

IRAN 2018: THE YEAR OF LIVING DANGEROUSLY

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Two developments marked the year 2018; the re-imposition of unilateral sanctions by the United States, which under President Donald Trump decided to abandon the Joint Comprehensive Plan of Action (JCPOA); and the protests, strikes and economic grievances that seriously affected Iranian society and economy. Both of these events influenced the conduct of Rouhani's administration, which has since struggled to regain support from the political establishment and population.

1. Introduction

The year 2018 was marked by the protests in Mashhad province, begun in late December 2017, and continuing across the country until mid-January. However, the year was most notable by the new wave of sanctions imposed by the United States after President Donald Trump's decision to pull out from the Joint Comprehensive Plan of Action (JCPOA) on 8 May 2018.¹ After a series of warnings issued in October 2017, January and March 2018, Trump finally made his decision to withdraw from an agreement he considered detrimental to US interests, in line with his electoral campaign narrative. Arguing that Iran had not complied with the conditions accepted in the deal, but instead had attempted to increase its regional leverage in Syria, Iraq and Yemen, Trump cancelled all previous decisions taken by President Obama. The US government then reinstated executive sanctions that targeted the Iranian nuclear programme. After a period of 180 days ending on 4 November, the secondary sanctions were set in place. According to official information, more than 700 individuals and institutions from Iran and abroad were added to the Treasury Department's existing list of those blocked and targeted by the sanctions. Among those listed were construction, shipping and engineering companies, as well as banks and financial institutions, oil, gas and energy-related companies. A large proportion of them were located overseas, in Europe, Asia or Central America, as joint ventures with Iranian companies.²

1. The White House 'Remarks by President Trump on the Joint Comprehensive Plan of Action', 8 May 2018 (<https://www.whitehouse.gov/briefings-statements/remarks-president-trump-joint-comprehensive-plan-action>).

2. See the full list at the U.S. Department of the Treasury, available at https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20181105_names.aspx.

The JCPOA signed in 2015 lifted only those nuclear-related sanctions imposed by the US presidency, and not the congressional ones targeting Iran, triggered by accusations of sponsoring terrorism or human rights issues.³ Those sanctions have remained in place since 1979 and were now added to the new ones. These included a commercial ban on almost all goods coming and going from Iran – medicines, carpets and caviar among them. The commercial ban was complemented by a controversial ban on Iranian (as well as Yemeni, Syrian, Libyan and Somali) individuals travelling to the US, which had been one of the first measures taken by Trump in January 2017.⁴ This especially affected the approximately three million Iranian-American community, as well as those other nationalities that had travelled to Iran. Subsequently, the online ESTA (Electronic System for Travel Authorization) procedure to apply for a regular tourist visa was replaced by a formal ten-year visa, issued upon request by American consulates abroad. These requests, however, were sometimes rejected, and even when accepted, the ten-year visa would not prevent unpleasant delays at the border control due to long interrogations. According to information recently released, around 37,000 visas were rejected in 2018 due to the «Muslim ban», compared with just 1,000 from the previous year.⁵ The measure was heavily criticised not only by the Iranian-American community but also by Human Rights organisations and Democratic politicians, and provoked a heated debate within US society, which included judges and custom officials refusing to apply the entry restrictions.

2. *Economy and society*

The Iranian economy in 2018 was greatly affected by the reinstatement of sanctions and the impact that the US decision had on the Iranian currency market, oil exports and foreign investments. The new sanctions came in the midst of an already critical situation that provoked street demonstrations, sectorial strikes and demands for better working and salary conditions.

3. A detailed 95-page report on 'Iran Sanctions', produced by the *Congressional Research Services*, 4 February 2019, is available at <https://fas.org/sgp/crs/mideast/RS20871.pdf>

4. U.S. Department of Homeland Security, *Executive Order 13769: Protecting the Nation From Foreign Terrorist Entry Into the United States* (<https://www.dhs.gov/publication/executive-order-13780-protecting-nation-foreign-terrorist-entry-unity-states-initial>).

5. 'U.S. denied tens of thousands more visas in 2018 due to travel ban – data', *Reuters*, 26 February 2019.

2.1. Outlook for the financial-economic situation

Economic indicators showed clear signs of deterioration as a direct result of the US-imposed sanctions. According to World Bank estimations, Iranian GDP growth declined from a record high of 13.4% in 2016/17 to 3.8% in the Iranian fiscal year ending March 2018, namely before the announcement of the American withdrawal from the JCPOA on 8 May. The prospects of a growth rate stagnation were predictable considering that at least half of that growth is dependent on the oil sector, the main target of the sanctions.⁶ The World Bank Economic Monitor report also stated that housing prices in Tehran increased by almost 37% in Spring 2018 compared to the same period a year earlier; rents were 27% higher.⁷

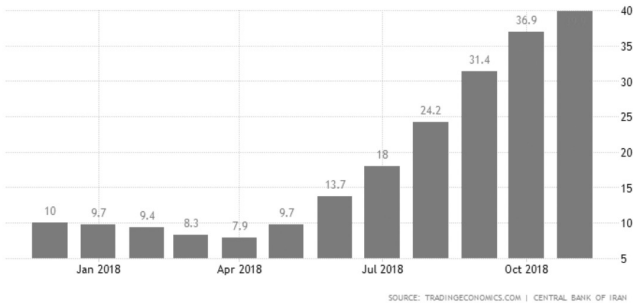


Table 1: Inflation rate in Iran, 2018

The inflation rate that had been controlled during Rouhani's first term was directly affected by the US announcement of the withdrawal from the JCPOA. While the rate remained below the average 10% from January to May, it gradually increased to 18% in July, reaching 40% by the end of the year.⁸ Unemployment, one of the concerns behind the strikes and demonstrations that affected the country at the beginning of the year, remained high at 12.1%, especially among the youth and educated population, as the labour-force, people aged 15 to 64, continued to rise (40.3% in 2017/18).⁹

6. According to *Statista* the estimated GDP growth for the calendar year 2018 was -1.48%, while in 2019 it would be -3.61% (<https://www.statista.com/statistics/294301/iran-gross-domestic-product-gdp-growth/>).

7. 'Iran Economic Monitor: Weathering Economic Challenges', *World Bank Group*, Fall 2018.

8. See available data at 'Consumer Price Index', *Central Bank of Iran* and 'Iran Inflation Rates', *Trading Economics*.

9. 'Iran: Unemployment rate from 2012 to 2022', *Statista* and '2017: Iran's Economy in Review', *Financial Tribune*, 2 January 2018.

