

Iran after the Nuclear Agreement

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In 2017, Iran will be affected by three sets of developments that reinforce one another. The first is the future of the nuclear agreement, which first and foremost affects the objectives, activities, and capabilities of Iran's nuclear program, but also affects Iran's internal affairs and its regional and global policy. The second relates to internal processes, against the backdrop of the economic and political implications of lifting the sanctions, the expected struggles in the upcoming campaign for the presidential elections in May 2017, and Supreme Leader Khamenei's departure from the stage at some point in the future. The third concerns regional developments, especially Iran's involvement in the fighting in Syria; its broadening cooperation with Russia in the Syrian crisis; its involvement in Iraq, Lebanon, and Yemen; its coping with the Islamic State threat; and its heightened regional competition with Saudi Arabia.

Lifting the Sanctions: Internal Implications

There is no doubt that Iran engaged in the nuclear talks – which led to the Joint Comprehensive Plan of Action (JCPOA), whereby Iran agreed to important restrictions on its nuclear program – in order to have the sanctions lifted. The data indicate clearly that the Iranian economy was hit hard by the sanctions led by the US government, particularly in 2012-2013. During these years there was negative economic growth in Iran and the Iranian economy shrank: the World Bank estimates that Iran's GDP decreased by approximately 3 percent in 2012 and 1.5 percent in 2013. In 2014, moderate recovery signs were apparent, largely due to a more balanced economic

policy pursued by President Rouhani, elected in 2013. In 2014, there was 3 percent growth and Rouhani announced that his government had lowered the inflation rate from 43 to 28.8 percent. But in 2015, the year that the JCPOA was signed, there was no additional growth, and unemployment rose by half a percent, to 11 percent. Unemployment rates and inflation data are official statistics, and presumably, therefore, the actual rates are higher. In any case, even growth of 4 or 5 percent, which has not yet been achieved, is below the target annual growth rate of 8 percent, which was determined by the Iranian government as necessary to overcome double-digit inflation and unemployment.

Data of this nature support Iranian claims that the US government is not fulfilling its end of the agreement as regards lifting sanctions, and the economic benefits that the JCPOA brought to Iran are much smaller than expected. But the picture is far more complex. In theory, removing sanctions has created new economic opportunities for international companies to invest and develop business in the Iranian market, and Western governments have announced that they are willing to help promote such projects. The removal of the sanctions on Iran's oil exports has led to a significant increase in oil output and exports. Automobile manufacturing is the second largest industry in Iran, after the oil sector, and European car manufacturers are assessing possibilities for joint production and sale of cars in Iran. Iran seeks to acquire some 230 passenger jets from Boeing and Airbus to refresh its severely outdated aircraft fleet. The Iranian banks have been allowed to reconnect to the SWIFT system, the inter-bank communication system that facilitates money transfers between different countries on the same business day.

But these positive outcomes of the lifted sanctions regime are overshadowed by difficulties that offset a substantial portion of the benefits that Iran expected to enjoy. First, the decline in world oil prices hit Iran hard in royalties, such that despite considerable growth in sales, the profits were modest. Second, although the sanctions involving the nuclear program were removed, other sanctions imposed by the US administration have remained – particularly those related to Iran's support for terrorism, its missile program, its violation of human rights, and actions that undermine stability in the region. As a result, international companies are hesitant to invest and engage in large scale and long term business in Iran, fearing that at some point sanctions

might be imposed against them and even expanded, should Iran violate the nuclear agreement. Third, the US administration denies that it continues to freeze Iranian assets in the United States, and Iran indeed does have access to some of its assets, but claims it still does not have access to funds totaling tens of billions of dollars frozen in the US.

