

IRAN 2017: FROM ROUHANI'S REELECTION TO THE DECEMBER PROTESTS¹

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The 2017 was a challenging year for the President Hassan Rouhani despite his reelection. The Presidential and Municipal elections in May represented a clear and strong support for his administration and the nuclear deal or famously the Joint Comprehensive Plan of Action (JCPOA) agreement. But lack of visible improvements at economic levels ended the year with widespread protests in several Iranian cities with 25 deaths and thousands detained. Despite new contracts in infrastructure and transportation sectors signed, anticipated reforms in banking system, the creation of jobs and attracting greater foreign investments are still pending issues at the economic level. At the international level, the new approach coming from the Trump administration has challenged the Iranian commitment with the JCPOA and created frictions within the establishment regarding the US policies. However, there has been no change in the Iranian stance in the nuclear deal. Moreover, the GCC crisis that erupted in May seemed to have benefited Iran leverage itself at the regional level. While its participation in the regional arena has been neglected by mainly the US, Israel and Saudi Arabia, the year 2017 has proved to be the year in which Iranian position on regional issues such as Syrian conflict, Kurdistan and intra-GCC relations was counted.

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1. Introduction

The year 2017 was the year that witnessed the reelection of Hassan Rouhani, the President who signed the JCPOA and reinstated Iran in the international system and the demise of Hashemi Rafsanjani, a key figure in the political history of the Islamic Republic since its creation. It was also a year that ended with street demonstrations in several cities that left 25 dead people and thousands of detainees and that reminded the 2009 protests to some. Moreover, the year also saw Iran suffer terrorist attacks from ISIL-Daesh on symbolic landmarks like the Mausoleum of Khomeini and the Iranian Parliament.

Despite the unrest on the streets, 2017 witnessed certain achievements at macro-economic level. It also proved to be very beneficial for the development of transport sector. However, it was not the case for oil industry, the banking sector or other areas that contributed to the creation of greater job opportunities or even in making the financial management more transparent.

At the international level, the year was marked by a new approach vis à vis Iran coming from the White House, with Donald Trump's threats regarding the decertification of the nuclear deal and banning Iranian migrants and travelers to the US. However, the diplomatic crisis between Qatar and Saudi Arabia and the deal brokered by Iran, Turkey and Russia regarding Syria proved to improve the Iranian leverage on the regional political arena - something that upsets its traditional rivals namely Saudi Arabia, Israel and the United States.

The year 2017 was a challenging year for the Rouhani administration, which was not only responsible for internal economic grievances coming from people but also had to face strong criticism from the conservative sectors that claimed Rouhani's tenure a failure at both economic and international levels. Bearing in mind, the priority given by Rouhani in fixing the nuclear dossier to the detriment of a more courageous internal reform plan, his credit for the coming years would be played down by an impatient population that cannot see improvements in their daily lives.

2. Domestic policies

2.1. The demise of Hashemi Rafsanjani

The first remarkable internal political development of 2017 was the sudden demise. The news of the death of Iranian regime's foremost political figure on the 8 January 2017 not only came as a bolt from the blue for many Iranians but also saw conceivability of serious political change. One of the most powerful politicians in the Islamic Republic, Ali Akbar Hashemi

Rafsanjani was the Head of the Expediency Council since 1989 and of the Assembly of Experts since 2007, former President of Iran (1989-1997), former Head of the Majlis (1980-1989) and of Ministry of Interior (1979-1980). His death represented the end of an era within the Islamic Revolution, but certainly not the end of political trends of pragmatism he set which was represented by his faction *Kargozaran* - Executives of the Reconstruction – that he created during his Presidential term. Rafsanjani's funeral was attended by hundreds of thousands of Iranians from across various social and political backgrounds both young and the old. The political establishment wanted his funeral to be a recognition of his service to the Republic without much political divergences, although it was clearly visible in the lack of affinity among those attendees of moderate and reformist ideas. All the important political figures showed their respect in the ceremony at the Tehran University, except for Mohammad Khatami, who was prevented from attending by the Government in order to avoid the ceremony become a pro-reformist gathering which could have incited unfavorable reaction from the security forces.² Furthermore, Khatami has also been banned from media appearances since the 2009 demonstrations. Such a prohibition to appear in public ceremonies was further extended for three months in August by a Special Clerical Court.

Even though the official report stated that Rafsanjani died due to a heart attack while he was swimming, later reports revealed by his daughter Faezeh Hashemi allegedly showed higher levels of radioactivity than normal in his body and clothes. While remembering his personality one year after his demise, this information was released on a televised interview with Faezeh on the *Kheshte Kham* show aired by Iranian TV,³ and provoked the reopening of the investigation following instructions from the President Rouhani on 9 January 2018.⁴ Since the death of Rafsanjani occurred in the same year that saw the reelection of his most important ally, President Hassan Rouhani, the fear of repercussions his death could prompt was visible in the first week after his demise.⁵ However, the clear victory of the incumbent President in May elections proved that pragmatist and reformist groups

² Personal observations conducted by the author while attending Rafsanjani's funeral, Tehran, 10 January 2017.

³ The full interview with Faezeh can be watched at <https://www.youtube.com/watch?v=ecNlqi8xT6Q>.

⁴ See 'Iran reopens investigation into Rafsanjani death', *The Guardian*, 9 January 2018 (<https://www.theguardian.com/world/2018/jan/09/iran-reopens-investigation-into-rafsanjani-death>).

⁵ Personal considerations based on several informal interviews conducted with Iranian scholars, Tehran, 10 to 12 January 2017.

counted with enough support from both people and political establishment to reconfirm his mandate which will be explained in the following section.

2.2. The 19th May Presidential elections

The 12th Presidential and 5th Municipal elections were held on 19th May 2017. On that occasion 1,636 candidates registered for the Presidential race, among them 137 were women. None among the latter were approved by the Guardian Council which is in charge of vetting candidates and monitoring the whole electoral process. The final list of candidates approved composed of six men: the incumbent President Hassan Rouhani; Ibrahim Raisi, Head of the Bonyad-e Astan-e Qods Razavi which is the most powerful charitable foundation that controls the Imam Reza shrine in Mashhad; Mohammad Baqer Qalibaf, mayor of Tehran and former commander of the Revolutionary Guard Air Force; Eshaq Jahangiri, a reformist and Vice-President of Rouhani; Mostafa Mirsalim, a conservative candidate linked to the bazar and Mostafa Hashemi Taba who was a former minister during Mohammad Khatami's Presidency. It was evident since the very beginning that fierce battle for the position would be between Rouhani and the two conservative candidates, Raisi and Qalibaf. The latter one contested for third time as a Presidential candidate and this would have been his last chance to attract conservative voters against a newcomer with both religious credentials and ostensibly strong support from the Leader himself. It was also clear that Jahangiri's motives was to take part in the campaign to support Rouhani's government's program instead and not promoting himself as a candidate. Moreover, during the three televised debates Jahangiri used all his time highlighting the current administration's achievements regarding social and environmental issues, responding to Qalibaf's accusations by criticizing his Tehran city hall mismanagement. The other reformist candidate, Hashemi Taba, had a modest role, without much criticism of the government yet supporting the reformist role of the public administration without locking horns with the other three conservative candidates.

