



Iran: A Dangerous Regime in Crisis U.S. Sanctions Are Getting Iran's Attention

International tensions with Iran escalated on June 13 when two tankers were attacked in the Gulf of Oman, connecting the Strait of Hormuz and the Persian Sea. President Donald Trump and Secretary of State Michael Pompeo accused Iran as responsible for the attack. United States officials released a video and photos of an Iranian navy boat removing evidence of an unexploded mine attached to the hull of the Japanese-owned oil tanker. As a senior diplomatic source told CNN the following day, "It is a virtual certainty that Iran was behind this attack. The video now nails it."¹ The two June 13 tanker attacks came on the heels of intentional damage to four tankers in the Gulf of Oman on May 12.

Although Iran denies responsibility for the attacks, the regime appeared to be sending a tacit message: If the United States does not drop its economic sanctions imposed last year on Iran, Tehran will disrupt oil shipments and threaten the world economy. Thirty percent of the world's oil passes through the Strait of Hormuz. Iran stepped closer to the brink on June 17, announcing that it would exceed internationally agreed limits on its enriched-uranium stockpiles. This brazen defiance may finally force reluctant European leaders to confront the threat posed by Iran.

The tanker attacks came as tensions were already rising between Iran and the United States as a result of President Trump's withdrawal from the Iranian nuclear deal concluded by President Obama's administration, Trump's tightening of sanctions on Iran and his designation of the Iranian Revolutionary Guard Corps as an international terrorist organization. Such a designation carries heavy penalties for corporations and other entities doing business with the Revolutionary Guard.

The left-wing response to the tanker attacks was predictable. In Britain, Labor Party leader Jeremy Corbyn declared that there was "no credible evidence" that Iran had attacked the two ships. Corbyn's statement was

in direct contradiction of the British Foreign Office's assessment that strong evidence showed that the attacks had been carried out by "a branch of the Iranian military."² Equally predictable was the *Washington Post* headline on June 15, "Trump Steps Up Blame of Iran."³

Further evidence of Iran's involvement in the June 13 tanker attacks came when it was reported that Iran launched a surface-to-air missile at an unmanned drone observing Iranian vessels closing in on the tankers. The attack on the unmanned drone, an American MQ-9 Reaper, failed and the missile fell into the water. Just days prior to the June 13 attacks, a U.S. Reaper was shot down in the Red Sea by what was believed to be Iran-supported Houthi rebels in Yemen.⁴

Any doubt about Iran's desire to send a message to the U.S. was dispelled on June 20, when the Iranian military shot down a costly RQ-4A Global Hawk U.S. unarmed military drone flying over the Strait of Hormuz, claiming that Iran's airspace was violated. The U.S. disputes the claim. A Revolutionary Guard commander said in a televised address that the attack on the drone should serve as a "clear message" to the U.S. that "we are fully ready for war." President Trump, who had been beefing up military assets in the region, came very close to ordering retaliatory strikes shortly afterwards but (as of this writing) called them off.

Knee-Jerk Critics of Trump

The attitude expressed by Corbyn, the *Washington Post* and other left-wing critics of President Trump was that the administration's aggressive foreign policy was leading to war. The left-wing line was that Trump had cornered himself by ending the Iran nuclear deal, imposing and threatening further sanctions against Iran, and deploying the USS Abraham Lincoln Carrier Strike Group and a bomber group even before the attacks. This complaint wrongly implies that relations between the United States and Iran were hunky-dory until Trump took office – along

with relations between the U.S. and North Korea, China and Russia. It's as if under the prior administration all was well with the world, until President Trump came in and started saber-rattling.

Well, not all was well with Iran. Every president since Jimmy Carter has faced a hostile Iranian government. President Obama attempted to improve relations with Iran through the "Joint Comprehensive Plan of Action," which gave billions of dollars to the Tehran Islamic revolutionary government in exchange for a promise that Iran would stop nuclear development leading to atomic weapons for the next decade. The Joint Comprehensive Plan did not provide any mechanism for verification of this promise, but more importantly the *billions of dollars given to Iran were used by the government to spread havoc in the Middle East*. Iranian-backed Shiite terrorists were provided with arms used to kill hundreds of soldiers in Iraq. Iranian Revolutionary Guard soldiers and Iranian-backed foreign fighters were deployed in Syria. Hundreds of missiles were given to Hezbollah terrorists in Lebanon and Palestine.