One major problem relates to the difficulties encountered by Iranian banks. Despite the removal of sanctions, Iranian banks are unable to make international financial transfers or fund trading freely. Iran demands access to the US financial system, which would allow Iranian banks and companies to do business in US dollars, the currency of most international transactions; preventing Iran's use of dollars undermines the ability of Iranian banks to participate in major commercial transactions. The US rejected this requirement for a long time, yet in October 2016 the administration announced an additional easing of sanctions, including allowing Iran to trade in dollars through non-US banks and institutions, provided that they do not have direct contact with the US financial system.

However, the main problem preventing a substantial improvement in Iran's economy lies in Iran itself. The sanctions were just some of the constraints on the Iranian economy and therefore their removal did not free it of its problems. For many years, the Iranian economy has suffered from structural problems, such as unemployment, high prices of basic commodities, a weak rial, and difficulties in completing projects and construction plans. These problems are the result of failed economic policies, corruption, and lack of transparency; over-dependence on the oil sector; the dominance of the Revolutionary Guards in important economic sectors, including oil; and the suffocation of the private sector. Iran always had problems connecting to the global economy, and Iranian banks do not follow the rules of the international banking system set primarily over the past two decades in areas such as risk management, corporate management, and bankruptcy laws – and even more, rules regarding money laundering and transfers to terrorist and criminal organizations, which are the primary barrier to work with the international and American financial systems. The situation was exacerbated by the banks' connection to Iran's intervention in Syria and Yemen and its sponsorship of terrorism. Iranian government officials have admitted publicly that deficiencies of the Iranian system – e.g., corruption, lack of

transparency, and the laws on foreign investment – preempt a sufficiently trustworthy atmosphere for foreign investors.

These difficulties have resulted in serious complications. Iran's leadership expected immediate economic integration in the global economy once the sanctions were lifted, but did not sufficiently assess the changes that Iran itself needed to make in order to fulfill its expectations, including updating the financial and business systems to meet Western standards. Foreign companies are dissuaded from investing and doing business in Iran, fearing high risks, as long as Western banks cannot promise them assistance with long term financing. While the US administration wants to strengthen President Rouhani and encourage improvements in Iran's economic situation, it cannot remove the remaining sanctions, and in the meantime is not willing to allow Iran direct access to the American financial system.

The sense of disappointment in Iran plays into its internal debate about the nuclear agreement. From the outset, there were those in Iran – especially the radical camp, including the Revolutionary Guards – that criticized the agreement severely, alleging that Iran gave up significant nuclear capabilities in exchange for insignificant achievements. This frustration is intensified by the parallel debate in Washington, where political elements, especially in the Republican Party, disapprove of the deal, seek to impose additional sanctions, and oppose trade with Iran, including Boeing's deal to supply over 100 passenger jets to Iran. The feeling in Iran that the economic situation has not significantly improved adds fuel to this debate, to the extent that there are Iranians who propose restarting the nuclear program.

Could the disappointment in Iran lead the regime to violate the nuclear agreement? At this point, it is unlikely, because professionals in Iran recognize that some obstacles to an improved economic situation arise from the exigencies of the Iranian system; because the violation of the agreement would lead to a renewal of sanctions; and because the US government is looking for ways to strengthen the economic relationship between Iran and Western companies and financial institutions. But in the upcoming presidential elections the sense of disappointment is likely to work against President Rouhani, who is identified in Iran with the agreement.

At least three political events may influence the ramifications of the nuclear agreement. The first is the change of the US administration in January 2017.

It is hard to predict US policy under the Trump administration, particularly as the President-elect has no experience in foreign affairs. However, Trump has consistently advocated a hard line toward Iran regarding both the JCPOA and Iran's regional subversive activity, and this posture has already aroused concern in Tehran. Despite his campaign rhetoric, Trump is not likely to cancel the JCPOA without specific justification, but he may increase the pressure on Iran, backed by a Congress with a Republican majority in both houses, if Iran continues its adversarial stance.

