minister of Sports and Youth Affairs, and Fakhreddin Ahmadi Danesh Ashtiani as Minister of Education – were approved by the parliament.²⁰

2.4. *The demise of Hashemi Rafsanjani*

The last remarkable internal political development of the year, however, actually took place in the first week of 2017. The demise of Ali Akbar Hashemi Rafsanjani, arguably the second most powerful politician in

¹⁸ See 'به آقای که نزد من آمد گفتم به صلاح شما نیست' (I told the man who came to me not to participate in a certain issue'), *Fars News*, 5 Mehr 1395 (26 September 2016) (<http://www.farsnews.com/newstext.php?nn=13950705000261>).

¹⁹ See 'ای پندم یی' (I do not plan to run in next year's elections'), *Fars News*, 4 Mehr 1395 (25 September 2016) (<http://www.farsnews.com/newstext.php?nn=13950706000704>).

²⁰ See 'Rouhani's picks for 3 ministries win lawmakers' confidence vote', *Press TV*, 1 November 2016.

the Islamic Republic, represented the end of an era within the Islamic Revolution, and the beginning of a new uncertain one for current President Rouhani and the pragmatists, moderates, and reformist groups.

The unexpected death happened on 8 January, and even though the consequences are not yet clear, it is possible to say that Rouhani as well as the reformists will suffer from the disappearance of his main ally and supporter. The funeral, held at Tehran University on 10 January, was attended by hundreds of thousands of Iranians representing varied social and political backgrounds as well as ages. However, what was clearly visible was the affinity of the many attendants with moderate and reformist ideas. The official ceremony, organized by the government, included an extensive distribution of posters, banners, and publications that were rapidly printed and installed along the route of the burial procession, from Tehran University to the Imam Khomeini shrine. Rafsanjani was buried beside the founder of the Republic, a great honour that to date has been granted only to him. The posters included a broad range of photos – showing Rafsanjani with Khomeini, Khamenei, Khatami, Rouhani, and Hassan Khomeini – covering all periods of his life. The posters also included phrases he spoke while he was head of the Majlis, president, and head of the Expediency Council. The slogans chanted by the massive crowd went from the traditional «death to America» and «Allah akbar» to some more critical to the establishment, such as «ya Hussein, Mir Hussein» and others showing the affinity between Rafsanjani, current President Rouhani, and former reformist President Mohammad Khatami. Khatami, in fact, was prevented from attending the funeral by the government, in an attempt to prevent the ceremony from becoming a pro-reformist gathering that could have provoked the reaction of the security forces.²¹

Even though the chances for Rouhani to be re-elected may not be affected by this, it is certainly true that no one is currently entitled to be an intermediary between the most hard-line groups and the reformists as Rafsanjani was. Moreover, Leader Khamenei actually remains the only close disciple of Khomeini still alive, and occupying the highest position in the Islamic Republic without any strong figure that counterbalances his power. The reformist groups may also be suffering from the disappearance of someone who protected them against the attacks coming from the hardliners. Even though Rafsanjani's popularity had ups and downs since 2005, there was a strong feeling among the youngest generations that he was the most experienced and moderate politician in the country, the one who could prevent the radicalization of government and preserve the internal peace.²²

²¹ Personal observations of the author while attending Rafsanjani's funeral, Tehran, 10 January 2017.

²² Personal considerations based on several interviews and informal conversations conducted with Iranian scholars, Tehran, 10 to 12 January 2017.

3. *Economy*

The economic performance of Rouhani's administration during 2016 was broadly linked to the achievements of the JCPOA and its internal and external effects. While some improvements were visible in terms of new business opportunities and agreements with foreign companies, such as Airbus and Boeing, strong impediments were still affecting other areas, such as Iran's reincorporation into the international SWIFT banking system. Moreover, the continued low price of oil during the year prevented Iran from having a better financial situation, which started to improve only after the December OPEC deal that ended the decreasing trend due to the implementation of production quotas for OPEC members, as well as others like Russia that also subscribed the deal.

