



Iran: The Riddle of Raisi

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Principal Findings

What's new? Ebrahim Raisi has assumed Iran's presidency after an election marked by mass disqualification of potential rivals and historically low voter turnout. Conservatives and hardliners now control all the Islamic Republic's power centres.

Why does it matter? Raisi takes office at a moment of growing, intersecting crises for Iran, with the supreme leader's succession looming. Domestic challenges, including political disillusionment, economic stagnation and the COVID-19 epidemic, are particularly acute. The fate of the 2015 nuclear pact and Gulf geopolitics also hang in the balance.

What should be done? The nuclear deal's future overshadows all else, given its implications for Iran's economy and foreign relations. Restoring the deal in full remains the best option for Tehran, Washington and other parties. Failing that, freezing the escalatory cycle to buy time to negotiate a more-for-more arrangement would be the best alternative.

Executive Summary

Ebrahim Raisi had no serious rival in Iran's June 2021 presidential election, but his tenure in office will not be so easy. With Raisi's inauguration on 5 August, Iran's hardliners have consolidated their control of every centre of authority, elected and unelected, in the Islamic Republic. But they face myriad crises, ranging from economic stagnation and social unrest to the raging COVID-19 pandemic. Meanwhile, Supreme Leader Ali Khamenei is ageing and his successor as yet unchosen. Looming over it all are the negotiations over reviving the 2015 nuclear deal, the Joint Comprehensive Plan of Action (JCPOA). The hardliners should have the institutional support they need to restore the agreement, from which the U.S. withdrew in 2018. But they could be tempted to overreach, thus precipitating the deal's collapse. If the JCPOA falls apart, the new Iranian administration – like the U.S. – should eschew escalation so that the two sides can instead negotiate a better-for-better successor accord.

Though every Iranian presidential election is closed to all but a handpicked few, the 2021 race was exceptionally uncompetitive, with a degree of voter alienation to match. Less than half of Iran's electorate cast their votes – an unprecedented low – and those who did submitted more spoiled ballots than endorsements of any candidate save the winner. For the country's leadership, it was seemingly imperative to pre-ordain the outcome, even at the cost of undermining whatever faith Iranians have in the Islamic Republic's already limited participatory processes. The supreme leader's office and the military-cum-security apparatus clearly want a likeminded president in place for the next four years, as they expect pressing questions regarding Ayatollah Khamenei's succession and the ruling system's long-term viability to come to the fore.

After the JCPOA talks, Raisi's major challenge will be Iran's economy, embattled by U.S. sanctions as well as corruption, mismanagement and, lately, the coronavirus. The economy may survive even when trade is curtailed, which sanctions have certainly done, but it cannot thrive. Even substantial sanctions relief pursuant to progress in the JCPOA talks will not rehabilitate the economy as long as the government fails to institute long-overdue reforms. Yet Raisi, a product of Iran's judicial system, comes into the job with little executive experience, and his vision for domestic and external affairs is vague. If the hardliners have plans to address the deep-seated economic maladies, their tightened grip on power should make it easier to carry them out. If they do not, trouble lies ahead. Relying on coercion and catering exclusively to the 30 per cent of Iranians who voted for Raisi – the system's core constituency – rather than considering the needs of the 70 per cent who did not could lead to growing domestic turmoil.

Foreign policy did not feature prominently in the election, and Raisi's direct influence on national security decisions will be checked by power centres outside the presidency, as in the past. Yet the president and his appointees play a key role in conducting negotiations and representing Iran on the world stage. In 2013, it was the transition from President Mahmoud Ahmadinejad to the more pragmatic Hassan Rouhani that put in place the conditions yielding the JCPOA. Since April, six rounds of talks in Vienna have put the deal's revival within reach. But it is an open question as to whether

the new government can push those negotiations to fruition or will squander the opportunity it has been handed.

The U.S. and the deal's remaining parties (the UK, France, Germany, Russia and China) have signalled their willingness to see these discussions through to conclusion, even as Raisi's human rights record makes him a less than ideal interlocutor from Western perspectives. Restoring the nuclear deal should remain the objective. But if negotiations falter, a less-for-less arrangement, or JCPOA-minus, capping Iran's continued nuclear progress in return for limited sanctions relief, may be a necessary interim solution. Settling for a JCPOA-minus could prevent an escalatory spiral and create time and diplomatic space to move toward a JCPOA-plus arrangement, expanding the original agreement's nuclear and verification provisions in return for more significant U.S. sanctions relief – a better-for-better agreement that both sides seek. If negotiations fail, precedent teaches that reciprocal escalatory steps are likely and that renegotiating a deal or negotiating a new one will last a long time. With the Middle East still in tumult, that outcome would spell serious problems and must be avoided.

As he takes office, Raisi faces a stark choice: banking on repression to maintain control in the face of rising domestic challenges, or addressing the roots of Iran's problems through reform and de-escalation with the West. That choice will likely have monumental repercussions for Iran and the region.

Tehran/Washington/Brussels, 5 August 2021

Iran: The Riddle of Raisi

I. Introduction

Ebrahim Raisi, a product of Iran's judicial system and protégé of the Islamic Republic's supreme leader, Ayatollah Ali Khamenei, takes over the executive branch at a time of deep uncertainty. Marked by a reputation for repression and with little experience in governance, Iran's eighth president will need to address mounting challenges at home and on the world stage. But if the scale of his task is clear, how he intends to address it is far less so.

The June 2021 election that handed Raisi the presidency was primarily of domestic significance. Ayatollah Khamenei is 82; Raisi's presidency may be the last he oversees as supreme leader. Should he die or step down, a once-in-a-generation contest for the country's ultimate authority will loom. The conservative consolidation completed with Raisi's election could lay the groundwork for Khamenei's succession, while more immediately ensuring alignment of ideological outlook across the centres of power in tackling the manifold internal challenges the country faces.

But Raisi's election will also have foreign policy implications. At one level, the outcome does not portend a sea change in how Iran formulates and acts upon its interests abroad; it is the supreme leader who makes strategic decisions about foreign policy, albeit informed by the views of other key stakeholders, including the president. Still, it will be Raisi who carries out those decisions, including by taking the helm of negotiations to reinvigorate the 2015 Joint Comprehensive Plan of Action (JCPOA), otherwise known as the nuclear deal, which were adjourned in June pending his inauguration.

The stakes could hardly be higher. The future of that deal – which will not just define Iran's foreign policy trajectory but also have profound implications for its sputtering economy – very much hangs in the balance. After the Obama administration played a leading role in negotiating the deal, under which Iran's nuclear program was restricted and subjected to international monitoring in exchange for sanctions relief, the successor Trump administration pulled the U.S. out and launched a "maximum pressure" campaign of sanctions, threats and coercive diplomacy to try to force Iran back to the table to negotiate a better deal. Current U.S. President Joe Biden pledged to seek re-entry into the JCPOA, but indirect talks in Vienna have not yet produced agreement. In the meantime, U.S. sanctions continue to bite in Iran, and Tehran's own violations of the 2015 deal have increased its know-how and capabilities, and significantly eroded the amount of time it would need to produce the fissile material for a nuclear weapon.