The second event is the presidential election in Iran. Much will depend on whether Supreme Leader Khamenei supports President Rouhani's reelection, and to what extent the nuclear agreement is perceived as a success, including the question of the financial situation. The regime's radical wing, led by the Revolutionary Guards, will work to end Rouhani's presidency.

The third event is Khamenei's expected departure over the next few years, considering his age (77) and health. At this point there is no way to predict who would replace him as Supreme Leader, and what approach this replacement might take. Presumably, however, the next Supreme Leader will not have the power of his predecessor, who has been in power since 1989, and he will require some time to build up strength and authority. It is also unclear if the position will be filled by a religious leader like Khamenei – which is more likely – or perhaps a military-security figure, or a shared leadership. This situation could bring Iran to a period of power struggles, perhaps even violent, between radical and moderate elements regarding the policy and nature of the regime. In turn, these could affect Iran's policy toward the United States and the future of the nuclear agreement.

Iran and the International System

Prior to the signing of the nuclear agreement, hope prevailed among US administration leaders that the agreement would lead to broader dialogue between the US and the Iranian leadership on regional issues. Such a dialogue, should it develop, could facilitate the moderation of Iran's regional approach, bring it closer to the United States, and increase stability in the Middle East. This expectation rested on signals apparently dispatched by the administration's Iranian interlocutors, and on the assumption that there are apparently people in the Iranian leadership – mainly Foreign Minister

Zarif and possibly President Rouhani – who are interested in expanding understandings with the US administration.

None of this has happened so far. The main reason is Khamenei's position, supported by the regime's radical element, which is deeply suspicious of the United States and perceives it as an enemy and a primary threat. Khamenei, both before and after the signing of the JCPOA, stipulated that dialogue with the US administration would be limited solely to the nuclear issue, and that he does not trust the administration. Disappointment over limited economic progress following the lifting of sanctions has only strengthened the radical camp, which resists any rapprochement with the United States, fearing that the relationship could be used by the US to destroy the Islamic Revolution and overthrow the regime. This disappointment, as well as Khamenei's position, has also pushed moderates in the Iranian elite to criticize the US administration on the grounds that it did not fulfill its promises.

Meanwhile, since 2012, Iran and Russia have developed closer relations. For centuries, Iran eyed Russia with suspicion and concern, considering it the most serious threat to its security. This is in part because over the last two centuries Russia has invaded northern Iran several times, and some of the areas that it conquered were never returned to Iran. Perceptions of this threat diminished following the collapse of the USSR, and since 1989 Russia has become Iran's main weapons supplier and played a central role in the development of Iran's civilian nuclear program.

Improved Russia-Iran relations, reflected in a series of meetings between top officials on both sides, has occurred in three primary areas: cooperation in Syria against opponents of the Assad regime; talks toward completing a major arms deal; and talks on continued Russian construction of power reactors for Iran's civilian nuclear program, as well as wider bilateral economic relations. These closer ties stem from the interests shared by the two countries, especially due to the turbulence in the Middle East and their need for cooperation in key areas. In the eyes of the regime, Russia can give Iran support that cannot be offered by any other country – stabilization in Syria, quality weapons, construction of nuclear power reactors, and political backing. In Russia's eyes, Iran's value has increased due to its influence in Syria and Iraq, and in light of the legitimacy it won following the signing of the nuclear agreement and the lifting of the sanctions.

In the immediate term, the most important area of cooperation for both countries is Syria, due to their common interest in both stabilization of the situation and the survival of the Assad regime. To this end, the two arrived at a division of responsibility, with Russia focusing on air strikes against opponents of the Assad regime, and Iran and Hezbollah participating in ground combat alongside the Syrian army. In at least one case, Iran even permitted Russia to launch bombers from an airbase in western Iran to attack targets belonging to Assad's rivals, apparently based on operational considerations of shortening the flight distance to targets in Syria. Due to Iran's sensitivity to foreign forces in its territory, the continuation of these activities has not yet been approved.