3.1. *Outlook for the financial-economic situation*

According to official statistics, the inflation rate dropped in 2016 to single digits for the first time in 25 years, remaining below 9.6% throughout the year. This was a clear achievement, since Rouhani's tenure began with an inflation rate of 40% and he managed to reduce it to an average of 15% during his first two years of government.²³ The Dollar-Rial exchange rate, one of the indicators that directly affects the Iranian population – since the dollar constitutes Iranians' primary currency for savings and exchange – did not improve drastically during 2016. According to Iranian Central Bank information, the year started with an official exchange rate of 30,178 IR/1 US dollar, and it finished with 32,399.²⁴ However, in the first week of January 2017, the free market exchange rate was 39,000 IR/USD. The other challenging indicator, unemployment, seems to resist any governmental policy to tackle it, not having been affected by the prospect of foreign investments following the lifting of sanctions. While in August 2013, when Rouhani's tenure started, unemployment was at 10.5%, the year 2016 finished at 12.4%, according to non-official data.²⁵

²³ See available data at Central Bank of Iran, 'Consumer Price Index' (<http://www.cbi.ir/category/1624.aspx>) and Trading Economics, 'Iran Inflation Rates' (<http://www.tradingeconomics.com/iran/inflation-cpi>).

²⁴ See Central Bank of Iran, 'Foreign Exchange Rate' (http://www.cbi.ir/exrates/rates_en.aspx).

²⁵ See 'Iran Unemployment Rates', *Trading Economics* (<http://www.tradingeconomics.com/iran/unemployment-rate>).

The promising prospects for foreign investments haven't yet been accomplished, despite hundreds of memorandums of understanding signed with either governments or foreign companies.

The external and internal constraints have made the actual amount of investment and commercial transactions not very meaningful so far. These constraints include the lack of a legal framework for certain areas, such as retail, joint ventures, or even private property in the hands of foreign companies. They also include the still very unclear situation of foreign investment and business transactions that are allowed or banned by the multiple sanctions that have affected Iran since 2006.²⁶

Importantly, the sanctions that affected the Iranian link with the Society for Worldwide Interbank Financial Telecommunication (SWIFT) were removed following the JCPOA implementation day on 16 January 2016. Banks that specifically remain sanctioned under EU laws, however, would not be allowed to reconnect to SWIFT.²⁷ At the end of 2016, SWIFT codes were already active for 286 Iranian banks and branches;²⁸ however, so far only 25 foreign banks, mainly Asian and smaller international ones, have established brokerage links with Iranian entities. Another 100 have started negotiations, according to Gholamreza Panahi, vice governor for foreign exchange affairs at Bank Meli Iran.²⁹ However, this statement is contradicted by reports that links were established with 264 foreign banks in March.³⁰ Simply put, the initial negotiations seem not to be as easy as expected, and foreign banks, mainly the most important ones from Europe and the US, prefer to be cautious in re-establishing links with Iranian firms.

A remarkable improvement during 2016, on the other hand, was the accomplishment of a long-awaited long-term agreement with Airbus that materialized with the landing of the first A-321 in Tehran's Mehrabad Airport on 12 January 2017. During the year, contradictory information had been published in Iranian media outlets regarding the number of planes and actual expenditures on sales contracts with Airbus, and later with the American company Boeing, which represented expansion plans for state-

²⁶ In an interview conducted in Tehran on 12 January 2017, a lawyer who works at a private firm specializing in foreign investments mentioned that she had to suggest ad hoc regulations to the Ministry of Finance, in order to create a legal framework to apply to some international contracts that had never been conducted before, since there was no possibility to have them done within the current economic and property system.

²⁷ See 'ایرباس ی برد هواپیما' ('Agreement with Airbus to buy 114 airplanes'), *Tasnim News*, 26 Dey 1394 (16 January 2016)

(<https://www.tasnimnews.com/fa/news/1394/10/26/972898/-114-ایرباس-برای-خرید> - هواپیما).

²⁸ See the Iranian Banks' SWIFT Code list at <http://www.swift-code.com/iran>.

²⁹ See 'Iranian banks improving foreign relations in post-sanction era', *IRNA*, 14 January 2017, and 'Day Bank in transactions with 100 foreign banks', *IRNA*, 11 January 2017.