This report assesses the ramifications of Raisi's presidency for domestic and foreign policy. It is based on more than three dozen interviews conducted with Iranian, European, U.S. and UN officials, as well as experts and activists inside Iran. It draws on years of prior research, analysis and reporting on Iranian political dynamics and JCPOA negotiations.¹

¹ On previous presidential transitions, see Crisis Group Middle East Briefings N°18, *Iran: What Does Ahmadinejad's Victory Mean?*, 4 August 2005; and N°36, *Great Expectations: Iran's New*

II. A Virtual Race of One

A. An Anointed Candidate

By the Islamic Republic's own standards, its thirteenth presidential election was unusual. Previously, potential candidates had positioned themselves to run months prior to the poll. In 2021, the field remained almost empty until late April. Turnout was historically low, attesting to popular frustration and indifference.² With few choices on the ballot, which authorities packed with hardliners or token moderates, the electorate hardly seemed energised to vote. But the lacklustre mood also appeared to have deeper roots: the state's brutal crackdown on protesters who had taken to the streets, largely due to pocketbook grievances, in 2017 and 2019; systemic ineptitude demonstrated by the mistaken downing of a passenger jet in 2020; economic malaise; and mismanagement of the COVID-19 pandemic. These factors likely contributed to a loss of hope among the electorate in bringing about real change through balloting.³ That campaigning largely moved to social media platforms like Clubhouse because of COVID-19 restrictions, denying voters the opportunity to hear from candidates at large public gatherings, hardly helped.⁴

The leadership also circumscribed the candidate selection process more than usual. Their efforts began even before formal registration opened on 11 May. A month earlier, Ayatollah Khamenei advised Hassan Khomeini, grandson of the Islamic Republic's founder and a popular figure among reform-minded Iranians, against running for the presidency.⁵ The candidacy of Foreign Minister Javad Zarif, whom reformists were counting on to mobilise their base, became moot when the media obtained a taped interview in which he criticised the Islamic Revolutionary Guard Corps (IRGC)

President and the Nuclear Talks, 13 August 2013. On JCPOA negotiations, see Crisis Group Middle East Report N°220, *The Iran Nuclear Deal at Five: A Revival?*, 15 January 2021; and Naysan Rafati, “The arduous path to restoring the Iran nuclear deal”, *Arms Control Today*, April 2021.

² Low turnout in the February 2020 legislative elections seems to have been a harbinger of what would come in the presidential election a year later.

³ On these protests, see Ali Vaez, “How Iran’s President Rouhani Can Turn Crisis into Opportunity”, Crisis Group Commentary, 4 January 2018; and Crisis Group Statement, “Learning the Right Lessons from Protests in Iran”, 4 December 2019.

⁴ Golnaz Esfandiari, “With so much of the debate hampered ahead of presidential vote, Iranians turn to Clubhouse”, Radio Free Europe, 14 June 2021. Raisi was the only candidate who organised large rallies, flaunting COVID-19 regulations. Amir Vahdat, “Iran judiciary chief stages 1st campaign rally despite virus”, Associated Press, 10 June 2021. One of Raisi’s reformist rivals, Mohsen Mehralizadeh, mocked him, saying he was not سید مردمان (Sید مردمان), the “man of the dispossessed”, as he pretends to be, but سید مرحومان (Sید مرحومان), the “man of the deceased”. Quoted in “COVID HQ: Regulations were not respected at Raisi’s event in Ahvaz”, BBC Persian, 12 June 2021 (Persian).

⁵ “The Imam’s grandson’s ‘definitive’ decision not to run in 2021 presidential election”, *Jamaran*, 12 April 2021 (Persian). Iran’s own political vernacular can be confusing. Reformists (اصلاح طلبان), or republicans, as Crisis Group previously described them, seek to bring about changes to the Islamic Republic’s system in order to strengthen its republican institutions, encourage pluralism and pursue a relatively conciliatory foreign policy. The hardliners, who until recently were known as principlists (اصولگران), or theocrats, as Crisis Group previously described them, now characterised themselves as “revolutionaries” (انقلابی). A year before the election, Ayatollah Khamenei noted the need for a “young, revolutionary government”. Quoted in “Leader of the Islamic Revolution: A young Hizbollahi government is the solution to the country’s troubles”, IRNA, 17 May 2020 (Persian).

for sidelining the country’s diplomatic apparatus.⁶ Then on 5 May, the Guardian Council, the twelve-member body of jurists and clerics closely aligned with Ayatollah Khamenei that is in charge of vetting candidates, announced a new set of criteria for the hopefuls, including an age range of 40 to 75, four years of executive managerial experience and, at minimum, a master’s degree.⁷

Of the 592 candidates who threw their hats into the ring, only seven men met with the Guardian Council’s approval.⁸ But what shocked Iranians – the elite and general public in equal measure – was the sweeping character of the disqualifications, which went beyond weeding out the system’s critics and even the loyal opposition to bar consummate insiders. The Council rejected the candidacy of, *inter alia*, Ali Larijani, the longest-serving former speaker of parliament, adviser to the supreme leader and lead negotiator of Iran’s strategic partnership with China, as well as Vice President Eshagh Jahangiri, who had been a heartbeat away from the presidency for eight years under Raisi’s predecessor, Hassan Rouhani.⁹ Mahmoud Ahmadinejad, a two-term president who was disqualified in 2017, was barred once again, as were all prominent moderates and reformists.

Criticism of the Council’s decisions brought the Islamic Republic’s internal contradictions to the fore. Larijani’s brother, Sadeq, who is one of the Guardian Council’s clerics and heads the Expediency Council, which advises the supreme leader and arbitrates differences between the parliament and the Guardian Council over draft legislation, lambasted the disqualifications as “indefensible”, saying the “security apparatus” had meddled in the vetting.¹⁰ Hassan Khomeini condemned as “counter-revolutionary” what he deemed acts undermining the system’s republican institutions, advising the approved candidates to drop out of the race.¹¹ Even Raisi himself appeared embarrassed, stating that he was asking the authorities to reconsider their decisions.¹² But

⁶ Farnaz Fassihi, “Iran’s foreign minister, in leaked tape, says Revolutionary Guards set policies”, *The New York Times*, 25 April 2021. Zarif himself was not keen on running. “The only thing I know how to conduct is diplomacy, not governance”. Crisis Group interview, Munich, 15 February 2020. Many observers believe that the IRGC leaked the tape itself. Golnar Motevalli, “Iran’s Khamenei slams top minister Zarif after leaked audio tape”, Bloomberg, 2 May 2021.

⁷ The decision caused an uproar, as determining the criteria for candidacy is in the legislature’s purview, not the Guardian Council’s. The Rouhani administration considered the decision unconstitutional and vowed to ignore it. “The government opposes the Guardian Council’s regulation: What are opponents and proponents saying?”, *Khabar Online*, 10 May 2021 (Persian).

⁸ This number is slightly higher than in the 2017 presidential poll, when the Guardian Council approved only six out of 1,636 hopefuls. In keeping with its prior practice, it barred all 40 women who registered.

⁹ Farnaz Fassihi, “Iran clears way for hard-line judiciary chief to become president”, *The New York Times*, 28 May 2021.

¹⁰ Tweet by Sadeq Larijani, @AmoliLarijaniir, 8:22am, 25 May 2021.