The victory of Hassan Rouhani in the 19th May elections was clear, conclusive and confirmed the pre-electoral predictions.⁶ Nonetheless, some Iranians expected a narrow margin victory that could have triggered disappointment and resentment from the losing candidate Ibrahim Raisi. There were also voices anticipating a «surprise» victory of Raisi and even an

⁶ Daily surveys conducted by IPPPO Group, from outside Iran, showed a clear tendency favoring Rouhani with 63% intention vote, compared with 32% for Raisi. See <http://ippogroup.com/>.

«institutional coup» by the Revolutionary Guard.⁷ Rouhani won with a larger margin than that of 2013 elections – 57 % against 51% – with a turnout that was just a little bit higher than four years earlier, 73% of the 23.5 million votes (see Table 1 below).

The lack of enthusiasm was visible among Rouhani's voters, despite the last days of a hectic campaign that witnessed a strong presence of Rouhani's supporters on the streets among others who endorsed their candidates, debated credentials and justified their support. The celebrations after his victory were not as crowded as they were in 2013 but what mattered more to the Iranians this time was not seeing Raisi – a candidate often linked to hardliner Ahmadinejad – become their President.

Ibrahim Raisi won merely 38% of the votes, quite less than anticipated by those who forecasted him as the next successor to the leader Ali Khamenei. According to some analysts, Raisi might have run for elections following the advice of Khamenei, though his introduction to a public that barely knew him turned futile. Low popular support and an ultimate defeat drove some to assess that his leadership aspirations might eventually fade considering lack of charisma and poor performance demonstrated during the campaigns and televised debates.

Table 1: Compared results 2013 and 2017 presidential elections

2013			2017		
Voters	50,483,192		Voters	56,410,234	
Votes cast	36,704,156	72.71%	Votes cast	41,220,131	73.07%
Void votes	1,245,409	3.39%	Void votes	1,190,401	2.89%
Valid votes	35,458,747	96.61%	Valid votes	40,029,730	97.11%
Candidate	votes	%	Candidate	votes	%
Rouhani	18,613,329	50.71%	Rouhani	23,549,616	57%
Ghalibaf	6,077,292	16.56%	Raisi	15,786,449	38.5%
Jalili	4,168,946	11.36%	Mirsalim	478,215	1.20%
Rezaei	3,884,412	10.58%	Taba	215,450	0.53%
Velayati	2,268,753	6.18%			
Gharazi	446,015	1.22%			

Source: Ministry of Interior, IRI.

⁷ Interviews conducted in Tehran by the author during the electoral campaign reflected that fear, as well as the unusual massive presence of anti-riot and military forces in metro stations, squares, and roundabouts during the campaign and after the elections.

After doubts expressed by the followers of Raisi regarding the election results being clarified,⁸ Rouhani was proclaimed the 12th President in the republican political history of Iran. The 7th person to occupy the position since its creation in 1979, Rouhani is the fifth president after Ali Khamenei, Hashemi Rafsanjani, Mohammad Khatami and Mahmud Ahmadinejad to serve two consecutive terms permitted by the constitution.

The presidential inauguration on 3rd August 2017 was a conscious demonstration of both domestic and international Institutional support. 9 Heads of State and Government, 26 Presidents of legislative bodies, 38 high-level state and governmental officials and 7 representatives of international organisations attended the ceremonies. Among the most notable present were, Federica Mogherini, the High Representative of the European Union for Foreign Affairs and Security Policy; Pio Garcia Escudero, President of the Spanish Senate; Abdullah bin Nasser bin Khalifa al-Thani, the Prime Minister of Qatar; Haitham bin Tariq al-Said, the Minister of Culture of Oman and a special envoy on behalf of the Emir of Kuwait. The last three drew some attention given the tensions that rose between Iran and the members of the Gulf Cooperation Council (GCC) in the wake of attacks on the Saudi embassy in Tehran which resulted in recalling ambassadors of the six Gulf States from Tehran.⁹ In his inaugural address, Rouhani re-emphasised the Iranian commitment with nuclear negotiation process and also warned against the policies of the United States that could endanger the agreement. In his address, the Supreme Leader Ali Khamenei focused on the need to prioritise the living conditions of the Iranian population, which undoubtedly was a clear indication to Rouhani that there was little done to improve domestic issues since the signing of the Joint Comprehensive Plan of Action (JCPOA) in 2015.¹⁰ This warning became evident in protests that erupted across the country in late December which will be discussed in the following sections.

Rouhani nominated a ministerial cabinet for parliamentary approval that included a few notable differences with respect to his first government. This resulted in 17 of the 18 ministerial candidates being

⁸ The director of the Raisi campaign, Ali Nikzad, claimed that there had been irregularities affecting close to three millions votes, and the spokesman of the Guardian Council, Abbas-Ali Kadkhodaei, demanded that the Ministry of the Interior recount the votes. Regardless, the Council confirmed the results on 30 May. See 'Guardian Council checking complaints by defeated Raeisi,' *The Iran Project*, 23 May 2017 and 'Iran's Vetting Body Approves Presidential Elections Results', *Tasnim News*, 31 May 2017.

⁹ See Zaccara, Luciano, 'Iran 2016: From the Saudi Embassy Attack to the Demise of Rafsanjani', *Asia Maior 2016*, pp. 371-374.

¹⁰ See the complete inauguration ceremony on <https://www.youtube.com/watch?v=Du15abEv0V4>.

approved by the 290-member legislative body (only the candidate for Minister of Energy was rejected). With an average vote of 220 in favour, and only 47 against, these numbers were notably better for Rouhani than during the earlier parliamentary approval process of his ministerial candidates in 2013, when the average vote was 203-65 with three of his candidates rejected in the first round of voting. This time, the assembly had given clear approval of Rouhani's previous term and overwhelming support to his government policies. The eight Ministers who continued the job included the long-serving Bijan Namdar Zanganeh – with 20 years of experience as the head of the Ministry of Petroleum and Energy and Mohammad Javad Zarif – who, while leading the Ministry of Foreign Affairs, made possible the nuclear agreement, a major achievement of Rouhani's last administration. Among the nine new faces, the appointment of General Amir Hatami, from the regular army (*Artesh*) as Minister of Defence stands out. Traditionally this post had been assigned to a member of the Revolutionary Guard (*Sepah-e Pasdaran*). Despite the controversy surrounding this nomination, it received a strong backing within the Assembly, with 261 votes in favour, 10 against and 13 abstentions. This implies that even the most conservative deputies and those ideologically close to the Revolutionary Guard have also given their support for the appointment.¹¹ Again, lack of women candidates has been one of the central criticisms of Rouhani's cabinet line-up, something that has ever occurred in Iran under President Ahmadinejad's Presidency in 2009. Nevertheless, Rouhani compensated for this by nominating three women as his Vice Presidents, appointments for which he does not need parliamentary approval. These are: (1) Masumeh Ebtekar – a veteran reformist politician and former Vice-President under Mohammad Khatami – as Vice-President for Women and Family Affairs, the same post occupied in the last administration by Molaverdi; (2) Shahindokht Molaverdi as head the Presidential Office for Citizens' Rights; and (3) Laya Joneidi as a Vice-President for Legal Affairs.¹²

Other important posts were also filled as a result of combined presidential and municipal elections. They include the city mayor's offices and the heads of elected municipal councils. Because Tehran is megalopolis with enormous political power – expressed in the number of votes it wields – the absolute majority victory of the reformist list¹³ allowed for the

¹¹ See 'Rouhani's 16 picks win vote of confidence', *Mehr News*, 20 August 2017.