Iran as a Spearhead of Islam

Lacking in the media and political frenzy over the Iranian attacks was any analysis of what Iran is up to. Obviously Iran is responding to pressure being applied by the Trump administration. Some questions that arise: Were these attacks a sign of hardball tactics by the Iranians or a way of distracting the Iranian public from a collapsing domestic economy? Are hard-liners dictating Iranian foreign policy, or do the so-called moderates under President Hassan Rouhani have any say in foreign policy? Are U.S. sanctions working? Any answers to these questions should be put into the context of serious Iranian economic problems and an aggressive Iranian foreign policy in the region called "forward defense."

Iran sees itself as an instrument to spread its version of Islam. The most radical versions of Shiism envision destruction of the entire world. This vision is not a Marxist millennialism in which the peaceful kingdom is arrived at with the eventual victory of the proletariat. Instead, the radical version of Shiite Islam calls for an apocalypse. This religious radicalism is combined with a deeply imbued belief derived from Persian history and what is seen as the Iranian national interest to establish hegemonic control over the region. This includes the destruction of Israel.

In pursuing its goals, the regime has intervened in Syria, Lebanon, Yemen and Iraq. Enemies of the state include Arab countries and Israel. This foreign policy is being conducted directly through the Iranian Revolutionary Guard and

proxies such as the Iranian-sponsored forces in Yemen. The war in Yemen has seen atrocities on both sides involving modern technology. Saudi Arabia understands that Iran poses an existential threat to the Saudi regime.

For example, on May 14, Iranian Houthi forces in Yemen launched a drone attack on two Saudi oil-pumping substations in Saudi Arabia that supply Saudi Arabia's Petrolene pipeline, which transports oil westward from the country's eastern province.⁵ The drone attacks caused only minor damage to one of the substations. Three days earlier, sabotage occurred against ships in the United Arab Emirates port of Fujairah. The drone attacks showed increasing sophistication in drone development. A year earlier, Houthi rebels used Qasf-1 drones to attack Saudi Arabia's Abha International Airport. The airport is located about 100 kilometers from the Saudi-Yemen border. The two substations hit in May were 700 kilometers from the Saudi border.

Houthi rebels claim that their Qasf-1 drones are local productions. This seems unlikely. The point is that Iran is providing its proxies, Houthi rebels in Yemen and Hezbollah militia, with highly sophisticated weapons.

These attacks on Saudi Arabian oil were a direct response by Iran to the U.S. sanctions on Iran. In May, the U.S. ended sanction waivers for Iran's largest purchasers of oil. Earlier sanctions were placed on Iran's industrial metals industry. Outside of hydrocarbon-related exports, Iran's largest export revenue source is metal—iron, steel, aluminum and copper. These metals provide 10 percent of the country's export revenue. Iran's attack on Saudi oil infrastructure was aimed at reducing Saudi exports, to exert pressure to lift sanctions on Iranian oil exports in order to ease oil prices.

One of the problems that Iran faces, however, is the drop of oil prices worldwide. *President Trump deserves credit for unleashing U.S. oil production, which minimizes the effect of the tanker terrorism on oil prices*. U.S. sanctions have hurt an already damaged Iranian economy reliant on oil exports. With the success of President Trump's tough sanctions, Iran's oil exports have declined precipitously. European leaders have been unhappy about the sanctions, but American economic power has compelled compliance by European companies unwilling to lose access to the U.S. market.⁶

An Economy in Shambles

Even before Trump imposed new sanctions on Iran, the country was in trouble economically. The sanctions inflicted further damage on a faltering economy. The country has been hit by recession and inflation. In July 2018 the country's unit of currency, the rial, was

trading at about 119,000 to the U.S. dollar on the black market. The official rate is 44,000 rials per dollar. Average Iranians are suffering with rising prices for meat, medicine and other staples.⁷ This inflation came with a recession and high unemployment.

This economic meltdown led to massive protests that erupted in December 2017 and January 2018. The protests centered on President Hassan Rouhani's economic management, but spilled over to protests against the regime itself. Teachers went out on strike in Iran's central city of Yazd. Steelworkers and hospital workers went on strike in the southwest city of Ahvaz. Railway workers in Tabriz walked out and bus drivers in Tehran joined the protests. Five thousand workers went on strike at Iran's Haft Tapeh sugar plant. The sugar workers were led by Esmail Bakhshi, who was arrested. After his release he was attacked by masked men.