³⁰ See 'Iran Links Up With 264 International Banks', *Financial Tribune*, 16 March 2016.

owned Iran Air. In January 2016, during a visit to Paris by President Hassan Rouhani, a major contract was signed with Airbus to buy 118 planes worth about US\$ 27 billion. Negotiations accelerated in October 2016 following the US decision to remove a final impediment for Western aircraft manufacturers to sell planes to Iran under contracts signed after the enforcement of the JCPOA. This approval is necessary, since Airbus buys more than 40% of all its aircraft parts from US companies. Iran sealed another deal with Boeing in June for the purchase of 100 passenger planes worth around US\$ 25 billion. In December, the deal with Boeing was finalized, allowing Iran to buy 80 planes within 10 years, with a first plane expected in 2018.³¹

Another area of improvement was with the automobile industry. In June, the French manufacturer Peugeot Citroen signed a joint venture agreement with Iran's largest automobile manufacturer, Iran Khodro, that will invest €400 million over the next five years in manufacturing and research and development.³²

3.2. Prospects for the oil industry after the JCPOA

The biggest achievement in economic terms is related to the improvement in oil production and its price, a field that might help Iran and its government to enhance its situation and stability. Oil prices remained below US\$ 50 per barrel during the whole year, and even below US\$ 45 during October and November, due to the impossibility of reaching a reduction agreement within the OPEC framework. The intransigence of Saudi Arabia in accepting a reduction of its own quota also contributed to this low price.³³ But a preliminary deal was finally reached in early December with an overall reduction in 1.2 million barrels per day (bpd), also including non-OPEC states such as Russia, which promised a reduction of 300,000 bpd. Iran, instead, was allowed to increase its production in 200,00 bpd, to compensate for the reductions incurred during sanctions since 2008. As a consequence, Iran finished the year producing more than 4.2 million bpd, while at the beginning the production was 3.3 m/bpd. The price slowly

³¹ See 'Iran to Get First Purchased Airbus Aircraft Thursday', *Tasnim News*, 8 January 2017.

³² See 'PSA signs JV deal with Iran Khodro', *Press TV*, 21 June 2016.

³³ It is worth mentioning that since the establishment of sanctions against Iranian oil exports, Saudi Arabia replaced the quota that Iran could not fulfil. Then, Saudi Arabia was reluctant to recover the pre-sanctions production quota, according to some analysts, in an attempt to keep a low price that would render shale oil production unprofitable. The low prices would only benefit those states, like Saudi Arabia, with very low production costs, while affecting other producers such as the US, Russia, and mainly Iran.

increased, as the year finished with the Brent crude oil price above US\$ 53/barrel.³⁴

The agreement defied expectations, indicating that both Iran and Saudi Arabia can prioritize economics over regional confrontation, bearing in mind that both states were failing to cover domestic spending and foreign adventures in regional conflicts. According to the International Monetary Fund, Iran needs the price of oil at US\$ 55/barrel to break even, while Saudi Arabia needs US\$ 80. However, the agreement was considered mainly as a victory for Iran in both political and economic terms, since its negotiators managed to convince the OPEC as well as Russian partners that coming back to the quota system was the only possible solution to stop the falling prices. In economic terms, it also proved that Iran suffered fewer negative effects from oil price fluctuation than their regional partners, since the national budget is not massively relying on oil income as it was in the past. The annual budget for the fiscal year March 2016–March 2017 was calculated based on oil prices of US\$ 35 to US\$ 40/barrel, and an average oil production of 2.25 million bpd.³⁵ According to those figures, oil revenues would account for 34.6% of state expenditures, compared with 25.8% under the previous budget.³⁶ Thus, progressive implementation of taxes represented a huge change in a rentier based economy, making Iran less vulnerable to irregular prices and possible production cuts.

Last, but not least, the prospect for foreign investment in oil technology remains intact, with Royal Dutch Shell restarting its purchases of Iranian crude oil in June 2017. Shell will be the second major oil company after the French firm Total to resume oil purchases with Iran after the nuclear-related sanctions were lifted in January.³⁷ Nonetheless, 2016 proved also to be a problematic year for achieving new joint venture projects to increase production and refinery capacity.

³⁴ See 'Iran crude oil Production', *Trading Economics* (<http://www.tradingeconomics.com/iran/crude-oil-production>) and 'OPEC Monthly Oil Market Report', *OPEC*, 14 December 2016 (http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20December%202016.pdf).

³⁵ See 'دولت بودجه پیشنهادی ی را کاهش داد' (The government reduced the defense budget), *Raja News*, 27 Dey 1394 (17 January 2016) (<http://www.rajanews.com/news/231961>), and 'بودجه سال 95 بیش از 978 هزار میلیارد یب' (Year 95 budget was approved with more than 978 billion dollars), *Fars News*, 31 Farvardin 1395 (19 April 2016) (<http://www.farsnews.com/newstext.php?nn=13950131000598>).