In the longer term, both sides are interested in a large arms deal, which would focus on the air force, air defense, and tanks. If signed, it would be the largest deal concluded between the two sides since the early 1990s, and at the very least is expected to change the capabilities of the Iranian air force. The main obstacle is the Security Council resolution that prohibits the sale of arms to Iran until 2020. It is unclear whether Russia is willing to defy the decision, and may sign the deal in the near term, but defer implementation to 2020.

Despite their common interests, Russia and Iran also have conflicting interests in important areas, stemming from differences in their global and regional interests, respective priorities, and Iran's deep suspicion of Russia, which even today has not disappeared. In addition, there are several elements of Russian activity that Iran does not support: Moscow's growing influence in the Middle East, which in certain situations opposes Iran's interest; Russia's leading role in the Syrian crisis; the possibility that Russia would sacrifice the Assad regime in the framework of a future agreement in Syria; and Russia's strong relationship with Israel.

For these reasons, although Russia and Iran are interested in expanding cooperation, their relations cannot be considered an alliance. The range of common interests is not very wide, Russia has not committed to support Iran on key issues, and while both seek to stabilize the situation in Syria, their goals are not identical. In addition, the mutual suspicion, especially pronounced on the Iranian side, hampers agreements between them. Moreover, relations with United States, for better or for worse, weigh heavily in the eyes of Russia, and they will affect Moscow's relations with Tehran.

Iran in the Regional Arena

The main element affecting Iran's status and activity in the Middle East is the ongoing turbulence in the region – a process that began with the US invasion of Iraq in 2003, and was followed by the creation of a large vacuum in the heart of the region – and has only grown since the beginning of the upheaval in the Arab world in late 2010.

The turbulence has created several severe risks for Iran, chief among them the danger hovering over the Assad regime. While Assad's condition has significantly improved – largely as a result of military aid and intervention from Iran, Hezbollah, and Russia – the regime is far from stabilized. Should it fall, it would be a major strategic blow to Iran, because any alternative to the Assad regime would be worse for Iran. Even should the regime survive in one way or another, it will no longer be the same regime, but rather a weak one, fighting for existence and preoccupied with internal problems. Such a regime may be more dependent on Iran, but could also continue to draw significant resources from it. Iran understands that any agreement in Syria with the support and protection of the superpowers would be likely to undermine the Assad regime, and thus demands that any agreement leave the regime in place. It likewise opposes any agreement that would create a federation in Syria.

In the meantime, intervention in Syria is costing Iran dearly. Since 2012, Iran has invested heavily to aid the Assad regime with manpower, weapons, and money, at a cost of billions of dollars. These efforts have increased significantly since September 2015, when Iran sent thousands of infantry fighters from the Revolutionary Guards al-Quds force to Syria. In addition, Tehran arranged for thousands of fighters from Hezbollah and Shiite militias organized by Iran in Iraq, Afghanistan, and Pakistan to be sent to Syria. The fighting has exacted a heavy toll of Iran and its proxies: Iranian forces have suffered at least 350-400 casualties, including senior officers, and Hezbollah and each of the other Shiite militias have all suffered hundreds of casualties. The casualties from the fighting in Syria have apparently led to discontent among the Iranian public, to the point that the regime was forced to publish the names of those killed and explain publicly that the fighting is over the home front, i.e., over Iran itself, and at least temporarily, to return some of its forces from Syria to Iran.

The second risk, connected to the first, is the appearance of the Islamic State, which concerned the Iranians – among many others – following its conquest of large swaths of Syria and Iraq, its attractiveness among the Islamic younger generation, and its financial and military capabilities. The organization has not constituted a substantive threat to Iran itself, due to Iran's military power, the stability of the regime, and the lack of a governance vacuum in Iran, and also because Iran is a Shiite country with no real support base for the Islamic State. However, when the Islamic State's strength peaked in mid-2014, the organization did present a severe threat to Iran's principal regional interests. It primarily endangered Iran's allies in the three countries most important to it – the Shiite organizations in Iraq, the Assad regime in Syria, and Hezbollah and the Shiite community in Lebanon. As a Sunni entity, the Islamic State was also considered by Iran as part of the Sunni threat to the Shiites.