¹¹ “If I were in the approved candidates’ shoes, I would have withdrawn”, *Etemad*, 26 May 2021 (Persian).

¹² “Raisi’s first reaction to the vetting results”, *Hamshahri*, 25 May 2021 (Persian). In the words of a Tehran city council official, “Raisi, who was leading in most surveys, was the biggest victim of the vetting process”, because it made him appear insecure. “Raisi the biggest victim of the Guardian Council’s decision”, *Eghtesad News*, 25 May 2021 (Persian). A prominent IRGC-affiliated journalist complained that the vetting results were unconvincing even to the hardliners’ base. Tweet by Kian Abdollahi, editor-in-chief at Tasnim News Agency, 5:04am, 25 May 2021.

Ayatollah Khamenei's subsequent defence of the Guardian Council's choices put an end to any prospect of reversal.¹³

The Guardian Council thus deeply skewed a field in which none of the approved candidates posed a serious threat to Raisi, who had lost to Rouhani in 2017.¹⁴ Others in the 2021 race included Saeed Jalili, a hardline former national security adviser and chief nuclear negotiator, who eventually dropped out in Raisi's favour; and Alireza Zakani, a firebrand parliamentarian, who withdrew as well.¹⁵ Two other hardliners stayed in the contest: Mohsen Rezai, former commander-in-chief of the IRGC, mounting his fourth presidential bid; and Amir-Hossein Ghazizadeh, an ultra-conservative member of parliament.¹⁶ Abdolnaser Hemmati, a low-profile technocrat and former head of Iran's Central Bank, was the only centrist in the race, but having presided over a major economic downturn in the past few years, caused by U.S. sanctions and the Rouhani administration's mismanagement, he faced an uphill battle.¹⁷ Mohsen Mehralizadeh, a former governor of Isfahan and the lone reformist, completed the field of seven candidates.

With all the key reformist candidates barred, the Reform Front, a consensus-building body established by reformist leaders under the guidance of former President Mohammad Khatami for the 2021 election, faced a dilemma: endorsing a non-reformist, referred to in their lexicon as a "rental candidate", or boycotting the elections.¹⁸ It ended up neither backing any candidate, nor boycotting the election – a stance that satisfied few if any and instead caused internal fissures.¹⁹ A breakaway faction

¹³ Parisa Hafezi, "Iran's Khamenei backs hardliner versus hardliner presidential vote", Reuters, 27 May 2021. A few days later, Ayatollah Khamenei noted that some candidates were "wronged" during vetting, likely referring to rumours that Larijani was eliminated because of claims that his daughter resided in the UK. The Guardian Council, however, neither reinstated Larijani nor provided any explanation for his disqualification, despite his public insistence upon receiving one. Patrick Wintour, "Iran's supreme leader says rejected election candidates were 'wronged'", *The Guardian*, 4 June 2021. For his part, Rouhani implored Ayatollah Khamenei to intervene, but to no avail. "Rohani urges Iran's supreme leader to open election to more candidates", Radio Free Europe, 26 May 2021.

¹⁴ Even when all the hardliners coalesced around Raisi in 2017, he still received only 15.7 million votes, far short of Rouhani's 23.5 million. Raisi also arguably had a significant conflict of interest in 2021, as he had nominated three of the Guardian Council's twelve members and did not step down from his position as head of the judiciary, which was in charge of prosecuting electoral fraud, until after he won.

¹⁵ The concept of "کاندیدای پوششی" (token candidate) has become well known in Iran. It refers to candidates who run only to serve as shields for their faction's main nominee, withdrawing at the last minute in his favour.

¹⁶ A perennial candidate, Rezai was widely mocked as "General Botox" for his face's transformation going into campaign season. He received 3.4 million votes – fewer than when he last ran in 2013. "Why did Mohsen Rezai's face make the news?", BBC Persian, 7 June 2021 (Persian). Ghazizadeh finished last with a million votes.

¹⁷ Hemmati won 2.4 million votes, less than 9 per cent of the total ballots cast.

¹⁸ Crisis Group interviews, reformist politicians, Tehran, May 2021. Backing Rouhani, a pragmatist rather than an out-and-out reformist, in the 2013 and 2017 elections associated the reformists with his failures regardless of their meagre presence in, and limited influence over, his administration. "What is reformists' plan in elections?", IRNA, 26 May 2021 (Persian).

¹⁹ Although they distanced themselves from the presidential vote, the reformists published a list of candidates they were backing in Tehran's city council elections. "Reform Front's statement on elections: We don't have a candidate to introduce to people", *Hamshahri Online*, 26 May 2021 (Persian).

threw its support behind Hemmati a few days before the contest and convinced Mehralizadeh to withdraw in his favour. It was too little, too late.²⁰

The result was a cleared field, in which Raisi's victory was all but assured. Maintaining a commanding lead in all surveys before the 18 June election, Raisi won with 18,021,945 or nearly 62 per cent of the votes.

B. Low Turnout, High Stakes

Given the Guardian Council's aggressive vetting and the resulting non-competitive field, the low turnout was hardly a surprise.²¹ The backlash to the disqualifications made strange bedfellows of those who advocated for boycotting the election: from the late Shah's son in exile, Reza Pahlavi, to Faezeh Hashemi Rafsanjani, a prominent women's rights activist and the daughter of one of the Islamic Republic's founding fathers, to her late father's nemesis, former President Ahmadinejad.²² Surveys had predicted a relatively low participation rate, fluctuating between 36 and 44 per cent.²³ The final official rate, 48.8 per cent, marked the lowest level of participation in Iran's presidential elections since the 1979 revolution.²⁴ Only 26 per cent of eligible voters in the capital, Tehran, cast ballots.

The reformists adopted a similar approach in the 2020 parliamentary polls. See also Crisis Group Commentary, "Iran's New Parliament Heralds Conservative Consolidation", 12 June 2020. A member of the Reform Front said: "One group believed in choosing the least bad option in the face of this electoral coup, while others were tired of such proxy politics [سياست ورزی نیابتی] but couldn't explain how boycotting the elections would improve their lot". Crisis Group interview, Tehran, July 2021.

²⁰ Fissures even emerged between two 2009 presidential candidates who remain under house arrest. Mir Hossein Mousavi issued a statement that "with respect to all of my fellow Iranians ... I'll stand with those who are fed up with these demeaning, engineered elections", which was widely conceived as a call to boycott the vote. Mehdi Karroubi, on the other hand, asked people to vote for Hemmati "in defence of the republic and the institution of presidency". "I'll stand with those who are fed up with these demeaning, engineered elections", Radio Farda, 12 June (Persian); and "Mehdi Karroubi: I vote for Hemmati", *Etemad Online*, 14 June 2021 (Persian). Reformist activists propagated two hashtags – #Turn-the-table, referring to the Guardian Council's designs, and #Save-the-Republic – on social media platforms.

²¹ All elections from the mid-1980s to the mid-1990s were marked by similarly limited contestation and low participation. Ayatollah Khamenei was re-elected president in 1985 in a contest with two rivals who posed no serious challenge to him, garnering 85 per cent of the vote with a turnout of only 54 per cent. His successor, Ali Akbar Hashemi Rafsanjani, became president in 1989 in a two-man race in which his rival had endorsed him. Rafsanjani won with 94 per cent of the vote, also with a participation rate of 54 per cent. More recent elections were more competitive and attracted greater numbers of voters: in 2013 and 2017, turnout was around 80 and 73 per cent, respectively.