³⁶ See Alireza Ramezani, 'Rouhani's budget proposal reverses declining reliance on oil', *AI Monitor*, 12 December 2016.

³⁷ See Rupert Rowling, Angelina Rascoet, and Julian Lee, 'Shell Follows Total in Buying Iranian Crude After Sanctions End', *Bloomberg*, 8 June 2016.

4. Foreign policy

4.1. Troubled Iran-Saudi relations

Iranian foreign policy during 2016 was marked by increased bilateral tensions with Saudi Arabia since the attack on its embassy in Tehran and consulate in Mashad on 2 January, following the execution of the Saudi Shi'a cleric Nimr al Nimr. Bilateral tensions were then aggravated by Iran's direct involvement in the Syrian war, as well as its alleged intervention in supporting the Huthi rebellion in Yemen. Both actions are considered by Saudi Arabia as illegitimate Iranian meddling in Arab countries' affairs. Moreover, implementation of the JCPOA on 16 January meant for Saudi Arabia and other Arab states that Iran was empowered to support the Syrian regime of Bashar al-Assad, as well as Huthis in Yemen and the Iraqi Shi'a militias, without any impediment. By the end of 2015, Saudi Arabia announced the formation of the Islamic Military Alliance to Fight Terrorism (IMAFI), an intergovernmental military alliance of Muslim and Arab countries to officially intervene against the Islamic State (IS) and other terrorist groups. The coalition was allegedly composed of 34 members at its launch,³⁸ reaching 39 by March 2016, and 40 by December, with Oman the last country to join in. Neither Iran, Iraq, nor Lebanon were invited to join the alliance, which raised the plausible concern of it being effectively an anti-Shi'a coalition. The organization was based at the Joint Command Center in Riyadh, and created by Mohammad bin Salman Al Saud, Saudi Arabia's Minister of Defense, on 15 December 2015.³⁹ Shortly after, in early February 2016, Saudi officials began to publicly mention the possibility of direct Saudi intervention in Syria. The military spokesman, Brigadier General Ahmed al-Asiri, stated that 'the kingdom is ready to participate in any ground operations that the coalition [against IS] may agree to carry out in Syria.'⁴⁰ These deployments would be coordinated with Turkish forces. Later on, Saudi Foreign Minister Adel al-Jubeir confirmed Saudi readiness in a German newspaper interview by stating that «if a decision is taken to send in special units against IS, Saudi Arabia is ready to take part.»⁴¹ It is worth

³⁸ Some countries, such as Pakistan, Malaysia and Indonesia, were included in the official Saudi launching statement without being consulted, and their authorities expressed their surprise and in some cases rejection to join the military alliance. See '«Members» surprised by Saudi anti-terror coalition plan', *BBC News*, 16 December 2015; and 'Pakistan surprised by its inclusion in 34-nation military alliance', *Dawn*, 16 December 2015.

³⁹ See 'Joint statement on formation of Islamic military alliance to fight terrorism', *Saudi Press Agency*, 15 December 2015.

⁴⁰ See Ian Black, 'Saudi Arabia offers to send ground troops to Syria to fight Isis', *The Guardian*, 4 February 2016.

⁴¹ See 'Syria: Turkey and Saudi Arabia consider ground campaign following border strikes', *The Guardian*, 14 February 2016.

noting again that 16 January was «Implementation Day» for JCPOA, meaning that all technical aspects of the deal, such as lifting of sanctions by the UN Security Council and the EU, would come into effect.

In that regard, it is not a coincidence for some Iranian officials that the execution of the Saudi Shia cleric Nimr al Nimr was on 2 January 2016.⁴² They believed that Riyadh wanted to send a clear message to Tehran that the kingdom would take a very proactive and assertive posture to guarantee its security. Some assumed that the Saudi decision was taken in order to provoke a direct reaction from the most radical factions inside the Iranian regime in an attempt to destabilize Rouhani's government. According to this thinking, this would show the world that behind the diplomatic approach of Rouhani's administration there were hardliners with a more radical posture that was dangerous for regional stability. The reaction was as expected, and on the same day a crowd of protesters attacked the Saudi consulate in Mashhad and later stormed the embassy in Tehran. The latter building was set on fire with Molotov cocktails, but no one from the diplomatic delegations was injured. Even without considering the execution a foreign policy decision, but perhaps an internal one aimed at giving a clear signal to all the opposition forces within Saudi Arabia including both Shia and Salafist followers, what is debatable is the timing of the execution.