The third risk touches on the situation in Iraq. The US invasion of Iraq in 2003 played into the hands of Iran: it eliminated the military threat that Saddam Hussein posed to Iran, removed Iraq from the arena as the only country in the region with the ability to balance and counter Iran, and opened the gate for Iran to intervene in Iraq through Shiite leaders and organizations. This is how, with American forces still in Iraq, Iran became the external body with the largest influence in Iraq. However, the appearance of the Islamic State in Iraq and its takeover of large areas, major cities, and oil facilities has changed the situation. Iraq borders Iran, has a Shiite majority, and is home to the Shiite holy cities. Instability in Iraq, the struggle between the three main communities, and a high level of violence could cause instability to spread to Iran, which is also a country of minorities. Concerns about further deterioration in Iraq drove Iran to invest significant effort in stabilizing the situation in Iraq, with military aid, support for Shiite militias, and organization of security forces, and since late 2014, even airstrikes – though most of the airstrikes in Iraq are conducted by the United States.

Iran presents itself as a major player in the campaign against the Islamic State, both in Syria and in Iraq, including the operation to liberate Mosul, and in this context has glorified the name of al-Quds Force Commander General Qasem Soleimani, who is also in charge of the Shiite militias in combat. However, the Iranian intervention in Iraq began to arouse indignation and concern regarding infiltration into the Iraqi political system, even among

Iraq's Shiite officials. This resentment has led to growing reluctance on the part of Iraqi political and religious leaders to deepen Iranian influence in Iraqi matters and allow Soleimani's personal involvement, fearing that Iraq could become a satellite state of Iran.

Saudi Arabia also creates risks for Iran, and relations between the two countries are currently at an unprecedented low. This is the result of developments that are primarily connected to the turmoil in the Arab world, and feelings of threat and mutual suspicion that have accumulated over the years. The most important of these developments are:

- a. Iranian involvement in the Shiite uprising in Bahrain in 2011, which prompted Saudi Arabia to send a military force to Bahrain – joined by forces from the Gulf states – to protect the Bahrain regime's stability, and to make clear to Iran that any attempt to undermine it will result in the use of Saudi force.
- b. Iran's involvement in the Houthi insurgency in Yemen, which prompted Saudi Arabia to launch airstrikes in Yemen, backed by a coalition of Sunni countries seeking to halt Iran's efforts to strengthen its influence in the region.
- c. The JCPOA, seen by the Saudis as a significant achievement for Iran, due to the lifting of sanctions and improved international status, and in light of the US administration's willingness to compromise with Iran, contrary to Saudi interests.
- d. The indirect struggle between Iran and Saudi Arabia in Syria, whereby Riyadh seeks to strengthen opposition to the Iran-aided Assad regime.

In the past year, relations between the two countries deteriorated further, with a number of manifestations: the execution of a Saudi Shiite leader, which led to attacks on Saudi diplomatic missions in Iran and the severing of diplomatic ties between them; Saudi Arabia's accusing Iran of involvement in terrorism; the 2015 deaths of hundreds of Iranian pilgrims in Saudi Arabia during the Hajj, which led to Iranian pilgrims not participating in the Hajj in 2016; mutual accusations regarding support for minorities in the two countries in a bid to undermine the regimes; and the exchanges of harsh verbal attacks between them, led by the announcement by the Mufti of Saudi Arabia (Saudi Arabia's senior cleric) that Iranians are not Muslims, while Khamenei called Saudi Arabia the "little Satan" – a term usually reserved for Israel.