²² "Which groups and political personalities boycotted the elections", BBC Persian, 14 June 2021 (Persian).

²³ Data based on surveys conducted by the Iranian Students Polling Agency.

²⁴ The 2021 election was the second consecutive national poll marked by historically low turnout, as the February 2020 parliamentary contests drew a mere 42.57 per cent participation. At the time, a conservative parliamentarian explained: "Turnout is very important to the supreme leader. But right now, because of the economic problems and the previous parliament's poor performance, a low turnout had been expected regardless of the disqualifications. And that is why a united and coherent parliament, even at the cost of turnout, was necessary for the principlists as a way to regain public trust, especially among the low-income communities, ahead of the presidential election". Crisis Group interview, Tehran, May 2020.

The poor turnout is even more striking in that the presidential contest happened in parallel with three other elections: local council races, parliamentary mid-terms and a vote to fill six empty seats in the Assembly of Experts, the body nominally in charge of selecting the next supreme leader. Without these concurrent elections, turnout in the presidential race could have been even lower.²⁵ Equally significant was the jump in void ballots, which tripled from around 1.2 million in 2013 and 2017 (3.4 and 2.9 per cent of votes cast) to close to 4 million (13 per cent) in 2021, probably indicating a protest vote.²⁶

Before the poll, Ayatollah Khamenei insisted that high turnout would be critical, but afterward he glossed over the low numbers, contending that had it not been for the pandemic, the rate would have been around 60 per cent. He went on to characterise the turnout as “epic” in the face of what he claimed was discouragement from Iran’s adversaries.²⁷

Rhetoric aside, the political establishment seemed more concerned with highlighting the election’s outcome than explaining away the turnout. In a former senior Iranian official’s words, “the supreme leader has realised that everyone forgets about the turnout in four weeks, but the system has to live with the election results for at least four years”.²⁸ If the leadership in Tehran decided to undermine a pillar of its own legitimacy, it did so because the stakes in the 2021 election were particularly high. With the 82-year-old Ayatollah Khamenei’s succession looming, and the country facing myriad external and internal challenges, the Islamic Republic is nearing a critical juncture. The exact motivations of the supreme leader’s office and the security-cum-military establishment are a subject of conjecture, but an adviser to the supreme leader’s office highlighted the most important element in the calculus:

²⁵ “Multiple elections could boost hardline victories in Iran”, Atlantic Council, 5 March 2021. In the race for Tehran’s 21-member city council, Mehdi Chamran secured 486,282 votes, the highest tally among the candidates and yet 169,854 fewer votes than he received four years ago, when he ranked 22nd. The three winners of the Assembly of Experts election from Tehran – Alireza Eraqi, Hossein Ali Saadi and Ahmad Momen – had all been soundly defeated by more moderate contenders in 2016.

²⁶ To put this figure into perspective, there were more void ballots than votes for the second-place finisher, Mohsen Rezai. Ayatollah Khamenei, who had previously qualified casting blank ballots as *haram* (forbidden by Islamic law), afterward said voters who had left their ballots blank had “not cut off their relationship with the ballot box. Evidently, they like the system”. Quoted in “Iranian nation dealt a blow to those trying to create a boycott of the elections”, Khamenei.ir, 28 June 2021.

²⁷ Prior to the election, he warned: “If we have a fall in the election turnout, we will have an increase in pressure from our enemies”. Quoted in Parisa Hafezi, “Khamenei calls for high turnout in Iran vote”, Reuters, 16 June 2021. See also “Ayatollah Khamenei lauds epic presence of Iranians in elections”, Tasnim, 28 June 2021.

²⁸ Crisis Group telephone interview, April 2021. Ayatollah Khamenei recently echoed this sentiment publicly. Tweet by Ayatollah Khamenei, 4:50 am, 27 May 2021 (Persian). Abasali Kadkhodaei, the Guardian Council’s then-spokesman, said: “The public, social and political expectations always desire a high turnout. Nevertheless, from the legal and lawful point of view, low turnout does not bring about any legal problems” affecting the election’s credibility. Nasser Karimi, “Iran presidential candidates await vetting”, Associated Press, 18 May 2021.

Our system cannot survive without its core constituents, which in our case are the deprived and the destitute. The economic malaise of the past few years and endemic corruption have disaffected a large part of our base. We need to rectify this problem above all else, even if it necessitates minority rule for some time. Our stability depends on the depth of our support.²⁹

Having a loyal ally as president is a way to ensure that the government's priorities and the system's requirements are the same. In the same vein, Iran's rulers may have concluded that at this time the country cannot afford a divided political order, in which unelected tutelary institutions are at daggers drawn with elected bodies, even if that means weakening the participatory instruments through which that order claims a popular mandate.³⁰ In the words of Ghazizadeh Hashemi, one of the presidential candidates:

The country needs to set aside infighting for at least ten years in order to get back on its feet. ... After that period, existing and functioning democratic institutions or political factions can revive themselves and return to power.³¹

The supreme leader may have other motives. Speculation has also been rife that elevating Raisi to the presidency is a means of grooming him for the top job, in the same way that then-President Khamenei was prepared to succeed Ayatollah Ruhollah Khomeini after his death in 1989.³² Another possibility is that the system is seeking structural transformations that would reduce internal friction and usher in greater

²⁹ Crisis Group telephone interview, July 2021. Aghil Daghagheleh, an Iranian sociologist at Rutgers University, noted that Raisi framed himself as the man of the dispossessed for precisely this purpose. "The system pursued the exact same strategy with Ahmadinejad, who through targeted subsidies helped the regime's core constituents. But in the Rouhani era, the protests stemmed more from the lower, rather than the middle, class", he added. Crisis Group online interview, 12 July 2021. The three lowest deciles of income distribution in Iran particularly suffered under Rouhani. See Djavad Salehi Isfahani, "Five figures show the losers and winners of economic growth under different presidents of the Islamic Republic", Tyranny of Numbers (blog), 2 May 2021. According to Daghagheleh, Raisi also benefited from being a *seyyed* (a person claiming direct descent from the Prophet), part of a group to which the poorer and more pious strata of Iranian society remain well disposed.

³⁰ In the words of Abbas Abdi, a prominent reformist strategist, "if you're in a car that is heading toward a cliff at a high speed, you can't have one person controlling the steering wheel and another in charge of the gears". Quoted from Clubhouse discussion, 14 June 2021.

³¹ Quoted in "People's choice was wise", ILNA, 24 June 2021 (Persian). Mohammad Ali Ahangaran, a reformist scholar, likened the country's infighting to multiple sclerosis, a disease caused by the immune system attacking the nerves, producing paralysis. Clubhouse discussion, 6 June 2021. A prominent hardliner, Mehdi Taeb, described the country's political moment as a "purification" of the revolution. "Mehdi Taeb's harsh attack on Hassan Khomeini", Fararu, 30 May 2021 (Persian).