Although Iranian President Rouhani condemned the attack, as did Supreme Leader Ali Khamenei, and the government announced that the attackers would be identified and prosecuted, the Saudi authorities decided to sever diplomatic ties with Iran. Saudi Foreign Minister al Jubeir recalled the ambassador in Tehran and expelled the Iranian one in Riyadh, declaring him *persona non grata*. The other GCC states also condemned the attack, but only Bahrain followed Saudi's action. The United Arab Emirates only downgraded its diplomatic relations, and Qatar recalled its ambassador, a clear disappointment for the Saudi king, who expected uniform support from its GCC partners. Saudi Arabia called for an emergency meeting of the Arab League in Cairo on 4 January, at which they condemned the attacks and the Iranian government for failing to protect the embassies. In a statement released after the meeting, the Arab League also condemned the reported discovery by Bahrain of a militant group that it claimed was backed by Iran's Revolutionary Guards. All member states voted in favour of the resolution except Lebanon.⁴³ However, only Sudan, Somalia, Comoros, and Djibouti severed ties with Iran, representing another disappointment for the Saudi authorities.

⁴² See 'Sheikh Nimr al-Nimr: Saudi Arabia executes top Shia cleric', *BBC News*, 2 January 2016.

⁴³ See 'Arab League condemns Saudi embassy attack', *Al Arabiya*, 10 January 2016, and 'Arab League backs Saudis in Iran row', *Al Jazeera*, 11 January 2016.

A judiciary process eventually took place in Iran, and a trial against 20 individuals accused of «deliberately destroying» the Saudi embassy ended in 3 November, with some individuals sentenced to six months of imprisonment. Most of them, however, were sentenced to only 91 days of imprisonment.⁴⁴

Bilateral relations between Saudi Arabia and Iran further deteriorated. The Saudi government banned its citizens from traveling to Iran and cut all air connections, announced by the Civil Aviation Authority.⁴⁵ Licenses granted to Iranian Mahan Air were also suspended, meaning that it became more difficult for Iranian citizens to do pilgrimage to Mecca.⁴⁶ Even though the Saudi authorities stated that the diplomatic rift would not affect the Iranian pilgrims, Rouhani's government decided, for the first time, to ban its citizens from performing the Hajj or Umrah, citing lack of safety assurances.⁴⁷ The controversial decision was heavily criticized by Iranians, being one of the reasons behind the resignation of Minister of Culture and Islamic Guidance Ali Jannati. It is worth mentioning that Iranian officials repeatedly criticized Saudi Arabia for what they perceived as their mismanagement of the Hajj, after a stampede in Mina during the 2015 Hajj left more than 2,000 people dead, including almost 500 Iranians.

The tension with Saudi Arabia also extended to other areas, including even football. Saudi clubs asked the Saudi Arabian Football Federation and Asian Football Confederation to move international games out of Iran due to security concerns following the attacks to the Saudi diplomatic buildings.⁴⁸ Finally, an increasing «cyberwar» was expected from Iran, after the attack on several official Iranian websites by a Saudi hacker.⁴⁹ Following the very harmful experience of the Stuxnet virus that affected some nuclear facilities, Iran was particularly worried about the capacity of their enemies to reach sensitive areas inside their governmental and technological networks.

The external pressure over Iran was also visible in March 2016, when the Arab League summit declared Hezbollah as a terrorist organization, with

⁴⁴ See 'تبرئه متهمان حمله به سفارت عربستان از اتهام' ('Saudi embassy attack suspects acquitted from charges'), *Donya-e Eqtesad*, 12 Aban 1395 (2 November 2016) (<http://donya-eqtesad.com/SiteKhan/1123578>).

⁴⁵ See 'Saudi bans travel to Iran; UN Security Council condemns attack', *Emirates 24/7 News*, 5 January 2016.

⁴⁶ See 'Saudi Arabia Bans Iran's Mahan Air, Citing Safety Concerns', *Radio Free Europe*, 5 April 2016.

