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White Paper



Background:

Iran dates to the Persian Empire (550-331 BC) spanning from India to Europe as arguably the world's first superpower. While Iran no longer physically occupies the vast terrain of the Persian Empire, it certainly does so virtually and beyond. Iran is the global bastion for Shia Islam and identifies as the only Shia nation state in the world. Iran sees itself as a defender of the minority population of Shia Muslims, which are approximately 15% of all Muslims globally, in contrast to Sunnis at 85%. Though greatly outnumbered from a Shia-Sunni perspective, Iran punches well above its weight.

In recent centuries, Iran was led by a series of Shahs or Kings. The Qajar dynasty of Shahs led from 1794 until a coup in 1921 (some believe British facilitated) leading to its downfall in 1925. From 1925 to 1979, the Pahlavi dynasty controlled the country; however, from 1951 to 1953, Prime Minister Mohammad Mosaddegh gained such popularity and power that Shah Mohammad Reza fled the country. Ultimately, the Prime Minister was overthrown by a CIA-influenced coup in August of 1953. After that, Shah Reza was restored to power until 1979's Islamic Revolution when Ayatollah Khomeini took control and labeled the United States as the "Great Satan" and the "main enemy of mankind." It bears noting that the coups deeply shape long-term mistrust between Iran and the West.

During the 1979 revolution, Iran seized U.S. hostages (which were held for 444 days), suffered an embargo, and experienced the exit of much of its Diaspora. The Islamic Revolution still drives Iran's interests and actions throughout the region and world today. As a state sponsor of terrorism, Iran's approaches to foreign policy and operations are often indirect, plausibly deniable, pernicious, and deadly. The nation's goals are directed at tipping the balance of power and influence in its favor and wresting control away from Western alignments and values toward the elimination of Israel and totalitarian rule in the region.

Key Points:

- Iran's geographic position, sizable population, and large petroleum reserves makes it a regional power player with significant global influence.
- Militarily, Iran has many strengths. As the world's largest exporter of terrorism, its unconventional Qods Force is quite capable; it has the most numerous theater and short-range ballistic missiles in the region; Iran has advanced its Intelligence, Surveillance, and Reconnaissance (ISR) capabilities along with improving drones and air defenses partnered with Russia; it is improving its cyber capabilities as well; and perhaps most troubling, Iran is at the cusp of being able to build a small number of nuclear weapons in short order whenever it chooses.
- Iran's huge reserves of hydrocarbons that keeps its economy afloat, though challenged, considering the significant sanctions imposed on them by the West.
- Iran is aware that it cannot win a major ground war against the West, hence it has become the master of operations below the level of armed conflict, for example, the use of terrorism. Although deterred from conventional war, Iran is not deterred from these operations. In this vein, Iran will remain a dangerous player for the foreseeable future.



GEOIntelligence@bancroft4vets.com

Iran's Geographic Positioning: Iran's leverage to punch regionally and globally is greatly enhanced by its geographic location.

- **Iran's southern border:** This border runs the entirety of the Persian Gulf and Gulf of Oman to the south to include the Strait of Hormuz, which is 21 miles wide at its narrowest point and sees 20% of the world's oil transit through each day.
- **To the north:** Iran spans the entire southern edge of the Caspian Sea providing direct maritime access for trade with Russia, despite sanctions. But Iran will always have a degree of mistrust with Russia. After WWII, the Soviet Union tried to occupy Iran and historically Russia and Iran have had border disputes and wars. Despite friendly relations of late, Iran is distrustful of the Russians, and it is very much a transactional relationship.
- **To the east:** Iran has complex relationships with its neighbors. Iran (Shia) and the Taliban (Sunni) have a historical hatred of each other largely due to religious differences, but also demonstrated by clashes involving border disputes and water rights associated with the Helmand River. There are many Afghans and Pakistani Shia in Iranian-supported forces in the Middle East.
- **To the west:** Iran shares a border with Turkey, which is a member of NATO and an ally of the United States. Turkey has also aligned with Azerbaijan in territorial disputes with Armenia. Of note, it is Russia, not Iran, that is Armenia's primary security guarantor and sponsor. The Azerbaijan military operations in 2020 and 2023 decisively defeated Armenia despite receiving backing from Russia, and to a lesser extent, from Iran.

Religion (The Shia-Sunni Divide): Religious control is the other primary lever.