³² According to a senior Iranian diplomat, "the fact that Raisi ran as an independent, not a conservative or a revolutionary candidate, indicates that he is positioning himself as a potential successor who can stay above the fray". Crisis Group interview, Tehran, July 2021. Some observers believe that Raisi is the candidate of Khamenei's second son, Mojtaba, a powerful actor in the supreme leader's office who would like to retain his clout after his father's passing. Crisis Group online interviews, Tehran-based political analysts, July 2021. Others, however, argue that making Raisi president might be a ploy to discredit him: he moved from the judiciary, where he was accountable to Ayatollah Khamenei alone, to a position where he is accountable to the entire nation. Crisis Group online interviews, Tehran-based political analysts, March-June 2021.

stability. A decade ago, Ayatollah Khamenei opined that there would be “no problem” in adopting a parliamentary system, giving the people’s representatives the power to elect a prime minister, and scrapping the presidency.³³ On 3 June, in a televised speech, he suggested going even further, stating: “There may come a time in the future when elections become meaningless, as there may be other forms of public presence and expression”.³⁴

³³ Shaul Bakhash, “No elected president for Iran?”, U.S. Institute of Peace, 31 October 2011.

³⁴ “On the anniversary of Imam Khomeini’s passing away”, Leader.ir, 3 June 2021.

III. Domestic Implications

While Raisi's victory was all but certain, its implications for Iran's internal dynamics are anything but. The new president remains somewhat of a mystery when it comes to policy, not so much because he conceals his beliefs as because they are strikingly abstract. His campaign rhetoric was dominated by generalities about economic justice, fighting corruption, Islamic principles and revolutionary values. He takes office at a time when Iran is facing major crises – none of which has an easy or immediate solution – on several, often intersecting fronts. It is far from clear how he plans to address any of the country's challenges.

The World Bank estimates that after significant economic contraction in 2018 and 2019, Iran's GDP re-entered positive territory in 2020 and will grow by 2.1 per cent in 2021.³⁵ But serious problems persist as the COVID-19 pandemic compounds the effects of domestic mismanagement and foreign sanctions.³⁶ Nearly one quarter of young Iranians are out of work, annual inflation exceeds 40 per cent and the currency's value is volatile. While \$1 was worth around 40,000 rials when Rouhani began his second term in 2017, it is now closer to 250,000.³⁷ Meanwhile, the intergovernmental Financial Action Task Force has blacklisted the country for failing to adopt financial transparency measures.³⁸ Polling underscores that concerns about financial well-being – inflation, job opportunities, falling income – weigh heavily on the Iranian public.³⁹

Other anxieties also abound. The pandemic's human toll continues to mount, having reached – according to official numbers – over 90,000 dead since February 2020, with a fifth wave of infections raging and fewer than 2.5 million citizens fully vaccinated as of late July.⁴⁰ Water and electricity supplies are erratic or near-absent, as the country's infrastructure creaks under natural and human-made pressures, sparking protests that the government attempts to violently suppress.⁴¹ Meanwhile,

³⁵ Iran's GDP shrank by 6 per cent in 2018 and 6.8 per cent in 2019; estimated growth in 2020 was 1.7 per cent. "Global Economic Prospects", World Bank Group, June 2021. The World Bank attributed the rebound to improved industrial performance but cautioned "recovery is projected to be slow, gradual and likely non-linear" amid uncertainty around the pandemic, trade patterns and sanctions. "Iran Economic Monitor: The economy at a crossroads", World Bank Group, Spring 2021.

³⁶ Prior to the elections, Ayatollah Khamenei told parliamentarians: "The people's main issue is not cyberspace, foreign policy or the relationship with this or that government. Their main issue is youth unemployment, the livelihood problems of underprivileged people and the import mafia who are destroying domestic production". Quoted in "Enemies of Iran have always opposed elections in the Islamic Republic", Khamenei.ir, 27 May 2021. See also "Iran Economic Monitor: The Economy at a Crossroads", World Bank Group, Spring 2021.

³⁷ "SCI on fiscal 2020-21 youth unemployment", *Financial Tribune*, 30 May 2021; and "Annualised inflation reaches 10-month high with 43 per cent", *Financial Tribune*, 23 June 2021.

³⁸ "High-Risk Jurisdictions Subject to a Call for Action", Financial Action Task Force, June 2021.

³⁹ See, for example, "Surveying the public's attitude regarding the 2021 election and thirteenth government", Iranian Students Polling Agency, 18 July 2021 (Persian).

⁴⁰ "President: Iran struggling with 5th wave of COVID", Tasnim, 10 July 2021. More than half of the respondents to a poll reported losing income as a result of the pandemic. "Survey: Coronavirus reduces income of over 50 per cent of Iranians", Eghtesad Online, 21 April 2021.

⁴¹ "Electricity blackouts spark protests in Iranian cities", BBC, 6 July 2021. Protests that began in mid-July over access to water in south-western Iran and since spread to other cities have reportedly

key industries contend with worker discontent over salaries and benefits.⁴² A spate of attacks on Iran's nuclear facilities, infrastructure and experts has prompted warnings from intelligence veterans about infiltration by adversaries into sensitive sectors.⁴³

Raisi faces these challenges with almost no executive expertise to draw from, having spent most of his career in the judicial realm.⁴⁴ During the post-election transition, he vowed to adopt a non-partisan, expertise-based approach to tackling the country's problems.⁴⁵ In theory, he may have latitude to make good on this promise: the greater control hardliners gained over the instruments of power affords him more space than his predecessors to pursue reforms if he chooses. Mustafa Tajzadeh, a reformist dissident who was barred from running in the presidential race, noted: "Never before have we had a situation in which every head of elected and unelected institutions in our system is or has been an Ayatollah Khamenei appointee".⁴⁶

But in practice, Raisi could well face obstacles in pursuing his agenda. If past is prelude, Iran's fratricidal politics will splinter the hardline camp. In the words of Amir Mohebian, a prominent conservative strategist, "Iran will never become a one-party state, as no political faction can establish full hegemony. They are not organised to coordinate policy positions or messaging, and they lack the kind of leaders who could hold them together".⁴⁷

caused at least nine deaths; the UN's human rights commissioner described the situation as "catastrophic". Quoted in "Bachelet urges Iran to focus on addressing water crisis in Khuzestan rather than crushing protests", Office of the UN High Commissioner for Human Rights, 23 July 2021; and "Iran: Deadly Repression of Khuzestan Protests", Human Rights Watch, 29 July 2021.

⁴² Isabel DeBre, "Iran oil workers strike for better wages as economy suffers", Associated Press, 30 June 2021. The economic malaise has affected those already living at or below the poverty line most severely. Susan Tahmasebi, director of FEMENA, an organisation supporting women human rights activists, said: "Front-line workers report that kids are being pulled from school to work instead, girls are being married off at an earlier age and violence against women is markedly on the rise. Most of the families they serve don't seek medical care, because of prohibitive costs, and can't afford proper housing or even food". Crisis Group interview, Washington, 19 July 2021.

⁴³ See, for example, comments by former Intelligence Minister Ali Younesi in "Shocking remarks by Khatami's intelligence minister", Khabar Online, 29 June 2021 (Persian). See also Ben Hubbard, Farnaz Fassihi and Ronen Bergman, "Iran rattled as Israel repeatedly strikes key targets", *The New York Times*, 20 April 2021.