The dollar-rial (US\$-IRR) exchange rate was of real concern, not only for the government which failed to control the drastic decline of the Iranian currency, but for the population too. It became a burden to access foreign currency for savings or travel purposes as well as to purchase imported goods, such as medicines, unavailable on the Iranian market. The year started with the US\$ at 42,900 IRR, with the rate stabilised at around 55-60,000 IRR before the announcement. The rate rose to 67,800 on 8 May, the day of Trump's announcement, climbing to 90,000 on 24 June, 119,000 on 30 July, peaking at 190,000 on 24 September. Although the situation stabilised after several months, the year ended with one dollar sold at 113,000 rials, almost triple than the beginning of the year.¹⁰

The currency crisis provoked financial speculation, stockpiling of imported products, and scarcity of basic goods causing prices to escalate. In June, foreign exchange offices were temporarily closed down by the authorities, currency exchange suspended, US dollars were no longer sold by the government, which in turn exacerbated the exchange rate. The government also prosecuted those believed to be benefiting from the crisis, for «spreading corruption on earth». The most extreme case ended with the execution, sentenced by an impromptu financial crimes tribunal, of the so-called «sultan of coins», Vahid Mazloumin, in November 2018.¹¹

The main target of the sanctions, the oil industry and exports, was affected by Trump's decision but not as drastically as the US government had hoped. Oil exports rose 2.8 million bpd in April 2018, falling gradually thereafter to 2.3 in July, 1.9 in August and 1.7 in September.¹² Without definitive data available estimations for October were between 1.5-1.8, November 1.3 and December not lower than 1 million bpd.¹³ However, the provisions for 2019 seem to be far from the expected «zero» exports by the Trump administration. In January 2019 between 1.1 and 1.3 million bpd left Iran, while in February an average of 1.25 million bpd were exported.¹⁴ The negative aspect for Iran, nonetheless, was that the top four buyers from Asia – China, India, Japan and South Korea – imported 21% less in 2018 compared with the previous year, reaching an average of 1.3 million bpd.¹⁵ Despite the waivers that the US administration granted to those countries during the second half of 2018, their compliance with American sanctions

10. 'Iranian Rial Exchange Rates', *Bombast*.

11. 'Iran executes «Sultan of Coins» amid currency crisis', *BBC News*, 14 November 2018.

12. Julian Lee & Alex Longley, 'Iran's Tracked Oil Exports Hit 2 1/2 Year Low Before Sanctions', *Bloomberg*, 1 October 2018.

13. Personal communication with Nikolay Kozhanov, expert and consultant on energy and oil, 2 February 2018.

14. Alex Lawler, 'Despite sanctions, Iran's oil exports rise in early 2019: sources', *Reuters*, 19 February 2019.

15. Florence Tan, 'Hit by sanctions, Asia's Iran crude oil imports drop to three-year low in 2018', *Reuters*, 31 January 2019.

means that their previous commitment to purchase Iranian oil will not be fulfilled, reducing the total to less than 800,000 bpd.

The price of Iranian oil varied greatly throughout 2018. While it reached a peak of 81 US dollars per barrel on 4 October, giving hope to the Iranian government that the fall in exports would not so severely affect the state budget, prices did not remain stable and plummeted to US\$ 46 by the end of December.¹⁶ By February 2019 prices rose again to US\$ 60.

According to the Iranian Financial Tribune newspaper the non-oil exports also dropped during 2018, at least 34% from March to December, China being the main foreign trade partner throughout that year.¹⁷

Further bad news for the Iranian economy in 2018 was the departure of companies expected to have an important role in developing the oil industry. Most notable case was the French oil giant Total, which announced its departure from Iran in late August, following the failure to obtain a US waiver to the sanctions. The French involvement in the South Pars gas project jointly with the China National Petroleum Corporation (CNPC) and Iran's Petropars had been signed earlier in July 2017, with a joint investment of US\$ 4.8 billion.¹⁸ Earlier in June some companies had already announced that following the new sanctions imposed by the US they would cease trading with Iran, among them the shipping company A.P. Moller-Maersk; the French carmaker Peugeot; General Electric and Siemens. Moreover, the aviation company Boeing, which had signed a contract worth US\$ 20 billion to provide new aircraft to the state companies Iran Air and Iran Aseman, declined to request the US waiver and in June announced the cancellation of the contract.¹⁹

The most worrying development in the second half of the year was the cancellation of contracts by the Russian oil state companies Lukoil, announced earlier in May, and Zarubezhneft, in November. Both companies claimed they pulled out from the oil market due to the implementation of sanctions.²⁰ This was followed by a reduction of its financial activities in Iran by the Chinese bank Kunlun, announced in December.²¹ Summing up, 2018 saw the two nations that had been Iran's main supporters, even throughout the harshest of international sanctions, prioritise their long term interests with the United States over their support for Iran.

16. Iran Heavy Oil Price (<https://oilprice.com/oil-price-charts>).

17. 'Iran's Non-Oil Foreign Trade Falls 34%', *Financial Tribune*, 31 December 2018.

18. 'French energy giant Total quits lucrative Iran gas project', *Al Jazeera*, 20 August 2018.

19. Ellen Wald, '10 Companies Leaving Iran as Trump's Sanctions Close In', *Forbes*, 6 June 2018.

20. 'Lukoil puts Iran plans on hold due to threat of U.S. sanctions', *Reuters*, 29 May 2018; 'Russian oil producer Zarubezhneft quits Iran projects due to sanctions: sources', *Reuters*, 2 November 2018.

21. Motamedi Maziar, 'Policy Change at China's Bank of Kunlun Cuts Iran Sanctions Lifeline', *Bourse & Bazar*, 2 January 2019.

2.2. *The street demonstrations*

Throughout 2017 the prospect of new sanctions to be imposed by the US, as well as the absence of any visible economic improvement as a result of the JCPOA, served to increase pressure on the Rouhani administration. On the one hand, the hardliners had been pushing the government to take a harsher approach to foreign policy, mainly in relation to the nuclear negotiation, and on the other, the patience of working class Iranians throughout the country started to wane. The year 2017 finished with a spontaneous demonstration in Neishabour, Mashhad province, which was convened through the popular social media Telegram. As a result, on 3 January the mobile application was temporarily blocked by the Supreme National Security Council, basing its decision on the utilisation of this tool by groups in exile to distribute news against the Iranian government, such as the channel Amad News.²² A few months later, on 28 April, Telegram was banned by the judiciary, which declared it detrimental to state security.²³

The demonstrators gave voice to their economic grievances, targeting mainly the Rouhani administration's performance. The protest spread throughout the country, with relatively big demonstrations in Qom, Isfahan and Tehran, and continued for several months.²⁴ A detailed report from the American Enterprise Institute Critical Threats Project described and documented 102 demonstrations, with the geographic distribution, outcomes and sources used.²⁵ The demonstrations began peacefully but ended with at least 30 casualties in several provinces – Isfahan, Khuzestan, Lorestan and Kermanshah.²⁶ Some of the demonstrators were chanting against the leader, the Islamic Republic and in favour of the former ruler of Iran, Shah Mohammad Reza Pahlavi.²⁷ Although the protests reached a level of violence not seen in Iran since the time of the Revolution, with official buildings stormed and set on fire, the Rouhani government unambiguously recognised the right of the Iranian people to protest and express their grievances.²⁸ In so doing, it circumvented the intervention of the Revolutionary Guard and thus avoided any bloodshed.