¹² See 'Rouhani appoints 3 women to 2nd-term cabinet,' *Mehr News*, 9 August 2017.

¹³ See 'سیاسی گرایش +کشور سراسر های استان مراکز شهر شورای منتخبان اسامی' (The names and political orientation of the city council's elected representatives), *Tasnim News*, 30 Ordibehesht 1396 (20 May 2017) (<https://www.tasnimnews.com/fa/news/1396/02/30/1413710> - اسامی-منتخبان-شورای-شهر- /مراکز-استان-های-سراسر-کشور-گرایش-سیاسی).

replacement of the conservative mayor, Baqer Qalibaf, with the reformist, Ali Najafi and also for the appointment of Mohsen Hashemi, the youngest son of late Rafsanjani as the head of the Municipal Council. The latter undoubtedly represented the figure that he embodied for a greater revolutionary political establishment, despite the attempts to discredit Hashemi's legacy owing to his support for the protests in 2009 from ultra-conservative sectors.¹⁴

The results of the municipal elections clearly favoured pro-Rouhani and reformist candidates, at least in the provincial capital cities as shown in table 2 (below). Out of 312 seats, 163 went to candidates belonging to reformist lists and 74 were independents. Only 75 belonged to the conservatives' lists.

Table 2: Iran Municipal election results, 2017 (provincial capitals)

Province	Capital	Conservatives	Reformists	Indeps.
East Azarbaijan	Tabriz	4	8	1
Western Azerbaijan	Orumieh	6	1	4
Ardebil	Ardebil		6	5
Esfahan	Esfahan		13	
Alborz	Karaj		12	1
Ilam	Ilam	3	3	1
Bushehr	Bushehr	1	4	4
Tehran	Tehran		21	
Chaharmahal va Bakhtiari	Shahr e Kord	5	2	
Southern Khorasan	Birjand		1	8
Khorasan Razavi	Mashhad		15	
North Khorasan	Bojnord	1	6	2
Khuzestan	Ahvaz	8	1	4
Zanjan	Zanjan	4	2	3
Semnan	Semnan	2	4	1
Sistan and Baluchestan	Zahedan			11
Fars	Shiraz	1	12	
Qazvin	Qazvin	2	6	1
Qom	Qom	12		1
Kurdistan	Sanandaj		4	5
Kerman	Kerman	3	8	
Kermanshah	Kermanshah	5	4	2

¹⁴ See 'Next Tehran Mayor final line-up revealed,' *Tehran Municipality*, n/d, (<http://en.tehran.ir/default.aspx?tabid=77&ArticleId=7776>) and 'Can Tehran City Council Catapult the Younger Hashemi Rafsanjani onto the Political Stage?', *Iran Diplomacy*, 17 August 2017.

Kohgiluyeh and Boyerahmad	Yasuj	3	3	1
Golestan	Gorgan	1	4	4
Gilan	Rasht	3	3	5
Lorestan	Khorramabad	2	2	5
Mazandaran	Sari	n/d	n/d	n/d
Central	Arak	3	8	
Hormozgan	Bandar Abbas	n/d	n/d	n/d
Hamedan	Hamedan	4	5	2
Yazd	Yazd	2	5	3
Total	312	75	163	74

Source: author elaboration based on Tasnim News data

(<https://www.tasnimnews.com/fa/news/1396/02/30/1413710/>-اسامی-منتخبان-شورای-شهر-مراکز-استان-های-سراسر-کشور-گرایش-سیاسی).

It is also noteworthy to mention that women had a much better performance in these municipal elections compared to 2013 elections. While the number of candidates increased from 5.4% to 6.3%, the seats they won were much higher than in 2013. For instance, the Tehran city council saw six women-all from the reformist list- win their seats compared to three from the previous composition. In Sistan-Baluchistan province, 415 women were elected to the city councils, while there were 185 female members after 2013 elections.¹⁵

Yet, causing an anomalous situation to Rouhani, the Leader Ali Khamenei announced the new Chief of the Discernment Council, a post that had been occupied by Rafsanjani from 1989 until his death. The new appointee (to lead this powerful executive/legislative institution) is Mahmud Hashemi Shahrudi, a conservative cleric who served as the head of the judicial branch for 10 years and as president of the Assembly of Experts. Some, including this author, see him as a serious candidate to eventually replace Ali Khamenei as leader of the republic.¹⁶ This is a clear sign that despite the election results displaying a reformist pivot of Rouhani's government, the same was not the case in other institutions of power.

2.3. The 7th June terrorist attacks

¹⁵ See 'More women in local Iranian elections', *NID*, 11 July 2017 (<http://www.nidemocracy.org/en/publications/1561>).

¹⁶ See 'The Leader installs new members of Expediency Council,' *The Office of the Supreme Leader*, 14 August 2017 (<http://leader.ir/en/content/18992/Ayatollah-Khamenei-appoints-members-of-the-Expediency-Council>).

Less than a month after the elections, on 7th June, two simultaneous terrorist attacks were carried out in the Iranian capital. Five gunmen reportedly stormed in the Iranian parliament – in the heart of the city – and the mausoleum of Khomeini – in the south of Tehran – in a synchronized move, leaving 14 men and 3 women dead and 52 wounded after a deadliest shooting. All the five terrorists, who were killed during the action, were Iranian nationals and were quickly identified by the authorities that only released the first names of the attackers due to «certain social and security considerations.»¹⁷ The attacks were immediately claimed by ISIL-Daesh and the Iranian military authorities accused Saudi Arabia for their instigation as cause of the attacks. But the accusations were firmly denied by the Saudi Foreign Minister, Adel Al-Jubeir, who also condemned the attacks in Berlin.¹⁸ The reaction from Iran was harsh, since the government had decided to give a clear signal to the regional enemies that the country would retaliate militarily in case any terrorist attacks occurred on Iranian soil. On the 19th June the Islamic Revolutionary Guard Corps fired a ballistic missile allegedly hitting ISIL-Daesh base in Deir ez-Zor, Syria, signalling Iranian determination which on the other hand, added more suspicion on the ballistic capabilities of the *Pasdaran* who had been the focus of Trump's accusations against Iran for its military build-up and increasing regional presence.¹⁹ During the following months after the attacks, the government released information about suspects detained with charges of terrorism but without details of national affiliation or any further results of the investigation.²⁰

Since the attacks happened during the Gulf diplomatic crisis, the regional shockwaves were multifarious especially with Saudi Arabia giving more grounds to Qatar to severe ties with Iran and openly accused Iran of being the main actor behind the regional crisis in Yemen and Syria during the GCC-American Summit in Riyadh Summit on 20th May 2017. While more than forty countries explicitly condemned the attacks, and expressed their condolences to the Iranian authorities, including the EU High Representative Federica Mogherini and several regional countries,²¹ two

¹⁷ See 'Iran releases information on, photos of terrorists in Tehran attack', *PressTV*, 8 June 2017 and 'Senior Security Official Confirms Iranian Nationality of Terrorists in Tehran Incidents', *Fars News*, 8 June 2017.