⁴⁴ Except for the three years (2016-2019) he spent as the custodian of Astan Quds Razavi, a charitable foundation and multi-billion-dollar economic conglomerate in Mashhad, Raisi has spent most of the past four decades in the judiciary. He began his career as a prosecutor, eventually becoming deputy to the chief justice and then serving as prosecutor general. Khamenei appointed Raisi judicial chief in 2019. In that position, he claimed credit for a series of reforms, from introducing electronic services to commuting punishments for petty crimes, increasing the number of clemencies and stepping up the anti-corruption fight. Some allege that his prosecutions of political heavyweights (eg, Rouhani's brother or other senior officials' children) were politically motivated. For more on his record, see "An overview of Raisi's record at the judiciary", IRIB News, 28 June 2021 (Persian).

⁴⁵ In an unprecedented move, Raisi's office reached out to his campaign rivals and reformist figures for advice on the best remedies for the country's ills. Crisis Group interviews, current and former Iranian officials, Tehran, July 2021. Raisi has also pledged that his administration will be staffed based on merit by individuals who are "revolutionary, effective and altruistic". Quoted in "President-elect's press conference", Fars, 21 June 2021.

⁴⁶ Crisis Group online interview, 13 July 2021.

⁴⁷ Crisis Group online interview, director, Aria Media Group (Tehran), 14 July 2021. Signs of division have already emerged, especially around the Guardian Council's vetting process. For example, see

The question is which policies Raisi will put in place while he still benefits from unified hardline control. Some insiders point hopefully to urgent and long-overdue structural economic changes that more moderate presidents who did not enjoy the supreme leader's trust could not pursue.⁴⁸ Some of his advisers have encouraged this speculation, and Raisi himself has set ambitious targets on issues like job creation, housing and inflation – although thus far the proposed solutions he has floated are as nebulous as the scale is daunting.⁴⁹ One of his economic advisers posited: “We need major economic surgery to stem waste [eg, corruption and tax evasion] and ten additional long-term trade deals like the one we have with China”.⁵⁰

As for whether socio-political reforms will feature among the new government’s priorities, observers are hardly optimistic.⁵¹ Many fear they will see movement in the opposite direction: more curbs on social freedoms, further state intervention in the domestic sphere and brutal crackdowns on any form of dissent.⁵² The hardliner-dominated parliament has already triggered efforts – which the Rouhani administration pushed back against – to restrict internet access and constrain social media platforms.⁵³ Civil society activists also perceive the appointment of Gholamhossein Mohseni Ejehi, Raisi’s former deputy, as the new chief justice as a bad omen, given his history of heavy-handed rulings. A prominent human rights activist said:

The combination of Raisi, a man with a long track record of repression in the judicial system, and Ejehi, who has a similar record in the judicial and security apparatus, at the helm of two branches of Iran’s government is a warning sign that human rights abuse could get worse.⁵⁴

An iron-fist approach could unleash new mass protests. After years of sanctions and economic mismanagement, underemployed and disgruntled Iranians may feel they

⁴⁸ “IRGC-affiliated news agency qualified the statement of a member of the Supreme Leader’s office as harmful”, Radio Free Europe, 20 June 2021 (Persian).

⁴⁹ A former senior Iranian government official said: “The kind of economic reform that the system allowed Ahmadinejad to pursue [eg, replacing subsidies with targeted cash handouts] would never have been approved under Rouhani or Khatami”. Crisis Group interview, Tehran, June 2021.

⁵⁰ Bijan Khajehpour, “Iran’s presidential hopefuls promise big on economy, but can they deliver?”, *Al-Monitor*, 14 June 2021.

⁵¹ Crisis Group interview, Tehran, July 2021. For more on Iran’s understanding with China, see Lucille Greer and Esfandyar Batmanghelidj, “China and Iran announced a new economic and security partnership. That’s not as alarming as it sounds”, *The Washington Post*, 1 April 2021.

⁵² Crisis Group interviews, political analysts and civil society actors, Tehran, June-July 2021.

⁵³ The judiciary and security apparatus launched a clampdown on criticism of Raisi during the presidential campaign. “Threatening social media activists: Don’t write against Raisi”, *Zeitoon*, 19 May 2021 (Persian).

⁵⁴ “Concerns rise in Iran over internet access”, Agence France Presse, 27 June 2021.

⁵⁵ Crisis Group online interview, Narges Mohammadi, spokesperson, Defenders of Human Rights Centre (Tehran), 19 July 2021. As a former prosecutor and intelligence minister, Ejehi has long been involved in imprisoning political dissidents and dual nationals, typically on purported national security grounds. Isabel DeBre, “Iran’s supreme leader appoints new hard-line judiciary chief”, Associated Press, 1 July 2021.

have less to lose in challenging the system, meaning that more of them may be willing to resort to violence.⁵⁵

The sense of grievance and potential for volatility is especially concerning in Iran's border provinces, where the majority of the country's ethnic minorities reside – including Kurds in the west, Azeris in the north east, Arabs in the south west and Balochis in the south east. Impoverished and underdeveloped, subject to systemic discrimination and suffering severe environmental degradation, these areas have often given rise to what a sociologist calls “a silent tsunami” of popular resentment.⁵⁶ If it fails to address the drivers of local grievances head on, the Raisi administration will only be buying time until the next – likely violent – standoff between state and citizenry.

⁵⁵ Crisis Group interviews, Iranian political analysts and activists, Tehran, July 2021. Also see Clubhouse discussion with reformist Hashem Aghajari, in which he advocates for taking the demands for change to the streets. “Controversial conversation with Hashem Aghajari in Clubhouse”, video, YouTube, 6 July 2021.

⁵⁶ He added: “Resentful Persians might seek regime change, but ethnic minorities often choose separationism”. Crisis Group online interview, Aghil Daghagheleh, 12 July 2021. Local problems have fuelled irredentist movements that Iran's foes have exploited. Scheherezade Faramarzi, “Iran's Salafi Jihadis”, Atlantic Council, 17 May 2018; and “Iran water crisis spurs protests”, Reuters, 16 July 2021.

IV. Foreign Policy Implications

Foreign policy rarely featured in Raisi's campaign.⁵⁷ Yet his style and profile will affect Iran's relations with the outside world, and what happens in those relations could well determine his presidency's fate. His own background will not make negotiations easier. Raisi's notoriety as a member of the "death committee" that oversaw the execution of thousands of political prisoners in mid-1988 could, at a minimum, increase the political cost for Western governments of engaging his administration and, at worst, harden the viewpoint that the Islamic Republic itself is beyond redemption and impervious to diplomacy.⁵⁸ Moreover, unlike his predecessor, who had decades of experience in Iran's national security discussions, Raisi is a diplomatic neophyte; his appointments to key advisory and foreign policy positions will be particularly important as an indicator of his priorities and inclinations.

Still, while Iran's emergent approach to foreign affairs will involve new personnel and a change in tone and tactics, its bottom-line positions – on its nuclear program, regional interests and defence policy – almost certainly will not change.⁵⁹ Outgunned by its regional adversaries and the U.S., Iran seeks to compensate for its relative conventional military weakness and sense of encirclement by achieving self-sufficiency in asymmetric military capabilities and increasing its strategic depth. Tehran has invest-

⁵⁷ Ayatollah Khamenei emphasised discussion of domestic issues, particularly economic concerns, over foreign policy debates during the campaign. "Enemies of Iran have always opposed elections in the Islamic Republic", Khamenei.ir, 27 May 2021.