⁴⁷ See 'پی‌ام‌ی درباره حج تمتع، منوط به ولی بن' ('The decision on the Hajj depends on the Valy-e of Muslims'), *ISNA*, 15 Dey 1394 (5 January 2016) (<http://www.isna.ir/news/94101508778-مسلمین-به-ولی-تصمیم-شرعی->).

⁴⁸ See James Dorsey, 'Saudi-Iranian Diplomatic Row Moves to Soccer', *Fair Observer*, 5 January 2016.

⁴⁹ See Shahin Azimi, 'Iran-Saudi tensions erupt in «cyberwar»', *BBC News*, 3 June 2016.

the only opposition from Iraq and Lebanon.⁵⁰ The same decision had been taken a few days before by the GCC states. The OIC Summit held in Istanbul also expressed condemnation of Iran's behaviour and interference in the internal affairs of other regional countries, as follows:

The Conference rejected Iran's inflammatory statements on the execution of judicial decisions against the perpetrators of terrorist crimes in the Kingdom of Saudi Arabia, considering those statements a blatant interference in the internal affairs of the Kingdom of Saudi Arabia and a contravention of the United Nations Charter, the OIC Charter and of all international covenants.⁵¹

4.2. Iranian involvement in Syria

The Iranian involvement in Syria was, without hesitation, the most controversial aspect of Iranian foreign policy during 2016. Iranian support for the Assad regime was clearly reproduced by all segments of the political, clerical, and military establishment. Iranian direct intervention was evident during the year not only in Syria but also in Iraq, fighting against IS/DAESH (al-Dawla al-Islamiyya fIrq wal-Sham), and in support of its regional allies. According to Revolutionary Guard Commander Mohammad Ali Jafari, Iran had «over 200,000 armed youths in regional countries»⁵² demonstrating the Iranian mobilization capability to support its regional interests. The Iranian press, published mainly in Farsi, extensively detailed all the Iranian, Afghan, and Pakistani fighters that were killed on the Syrian battlefield, and therefore considered as martyrs.⁵³ The deceased in Syria also included clerics as well as high-ranked IRGC (Islamic Revolutionary Guard Corps) officials, such as Brig. Gen. Mohsen Ghajarian, and members of the

⁵⁰ See 'Arab League labels Hezbollah a «terrorist» group', *Al Jazeera*, 12 March 2016.

⁵¹ See OIC 'Final Communiqué of the 13th Islamic Summit Conference', 15 April 2016 (https://oic2016istanbulsummit.org/wp-content/uploads/2016/04/Final_Communique.pdf).

⁵² See 'یکی از معجزات و برکات انقلاب اسلامی' ('A faithful young generation is one of the miracles and blessings of the Islamic Revolution'), *Fars News*, 22 Dey 1394 (12 January 2016) (<http://www.farsnews.com/newstext.php?nn=13941022001259>).

⁵³ See, for instance '« ید یزاده یی » / بیع شهید' ('Funeral for martyred defenders at Damghan shrine'), *Mehr News*, 13 Bahman 1394 (2 February 2016) (<http://www.mehrnews.com/news/3040385/-سعید-علیزاد-برمی-نشینع-شهید-یر-هفت مدافع حرم دیگر به دوستان شهیدشان یوستند>); and 'خدا بی' ('Seven defenders joined the martyrdom'), *Fars News*, 13 Bahman 1394 (2 February 2016). (<http://www.farsnews.com/13941113001540>).

Artesh, the regular army that is conducting advisory missions.⁵⁴ The heavy financial cost of the Syrian war was also reflected in aid provided to the Syrian government, as Foreign Minister Mohammad Javad Zarif stated when recognizing that Iran had sent US\$ 2.8 billion in aid to Syria.⁵⁵

The official justification regarding this controversial Iranian involvement in the conflict is linked to the fight against terrorist groups such as IS/DAESH and the Al Nusra front. Both groups are considered a serious and real threat not only for Iranian allies, but for Iran itself. There is a general understanding among Iranians, including the intellectual and diplomatic community, that the strategic defence of Iran currently extends beyond its territorial borders, and that failing to defeat these groups in Syrian or Iraqi scenarios could portend a future direct territorial confrontation along the Iranian borders, or even within the country.⁵⁶