¹⁸ See 'Saudi minister denies his country involved in Iran attacks', *Arab News*, 7 June 2017 (<http://www.arabnews.com/node/1111496/middle-east>).

¹⁹ See 'IRGC targets terrorists' base in Syria's Deir ez-Zor', *Mehr News*, 19 June 2017.

²⁰ '23 suspects arrested for Tehran terror attack', *Mehr News*, 7 November 2017.

²¹ See 'Remarks by High Representative/Vice-President Federica Mogherini on the reflection paper on the future of the European defence at the press conference following the meeting of the college of Commissioners', *European External Action Service*, 7 June 2017 (<https://eeas.europa.eu/ru/eu-information-russian/27716/remarks-high->

statements were particularly remarkable. The first one issued by the Department of State that briefly condemned terrorism and expressed condolences with the Iranian people.²² The second one, by the Presidential Office, which added to the condolences a provoking statement: «We underscore that states that sponsor terrorism risk falling victim to the evil they promote.»²³ This message by Trump, which definitely shows the new US administration's approach to Iran, generated rejection not only within the Iranian political establishment and population but also in the European diplomatic circles that considered it politically incorrect and unnecessary, given the lives lost in the attacks.

3. Economy

3.1. Outlook for the financial-economic situation

The macroeconomic indicators seemed to be favorable to Iran throughout 2017. The GDP growth was estimated 3.6% by the World Bank and 3.5% by the International Monetary Fund for the calendar year. According to Iranian official statistics, the inflation rate remained below the average 10% during 2017, a similar rate than the previous year. Even though it was still high compared to that of industrialized countries, it clearly represented a success in keeping the inflation controlled despite the lack of improvements in other economic sectors, and having in mind that Rouhani had started his first term in office with 40% inflation rate.²⁴

The exchange rate of Dollar-Rial was one of the indicators that directly affected the Iranian population given the fact that the dollar is the main saving and exchange currency for the Iranians. However, it showed little improvement throughout 2017. According to the Iranian Central Bank information, the year started with an official exchange rate of 32,375 IR/1 US dollar and it ended with 36,064 Rials.²⁵ However, the free market

representativevice-president-federica-mogherini-reflection-paper-future-european_ru) and 'Condemnations Pour in Following Terrorist Attacks in Iran', *Tasnim News*, 7 June 2017.

²² See Department of State Press Statement, 7 June 2017 (<https://www.state.gov/r/pa/prs/ps/2017/06/271625.htm>).

²³ See Statement by the United States President, 7 June 2017 (<https://www.whitehouse.gov/briefings-statements/statement-president-terrorist-attacks-iran>).

²⁴ See available data at 'Consumer Price Index', *Central Bank of Iran* (<http://www.cbi.ir/category/1624.aspx>) and 'Iran Inflation Rates', *Trading Economics* (<http://www.tradingeconomics.com/iran/inflation-cpi>).

²⁵ See 'Foreign Exchange Rate', *Central Bank of Iran* (http://www.cbi.ir/exrates/rates_en.aspx).

exchange rate was rather different with 39,300 IR/1 US dollar in January and 42,890 Rials in December 2017.²⁶

Unemployment remained a major pending issue for the Iranian economy and a concern for Rouhani's administration. IMF estimated Iran's unemployment rate to stand at 12.4% in 2017 and 2018. The UN estimated a 11.3% rate for 2017. The current figures show that the year ended with a 12.2% according to IMF statistics, which is slightly lower than the 12.4% from the last year.²⁷

The only economic sector that seemed to have benefited the most from the signature of the JCPOA and lifting sanctions was the transportation sector particularly, the air transportation. Apparently, more than 300 airplanes were ordered by several Iranian Airlines in the last two years. Following a long-term agreement signed with Airbus, the first A321 was delivered to Iran Air in mid-January 2017 and later in March, two more A330 jets landed in Tehran's Mehrabad International Airport. The Franco-Italian ATR also delivered eight turboprops to Iran Air during 2017, while it is expected to deliver the remaining 12 planes by the end of 2018. The Iran Aseman Airlines signed a final contract with Boeing on 11 June 2017 to purchase 30 B737-Max passenger aircrafts worth \$3 billion. Another Iranian company, Iran Airtour signed a deal for 45 A320 aircrafts, while Zagros Airlines committed to purchase 20 A320 and 8 A330 aircrafts. In December the Iranian ATA Airlines received first of the 15 secondhand Embraer ERJ 145 ordered by the company. Additionally, two EC-145 emergency helicopters were delivered at Tehran's Imam Khomeini International Airport, in September 2017.

The year also witnessed new agreements and prospects for future aircraft purchases by Iranian Airlines. Russia and Iran signed an agreement for the purchase of 12 Sukhoi Superjet 100 medium-haul passenger planes. Iran's Qeshm Air unveiled a preliminary agreement during 2017 with Boeing to buy 10 B737 jets. The Health Ministry also announced in August that it was negotiating the purchase of 45 HEMS (Helicopter Emergency Medical Service) within the broader contract with Airbus signed in December 2016. Reportedly other smaller companies signed memorandums of understanding (MOUs) for future purchases.²⁸

²⁶ See 'Iranian Rial Exchange Rates', *Bonbast* (<https://www.bonbast.com>).

²⁷ See 'Iran: Unemployment rate from 2012 to 2022', *Statista* (<https://www.statista.com/statistics/294305/iran-unemployment-rate>) and '2017: Iran's Economy in Review', *Financial Tribune*, 2 January 2018.

²⁸ See '2017: Iran's Economy in Review'; 'خرید هواپیمای سوپرجت ۱۰۰'; 'توافق (Iran and Russia to buy 12 superjet aircraft 100)', *Jam-e Jam*, 13 Farvardin 1396 (2 April 2017) (<http://jamejamonline.ir/online/2790509075380139435>) and 'سه میلیارد قرارداد' (Boeing's \$ 3 billion contract with Iran Aseman 'دلاری بونینگ با شرکت هواپیمایی آسمان ایران

The Iranian railway sector also witnessed a positive step during 2017. The French Alstom company signed a €1.3 billion deal with the Iranian Rail Industries, IRICO, to provide 1,000 subway wagons within three years. Also, the South Korean Hyundai Rotem signed a contract worth €720 million with the Islamic Republic of Iran Railways to produce 450 suburban railbus wagons in Iran. Russia also entered the Iranian railway market by signing a €3 billion deal with Iran for the joint manufacture of 20,000 freight cars, 1,000 passenger cars, 350 locomotives and rail transportation equipment. Most of these agreements were done as joint ventures, with Iranian and foreign companies sharing the stakes and part of the production being done inside Iran. The railway infrastructure also benefited from new agreements signed during the year, mainly with China. A contract to finance the electrification of a 926-km railroad from Tehran to the eastern city of Mashhad in Khorasan Razavi Province with a \$1.5 billion loan was also signed in mid-2017. China is playing a major role in developing the 3,200-kilometer railroad project that connects Urumqi, the capital of the western Chinese province of Xinjiang with Tehran.