22. 'Iran calls on Telegram to block terrorist channels', *IRNA*, 3 January 2018.

23. Parisa Hafezi, 'Iran's judiciary bans use of Telegram messaging app: state TV', *Reuters*, 30 April 2018.

24. 'Protesters Shout «Death to High Prices» as Demonstrations Break Out in Three Iranian Cities', *Payvand*, 29 December 2017.

25. Mike Saidi, '2017 - 2018 Iranian Anti-Regime Protests and Security Flaws: Graphics', *Critical Threats*, 19 January 2018.

26. 'Statistics of Killed and Detainees during 2017–18 Iranian protests', *Medium*, 7 January 2018.

27. 'Iranians chant «death to dictator» in biggest unrest since crushing of protests in 2009', *The Guardian*, 31 December 2017.

28. 'Iranians free to express criticism, stage protest: President Rouhani', *PressTV*, 31 December 2017.

Hard-line media and politicians alike exploited the situation to attack President Hassan Rouhani and his cabinet, demanding their impeachment. However, Supreme Leader Sayyid Ali Hosseini Khamenei sided with Rouhani, declaring after a meeting with him that the protests had been orchestrated by the enemies of Iran from abroad, namely the United States, Israel and the Mojaheddin-e Khalq opposition movement in exile.²⁹

Other high-ranking officials, such as chairman of the Guardian Council Ahmad Jannati, accused foreign actors of organising the protests. But Jannati also recognised that there were those who participated in the protests because of their «dissatisfaction over economic issues.» In that sense, he stressed that the government should address the people's demands, in line with what the Supreme Leader had said.³⁰

Similar remarks were provided by former reformist president Mo-hamad Khatami on 15 January, when he stated that the government had to «accept their share of the blame» of the «economic, political, and social shortcomings» behind the protests. At the same time, Khatami called for an open environment in which people could express freely their grievances without repression.³¹

After the first days of demonstrations, the entire political elite became aware of the gravity of the demands and the threat posed to the security and stability of the whole political system. In response, the authorities decided to convene pro-government rallies across the country, to show people's allegiance to the Islamic Republic. Since the most important anti-governmental demonstrations took place mainly in the peripheral provinces, the pro-governmental ones were organised alongside them, to counterbalance the narrative of the protesters.³²

Included among those hard-line politicians wanting to hold protests against the country's economic conditions were seven associates of former president Mahmoud Ahmadinejad. One of them was the controversial Es-fandiari Rahim Mashaei, a close collaborator of Ahmadinejad and rejected presidential pre-candidate in 2013.³³

The protests and its consequences opened a very delicate debate about the achievements of the almost 40 years old Islamic Republic. The political elite realised that blaming the United States and its policies was not enough to justify the lack of economic improvement of large segments of the Irani-

29. Khamenei Tweeter account tweet, 9 January 2018 (https://twitter.com/khamenei_ir/status/950674703538098176)

30. 'Recent unrests in Iran foreign plot: Top cleric', *IRNA*, 3 January 2018.

31. 'Khatami's stance on recent protests (موضع خاتمی در مورد اعتراضات اخیر)', *Jam-aran*, 15 January 2018.

32. Mahdi Pedramkhou, 'Iranians march in streets to denounce riots', *Mehr News Agency*, 3 January 2018.

33. 'Ahmadinejad's close ally request approval for a protest rally to the Interior Ministry' (تقاضای رسمی نزدیکان احمدی‌نژاد از وزارت کشور برای تجمع اعتراضی), *Radio Farda*, 24 January 2018.

an population. The role of demonstrations, their legitimacy and purpose as an expression of popular demands and the fact that they did not necessarily represent a danger to the stability of the system were discussed. In closed-door meetings as well as in the press, scholars and politicians increasingly began to accept the protests as a normal feature of mature political systems, able to tolerate dissent and opposition. Given that the Iranian society is pluralistic, with huge social, ethnic and regional diversities, further divided by an urbanised and rural population, recognising the people's right to demonstrate was only logical. Rouhani and his government appeared to be convinced that demonstrations serve as a form of damage control, defusing people's grievances and demands unable to be expressed through electoral or normal channels. The «normalisation of politics of protests» has thus become a very likely scenario in Iran in the short term. The government appears to have learned to coexist with sporadic or even systematic strikes and demonstrations, made legal, though contained by the security forces, as in Western countries. If this change, which came about in the year under review, were to endure until the presidential elections in 2021, it would grant Rouhani some leeway to improve the economy, which in turn would most likely favour a reformist or pragmatic candidate.

2.3. *The strikes and social discontent*

The year 2018 witnessed an increasing number of general strikes and public demonstrations directly related to socio-economic grievances, triggered by the worsening economic situation after the imposition of sanctions. Three sectors in particular were in a permanent state of unrest throughout 2018: truck drivers, teachers and shopkeepers. Truck drivers went on strike in June, October and November, allegedly affecting dozens of cities in several provinces. However, the evidence for this has often been contradictory. Some of the strike's leaders were detained and prosecuted, aggravating an already tense situation.

Beginning in June, shopkeepers in Shiraz, Isfahan, Kermanshah, Ardebil and even Qeshm Island (which has privileged status due to economic incentives) closed their doors repeatedly. On 11 October, more than 50 cities closed their shops, bringing the country to an almost standstill. Also on 8 October *bazaaris* closed their shops in many cities, mainly in Kurdistan and Azerbaijan provinces but also in big cities such as Tehran, Isfahan and Mashhad. Even Chabahar went on strike, a city that has been given considerable government aid to develop its port to enable it to trade with India, China and Qatar.