In the current reality, despite Rouhani's attempt as President to improve Iran-Saudi relations, it is difficult to foresee a significant reduction in tensions between them. The regional upheaval, which creates a series of risks and opportunities for both countries and requires them to actively advance their interests and strengthen their influence in the Middle East and the Gulf, positions them against one another. Nonetheless, both countries are still laboring to refrain from actions that could bring them into direct conflict.

The regional upheaval has also influenced Iran-Turkey relations. Relations between them have become warmer, politically and economically, in the decade since the Justice and Development Party came to power in Turkey in 2002. This is the result of the sanctions imposed on Iran, which increased Tehran's interest in cooperation with Turkish companies in an effort to bypass the sanctions. In recent years, the two countries have sought to expand their economic cooperation, and have signed new trade and banking agreements, with Turkey having a clear interest in continuing to import oil from Iran. However, there is a gap when it comes to diplomacy and defense, particularly regarding developments in Syria and Iraq. Iran regards the expansion of relations between Turkey and Saudi Arabia in the past two years, as well as the thaw in Turkey-Israel relations, highly negatively.

Relations between the two countries began to deteriorate in the wake of the regional turmoil, and reached a low point due to the civil war in Syria, with Iran aiding the Assad regime, and Turkey supporting the opposition forces. Iran's military involvement in Syria, which began in 2012, is comprehensive and deep; for years, Turkey's involvement in Syria was indirect. In August 2016, however, Turkey decided to take direct action to protect its top interest – preventing territorial contiguity under Kurdish control in the areas adjacent to the Turkey-Syria border – and put forces on the ground, without significant Russian opposition and with direct US assistance. In Iraq too, Iranian and Turkish interests clash. Iran is displeased with the deepening relations between Turkey and Iraqi Kurdistan, and condemned the Turkish army's incursions into northern Iraq during the operation to liberate Mosul.

However, alongside the regional risks to Iran, opportunities have begun to present themselves. Despite the fact that agreement on Syria and its implementation are still far away, the Assad regime is no longer in immediate danger of collapse. Furthermore, at least some of the parties involved

recognize Iran's influence and importance in stabilizing the situation in Syria. This is the result of Iran's significant investment in the fighting in Syria and its military presence on the ground; Iran's influence over Assad and over Hezbollah and the Shiite militias operating in Syria; the warming relations between Tehran and Moscow; the relatively minor influence of the United States and the European governments over developments in Syria; and the legitimacy that the nuclear agreement granted Iran internationally. Should the campaign to liberate Mosul succeed, Iran could be one of the main beneficiaries.

No less important is the beginning of the decline of the Islamic State in both Syria and Iraq, as reflected in the considerable loss of territory and cities that were under its control, the significant loss of its commanders, and the reduction of its financial sources. This has also reduced the threat posed by the Islamic State toward Iran's allies, though it appears that the organization will continue to undermine their stability and security and preoccupy Iran. It has become clear in retrospect that the appearance of the Islamic State in the Syrian-Iraqi arena, despite the risks that it posed for Iran, has contributed to international recognition of Iran's importance in the struggle against the jihadist organization. It has made some elements overlook Iran's involvement in terrorism, and its status as the pillar of radical forces in the region.

On another level, for years Iran has been worried about the possibility of an Israeli or American military operation against its nuclear sites. At the present time, it is clear that a military option is not on the table, at least as long as Iran does not blatantly violate the nuclear agreement. Under these conditions, the United States has no reason to resort to military action and Israel too cannot attack the nuclear facilities without cause, as it would be accused of attempting to sabotage an international agreement that has been endorsed by all the international powers.