Finally, on 3rd December the first phase of Chabahar's Shahid Beheshti Port in the southeastern province of Sistan-Baluchestan was inaugurated by President Hassan Rouhani. These new facilities will have tripled the port's capacity to 8.5 million tons and increase India's connectivity with Central Asian countries. In the context of the GCC crisis that erupted in June 2017, this port also gained significance as a gateway for Iranian as well as Turkish and Azeri products to make its way to Qatar which faced an embargo led by Saudi Arabia and United Arab Emirates since June 2017.

The price of Iranian oil in the international markets showed a positive tendency throughout the year which began with \$50 per barrel in January and ended with \$67 in December.²⁹ Taking into account the national budget submitted for parliamentary approval in December 2017 which was based on an estimated price of \$55 per barrel, the continuity of this situation would remain favorable for the Iranian economy despite little progress in other sectors like foreign investment or even banking which needs drastic reforms in order to reinstate Iran into the international financial markets.

3.2. *The December street protests*

Airlines), *Young Journalist Club*, 15 Farvardin 1396 (4 April 2017) (<http://www.yjc.ir/fa/news/6034474/>- هوایپیمایی-آسمان- قرارداد-سه-میلیارد-دلاری-یونینگ-با-شرکت-هوایپیمایی-آسمان-ایران).

²⁹ See Oil Price (<https://oilprice.com/oil-price-charts>).

On 28th December, a spontaneous demonstration took place in Neishabour, a city near Mashhad – also an important economic and religious centre - since it hosts the Imam Reza shrine and the Astan-e Qods Razavi Foundation which is the most influential charity organizations of the Islamic Republic. The call for a demonstration was distributed through Telegram, the most popular social network used in Iran. The protests then spread to several cities, including Qom, Isfahan and Tehran and continued until the first week of January 2018. While the slogans chanted by the protesters were related to economic grievances in the beginning and were directly targeting Rouhani's policies and government – 'death to high prices,' 'death to the Dictator,' and 'death to Rouhani'³⁰ – the chants became greatly alarming when they praised the former ruler of Iran, Shah Mohammad Reza Pahlavi. Unlike what happened in 2009 demonstrations, when thousands of Iranians marched the streets chanting 'where is my vote?', these demonstrations were comparatively more violent, with police stations and public property damaged and burnt in fire.³¹

According to reports provided by human rights organizations, the protests resulted in 29 deaths in total across several provinces, mainly, Isfahan, Khuzestan, Lorestan and Kermanshah. Two of the deaths occurred while in detentions at Evin and Arak prisons.³² These figures were not contested by the government which also reported deaths as a result of demonstrations. The number of detainees however varied according to the sources. While Human Rights Watch listed 1,858 people jailed because of the crackdown³³, the Centre for Human Rights in Iran raised the number to 4,534, after a parliamentary delegation visited Evin prison in Tehran.³⁴

The first reaction of President Rouhani was to recognize the right of the Iranian people to protest and to appeal to the government their economic grievances which were not addressed by governmental policies. However, he strongly criticized violent turns those demonstrations took.³⁵ Even though the most conservative factions led by Kayhan Newspaper benefited from this protest in their criticism against Rouhani administration,

³⁰ See 'Protesters Shout «Death to High Prices» as Demonstrations Break Out in Three Iranian Cities,' *Payvand*, 29 December 2017.

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

³² See 'Statistics of Killed and Detainees during 2017–18 Iranian protests', *Medium*, 7 January 2018.

³³ See 'Iran: Deaths of Detained Protesters Raise Concerns of Ill-Treatment', *Human Rights Watch*, 9 January 2018.

³⁴ See 'Parliamentary Delegation Visiting Evin Prison Told 4,534 Were Arrested in Iranian Protests', *Center for Human Rights in Iran*, 1 February 2018.

³⁵ See 'Iranians free to express criticism, stage protest: President Rouhani', *PressTV*, 31 December 2017.

the leader Khamenei directed his accusations towards the foreign meddling in Iranian internal affairs namely United States, Israel, Saudi Arabia and Mujahidin Khalq Organization. A tweet on his Tweeter account on 9th January 2018 stated:

According to evidence of intelligence, there's been a triangle pattern activating these events. The scheme was formed by U.S. & Zionists. The money came from a wealthy govt near Persian Gulf; the 3rd element were the henchmen. The butchers, MEK, were hired as minions for this plot.³⁶

Although it is too early to assess the actual reasons for those demonstrations, the mechanisms that made them go widespread and most importantly, whom did they primarily target, it became evident that economic grievances were reasons that triggered the first protests. The national budget – which partly cancelled cash subsidies without supplementing with necessary social policies that could potentially improve the living conditions among the poorest Iranians- was presented for Parliamentary approval by the government by mid-December 2017. Lack of visible achievements after the JCPOA and little or no room left for manoeuvre under the Rouhani administration ignited unrest in an already exhausted Iranian population.

4. Foreign policy

4.1. Iran, the JCPOA and the United States

Iranian relations with the United States deteriorated drastically in 2017 mainly due to the new American administration in power. The anti-Iranian rhetoric of the US President Donald Trump was unanticipated, contrary to what the Iranians expected when he assumed office on 20 January 2017. Since Iran and the US shared the same interests regarding defeating ISIL-Daesh also followed by Trump's ambiguous position with regards to Saudi Arabia expressed during the campaign,³⁷ there was moderate optimism

³⁶ See Khamenei Tweeter account tweet, 9 January 2018 (https://twitter.com/khamenei_ir/status/950674703538098176)

³⁷ Examples of his contradictions can be found at: 'In Saudi visit, Trump offers contradictions from campaign', *PSB*, 21 May 2017 and 'Trump once denounced Saudi Arabia as extremist. Now he's heading there to promote moderate Islam', *Washington Post*, 19 May 2017.

in Tehran on the future prospects for bilateral relations.³⁸ However, Trump showed its very visible anti-Iranian position with several initiatives, such as the travel ban on Iranian citizens, its direct support to the Saudi position against Iran in the region and, mainly, the decertification of the nuclear deal (JCPOA) and its desire to implement new sanctions on Iran. Even though Iran reassured their commitment towards the deal and the IAEA authorities certified the Iranian compliance with the road map stipulated in the deal, with the support of the European Union, President Trump decided to implement his own personal approach as the official policy vis à vis Iran, against all odds and even contradicting his own Secretary of State Rex Tillerson.

President Trump's October decertification of the deal did not affect the Iranian compliance with the agreement nor the Iranian consensus to continue abiding by the agreement and refusing any alterations to the deal that could include broader issues, such as Iran's missile program. It is worthy to remember that several developments in Iran facilitated the signing of JCPOA. The election of Hassan Rouhani in June 2013 paved the way for a more diplomatic approach in Iranian foreign policy. Despite a narrative of «resistance» by Supreme Leader Ali Khamenei and the political establishment, sanctions imposed on Iran since 2006 had become increasingly harmful for the Iranian economy and people. After signing in 2015, President Barack Obama acknowledged that the JCPOA was «a deal between states that are not friends», and «not built on trust [but] built on verification.»³⁹ Iranian Foreign Minister, Javad Zarif had stated that JCPOA «was not a perfect deal»⁴⁰. Though it was not 'the' best deal as claimed, JCPOA was simply the best deal that was possible then.