4.2. *The United States and the JCPOA*

Iranian relations with the United States suffered from ups and downs during 2016. The implementation of the JCPOA brought some relief to the bilateral relations, and both the Obama and Rouhani administrations managed to keep their most radical sectors outside the political debate in order to proceed with the nuclear deal. The good mood helped to resolve some non-related issues such as the quick liberation of two US Navy vessels and 10 sailors, on 13 January. After a purported mechanical error that caused the vessels to drift into Iranian territorial waters, they were detained by Iranian forces. Foreign Ministry spokesman Hossein Jaber Ansari stated that this was an involuntary and non-hostile act, quickly solved, although it was one of the issues discussed by US Secretary of State John Kerry and Zarif.⁵⁷ On the other hand, Iranian authorities also freed four Iranian-Americans on

⁵⁴ See 'شهادت فرمانده تیپ 21 زرهی () یه + عکس' ('Martyrdom of the Imam Reza 21 Armored Brigade Army Commander in Syria'), *ABNA*, 14 Bahman 1394 (3 February 2016)

(<http://fa.abna24.com/service/iran/archive/2016/02/03/698435/story.html>).

⁵⁵ See 'Zarif: Iran has so far contributed 2.8 billion dollars to Syria', *Radio Farda*, 15 Bahman 1394 (4 February 2016) (http://www.radiofarda.com/a/f4_zarif_iran_help_syria_2_billion_dollar/27532556.html).

⁵⁶ Several interviews conducted in Tehran and Qom, between Iranian scholars, students, diplomats, and religious scholars in February 2016 and January 2017 corroborated this official narrative.

⁵⁷ See Ministry of Foreign Affairs, 'Spokesman: US marines entry to Iranian territorial water was not hostile', Press release, 13 January 2016; and 'یمگیری (The decision about the US marines will be taken by the hierarchy)', Mehr News, 23 Dey 1394 (13 January 2016)

(<http://www.mehrnews.com/news/3023790/-> - امریکایی- (سلسله- خواهد

16 January, including Washington Post reporter Jason Rezaian, in exchange for the release of seven Iranians held in the US for sanctions evasion. In addition, the US also dropped charges and Interpol arrest notices against 14 other Iranians.⁵⁸

In contrast, the American government kept the pressure on Iran, since the US Department of the Treasury sanctioned 11 entities and individuals linked to Tehran's ballistic missile program in the same month of January.⁵⁹ Concurrently, a US Supreme Court decision allowed the victims of terrorist attacks attributed to Iran to collect almost US\$ 2 billion in frozen Iranian assets on 16 June.⁶⁰ More important, on 1 December the Iran Sanction Act, established by President Bill Clinton, was renewed for another 10-year term.⁶¹ All these measures were strongly criticized inside Iran. The ISA renewal was considered by Khamenei and some other high-rank officials as an enactment of new sanctions, rather than an extension of previous ones, thus, a violation of the JCPOA commitments from the US side.⁶²

There is still uncertainty regarding the position that President Donald Trump will take regarding the JCPOA. However, despite the heavy anti-Iranian discourse which characterised Trump's presidential campaign, most of the interviewed scholars in Tehran showed relative optimism. They argued that, regardless of Trump's personal approach, the JCPOA involves numerous countries and organizations, and that the US alone cannot abrogate the deal without triggering a general backlash within the international community. Some also argued that the common interests that were always present in both American and Iranian positions regarding al-Q ida, IS/DAESH, and other terrorist groups should help to reinforce instead of weaken the bilateral relations.

Regardless of the future Iranian policy of President Trump, the Iranian government reassured its commitment towards the JCPOA, fulfilling the requirements established and according to the stipulated timeline. In this regard, the Atomic Energy Organization of Iran (AEOI) confirmed on 14 January 2016 that the Arak reactor core was removed and filled with cement, thereby disabling its ability to produce the levels of plutonium required for a

⁵⁸ See 'Jason Rezaian and 3 Other US Inmates Freed by Iran', *Fars News*, 16 June 2016.

⁵⁹ See U.S. Department of the Treasury, 'Treasury Sanctions Those Involved in Ballistic Missile Procurement for Iran', Press release, 17 January 2016 (<https://www.treasury.gov/press-center/press-releases/Pages/jl0322.aspx>).

⁶⁰ See International Court of Justice, 'Iran institutes proceedings against the United States with regard to a dispute concerning alleged violations of the 1955 Treaty of Amity', Press Release No. 2016/19, 15 June 2016 (<http://www.icj-cij.org/docket/files/164/19032.pdf>).