Protests extended to women who posted videos of themselves removing mandatory headscarves, a criminal offense in Iran. Demonstrations broke out when people lost their deposits at failing financial institutions. A common theme of these protesters is that the proceeds from the international nuclear agreement went to Iran's military involvement in Syria and in support of Hezbollah, instead of to the Iranian people.⁸ Initially the protests appear to have been ignited by hard-line factions trying to undermine Rouhani, but they quickly became broader, nationwide public challenges to Iran's top leadership under the country's supreme leader Ayatollah Ali Khamenei.⁹

Pathetic Incomes

The financial situation for working Iranians has not improved in four decades since the revolution. Urban family incomes average around \$800 a month, with a minimum wage of around \$200 a month. As one activist, Jafar Azimzadeh, posted, "Where else in the world is a worker whose wage is four times below the poverty line forced by the police to work? This is a crime. This is slavery."¹⁰

Rouhani is seen as relatively moderate in the Iranian political arena. He favored the Iranian nuclear deal. He surrounded himself with technocrats trying to resolve the economic crisis. In August 2018, however, the Iranian parliament voted to oust Rouhani's economic minister.¹¹ Other ministers including the labor minister were removed, as was the central bank governor.

Further signs that the hard-liners are trying to distract the public by attacking moderates for the problems came in February this year when Iranian Foreign Minister Javad Zarif, who led nuclear negotiations with the United States,

announced he was resigning. Zarif, a U.S.-educated career diplomat, was instrumental in leading Iran's negotiating team in the 2015 Joint Comprehensive Plan of Action—the Iran nuclear deal—which lifted some of the sanctions against the Islamic Republic in exchange for restraining its nuclear enrichment program.¹²

Resistance to Reform

To deflect criticism in 2018, the government announced that it was cracking down on financial fraud. Local Toyota and Renault executives were arrested on unspecified fraud charges. Iran ranked 130th of 180 countries on Transparency International's 2017 Corruption Perceptions Index. Economic reform, however, might be impossible. One of the most corrupt institutions is the Islamic Revolutionary Guard, which plays a big role in the domestic economy.¹³

The Revolutionary Guard came out of Iran's 1979 revolution. It was established initially to protect the revolutionary government's political system, operating parallel to the country's regular armed forces. The Guard grew in prominence during the country's long and ruinous war with Iraq in the 1980s. In the aftermath of the war, the government allowed the Guard to expand into private enterprise. It runs a huge construction company handling civil and defense development. The Guard runs telecommunications networks and is even in the medical business. It has its own intelligence operation and expeditionary force, and runs Iran's ballistic missile program. Some have estimated that the Guard controls between 20 and 40 percent of the economy and has influence in over 200 companies.¹⁴

Economic forecasts do not bode well for Iran. The International Monetary Fund estimates that Iran's exports will plummet by \$31 billion in 2019. The rial has lost 60 percent of its value. In 2018 Iran had an inflation rate of 37 percent, while inflation for food items reached 57 percent. As sanctions tighten, and inflation and recession take on a life of their own, Iran's economy can only grow worse. *Time is not on the regime's side.*

Iran has been conducting a campaign of terror for the last 40 years, having escalated since the second Gulf war and the Syrian civil war. Iran has faced few repercussions for its actions. Indeed, President Obama's nuclear deal arguably rewarded Iranian actions. President Obama hoped to reverse Iranian foreign policy, slow down nuclear development and bring the country into the family of nations. Henry Kissinger in his book *World Order* (2014) suggested this was perhaps the only means of resolving the Iranian issue, although he was pessimistic even as to the viability

of this approach. Whatever Obama's intentions, *the Iranian nuclear deal did not stop Iran from pursuing a policy of terrorism* either directly or through proxy wars in Iraq, Yemen, Syria and Palestine. President Trump and his foreign policy team reversed Obama's policy to pursue a tougher stance toward Iran.

Facing the Iranian Threat

Whether President Trump's hard-line policy toward Iran works remains to be seen. Regardless, Iran constitutes a serious threat in the region—a direct threat to our allies, Israel and the Arab nations. *Iranian mullahs appear obsessed with obtaining nuclear weapons.* Any debate over whether Iran is pursuing what it sees as its “national interest” or instead is being driven by Islamic millennialism is beside the point. Iran needs to be confronted and is being confronted by the Trump administration. No longer is the Iranian problem being ignored.