The situation drastically changed with Trump in October 2017, after several attempts and threats, he finally decertified the deal, claiming that «the Iran deal was one of the worst and most one-sided transactions the U.S. has ever entered into.»⁴¹ Trump's decision pushed the issue to Congress which until December had taken no initiative on the matter though the situation has remained relatively stable in Iran. Despite strong criticism of the deal from Iranian hardliners,⁴² there remains a consensus on the need to preserve and comply with the negotiated conditions regardless of

³⁸ Observations based on personal interviews conducted in Tehran, Qom and Mashhad, in January and March 2017.

³⁹ See 'Deal Reached on Iran Nuclear Program; Limits on Fuel Would Lessen With Time,' *New York Times*, 14 July 2015.

⁴⁰ See 'Zarif calls nuclear deal «a new chapter of hope»', *IRNA*, 14 July 2015.

⁴¹ See 'Trump Decertifies Iran Nuclear Agreement: One Of The Worst, Most One-Sided Deals,' *Real Clear Politics*, 13 October 2017.

⁴² See 'Iranian hard-liner slams Trump for not tearing up nuclear deal', *Al Monitor*, 8 February 2017.

Trump's position. None of the six Iranian Presidential candidates in the May 2017 elections, including the most conservative candidate, Ibrahim Raisi, even suggested the abandonment of the deal. While there was always- and will continue to remain- a consensus among the political elite on Iran's right to have a nuclear program, there is an equally strong unanimity on the need to continue the Iranian commitment to comply with the JCPOA and the international community's demands.

Despite the negative reception that the decertification of the deal generated in Iran, there is a general understanding that President Trump cannot unilaterally cancel the deal without demeaning himself in front of the other signatories of the agreement. President Rouhani said after the October decertification that «every day (Trump) says this deal is the worst in the US' history. As he put it, it is shameful for America, but still he has not been able to do anything with this agreement.»⁴³ At the same time, Iranian authorities believe that Trump is using the argument that the deal resulted in an increase in Iran's regional influence as a reason to cancel the JCPOA. However, the Rouhani administration is determined to keep a clear distinction between non-nuclear issues and compliance with JCPOA. For the Iranian presidency, as well as for the Supreme Leader and the Iranian Revolutionary Guard, the missile program and Iranian alliances with other regional governments, such as in Syria and Iraq, have nothing to do with the JCPOA, and are therefore not negotiable with the US. Thus, the Iranian position was unanimous, from the top of the political system to policy makers, analysts, and researchers. After all, if the United States was the only actor opposing JCPOA, it is then undoubtedly in the interests of Iran to remain within the deal.

4.2. Iran and the GCC diplomatic crisis

The diplomatic crisis that is confronting Qatar with Saudi Arabia, United Arab Emirates, Bahrain and Egypt erupted immediately after the 19th May Iranian presidential elections won by Hassan Rouhani, following the Riyadh Summit (20-21 May), and some hacked news posted at Qatar News Agency website in which Iran was mentioned. The hacked posts quoted Qatar emir Sheikh Tamim bin Hamad Al Thani as calling Iran an «Islamic power» and criticizing the renewed tensions with Tehran.⁴⁴ After few weeks, the first of the 13 demands included in the list issued by the blockade quartet on 23 June directly targeted Iran-Qatar relations as following:

⁴³ See 'Rouhani says Trump's attempts to undermine JCPOA have failed', *Iran Review*, 25 October 2017.

⁴⁴ See 'Qatar state news agency hacked with fake positive story about Israel and Iran,' *The Telegraph*, 24 May 2017.

1) Scale down diplomatic ties with Iran and close the Iranian diplomatic missions in Qatar, expel members of Iran's Revolutionary Guard and cut off military and intelligence cooperation with Iran. Trade and commerce with Iran must comply with US and international sanctions in a manner that does not jeopardize the security of the Gulf Cooperation Council.⁴⁵

Even though this specific demand disappeared in the following «six principles» list issued on 19 July,⁴⁶ Iran was the undeniable trigger in the current crisis, regardless of their will to get involved in it and despite the fact that no drastic change affected – nor will affect – Iran-Qatar relations in the long term strategic level.

Given the already tense situation resulting from the confrontation between Iran and Saudi Arabia in the broader regional context, it appears that Iran was used as an instrumental factor in building the accusation of the four blockade countries (Saudi Arabia, United Arab Emirates, Bahrain and Egypt) against Qatar. It has been extensively discussed in these months since the crisis erupted the contradictions those demands represented when requesting Qatar to sever ties with Iran, while other GCC states such as Oman or the UAE shared even much better relations with the northern neighbor without being criticized for that. Moreover, having in mind the economic strategic importance that the shared gas oilfield represented to Qatari interests, cutting relations with Iran could undeniably harm Qatari economy much more than any existing blockade. The fact that the «six principles» did not mention Iran itself demonstrated that the Qatari-Iranian links were not the main objective of the sanctions but using Iran as a scapegoat to attack Qatar's independent foreign policy, which wasn't in line with Saudi, mainly due to indoctrinated threat perceptions of the Kingdom of its Iranian neighbor.

Even though Iranian-Qatari relations were not in the best shape since the Arab Spring, and that Iran shares the Saudi accusation regarding Qatar sponsorship of some extremist groups in Syria that are fighting against the Iranian backed Assad regime, the Iranian government sided with Qatar in the crisis. Clearly, the Iranian pragmatism in foreign policy gave priority to the main confrontation with the Saudi kingdom by supporting Qatar. The fact that the terrorist attacks occurred in Iran during the same weeks the crisis started and the Iranian direct accusations against Saudi instigation of those attacks, reinforced Iranian balancing on the Qatari side.

⁴⁵ See 'Arab states issue 13 demands to end Qatar-Gulf crisis', *Al Jazeera*, 12 July 2017.

⁴⁶ See 'Arab countries' six principles for Qatar a measure to restart the negotiation process', *The National*, 19 July 2017.

On that regard, there were several direct communications between Qatari and Iranian officials in which the Iranian support was explicit and which made possible the improvement of bilateral relations. On 23 August Qatar announced that its ambassador would be sent back to Tehran with the «aspiration to strengthen bilateral relations with the Islamic Republic of Iran in all fields.»⁴⁷ This happened right after a phone call between both foreign ministries, Sheikh Mohammed bin Abdulrahman Al-Thani and Mohammad Javad Zarif. During that conversation they reportedly «discussed bilateral relations and means of boosting and developing them as well as a number of issues of common concern.»⁴⁸ In the same month, on 31 August, President Rouhani had a phone call with the Emir of Qatar, Sheikh Tamim bin Hamad Al Thani, and expressed Iran's willingness to strengthen bonds among Muslim countries of the region and expressing that «the Islamic Republic of Iran believes that what is being imposed on Qatar is unjust and it leads to more tension among countries of the region.»⁴⁹

Apart from the declarations at a political level, since the very beginning Iran showed its readiness to prevent the blockade that affected Qatar, its economy and mainly its population. Also, Iran did position itself as the main provider for Qatar. Tehran immediately arranged new time slots to facilitate the use of the Iranian airspace for Qatar Airways flights that were forced to draw new routes to reach destinations.⁵⁰ And since the very beginning Iran offered its products (food, dairy, etc.) to replace the ones that were stopped from Saudi Arabia and Emirates by land. Moreover, Iran producers and business delegations visited Doha frequently since June, with the aim to establish more permanent links with the Qatari market. New shipping lines from Bandar Abbas and Bushehr were established and others were reprogrammed from previous destinations in Dubai and Muscat ports to cope with the new Qatari needs. Shirin Asal Food Industrial Group, the biggest Iranian confectionary company also started to modernize some

⁴⁷ See Qatar Ministry of Foreign Affairs, *Qatar Announces Return of its Ambassador to Tehran*, 24 August 2017 (<https://mofa.gov.qa/en/all-mofa-news/details/2017/08/23/qatar-announces-return-of-its-ambassador-to-tehran>).