Some incidents attracted a lot of attention from local and foreign media, such as the Heavy Equipment Production Company (HEPCO), an Iranian company that manufactures construction equipment in Arak. The company was privatised in 2017 when a large proportion of its employees were dismissed. On 5 February hundreds of workers took to the main square

of the city to claim three months unpaid wages. As a result, many demonstrators were prosecuted and jailed; 15 of them were sentenced for «disturbing the peace» to two years in prison and 74 lashes.³⁴

Another notable case was the privately-owned Haft Tapeh sugar factory, which also went on strike in February because of unpaid wages. Thirty-four of its workers were detained and later released with charges.³⁵

On 4 February several labour unions – the Tehran Bus Workers' Syndicate, Nikshahr Haft Tapeh Sugarcane Workers' Syndicate, and the United Retirees' Group – issued a joint statement calling for the government to raise the minimum monthly wage to US\$ 1,350 from the very low wage of US\$ 250; increasing inflation was drastically reducing the value of the Iranian currency.³⁶

Teachers from all over the country went on a two-day strike on 13 and 14 October, with dozens detained. Although, as noted above, the government recognised the people's right to protest and present their demands to the authorities, the security forces detained many demonstrators and threatened them with massive detentions, while the judiciary applied a very strict interpretation of the law, accusing them of conspiring against the state.³⁷

2.4. *The Girls of Enghelab Street*

In the midst of this social unrest, a new challenge to the Islamic Republic's dress code surfaced in Tehran and some other major cities. On 27 December 2017, Vida Movahed, a Tehranian woman, stood on top of a street utility box at Enghelab Street, in the crowded centre of Tehran, took off her white *hijab* (scarf), tied it to a stick and waved it as a flag. The pictures of Movahed, who was arrested and released on bail a month later, went viral on social network, and many other women repeated the same action throughout the city over the following days with similar results. On 1 February 2019 the security forces arrested 29 women who were protesting the wearing of the mandatory hijab in support of a campaign called «White Wednesdays», encouraged from abroad via VOA Persian TV, but also as a show of solidarity with Movahed.³⁸ While it did not become a massive demonstration and involved only a few dozen individual actions,

34. '15 HEPSCO Workers in Iran Issued Suspended Prison, Lashing Sentences For Demanding Unpaid Wages', *Payvand*, 1 November 2018.

35. '34 detainees were released' (۳۴کارگر بازداشتی نیشکر هفتتپه آزاد شدند), *Radio Farda*, 4 February 2018.

36. 'Trade Unions: minimum monthly wage should be 5 million toman' (صنفي: حداقل دستمزد ماهانه سال ۹۷، بايد پنج ميليون تومان باشد سه تشکل کارگری و), *Radio Farda*, 5 February 2018.

37. 'Teachers' Strike Sees Classes Canceled Across Iran', *Radio Farda*, 15 October 2018.

38. '29 people arrested for anti-hijab campaign' (۲۹ نفر از فریبخوردگان کمپین کشف (حجاب دستگیر شدند پلیس تهران:), *Tasnim News*, 2 February 2019.

the campaign once again raised the subject of the dress code imposed by the religious authorities in 1980. Nasrin Sotudeh, the lawyer defending Movahed and other feminist activists jailed during this campaign, was also detained in June.

Far from being unanimous, however, the reaction to the protest by Movahed and other feminists varied from support to condemnation. Accordingly, on the one hand, female parliamentarian Soheila Jelodar attributed the wave of protests against the mandatory hijab to «unnecessary hardships» which had caused the «Girls of Enghelab St. to throw their hijabs in the sewer.»³⁹ A conservative member of the Majlis, Ali Motahari, stated that there was no compulsory hijab in Iran, arguing that women can choose.⁴⁰ And the cleric Seyyed Mehdi Tabatabaei asserted that although the hijab was certainly a requirement in Islam, it does not mean that it should be compulsory, since this has a converse effect.⁴¹ On the other hand, there were those who vehemently condemned the actions, for instance the judiciary spokesman Gholam-Hossein Mohseni-Eje'i, who on 4 February 2018 stated that some of the arrested women were on «synthetic drugs»; adding that if it was proven their protests were organised, their crime? punishment would be much heavier.⁴² Similarly, the Mashhad Friday prayer leader Ahmad Alam ol Hoda, claimed that those foreign and internal actors who were knowingly and unknowingly targeting the hijab in the name of freedom and happiness, were actually following the enemy. He directly accused foreign enemies of conspiring to undermine the pillars of the Islamic Revolution.⁴³

The Center for Strategic Studies, attached to the office of President Hassan Rouhani, intervened in the debate by publishing a report on 3 February, suggesting that almost half Iranians wanted the wearing of the hijab to be voluntary and not mandatory. The report, which summarised and compiled the findings of surveys conducted between 2006 and 2014, revealed an increase from 34.7 to 49.2% of those who believed the wearing of the hijab should be voluntary.⁴⁴

39. 'From the «Girl of Enghelab Street» to the «Girls of Enghelab Street» («دختر خیابان» تا «دختران خیابان انقلاب از «دختر خیابان»)', *Radio Farda*, 9 February 2018.

40. 'Protests against compulsory hijab trigger debate in Iran', *Al monitor*, 31 January 2018.

41. 'Seyyed Mehdi Tabatabaei: In the veil debate, there is a block between people and authorities' (سید مهدی طباطبایی: در بحث حجاب شاهد لجبازی بین برخی مردم و مجریان هستیم), *Jamaran*, 24 January 2018.

42. 'Woman Arrested For Removing Hijab in Tehran Refuses to Repent Despite Facing 10 Years in Prison', *Center for Human Rights in Iran*, 6 February 2018.

43. 'Participating in the 22 Bahman rally is the greatest worship' (بزرگترین عبادت است شرکت در راهپیمایی ۲۲ بهمن), *ISNA*, 24 January 2018.

44. 'Meeting report Hijab: Pathology of Past Policies, Looking to the Future' (حجاب: آسیب‌شناسی سیاست‌های گذشته، نگاه به آینده گزارش نشست), *Center for Strategic Studies*, 3 February 2018.

3. *Internal and foreign policy*

The continuation of the Iranian commitments with the JCPOA and related international agreements, such as the Financial Action Task Force (FATF), has been intertwined with the tough struggle for power between the government and its critics, with the government battling to maintain its decision-making capacity in order both to promote socio-economic changes to alleviate the population's grievances, and to sustain the Iranian international commitments.

At least three large terrorist attacks took place in the provinces causing dozens of fatalities. These attacks demonstrated that the country is not immune to the threat of terrorism, and has become a target for many groups in the region.

3.1. *The internal struggle for power*

In the year under review, President Hassan Rouhani was under huge pressure from conservative sectors as a result of the country's poor economic performance, the depreciation of the Iranian rial and the absence of any economic gain after signing the nuclear deal (JCPOA). The impeachment by the Majlis of the minister of Economic Affairs and Finance Masoud Karbasian, the number three in the Rouhani government, was evidence of this. On 25 August, with 137 votes in favour and 121 against, the Majlis voted for Karbasian's impeachment, due to his failure in tackling inflation, implementing economic transparency and preventing irregular tax application. Previously, on 8 August, the minister of Co-operatives, Labour and Social Welfare Ali Rabiei had been impeached, allegedly due to his inability to reduce the country's high unemployment rate. At the same time, Rouhani ousted the head of the Central Bank of Iran, Valiollah Seif.⁴⁵