The Iranian-Syrian-Russian axis is not stable. Syria does not want an Iranian Revolutionary Guard controlling immense regions of the country. Russia and Iran are not natural allies. Russia does not want another nuclear country on its border. Putin has experienced Islamic terrorism as well. Over time, the Iranian-Syrian-Russian ties will probably fall apart. In the meantime, the United States and its allies in Western Europe and the Middle East cannot wait. Probably the Berlin-Tokyo alliance formed at the start of the Second World War would have collapsed over time, but the Allies could not wait. Nor can America wait for the Iran-Syria-Russia axis to disintegrate. It will, but meanwhile Iran must be pressured to stop its terrorist attacks.

The Trump administration is pursuing an aggressive foreign policy to bring Iran to the negotiating table. Iranian millennialism and desire for regional hegemony are

deeply imbued in the current regime. The regime is in trouble. Pressure needs to be applied, through an American policy of *peace through strength*. This was Ronald Reagan's policy toward the Soviet Union and it worked. In the end, the Soviet Union collapsed economically. Let's hope this works with Iran. As Reagan understood in the 1980s, Western Civilization, Christendom and liberty itself are continually under threat by their enemies.

- 1 Barbara Starr and Zachary Cohen, “Iranians Fired Missile at U.S. Drone Prior to Tanker Attack, US Official Says,” *CNN*, June 15, 2019.
- 2 Martin Chulov and Julian Borger, “Iran-U.S. Dispute Grows Over Attacks on Oil Tankers in Gulf of Oman,” *The Guardian*, June 15, 2019.
- 3 Paul Mirengoff, “Washington Post Blames Trump for Iranian Attacks in Persian Gulf,” *Power Line* blog, June 15, 2019.
- 4 Barbara Starr and Zachary Cohen, “Iranians Fired Missile at U.S. Drone,” *op. cit.*
- 5 Micha'el Tanchum, “Iran's Yemen Proxies Convey Calibrated Message with Attacks on Saudi Oil Infrastructure,” *ACIS Iran Pulse*, May 19, 2019.
- 6 “Iran, Europe and Trump,” *Wall Street Journal*, June 18, 2019.
- 7 Asa Fitch, “Iran's Rial at Historic Low as U.S. Sanctions Loom,” *Wall Street Journal*, July 30, 2018.
- 8 Asa Fitch, “Labor Unrest Erupts Anew in Iran,” *Wall Street Journal*, May 7, 2018.
- 9 Scott Peterson, “What Has Brought Iranians into the Streets? In a Word, the Economy,” *Christian Science Monitor*, January 2, 2018; and Asa Fitch, “World News: Iran Unrest Widens Over Economy,” *Wall Street Journal*, July 2, 2018.
- 10 Asa Fitch, “Labor Unrest Erupts Anew in Iran,” *Wall Street Journal*, *op. cit.*
- 11 Asa Fitch, “World News: Iran's Rouhani Loses Economic Minister,” *Wall Street Journal*, August 27, 2018.
- 12 Golnar Motevalli, “Zarif Suggests He was Undermined as Iran MPs Demand He Stays On,” *Bloomberg Wire Service*, February 26, 2019.
- 13 Asa Fitch, “As Economy Withers, Iran Imposes Harsh Crackdown on Fraud,” *Wall Street Journal*, December 26, 2018; and Mehdi Khalaji, “Khamenei Attacks Moderates as Source of Iran's Problems,” *Breaking Energy*, August 16, 2018.
- 14 Jon Gambrell, “Iran May Try to Loosen Revolutionary Guard's Grip on Economy,” *AP Financial*, January 21, 2018.

Mindszenty Report Reprints

SOCIAL MEDIA IN THE INFORMATION AGE. Big data collection brings benefits but allows manipulation and raises real issues of privacy. Ask for 6/19

THE MYTH OF THE INCARCERATED NATION. The movement to reduce U.S. incarceration scored a victory with the First Step Act signed by President Trump, but caution is in order before allowing large numbers of violent criminals to go free. Recidivism rates are appalling, and no one should want to reverse the success of the system in reducing the high crime rates of a generation ago. Ask for 5/19

The Mindszenty Report is published monthly by

Cardinal Mindszenty Foundation

7800 Bonhomme Ave.

St. Louis, MO 63105

Phone 314-727-6279 Fax 314-727-5897

Subscription rate: \$25 per year

Outside the U.S.A. \$35

The Mindszenty Report is not copyrighted, and subscribers are invited to have it printed in their local newspapers.

Contributions to the Cardinal Mindszenty Foundation are tax-deductible to the extent allowed by law.

*web site: www.mindszenty.org
orders.inquiries@mindszenty.org*