⁴⁸ See Qatar Ministry of Foreign Affairs, 'Foreign Minister Holds Telephone Conversation with Iranian Counterpart', 24 August 2017 (<https://mofa.gov.qa/en/all-mofa-news/details/2017/08/23/foreign-minister-holds-telephone-conversation-with-iranian-counterpart>).

⁴⁹ See Iran Ministry of Foreign Affairs, 'Tehran ready to cement ties with Qatar/Iran willing to help Muslim countries of region deepen relations', 31 August 2017 (<http://en.mfa.ir/?fkeyid=&siteid=3&pageid=1997&newsview=472703>).

⁵⁰ The normal time allocated between aircrafts to cross the Iranian airspace coming from and going to Qatar was 3 minutes, which the Iranian authorities reduced to 2 to accommodate the Qatari needs. Informal interview with Hamad International Airport technician, June 2017.

facilities to adapt to the Qatari market, with the expectation of having a long term contract to supply goods to Qatar.⁵¹

According to several reports issued by Iranian financial institutions, the trade between the two countries increased around 117% in the seven months of the Iranian fiscal year (started on 21 March) in comparison with the same period of the previous year. The main products exported were food, agricultural products and bitumen.⁵² Also, Iran, Turkey and Qatar signed a transportation deal for boosting trade among the three countries. The pact would facilitate the transportation of goods from Turkey and Azerbaijan by land across Iran, reducing around 80% of the costs incurred via air cargo.⁵³

Despite all the previous information that seems to indicate that the commercial links between both countries is boosting, it is noteworthy to mention that the preexistent situation was one in which neither of the two countries represented a big share in the bilateral trade. With the latest data as of June 2017, Iran was ranked 32 in the list of countries exporting products to Qatar, with a share of 0.36% of the market, while it ranked 23 for countries importing from Qatar, with only 0.05% of the share.⁵⁴ Thus, doubling or tripling the amount of trade would not represent a drastic change in these macro level figures.

The abovementioned data shows how Iran benefitted owing to its geopolitical position in the Gulf and Middle East and especially in terms of its bilateral relations with Qatar and Turkey. However, it did contribute to increase the pre-existing tension with Saudi Arabia and the United States with the latter clearly misguided during the first weeks of the crisis when President Trump's tweets directly pointed Qatar as the main sponsor of terrorism.⁵⁵

⁵¹ See 'Top Iran firm set to enter Qatar market,' *The Peninsula*, 29 October 2017.

⁵² See 'Iran Exports to Qatar Up 117%,' *Financial Tribune*, 19 November 2017 (<https://financialtribune.com/articles/economy-domestic-economy/76398/irans-economic-ties-with-qatar-booming-exports-up-117>).

⁵³ See 'Iran, Turkey, Qatar Sign Deal to Ease Doha Blockade,' *Financial Tribune*, 28 November 2017.

⁵⁴ See *The Observatory of Economy Complexity* (<https://atlas.media.mit.edu/en/profile/country/qat>).

⁵⁵ See Donald Trump Tweeter account tweets:
<https://twitter.com/realdonaldtrump/status/872086906804240384?lang=es>;
<https://twitter.com/realdonaldtrump/status/872062159789985792>;
https://twitter.com/realdonaldtrump/status/872084870620520448?ref_src=twsrc%5Etfw&ref_url=http%3A%2F%2Ftime.com%2F4807216%2Fdonald-trump-twitter-qatar-terrorism%2F;
https://twitter.com/realdonaldtrump/status/872086906804240384?ref_src=twsrc%5Etfw&ref_url=http%3A%2F%2Ftime.com%2F4807216%2Fdonald-trump-twitter-qatar-terrorism%2F.

It is assumed that Iran has long competed for power and influence with other countries in the Middle East, a competition characterized by territorial conflict, cultural differences and ideological contentions since the late 1970s. In fact, a common element in a large part of the foreign policy analysis literature on Iran is the assumption that the permanent objective of Iran is to become a key player in the region, not just in the Persian Gulf but also in the greater Middle East and Central Asia. But beyond the actual capabilities of one state, a fundamental element for the categorization of a state as a regional power is the acceptance of its status by the states with which it shares a regional system or subsystem, and, as well, on the part of the great powers that control or determine the rules of the game of the international system.

In the specific Iranian case, this acceptance was not visible until the signature of the JCPOA nuclear deal in 2015. Before that, Iran was excluded from any regional framework of multilateral dialogue regarding regional security concerns, which prevented Iran's normalization with the GCC states and the rest of the international community. In 2013, the Iranian President Hassan Rouhani started a diplomatic initiative aimed to convey to the smaller GCC states that the Iranian foreign policy only intended peace. The current crisis gave Iran the chance to tell Qatar, GCC states and other Arab states like Lebanon, that it was Saudi Arabia and not Iran that threatened the independence and sovereignty of other Middle East and Gulf countries. This narrative was reinforced by the incident involving Lebanon Prime Minister Saad Hariri and his alleged resignation and forced retention in Saudi Arabia in November 2017. The GCC crisis is also helping to move Iran away from a sectarian narrative, since Tehran is trying to improve its relations with Doha and Ankara, despite the differences they face regarding the Syrian conflict and other regional issues.

It is evident that Qatar maintained a very different approach to Iran compared with Saudi Arabia, not only because they share the biggest gas field in the world, but also because Qatari authorities never agreed on the threat perception that Iran represented for the Saudi government.

4.3. Iran and the Kurdish referendum

On the 25th of September 2017 a referendum for the right to self-determination was conducted in Iraqi Kurdish region, despite the alleged unconstitutionality of the poll and the opposition of the Iraqi central government. The first reactions showed the coordination between Iran, Iraq and Turkey when they face a threat to their own security, despite their differences in other regional or bilateral issues. Within the framework of the UN General Assembly, the foreign affairs ministers of the three states signed

a joint declaration on 20 September demanding the referendum cancellation and reasserting the priority to fight ISIS.⁵⁶

After a first warning issued by Baghdad post referendum the Kurdish airports of Erbil and Suleimaniya were closed to the international traffic.⁵⁷ Ankara increased pressure with a statement by the Minister of Foreign Affairs⁵⁸ and a number of diplomatic initiatives, as the visit to Iran by Erdogan and army senior officials,⁵⁹ as well as the Iran's Revolutionary Guard carried out joint military maneuvers with Iraqi troops.⁶⁰ Land borders between Iran and Iraq were temporarily closed on the 29th September, but they were reopened following pressure from the Iranian Kurdish inhabitants and local authorities that claimed the closure was affecting the trade and workers transit to and from the Iraqi Kurdish provinces. Moreover, it should be noted that there exists clear support for independence within the Iranian Kurdish provinces, and also among Iranian reformist establishment. There are voices who consider it a legitimate aspiration of the Kurdish people, and therefore suggested to their government to support the negotiation process between Erbil and Baghdad.⁶¹ The referendum and the prospects for an independent Kurdish region that may attract support in the Iranian side had always been a security concern for Tehran, since the provinces of Kurdistan and Kermanshah frequently faced protest against the central government in Tehran. The last one just few weeks before the referendum took place, on 5 September, when two porters were killed by security forces and provoked a series of demonstrations in the city of Bane that lasted several weeks and required the strong presence of anti-riot policemen to control the people.⁶² Despite the fact that the December protests were extended to several cities and provincial capitals and that the economic situation of Kurdistan and Kermanshah are not better than others, neither of the two provinces faced massive demonstrations.