Very shortly after, on 28 August, Rouhani attended a parliamentary meeting in order to specifically address five issues put to him by 82 members of the Majlis: 1) the government failure to tackle the smuggling of goods and hard currency; 2) the continuation of banking sanctions; 3) the persistence of high unemployment rates; 4) the slow economic growth; and 5) the devaluation of the national currency. Rouhani's answers, however, did not satisfy the parliamentarians. According to Iranian media sources, Rouhani properly addressed only one of the five issues, and, in response, a group of MPs decided to submit the questions to the judiciary for further information. However, the head of parliament, a conservative supporter of Rouhani, Ali Larijani, ruled out this possibility. According to Larijani, the questions were not related to any «violation of the law» or «refrainment from

45. 'Rouhani's economy minister impeached', *Al Monitor*, 27 August 2018.

the implementation of the law», which, according to him, were the only cases in which the judiciary could be involved.⁴⁶

Even though this grilling did not represent an impeachment attempt by the Majlis, and did not have further consequences for Rouhani, it was evident that the conservative factions had enough weight within the chamber to eventually bring about Rouhani's impeachment before the end of his second term in mid-2021. It is worth mentioning that impeachment has occurred in Iran only once, in 1981, with then-president Abol Hassan Bani Sadr;⁴⁷ and that that option did not seem to be favoured by the leader Ali Khamenei. This became clear just one day after the grilling, on 29 August, in a routine meeting Khamenei had with all the administration, including Rouhani. The first interpretation of the meeting was that Khamenei still supported Rouhani as president, and there was no imminent intention to impeach him, with Khamenei calling for the unity of the government and praising the hard work of all the members of the current administration. However, according to some experts, Khamenei's words were interpreted as: 1) a reprimand against Rouhani for his poor performance in economic affairs; and 2) a warning that if there were no visible results in the short term the Supreme Leader's support for Rouhani should not be taken for granted. The meeting also highlighted Khamenei's conviction that the JCPOA, without the participation of the US, was devoid of any benefit for Iran. Khamenei prohibited any further negotiation with the US government and at the same time clearly stated that Iran can neither trust nor rely on the European Union to continue the deal or to make the deal operational, as was proven by the cancellation of agreements with major companies such as Total, ENI, and Peugeot among others (see below, section 3.2).

Another point of confrontation between institutional figures and factions was represented by foreign minister Javad Zarif's statements on money laundering, and the implementation of the internal measures requested by the Financial Action Task Force (FATF)⁴⁸ to make the Iranian banking system more transparent and to prevent the financing of terrorist activities. In an interview on 10 November with Khabar Online television, Zarif

46. 'No Consequences For Rouhani After Speech On Economic Performance', *Radio Farda*, 29 August 2018 and 'Iran Lawmakers Reject Rouhani Answers on Economic Woes', *Bourse & Bazar*, 28 August 2018.

47. The Iranian Islamic Consultative Assembly (Parliament) impeached Abol Hassan Bani Sadr, the first elected president of the Islamic Republic, on 21 June 1981, with 177 votes in favour, 1 against, 1 abstention and 11 absent members. For more information see 'Iran Parliament Finds Bani-Sadr Unfit for Office', *New York Times*, 22 June 1981.

48. The Financial Action Task Force (FATF) is an inter-governmental body established in 1989, with the objective to «promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.» For more information, see <https://www.fatf-gafi.org/home/>.

stated that money laundering was a widespread «real problem» in Iran. He did not mention any specific name or institution, but it was understood his comments referred to institutions such as the Bonyads (the powerful charity trusts) and the Pasdaran (Revolutionary Guards), who are accountable only to Supreme Leader Khamenei, without any other control from the government, and are tax exempt.⁴⁹

Zarif's comments followed the debate related to the bills which make joining the FATF mandatory for Iranian institutions. These bills had been under discussion for several months in parliament, the Guardian Council and the Expediency Discernment Council, but by the end of 2018 were still far from being passed.

The conservative press and politicians severely criticised Zarif for his remarks, and a request for his impeachment was signed by 24 members of parliament, enough for it to be considered by the Majlis National Security and Foreign Policy Commission session. Heshmatollah Falahatpisheh, head of the National Security Commission of the Majlis, and a number of hard-liner MPs denounced the FATF bills as government surrender to external interference in the Iranian financial and banking system. However, Falahatpisheh did not support Zarif's impeachment, only his interrogation by the Majlis, a commonplace procedure among members of the cabinet. The draft of the impeachment request included 11 points, some very general, such as those criticising Zarif for the indifferent results of his policy towards Iran's traditional partners in Asia, Africa and Latin America. Another was the accusation that the foreign minister had not properly followed Khamenei's directives to implement a strong «resistance» policy in the region. Other accusations were very specific: Zarif had made insufficient efforts to defend Iranian diplomats expelled or detained in Europe;⁵⁰ he had diverted public attention towards the money laundering issue in order to facilitate the signing of an international treaty, decried as harmful for the country.

Ultimately though, the impeachment attempt failed to obtain enough support from parliamentarians and was finally dropped.⁵¹

Although Rouhani has lost several ministers during his tenure, and more are likely to follow before the end of his term, impeachment of ministers in Iran is quite common. Before Rouhani's presidency, 21 ministers were impeached (three during Mousavi's government, four during Rafsan-

49. The interview can be watched at <https://www.didestan.com/video/47qLERv8>.

50. In June 2018, two diplomats were expelled from the Netherlands due to their alleged involvement in the killing of one member of the Mujahedin Khalq Organization and another from Al Ahwazy Arab group. In October, another diplomat was expelled from France due to his alleged involvement in a failed attack against a meeting in Paris of the National Council of Resistance of Iran. In December, the ambassador and another diplomat were expelled from Albania due to their alleged threats against the security of the country.

51. 'Parliament drops Zarif impeachment', *Mehr News*, 5 December 2018.

jani's, seven during Khatami's, seven during Ahmadinejad's). During Rouhani's tenure, the number of impeached ministers leading up to the end of the period under review was 11: seven during the first term, and four during the second. The last four were those of Labour, Finance, Industry and Transportation, portfolios that were bound to be targeted because of the disruption caused by industrial action, political protests as well as lack of economic progress. Surprisingly, the four new ministers appointed by Rouhani in August obtained a very high approval rate in the October Majlis sessions, with 200 votes out of 265 for Farhad Dejpasand, Economic Affairs and Finance; 203 for Reza Rahmani, Industry, Mines and Trade; 196 for Mohammad Shariatmadari, Labour and Social Welfare; and 151 for Mohammad Eslami, Transport.⁵² Other interesting facts were that Mohammad Shariatmadari moved from Industry to Cooperatives, Labour and Social Welfare, and Farhad Dejpasand, previously deputy head of the Plan and Budget Organization, a powerful administrative office designed in 1980s' to coordinate the efforts for industrialization and privatization of state companies, was appointed Minister of Economic Affairs and Finance. The reshuffle of Rouhani's cabinet in 2018, although not as thorough as expected to change the direction of the economy, was not negatively received by parliament. This would suggest either that Ali Larijani was able to convince the moderate-conservatives to support Rouhani's nominees or, simply, that MPs were happy to force the dismissal of some ministers to signal a warning to Rouhani without provoking the general collapse of his administration.