⁵⁸ For more background, see "Iran: Blood-Soaked Crimes", Amnesty International, 4 December 2018. A tape leaked in August 2016 highlighted Raisi's role in the executions, as part of a four-person committee appointed by Ayatollah Khomeini to purge opponents. In the recording, an audibly outraged Ayatollah Hussein-Ali Montazeri, then Khomeini's designated successor but later a high-profile dissident, can be heard reprimanding the 27-year-old Raisi and three of his colleagues for committing "the biggest crime" in the Islamic Republic's history. Saeed Kamali Dehghan, "Audio file revives calls for inquiry into massacre of Iran political prisoners", *The Guardian*, 11 August 2016. Rouhani used Raisi's record against him in a 2017 televised debate, stating: "The people will say no to those who over the course of 38 years only executed and jailed; those who cut out tongues and sewed mouths shut; ... those [who] banned the pen and banned the picture. Those people shouldn't even breathe the word freedom, for it shames freedom". Quoted in "Rouhani: People don't accept you", Khabar Online, 8 May 2017. The U.S. sanctioned Raisi in November 2019, with the Treasury Department noting not just his role in the 1988 executions but also the 2009 violent repression of peaceful protests and other human rights violations while he headed the judiciary. "Treasury Designates Supreme Leader of Iran's Inner Circle Responsible for Advancing Regime's Domestic and Foreign Oppression", U.S. Treasury Department, 4 November 2019. Some regime change advocates in the U.S. were hoping for a Raisi win in the 2017 election, arguing that he represents the Islamic Republic's true face. For example, see Elliott Abrams, "Why I'm rooting for the hardliner in Iran's elections", *Politico*, 15 May 2017; and Reuel Marc Gerecht, "In Iran's election, Americans should root for the 'hardliner'", *The Wall Street Journal*, 16 May 2017.

⁵⁹ As Crisis Group has written before, "Iran's strategic decisions appear to be made by a small group of senior officials who are both relatively insulated from, and yet reflect, alterations in formal institutional structures (eg, as a result of elections or personnel changes)". See Crisis Group Briefing, *Iran: What Does Ahmadinejad's Victory Mean?*, op. cit. More than half the membership of Iran's Supreme National Security Council, a consensus-building body in charge of determining national security policy, changes when executive power changes hands. For more on this mechanism, see Crisis Group Middle East Report N°184, *Iran's Priorities in a Turbulent Middle East*, 13 April 2018.

ed heavily in its ballistic missile program to deter and protect itself from external threats. It has built a network of partners and proxies for the same reasons.⁶⁰ Any adjustment in Iran's calculus will be a function of changes in the regional balance of power or its threat perception, not a particular presidential transition.

A. *The Nuclear Standoff*

No issue on Iran's foreign policy agenda is more consequential than the fate of the 2015 nuclear deal, known as the Joint Comprehensive Plan of Action (JCPOA), the fate of which increasingly hangs in the balance.

Although the Biden administration and the Iranian government agreed in principle on the need to revive the accord, from which President Donald Trump withdrew the U.S. in 2018, it took nearly three months after the January 2021 U.S. presidential transition for negotiations to get under way toward that shared objective.⁶¹ In Washington, the new team engaged in internal deliberations as well as consultations with allies on how to proceed before embarking on any major moves, while Secretary of State Antony Blinken maintained "the first step would be Iran returning to compliance".⁶² Tehran similarly put the onus of the first concession on the U.S., with the supreme leader setting a row of red lines: "If [the U.S.] wants Iran to return to its commitments, it must lift all sanctions in practice, then we will do verification ... then we will return to our commitments".⁶³

When the European Union (EU) on 18 February proposed bringing all the parties together for an "informal meeting", Tehran cited the lack of tangible concessions from Washington in saying no.⁶⁴ With a sense of deadlock creeping in, both sides began to

⁶⁰ For more details, see Crisis Group Report, *Iran's Priorities in a Turbulent Middle East*, op. cit.

⁶¹ On the initial inertia, see Crisis Group Statement, "Bringing the U.S. and Iran out of Suspended Animation", 4 March 2021.

⁶² Quoted in "NPR's full interview with Secretary of State Tony Blinken", National Public Radio, 16 February 2021; "Joint Statement by the Secretary of State of the United States of America and the Foreign Ministers of France, Germany and the United Kingdom", U.S. State Department, 18 February 2021; and Aamer Madhani and Joseph Krauss, "Biden aides hold talks with Israel on Iran, regional issues", Associated Press, 11 March 2021. A senior Iranian diplomat said: "What is quickly becoming conventional wisdom in Tehran is that Biden is going to continue the 'maximum pressure' strategy, but with a smile. ... We think delay is part of the U.S. strategy to further squeeze Iran". Crisis Group online interview, 6 February 2021. The main subject of debate in Washington, however, was whether lifting most U.S. sanctions to return to the original deal would deprive the U.S. of leverage to encourage Iran to negotiate a follow-on agreement. In the end, the Biden administration ended up where it started: concluding that without first restoring the JCPOA, there will be no other deals. Crisis Group interviews, U.S. officials, Washington, January-March 2021.

⁶³ Quoted in Amir Vahdat, "Iran: US must lift sanctions before it lives up to nuke deal", Associated Press, 7 February 2021. A senior Iranian official warned: "U.S. officials underestimate the extent to which Trump's actions deepened mistrust toward Washington in Tehran". Crisis Group interview, February 2021.

⁶⁴ Jennifer Hansler, Nicole Gaouette and Kylie Atwood, "U.S. says it is willing to sit down for talks with Iran and other nations on nuclear deal", CNN, 19 February 2021; and "Time Not Ripe for Unofficial Meeting Proposed by EU's Borrell", Iranian Foreign Ministry, 28 February 2021. The Biden administration's reluctance to offer unilateral concessions to Iran, beyond withdrawing the Trump administration's failed attempt to snap back UN sanctions on Iran and lifting restrictions on Iranian diplomats in New York, stemmed from what the U.S. perceived as provocations directed at the U.S.

consider suggestions for an opening gesture to build momentum, but by late March the alternative option of bypassing incremental measures in favour of discussions on the deal's restoration *in toto* gained traction.⁶⁵ The talks, facilitated by the EU and with only indirect discussions between the Iranian and U.S. teams through the deal's European, Russian and Chinese participants, started in Vienna on 6 April and established two expert-level working groups: one tackling nuclear issues, the other addressing sanctions. A third group tasked with sequencing was set up two weeks later.⁶⁶

But as the discussions engaged the minute specifics of what steps each side would take, significant and stubborn gaps remained.⁶⁷ The U.S. approached the negotiations in the sanctions group having categorised its existing designations in three buckets: those it was considering lifting (the “green bucket”); those that were up for discussion (the “yellow bucket”); and those that were not (the “red bucket”).⁶⁸ While Iranians were encouraged by the initial offer, which would have unshackled key sectors of Iran's economy, in practice, Tehran seems to have sought to pocket the green and yellow lists while pursuing concessions regarding the red one.⁶⁹ The nuclear group's

and U.S. allies in Iraq and Yemen that Iran either facilitated or directed. Crisis Group interviews, U.S. officials, January–March 2021. See also Edith Lederer, “Biden withdraws Trump's restoration of UN sanctions on Iran”, Associated Press, 18 February 2021.