⁵⁶ See Iranian Ministry of Foreign Affairs, 'Foreign Ministers of Iraq, Iran and Turkey held a trilateral meeting in New York on September 20, 2017 to discuss the referendum plan of the KRG', (http://en.mfa.ir/uploads/4_5915759306354983245_123219.pdf).

⁵⁷ See 'Abadi gives Kurdish 72 hours to give control of airports,' *Arab Today*, 27 September 2017.

⁵⁸ See Turkish Foreign Ministry Press Release No: 297, regarding the referendum that is being held in the KRG, 25 September 2017 (http://www.mfa.gov.tr/no_-297_-ikby-referandumu-hk_en.en.mfa).

⁵⁹ See 'Turkey's top general Akar visits Iran amid Iraq crisis', *Hurriyet Daily News*, 2 October 2017.

⁶⁰ See 'Iran, Iraq launch joint military drills', *PressTV*, 3 October 2017.

⁶¹ See 'Why Iran Should Back Kurdish Independence Bid', *Iranian Diplomacy*, 26 September 2017.

⁶² See 'Protest erupts in Iranian Kurdistan over killing of kolbars', *Ekurd Daily*, 5 September 2017.

4.3. *Iran and the Syrian conflict*

The Iranian involvement in the Syrian conflict remained as during 2016, with the participation of troops coming from Pakistan and Afghanistan, and some officials from the Revolutionary Guard as advisory or logistic support for the Syrian army. What certainly changed the evolution of the conflict was the direct Russian intervention in fighting against the enemies of the Asad's regime. This proved to be a game changing element in the conflict, since the Asad's government started to regain territorial control on areas previously held by ISIS. It also provided the Iranian presence a more influential role in the future of the whole region. For instance, for the first time since the beginning of the conflict a regional conference gathered together the Turkish, Russian and Iranian officials to discuss about humanitarian corridors and effective control of certain areas along 2017. The last summit, held in Sochi on 22 November, showed the three heads of government, Hassan Rouhani, Vladimir Putin and Tayyip Erdogan agreeing on the need for a political solution to solve the Syrian conflict that also included United States and Saudi Arabia as influential factors in the current events.⁶³

Even though the recent developments proved that this alliance won't be long-lasting due to the very diverse interests and security concerns of the three parties involved, this deal brokered by the three powers represented a clear victory for Iran in its 'cold war' with Saudi Arabia, and more broadly, against the United States' new administration. Together with the new links established with Qatar, after the blockade initiated by Saudi Arabia, and the need to count on Iran for issues such as the status of the Iraqi Kurdistan, this deal increased Iranian leverage on regional affairs, despite the opposition coming from other regional and global powers with interest in the same scenarios.

Qatar did not surrender to the Saudi demand to sever all relations with Iran, as it was included in the initial list but the opposite. Iran strengthened its relations with Qatar and also with Turkey, favoring more long-term policies and agreements on bilateral and regional issues. The way in which Iran agreed in common policies with Turkey and Iraq regarding the Kurdish referendum also facilitated this new deal on the Syrian conflict, making Iran an indispensable actor to keep stability in the region. The acceptance of Iran as regional power will not be extended though to other

⁶³ See 'Russia-hosted summit could be decisive for Syria peace: Erdogan,' *Reuters*, 22 November 2017 (<https://www.reuters.com/article/us-mideast-crisis-syria-russia-summit-pu/russia-hosted-summit-could-be-decisive-for-syria-peace-erdogan-idUSKBN1DM1R1>).

countries. Instead, this new situation would reinforce the anti-Iranian position of both Saudi Arabia as well as United States, with President Trump undertaking harsh approaches to the nuclear deal as well as to the perceived negative influence that Iran is exerting in the region.

5. Conclusion

The year 2017 proved to be a very challenging year for Hassan Rouhani's administration in terms of economy. The protests that erupted in several Iranian cities in the last days of the year overshadowed victory at the presidential and municipal elections of 19th May. Even though Iranian voters clearly agreed on extending his tenure for another four-year term, the signals coming from the streets were evident: economic grievances of the Iranian people will not be solved on its own with a nuclear deal, some specific redistributive policies should be implemented to address the need of the population. The violence with which demonstrations erupted by the end of December proved that the patience of the Iranian population, mainly the most disfavoured ones, is almost extinguished. A failure in providing Iranian people with better job opportunities, reduced prices and inflation, can make this tenure to be quickly forgotten, as it happened with the former president Mahmood Ahmadinejad. Despite his rhetoric of resistance against the 'arrogant powers' Ahmadinejad failed in making the life of Iranians better, leaving behind a country with huge inflation and unemployment rates, a disastrous banking system, and an absolute isolation from the international markets due to the UN and EU sanctions. Unlike him, Rouhani decided to engage in a multilateral agreement to reinstate Iran in the international community by keeping up with the UN and IAEA demands on its nuclear program. Despite the JCPOA on its second year of effective existence, there are plenty more obstacles that prevent this deal to translate on substantial benefits for the Iranian population. On one hand, the fear that sanctions can be reinstated and the JCPOA terminated, made the foreign investors to refrain from investing in Iran so far even as the White house continues its anti-Iranian rhetoric. On the other hand, after decades of isolation the Iranian legal and banking systems are not ready to cope with the new procedures, which require a transition process with training and new internal regulations to be implemented to attract foreign investments. To do that, a serious legal and economic reform needs to be implemented, something that can face opposition from the most powerful economic groups linked to the Pasdaran and Bonyads that control most of the Iranian economy.

The main challenge that came from outside was represented by the new administration in the United States. Clearly, Trump's new approach on

the Iranian issues represented bad news for the government, which expected at least to keep the same trend like that of the Obama times. The dangerous situation the JCPOA is facing is producing frictions within the Iranian establishment. The Iranians grow sceptical of remaining committed to a deal that is not only turning adverse to the Iranian interests, but also faces threats to be unilaterally cancelled by the United States regardless of what the other signatories of the deal may think about it.

The regional scenarios, however, seemed to have favoured Iran in terms of political leverage due to key positions taken by Iran on the GCC crisis, the Syrian conflict and the Kurdish referendum. Looking back at the precarious situation in which Iran was left after Ahmadinejad – with sanctions that not only isolated Iran commercially and financially but also isolated Iran from the regional political discussions - the year 2017 proved to be a year in which Iran seemed to recover its regional leverage along with a voice that deserves to be valued.