Conclusion

On the eve of and subsequent to the signing of the JCPOA, Iranian leaders – led by Khamenei – underscored that Iran had no intention of changing its regional and global policy. They emphasized that Iran will not expand its dialogue with the United States, and will continue to aid its allies – the

Assad regime, the Shiite militias in Iraq, the Shiites in Bahrain, the Houthis in Yemen, and the Palestinians. Iranian leaders added that Iran intends to expand its influence in the West Bank, including with weaponry supplies. In other words, Iran will continue to be the axis of the radical camp in the Middle East, where its goals are opposed to those of the United States – in Syria, Iraq, Yemen, the Palestinian arena, and toward Israel. It is also clear that one of its primary aims, in the context of its aspiration for regional hegemony, is to reduce the influence of the United States in the Middle East. In tandem, Iran and Russia, despite the suspicion between them, are tightening their relations in order to aid one another on central issues. These trends in Iran's regional policy are likely to continue, at least as long as Khamenei leads Iran, and should his successor follow his example.

The turbulence in the Middle East of recent years has not harmed Iran's internal framework thus far, and the unrest that erupted in 2009 has not reawakened. There is no doubt that many Iranians are eager for a change in the nature of the regime, but they are reluctant to act to this end, since it is clear that the regime will exert massive force in order to suppress any unrest, as it did in 2009. It is likewise possible that events in Syria, Iraq, Libya, and Yemen may deter them from hurling Iran into a similar situation. Yet the regime is presumably aware of these feelings and is wary of their development, especially considering the economic situation and the knowledge that in the near future power struggles may erupt in advance of the presidential elections in May 2017 and surrounding Khamenei's expected retirement.

Despite the risks and difficulties it has confronted, since mid 2015 Iran's standing has improved in the regional arena, due to the improvement in the Assad regime's standing, though not yet stabilized; the weakening of the Islamic State; Iran's influence over the Iraqi framework, despite Iraqi reservations; the international recognition of Iran's importance and standing in Syria and Iraq, and as an important element in the struggle against the Islamic State; Iran's ability to operate not only Hezbollah, but also additional Shiite militias to advance its interests; the nuclear agreement, which left Iran a recognized nuclear threshold state and strengthened its status internationally as a legitimate actor; the weakness of the Arab world, which is preoccupied with internal problems; the weakness of the United States, even in the eyes of

its allies, in addressing problems in the Middle East; and Russia's increasing weight in the Middle East, as well as its closer relations with Iran.

This situation has several implications for Israel – most of them negative. Iran's strengthened influence means the strengthening of the radical camp, increased pressure on the pragmatic Arab camp, and narrowed American freedom of action in the region. For Israel, this may mean the continued operation of Hezbollah against Israel in accordance with Iranian considerations, possibly including attempts to expand Hezbollah's scope of operation against Israel to the southern Golan Heights. Nonetheless, Iran currently does not seem to have an interest in activating Hezbollah against Israel – while the organization is involved in the fighting in Syria; while Israel warns Hezbollah of a harsh response; and while significantly activating Hezbollah could revive the option of an attack on Iran's nuclear sites. Although Hezbollah has suffered significant losses in Syria, it has gained important fighting experience. It is also possible that Iran will attempt, as Iranian leaders have suggested, to penetrate into the West Bank by supplying weapons, as it has in Gaza.

Iran and Russia are close to agreement on a large weapons deal, for the first time since the early 1990s. This may occur as of 2020, if Russia prefers not to violate the Security Council's decision, if not sooner. When it takes place, Iran's military capabilities will significantly improve – especially due to upgrades of its warplanes and air defense system. Iran's missile system is constantly improving, quantitatively and qualitatively, despite the Security Council's restrictions, which Iran ignores. Another threat is that some of the high quality weapons from Russia may make their way from Iran to Hezbollah. The improvement in Iran's conventional military capabilities expected in the next decade, against the backdrop of the expected renewal of Iran's nuclear program after the restrictions are removed (in accordance with the agreement), will raise the Iranian threat to new levels.

On the other hand, the challenge created for the pragmatic Arab states by the improvement of Iran's standing and military capabilities may contribute to their interest in expanding their dialogue with Israel, in order to address this threat fully. This matter may prevail if the next US administration adopts a firmer stance toward the trends exhibited by Iran.