- **Shia Crescent:** In addition to its national boundaries, the Shia Crescent is a critical area of influence due to its clerical ties that span from Lebanon, through Syria and Iraq, to western Afghanistan, as well as to the south across the Gulf in Bahrain and into Yemen.
- **Revolution:** Although a minority in Islam around the world, the Shia-driven Islamic Revolution of 1979 provided the flashpoint for the clerics in Iran to frame themselves in a good versus evil narrative that has been very effective in polarizing the Shia Crescent and factions throughout the Middle East.
- **Targets:** Its targets are the United States and the United Kingdom as the political and religious oppressors who kept the Shah in power, continue to protect Israel, and cannot be trusted. The other targets are the regimes with Shia majorities under minority Sunni control and to challenge the continued existence of Israel.
- **Flexibility:** Iran has strong ideological motivation based on religion, specifically Shia, but it by no means is limited to them. For example, Hamas in the Gaza Strip are not a Shia movement; Hamas are Sunni. Hamas has a lot of Shia blood on its hands from conflicts some decades ago. The same is true of the Houthis in Yemen. Houthis are not main-stream Shia; they are predominately Zaydi (or Zaidi), which is a small minority among the Shia that has very different tenets from the Shia in Iran. Common Iranians call the Yemeni Zaydis apostates. Until the civil war in Yemen, the two had little to do with each other. The point is that Iran, like any other nation, will bend its beliefs to suit its national interests. This includes forming relationships with China, Russia, and possibly the Sunni Muslim populations in Pakistan or India.

Military: Iran's military is multi-faceted and formidable throughout the Middle East.

- **Regulars vs IRGC:** Iran has two types of forces, the Regular Forces and the Iranian Revolutionary Guard Forces. Both are focused on regime survival and deterring threats throughout the region. The two groups' collective reach contributes to a "Ring of Fire Strategy" (a term coined to describe Iran's efforts to surround Israel with a range of threatening capabilities) throughout the Middle East, demonstrated by a cycle of violence wherever they operate.
- **Qods Forces:** As a designated state sponsor of terrorism, Iran compensates for its lack of a formidable conventional ground force through its unconventional Qods Force (the foreign operations element of the IRGC), which answers directly to Iran's Supreme Leader Ayatollah Ali Khamenei and operates independent of Iran's elected government. Arguably, the Qods Force is one of the most formidable special forces-like elements in the world. It conducts and influences operations and training unilaterally and operates mainly through partners and proxies in the region along with providing financial, political, and material support. Its most notorious commander, General Qasam Soleimani, was killed in a strike in 2019. The Qods Force, now under the leadership of General Esmail Ghaani, appears unabated through Shia partner and proxy elements throughout the region namely in Iraq, Syria, Lebanon (Hezbollah), Bahrain, Yemen (Houthis), and in Gaza through the Palestinian factions Hamas and Palestinian Islamic Jihad (PIJ). Open sources assert approximately 500 militants from both Hamas and PIJ are reported to have been trained in Iran prior to the 7 October attack on Israel, though it remains a question if this was preparation for the attack or merely training that has been ongoing for many years.
- **Means of control:** Iran does not control its partners. It influences them heavily, some more than others. In Iraq, its militias often clash with each other. One of the Shia militias in Iraq worked with the U.S. backed government to attack a Kurdish faction that Iran was supporting. Hezbollah might have started as an Iranian proxy, but today it is much more of a near-peer/partnership relationship. There were times when Iran wanted supportive action, and Hezbollah refused to protect the country's Lebanon equities. The Houthis have been uncontrollable from the very start. The organization supports Iran at times, but only when Iranian and the Houthi objectives align.
- **Navy:** Iran also lacks a large blue-water Navy. However, it makes up for this shortcoming through naval operations characterized by anti-access/area denial tactics integrating myriad small boats with mines, submarines, ballistic missiles, anti-ship missiles, air defense systems, and drones to overwhelm threats. Iran trains for these operations and consistently provokes shipping and Western assets within the region.
- **Missiles:** While Iran lacks a modern Air Force, it possesses the largest missile system in the region with particular focus on the Persian Gulf and the Strait of Hormuz. Comprised of short, medium, and long-range missiles including Coastal Defense Cruise Missiles, Iran's missiles can strike targets up to 2000km beyond its borders. Iran has also been a major source of missile inventory for Lebanese Hezbollah (estimated 14,000+) and technical help in the manufacturing of more than 4,000 rockets for Hamas.
- **Drones and Air Defenses:** Iran has also demonstrated advanced use of drones for Intelligence, Surveillance, and Reconnaissance (ISR), air-to-ground strikes historically and currently. According to the Defense Intelligence Agency, Iran has enhanced its integrated air defense artillery systems through both domestic production and foreign acquisition from countries like Russia, enabling Iran to better defend itself against modern Air Force threats.
- **Nuclear Aspirations and Weapons of Mass Destruction:** Iran's role with the aspiration for nuclear weapons is also long standing and its attainment of such weapons will fundamentally alter the landscape of the entire Middle East and region. The on-again off-again approach to attaining weapons grade Uranium has been a part of the dialogue in the Middle East for decades and has most recently been highlighted by the Joint Comprehensive Plan of Action (JCPOA), and its shortcomings and subsequent withdrawal by the United States. Talks continue with JCPOA, all-the-while, Iran has dramatically improved its ability to attain a nuclear capability.

- **Cyber and Artificial Intelligence:** “In the cyber domain, Tehran views cyberspace operations as a safe, low-cost method to collect information and retaliate against perceived threats, and Iran’s regime is continuing to improve its cyber capabilities.” According to the Office of the Director of National Intelligence’s 2023 Annual Threat Assessment, Iran is a major cyber threat to the government and private sector stating “Iran’s growing expertise and willingness to conduct aggressive cyber operations make it a major threat to the security of U.S. and allied networks and data. Iran’s opportunistic approach to cyberattacks make critical infrastructure owners in the United States susceptible to being targeted...” The assessment goes on to explain how Iran’s cyberattacks continue to target financial services, energy, healthcare, manufacturing, communications industries, and defense. Microsoft has also sounded the alarm on Iran as a major threat by expanding cyberattack objectives through influence operations with geopolitical goals.