Another situation that revealed Rouhani's domestic problems was the difficulty in holding together the parliamentary coalition supporting his government. Even though Rouhani was supported by the reformist groups, he himself is not a reformist but a pragmatist, much in line with the ideology of the Kargozaran Party, to which he belongs.⁵³ It is also clear that moderate-conservatives, or conservative-reformists, such as Ali Motahari, Mostafa Kevakevian and Ali Larijani, who are also supporting governmental initiatives, do not share Rouhani's ideological background. Thus, the alliance supporting the president seems to be based on the decision to sponsor specific policies, such as the JCPOA, rather than a shared well-defined political programme.

An example of the coalition's weakness is the crisis suffered by Tehran city council. In the 19 months since the municipal elections of May 2017, the capital city has had four different city mayors chosen by the council's members. The fact that the 21 elected members of the city council belonged

52. 'All proposed ministers get votes of confidence', *Tehran Times*, 27 October 2018.

53. The Kargozaran party – Kargozaran-e Sazandegi-e Iran or Executives of Construction Party – was founded in 1996, under Ali Akbar Hashemi Rafsanjani's presidency. It sponsors free markets and industrialisation as a main instrument for the promotion of progress and development.

to the List of Hope, which includes reformists, moderates and independents and who won the last elections, is another element that proves the lack of homogeneity and, therefore, the structural weakness of the coalition supporting the government.⁵⁴ The first mayor, Mohammad Ali Najafi, from the Reformist faction, resigned in March 2018. Samiollah Hosseini Makarem, also a reformist, lasted one month, until Mohammad Ali Afshani (National Trust Party) was elected in May. He was forced to resign in October due to a new law banning early-retired officials from re-assuming public office. Mohsen Hashemi – son of Hashemi Rafsanjani and head of the city council and the Kargozaran Party, powerful at the national level, but a minority in the current city council - was not able to impose his candidate in the election of the fourth city mayor on 18 November 2018. The current mayor, Pirouz Hanachi, previously deputy mayor, won with a very narrow margin, obtaining 11 votes against the ten supporting his rival, Abbas Akhoundi, minister of Roads and Urban Development until his resignation in October. Close to Rouhani, Hanachi has a more technocrat and less political profile, according to sources.⁵⁵

Tehran municipality has been very important in boosting the electoral chances of some politicians, such as Mahmoud Ahmadinejad in 2005, but less so for others such as Mohammad Bagher Qalibaf, who unsuccessfully ran twice as presidential candidate, competing with Rouhani in 2013 and 2017. Moreover, the battle for the Tehran mayoralty might backfire, weakening the reformist/pragmatic coalition and endangering Rouhani's chances of retaining the presidency, and control of both Teheran city council and the national parliament, elections for which will be held in February 2020.

3.2. *The US, EU, UN, between the JCPOA and the Special Purpose Vehicle (SPV)*

While it was expected that Trump would change his administration's approach towards Iran and the JCPOA, many scholars consulted in Iran in January 2018 considered he would not attempt to abrogate unilaterally an agreement that had been ratified and endorsed by the whole international community. However, those hopes were dashed when John Bolton replaced Herbert McMaster as National Security Advisor, and Michael Pompeo replaced Rex Tillerson as Secretary of State in April of that year. The new appointees, in particular Bolton who openly advocated regime change in Iran and claimed to be a representative of the Mujaheddin Khalq Organ-

54. The official results of the municipal elections in Tehran, May 2017 are available at <https://tehran.ostan-th.ir>

55. Tahere Hadian-Jazy, 'New Tehran Mayor Takes Office After Controversy', *Atlantic Council*, 10 December 2018; 'Why Tehran's Reformists Changed Three Mayors In 18 Months', *Radio Farda*, 13 November 2018; and Saeid Jafari, 'Tehran set for yet another mayor amid Reformist infighting', *Al Monitor*, 19 October 2018.

ization, a group outlawed by the European Union⁵⁶, were well-known anti-Iran hawks.

Just a couple of weeks after those appointments, and following the threats uttered by Trump ever since May 2017, on 8 May 2018 the US president publicly announced the abandonment of the nuclear deal and the reinstating of all US nuclear-related executive sanctions against Iran. The reaction from the Iranian government was a measured statement by President Rouhani in which he reaffirmed Iran's commitment to the deal, regretting the US decision, but warned that Iran's continuing adherence to it would depend upon further consultations with the remaining signatories of the agreement. He also indicated that the Iranian government would ready itself for the deal's eventual cancellation, by stating

I have instructed the Atomic Energy Organization to be ready for the next steps if necessary and start industrial enrichment without any limitation and we will wait a few weeks until we implement it, consulting with our friends and allies, as well as the other members to the JCPOA who have signed it and will be loyal to it.⁵⁷

Foreign Minister Zarif also added in his Twitter account that

In response to US persistent violations & unlawful withdrawal from the nuclear deal, as instructed by President Rouhani, I'll spearhead a diplomatic effort to examine whether remaining JCPOA participants can ensure its full benefits for Iran. Outcome will determine our response.⁵⁸

Despite the fact that the Iranian government was aware the JCPOA might collapse, and its declared readiness to cope with the impact of Trump's decision, the first consequence was the people's dramatic loss of confidence in the future economic shape of Iran, with the raise in the price of the Dollar as explained before. The remaining signatories to the deal, principally the European Union, regretted America's decision and reaffirmed their commitment to the JCPOA, which granted time for Rouhani's administration to

56. Jason Rezaian, 'John Bolton wants regime change in Iran, and so does the cult that paid him', *Washington Post*, 24 March 2018 and Eliana Johnson, 'Regime change by tweet? John Bolton hopes so', *Politico*, 13 February 2019.

57. See the official transcript of Rouhani's televised statement at <http://president.ir/en/104282>. The video of the statement is also available at 'President Rouhani says Iran will stay in JCPOA', *Press TV*, 8 May 2018.