⁶¹ See Patricia Zengerle, 'Extension of Iran Sanctions Act Passes U.S. Congress', *Reuters*, 1 December 2016.

⁶² See Office of the Supreme Leader, 'Extension of expired sanctions, breach of JCPOA commitments', 27 November 2016 (<http://leader.ir/en/content/16835/The-Leader%27s-meeting-Navy-commanders-and-officials>).

nuclear weapon. This action was a precondition to be certified by the International Atomic Energy Agency (IAEA) in order to proceed to the JCPOA implementation by 16 January after issuing a report verifying Iran's compliance with its initial commitments under the nuclear deal.⁶³ The United States and the European Union lifted nuclear-related sanctions in response, although the United Nations arms embargo and sanctions on Tehran's ballistic missile program remain in place.

Also in accordance with the nuclear deal, Foreign Ministry spokesman Abbas Araghchi stated that Iran had exported 32 tons of heavy water to the US at an estimated cost of US\$ 8.6 million, as well as 10 tons of 3.5% enriched uranium to Russia, and had imported 140 tons of yellow cake from Russia and 60 tons from Kazakhstan.⁶⁴

The last report issued by the General Director of the IAEA to the Board of Governors, on 9 November, stated that Iran was fulfilling the requirements of transparency and collaboration with the IAEA inspectors, and that all the steps stipulated in the JCPOA road map had been accomplished in time. Moreover, the report stated that 'Iran continues to provisionally apply the Additional Protocol to its Safeguards Agreement in accordance with Article 17(b) of the Additional Protocol, pending its entry into force.'⁶⁵

6. Conclusions

There are few doubts that the election of Hassan Rouhani as president in June 2013 heralded a new phase in the history of the Islamic Republic of Iran. Rouhani was elected on a platform of moderation, pragmatism, and reintegration of Iran into the international community. He openly criticised the conduct of the previous administration in a number of key fields, most notably the nuclear policy and the economic management of the country. He also promised to improve Iran's international standing and to bring relief to the population after years of economic hardship. His commitment to the international community was demonstrated by direct multilateral discussions that began in November 2013 and concluded with implementation of the JCPOA in January 2016. Regardless of the opposition of the most radical sectors within Iran, Rouhani and Foreign Minister Mohammad Javad Zarif managed to convince the Iranian population of the benefits that the nuclear deal will bring to Iran. Even though few economic achievements are yet

⁶³ See 'کار ما تمام شد/قلب راکتور اراک را خارج کردیم/حفره ها با سیمان' ('Our job is done, Arak core reactor was removed and filled with cement'), *Fars News*, 24 Dey 1394 (14 January 2016) (<http://www.farsnews.com/newstext.php?nn=13941024000631>).

⁶⁴ See 'Deputy FM Cautions US to Remain Loyal to N. Deal', *Fars News*, 8 March 2016.

⁶⁵ See the official report, 'Verification and monitoring in the Islamic Republic of Iran in light of United Nations Security Council resolution 2231 (2015)', GOV/2016/53, p. 5, Lett. E, § 21 (<https://www.iaea.org/sites/default/files/16/11/gov2016-55.pdf>).

visible, among them commercial transactions with Iran by companies like Airbus, Boeing, and Shell, the prospects for future improvement are still intact, since most impediments from the sanctions have disappeared. The lack of trust, however, evidenced by regional instability and by existing legal and political conditions within Iran, seems to discourage the foreign investors who are tempted to invest in Iran. The image of Iran in the region, due to its strong support for the Assad government in Syria, may have affected the interest of businessmen as well.

The demise in January 2017 of one of the most important figures of the Islamic Revolution, Hashemi Rafsanjani, represents the end of a political era in the country, and the beginning of a new one without a 'mediator' among the reformist and hard-line factions within the political system. However, the new elected parliament in February represented clear support for President Rouhani. Since the expected economic improvements are not quite visible yet, and foreign relations within the Persian Gulf region seems to have deteriorated, the chances for Rouhani to be re-elected in May 2017 seem to be more reduced than at the beginning of 2016. However, the most likely and popular candidate who could defeat him, former President Mahmoud Ahmadinejad, has been dismissed by Supreme Leader Khamenei and no longer represents a viable political threat.