Interaction with Regional Players:

- **Conflict:** Since the Iranian Revolution in 1979, Iran has been a source of conflict within the region with Sunni and Western elements, particularly the United States and Israel. The conventional Iran-Iraq War (1980-88) resulted in more than 1 million casualties and was followed by a steady demonstration of extensive Iranian indirect and unconventional forms of conflict. Iran was complicit in American deaths throughout Operation Iraqi Freedom in its relentless use of sophisticated IEDs. Iran is also directly supporting Shia leader Muqtada al Sadr in Iraq, Bashir Assad in Syria, and Hassan Nasrallah (Secretary General of Hezbollah) in Lebanon.
- **Ring of Fire:** Iran’s Shia influence has been so pervasive throughout the geographic arc of the Shia Crescent that some Middle Eastern leaders characterize Iran’s influence as a Shia “Sphere” through which they exercise the “Ring of Fire Strategy” described earlier, stoking conflict through partners and proxies like the Houthis in Yemen extending into Saudi Arabia and through Hamas in Gaza. Some believe, as stated in a recent article in the Wall Street Journal, that Hamas, Hezbollah, and Iranian leaders may have met in Beirut and pre-approved the 7 October attack on Israel. However, other reports are not convinced of this collusion; perhaps time will tell. Regardless, there have been more than 40 attacks on U.S. installations in Iraq and Syria (21 troops injured) by Iranian-backed militias in response to U.S. support to Israel since Hamas’ 7 October attack on Israel.

Economic Positioning:

- **Export/Import:** Iran’s economy ranks 40th in terms of GDP size. However, according to the World Bank, “Iran ranks second in the world for natural gas reserves and fourth for proven crude oil reserves.” In addition to hydrocarbons, Iran’s economy relies heavily on agriculture and services with China, UAE, India, Turkey, and Germany as their primary trading partners. Imports are primarily agricultural products (corn, rice, and soybeans), motor vehicles, auto parts, and broadcasting equipment. Top exports include ethylene polymers, crude petroleum, nuts, and acrylic alcohol. Iran continues to be a major supplier of oil to China. Domestically, sanctions and ineffective domestic policy has battered its economy with strangling inflation rates more than 40%.
- **Emigration:** According to a report published by the Stimson Center, emigration from Iran continues to accelerate due to economic disparity and crackdowns on dissent.
- **Sanctions:** Despite economic sanctions and the domestic economic crisis with high unemployment and inflation, Iran continues increased investment in military capabilities and is also a major arms dealer and exporter of weapons: providing drones, missile technology, and training to Russia and to terrorist groups to include Hamas and Hezbollah.

Implications and Forecast:

- The implications of the Islamic Revolution will continue to be the foundation of Iran's narrative to influence actions regionally and globally. Iran will continue as an existential threat to Israel.
- Internally, Iran's government will continue its brutal and oppressive security system in line with other regimes such as North Korea, Russia, and China.
- While Iran may not emerge as a nation with a large regular military force, its indirect approach through the IRGC, Qods Forces, and proxies appears to make up for any shortcomings. Iran's reach continues to increase both regionally and globally.
- In the near term, Iran will likely continue to follow its current approach as it has a high level of confidence in the sustainability and effectiveness of its Ring of Fire Strategy through a network of partners and proxies.
- Iran will remain deterred from conventional wars (that it cannot win) with the West. There are several factors that embolden Iran to act out below the level of armed conflict:
 - Some Western nations have fractured political views of how to deal with Iran: force, sanctions, carrots, etc. Further, the West's withdrawal from Afghanistan and mild response to Crimea emboldened Iran.
 - The West has not consistently responded to Iranian actions below the level of armed conflict; therefore (and unfortunately), Iran is not likely to be deterred from actions below the level of armed conflict.
- The Strait of Hormuz will continue to be a high-risk choke point due to Iran's ability to interdict the global oil supply, agricultural commerce, and military maritime presence passing through the strait and progressing through the Persian Gulf.
- Iran's proximity to the Caspian Sea and investments in modern ports has established a lifeline and interior lines of supply for illegal trade to Russia in violation of international sanctions.
- The "brain drain" within Iran will continue as high unemployment and inflation persists and could lead to domestic protests and unrest, especially in younger populations that continue driving the increase in emigration of educated Iranian citizens.
- Iran will continue its progressive move toward attaining nuclear weapons.
- Iran will remain the global bastion for the Shia branch of Islam for the foreseeable future.
- Iran will continue to be a major supplier of weapons to Russia and supplier of oil to China.
- Although Iran has tempered its rhetoric with Saudi Arabia, the Sunni-Shia divide will continue to drive flashpoints for conflict in the region.

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