58. Zarif Twitter feed at <https://twitter.com/JZarif/status/993940599576330240>.

deal with the demands for a harsher response to the US government. After the cabinet meeting with Khamenei on 28 August, the Supreme Leader tweeted his clear guidelines to deal with the JCPOA crisis, reaffirming Iranian commitment to the agreement, but expressing his scepticism regarding European reaction to the withdrawal of the US from the deal

It is fine to establish ties, continue negotiations with Europe; however, meanwhile you should stop having hopes in them on the issues like JCPOA or economic matters. You should strictly watch over the process of dealing with the matters, approaching their promises with wariness.⁵⁹

He also warned the EU about the further steps Iran would take if nothing was achieved in relation to the JCPOA:

JCPOA is not a goal but a means; naturally, if we conclude that it is impossible to protect national interests with JCPOA, we will put it aside. Europeans should understand from Iranian govt officials' words and actions that their measures will receive proper reactions by Iran.⁶⁰

Interestingly, the report of the director of International Atomic Energy Agency (IAEA) to the Board of Governors and the United Nations Security Council, released on 30 August, reaffirmed Iranian compliance with the JCPOA and that the IAEA inspectors had access «to all the sites and locations in Iran which they needed to visit» as stipulated in the deal.⁶¹ The report clearly confirmed that there was no reason to either revisit or cancel the deal, as requested by the Trump administration. The European Union as well as the remaining signatories of the JCPOA reaffirmed their commitment to the deal during the United Nations General Assembly in September. They also announced the creation of a Special Purpose Vehicle (SPV) to guarantee the continuation of the deal.⁶²

59. Khamenei Tweet feed at https://twitter.com/khamenei_ir/status/103477564-7997046784.

60. Khamenei Tweet feed at https://twitter.com/khamenei_ir/status/103477728-3528142849.

61. IAEA Report 'Verification and monitoring in the Islamic Republic of Iran in light of United Nations Security Council resolution 2231 (2015)', GOV/2018/33, 30 August 2018 (<https://www.iaea.org/sites/default/files/18/09/gov2018-33.pdf>).

62. European Union External Action, *Iran Deal: EU and partners set up mechanism to protect legitimate business with Iran*, 25 September 2018 (https://ec.europa.eu/headquarters/headquarters-homepage/51066/iran-deal-eu-and-partners-set-mechanism-protect-legitimate-business-iran_en).

Rouhani and Zarif, on the sidelines of the UN assembly, were widely interviewed by several US networks (CNN, NBC, Face the Nation, among others), and clearly stated their views on the state of US-Iranian relations, claiming that the US Iranian policy had been a failure. Trump, for his part, succeeded in changing the topic of the special session of the Security Council from the Iranian question to the non-proliferation problem. By doing so, he prevented Iran's participation in the meeting, and avoided any direct encounter with Rouhani. None of the 14 remaining members of the SC supported the US claims against Iran; instead, they praised the efforts made by the EU to continue the deal. Both the meeting between the remaining signatories of the JCPOA and the joint statement between Federica Mogherini and Javad Zarif made clear the firm consensus of all participants that Iran had resolutely complied with the agreement signed in 2015. The creation of a SPV to overcome the US sanctions affecting Iran foreign trade mainly with Europe conveyed a strong message to the US. It signified that Washington and not Tehran was being isolated on the international stage. The international community recognised the efforts of Iran, certified by the IAEA, in complying with the JCPOA.

Another American initiative to backfire during the side-lines of the General Assembly was the meeting organised by the US with the Middle East Strategic Alliance countries, broadly known as «Arab NATO». The meeting was intended to flesh out a proposal launched several months earlier, whose objective was the creation of a strategic missile defence system around Iran, including all the Gulf Cooperation Council states. The initiative, however, did not succeed because the differences among the invited foreign ministries seemed more important than their perception of any possible threat coming from Iran.⁶³

These US failures boosted Iran's mood and optimism. By the end of 2018, the content and implementation schedule of the SPV had not been released, but the creation of an alternative to the US-controlled SWIFT bank transfer system, allowing trade and the circumvention of US sanctions, was anticipated. The expectation that its activation was imminent represented a positive signal for the Iranian population.

At the same time, the Iranian government began to comply with the requirements of the Financial Action Task Force, making the Iranian financial and banking system more transparent as well as adhering to prevailing international norms in terms of combating terrorism and money laundering. On 7 October, the Majlis passed the bill to join the International Convention of Financing Terrorism, one of the requirements of the FATEF. The bill was approved with 143 votes in favour and 120 against, following a very

63. United States Department of State readout 'GCC+2 Ministerial', 28 September 2018 (<https://www.state.gov/r/pa/prs/ps/2018/09/286302.htm>); and Yasmine Farouk, 'The Middle East Strategic Alliance Has a Long Way To Go', *Carnegie Endowment for International Peace*, 8 February 2019.

heated debate in which those opposed to the approval condemned the Iranian government as willing to surrender the Iranian economy to the will of external powers and international organisations. In the same week, another two bills were passed, encountering less opposition: one was on Anti-money Laundering regulations; the other adhered to the UN Convention against Transnational Organized Crime.⁶⁴

All three bills, after being approved by the Majlis in 2018, were rejected by the Guardian Council, which, according to the legislative procedures, sent them back to the Majlis for review. After introducing some amendments, the laws were resubmitted to the Guardian Council, which rejected them again, arguing that they were not in line with the Constitution. After introducing further changes, parliament sent the laws back to the Council, which rejected them for the third time. Following the legislative procedures, a law which is rejected by the Guardian Council three times goes directly to the Expediency Council, which is the third legislative chamber. The Expediency Council bases its decisions in the «interest of the state», rather than the Constitution and the Guardian Council, which is based on sharia law. In this case, however, the Expediency Council delayed its decision. At the end of the period under review, no pronouncement had been adopted and it was impossible to say with any certainty when, how or if the issue would ever be resolved.

Moderates and reformists, as well as the media argued that the approval of FAFT and other international regulations that target terrorism and money laundering will undoubtedly benefit Iran in several ways. On the one hand, Iran's compliance with international agencies against terrorism puts the country on the «right» side, in consistency with Iran complying with other international agreements such as JCPOA. The fact that Iran also suffered from terrorist attacks played in favour of the government and the reformist and moderate-conservative groups that supported the bill in an attempt to normalise Iranian relations mainly with Europe. On the other hand, the signature of complementary bills, such as the Comprehensive Banking Law, necessary to shed light on the banking transactions to prevent money laundering and money transfer to terrorist groups, was also contributing to the internal battle Rouhani has been fighting against the Revolutionary Guard. Since the beginning of his second term in May 2017, the Iranian president has been trying to impose transparency measures on the Iranian banking system, which had hitherto been obscure enough to bring about the imposition of international sanctions in 2006. The need to preserve the nuclear deal with and the effective implementation of the vehicle of payment suggested by the EU required a solid, reliable and transparent

64. 'Iran's Guardian Council Sends CFT Bill Back to Majlis', *Financial Tribune*, 4 November 2018; 'Iran Parliament Passes Counter-Terror Finance Legislation', *Financial Tribune*, 7 October 2018; and 'Iran Parliament Approves 2 FATF Bills', *Financial Tribune*, 25 September 2018.

banking system, connected either to the SWIFT or another alternative *ad hoc* mechanism jointly created by the EU and Iran.

3.3. *The terrorist attacks in Kurdistan, Baluchistan and Khuzestan*

The year under review was particularly difficult for Iran in terms of the terrorist attacks on its soil. These attacks demonstrated that Iran had been, and still is, a target of diverse terrorist organisations, by either jihadists or separatists, like any other country in the region. The main targets of these organisations have been institutions that represent the most important pillars of the Islamic Republic, such as the Iranian Majlis (parliament), Khomeini's shrine and the Pasdaran (Revolutionary Guards).⁶⁵ It demonstrated the difficulties that the Iranian security and defence apparatus has to secure Iran's extended territory from the threats represented by these groups, despite some successes in intelligence operations aimed at dismantling terrorist cells active within the national borders.

The first of the three attacks mentioned in this section – all related to separatist groups – occurred on 20 July 2018 at the Iranian border checkpoint Marivan, in the Iranian province of Kurdistan. The attack killed 11 members of the Basij militia, a voluntary branch of the Pasdaran, plus «several of the attacking “terrorists”» who were allegedly «killed in the fighting in which a munitions depot was blown up». The Kurdish armed leftist opposition group Party of Free Life in Kurdistan (PJAK) claimed responsibility for the attack.⁶⁶ The PJAK, affiliated with the Kurdistan Workers' Party (PKK) of the imprisoned Abdullah Öcalan, was officially created in 2004, when activities against the Iranian government first began.⁶⁷ It has been declared a terrorist organisation by Iran, Turkey and the United States.

The second attack took place on 22 September in Ahvaz, province of Khuzestan, inhabited by a large Arabic-speaking minority. The target was a military parade held by the Pasdaran during the annual commemoration of the beginning of the Iran-Iraq war, one of the most popular in Iran, especially in Khuzestan, where the fiercest battles took place around the city of Khorramshahr, which became a symbol of martyrdom.⁶⁸ Five gunmen killed 25 people and injured 60 more, including military personnel and civilians attending the parade. Responsibility for the attack was initially claimed by ISIS, but later attributed to the separatist terrorist group Ahvaz National Re-

65. Luciano Zaccara, 'Iran 2017: From Rouhani's re-election to the December protests', *Asia Maior 2017*, pp. 395-396.

66. '10 Iranian Revolutionary Guards killed at Iraqi border post', *Middle East Eye*, 21 July 2018.

67. PJAK archived official website at <https://archive.is/FuqM>.

68. '25 killed, 60 injured in terror attack on military parade in Ahvaz', *Press TV*, 22 September 2018.

sistance, also known as al-Ahvaziya.⁶⁹ The group, created in 1980 after the start of the Iraq-Iran conflict, declared war against the Islamic Republic and supported Iraq. It has alleged links with other Arab regimes such as Saudi Arabia. Some of their militants have been located in the United Kingdom, the Netherlands and Denmark, which Iran considered supporters of anti-Iranian groups. As happened with the 2017 terrorist attacks, the Islamic Revolutionary Guard Corps (IRGC) retaliated with a series of missile strikes against positions under ISIS control in Syria, which allegedly hit a «takfiri» base, killing an undetermined number of people.⁷⁰ Moreover, Iranian news agencies published reports based on information released by the Ministry of Interior and backed by a video, claiming that 22 people involved in the attack had been detained. The name of the organisation/s to which the detainees were affiliated was not released, the official sources only mentioning unspecified «takfiri separatist groups under the aegis of reactionary Arab countries.»⁷¹

The last of the terrorist attacks took place in the southern city of Chabahar (Sistan va Baluchistan), on 6 December, killing four police officers and injuring 42 people. The officers found the driver of the car bomb, who immediately detonated the bomb causing his own death and that of the officers surrounding him.⁷² The attack was claimed by Ansar al-Furqan, an al-Qaeda-linked jihadist group, which was formed in 2013 after the merging of two Baluchi jihadist groups (Harakat al Ansar and Hizb al Furqan) and has had a strong presence in the region since the beginning of the decade.⁷³

These attacks took place in peripheral areas, with non-Persian minorities such as Baluchs, Kurds and Arabs, predominantly Sunni Islam, and with a difficult economic situation due to the centralisation of the economic power in Tehran, brought to the fore the claim that Iran was on the verge of disintegration. No doubt, a territorial grievance does exist in these provinces, which consider themselves abandoned by the central government. However, although this grievance occasionally produces protests and strikes, the terrorist groups active in these regions do not have a social base within the population, and can rarely be considered as representatives of the legitimate aspirations of the local people. Significantly, the attacks targeted those same ethnic groups which the terrorist organisations claimed to defend.

69. 'Islamic State says Iran attack will not be the last: al Furqan', *Reuters*, 26 September 2018 and 'Who was behind Ahvaz terrorist attack?', *Press TV*, 26 September 2018.

70. 'Iran's ballistic revenge annihilates terrorists', *Press TV*, 1 October 2018. A takfiri is a Muslim who declares another Muslim to be apostate (i.e. not believing in the essential tenets of Islam) and therefore no longer a Muslim.

71. 'Iran Intelligence Ministry Arrests 22 Elements behind Ahvaz Attack', *Tasnim News*, 25 September 2018.

72. 'Deadly car bomb attack hits Iran's SE port city of Chabahar', *Press TV*, 6 December 2018.

73. Ali Vaez tweet feed, 6 December 2018 (<https://twitter.com/AliVaez/status/1070709485696663552>).

4. *Conclusion*

The US withdrawal from JCPOA was the main factor that negatively affected both the socio-economic situation of the country, at least during the second half of 2018, and its international relations throughout the year. The prospect of an improved economy had faded even before the US withdrawal. Consequently, the patience of both the Iranian population and the political elite had begun to evaporate. After the re-imposition of sanctions, their impact on macroeconomic indicators as well as on the daily life of all Iranians became apparent, despite governmental efforts to reactivate the economy through the introduction of new policies. Rouhani, sometimes with the explicit support of Khamenei, survived 2018. Both the president and his main minister, Javad Zarif, survived attempts to impeach them both.

In implementing new sanctions against Iran, Trump's aim was to drive Iran oil exports to zero. This objective was not reached in 2018, partly because of the waivers the US administration granted to the main Iranian clients; however, the waivers were unlikely to be extended in 2019. Meanwhile, the Rouhani administration had tried throughout the year to fulfil the international requirements for transparency and accountability of the Iranian banking system. As noted, this was a measure strongly opposed by the conservative groups.

Summing up, 2018 was the year in which Iran lived dangerously, pursuing a foreign policy aimed at acquiring the confidence of the international community, but which showed itself unable to achieve the long-term goals established during the negotiations begun in 2013. In the year under review, this same foreign policy was severely criticised by the most conservative and hard-line factions. Because of Rouhani's mixed foreign policy results, these same factions may recover control of the Majlis in 2020 and the presidency itself in 2021.