⁶⁵ A senior Iranian official complained that the gesture-for-gesture approach failed because the U.S. sought to halt Iran's most proliferation-sensitive activities (eg, 20 per cent enrichment, research and development, and restricting UN inspectors' access) in return for releasing \$1-2 billion of Iran's frozen assets. “This is insulting and ridiculous”, he noted. Crisis Group interview, Tehran, March 2021. A senior U.S. official retorted: “There was more to the offer but this was only the opening salvo. Also, gesture-for-gesture was Iran's idea. But now they want to discuss everything. This is yet another sign that they are internally divided”. Crisis Group interview, Washington, 2 April 2021. See also John Irish and Arshad Mohammed, “U.S. open to discussing wider nuclear deal road map if Iran wishes”, Reuters, 30 March 2021.

⁶⁶ “Department Press Briefing”, U.S. State Department, 6 April 2021; and “JCPOA: Chair's Statement Following the Meeting of the Joint Commission”, European External Action Service, 20 April 2021. Negotiators note that Iranian unwillingness to directly interact with their U.S. counterparts, resulting in a relaying of messages and proposals between the two delegations by other participants, adds a time-consuming and, as one official put it, “at times infuriating” complication. It also leaves the door open to misunderstandings, as issues laden with technical and legal nuance are transmitted through third parties. Crisis Group interviews, U.S. and European officials, May–July 2021. “How can the Europeans bargain over U.S. sanctions on Iran?”, asked a senior U.S. official. Crisis Group interview, Washington, 4 May 2021.

⁶⁷ A senior European official said: “The problem is that Iran has a moralistic approach toward the talks, believing that as the aggrieved party it can put the onus on the U.S. to mend what it has broken, while the U.S. has a purely legalistic approach toward returning to compliance”. Crisis Group online interview, 17 April 2021.

⁶⁸ Iranian officials assert that the U.S. refuses to delist over 500 blacklisted persons and entities, or lift its restrictions on arms transfers, while making the removal of the IRGC's designation as a foreign terrorist organisation and some individuals associated with the supreme leader's office from the sanctions list subject to conceding on follow-on negotiations. “Diplomat elaborates on the West's ulterior motives in nuclear talks”, *Tehran Times*, 30 July 2021.

⁶⁹ Crisis Group interviews, senior U.S. and Iranian officials, April–June 2021. “The U.S. [negotiators] admit that Trump's ‘maximum pressure’ has failed, and yet they are attached to their sanctions”, grumbled a senior Iranian official. Crisis Group online interview, May 2021. A U.S. official countered: “They constantly accuse us of having a carpet seller approach, but they engage in it all the time. What's non-negotiable is non-negotiable”. Crisis Group interview, Washington, May 2021. As

discussions likewise proved contentious, with the Western delegations frustrated by what they viewed as vague or noncommittal Iranian responses on key concerns like advanced centrifuges, Tehran’s deepening of its JCPOA breaches while the talks were under way, and increasingly fraught relations with the International Atomic Energy Agency (IAEA).⁷⁰

Moreover, Iran and the U.S. each pressed for a text that included commitments that were not, strictly speaking, within the JCPOA’s original framework.⁷¹ Washington wanted an explicit Iranian pledge to engage in follow-on negotiations toward a “stronger and longer” deal that would potentially encompass Iran’s regional power projection.⁷² Tehran – after its experience with the Trump administration – sought assurances that the U.S. would not pull out of the JCPOA a second time or continuously undermine it by imposing new sanctions.⁷³

Secretary Blinken publicly noted, “even in the event of a return to compliance with the JCPOA, hundreds of sanctions will remain in place, including sanctions imposed by the Trump administration. If they are not inconsistent with the JCPOA, they will remain unless and until Iran’s behaviour changes”. Quoted in “Blinken anticipates hundreds of sanctions on Iran to remain in place”, Reuters, 8 June 2021. In his last quarterly report on the JCPOA to the Iranian parliament, Foreign Minister Zarif, who was largely sidelined from the Vienna talks, offered a list of sanctions that the U.S. was willing to lift. See “22nd Quarterly Report on JCPOA’s Implementation”, Iranian Foreign Ministry, 11 July 2021.

⁷⁰ Iran’s progress on more advanced centrifuges constitutes one of the most contentious issues. Western negotiators want, in addition to dismantling the machines and storing them under seal, to destroy their electronic infrastructure and mothball their assembly lines. Tehran deems this measure humiliating. Crisis Group interviews, U.S., European and Iranian officials, May-June 2021. In the period between March and July, Iran raised enrichment from 20 to 60 per cent, increased the deployment of advanced centrifuges, began producing enriched uranium metal and curbed IAEA monitoring of its nuclear facilities. For more on incremental Iranian nuclear breaches, see Crisis Group Report, *The Iran Nuclear Deal at Five: A Revival?*, op. cit.

⁷¹ Crisis Group interviews, U.S. and Iranian officials, May-June 2021.

⁷² U.S. officials believe that such a commitment would help dissuade Congress from blocking the JCPOA’s restoration, when the latter is already reluctant to see the administration weaken U.S. sanctions leverage in order to return to a deal it largely disliked in 2015 and that is now much closer to sunsets on some of the restrictions on Iran’s nuclear activities. Crisis Group interviews, U.S. officials, Washington, June-July 2021. Iranian negotiators say they had no mandate to discuss such a pledge, which they view as extraneous to restoring compliance with the JCPOA’s terms. Some view it as a trap or a slippery slope that Washington could use sometime down the road to snap back sanctions if a follow-on deal remains beyond reach; they regard the ballistic missile issue in particular as a core military deterrent not up for discussion. Crisis Group interviews, Iranian officials, Tehran, June-July 2021. A European official remarked: “I don’t understand why a non-binding and indeterminate commitment is so hard [for the Iranians] to give”. Crisis Group online interview, July 2021.

⁷³ A senior Iranian official said: “There is no doubt that without knowing that their investments and contracts are safe, at least as long as Biden is in office, no foreign firm will take the risk of entering the Iranian market. Given our past experience with U.S. unreliability, guarantees are critical for us”. Crisis Group online interview, June 2021. European, Russian and Chinese representatives at the Vienna talks, whose firms were adversely affected by U.S. sanctions snapback in 2018, largely sympathise with Iran’s demand. Crisis Group online interviews, European officials, July 2021. The JCPOA was written as a political plan of action, however, and any substantive change would require renewed Congressional scrutiny based on the 2015 Iran Nuclear Agreement Review Act, which, as a former U.S. congressional official put it, “could open a Pandora’s box”. Crisis Group interview, Washington, June 2021. A senior U.S. official explained the difficulty in giving Tehran assurances: “How can we promise that we will never deploy sanctions if the Iranians blow up one of our embassies

Notwithstanding these challenges, a text was emerging on 20 June when the delegates broke for consultations with their respective capitals, with the expectation that they would reconvene for a seventh round by the end of that month.⁷⁴ But as weeks passed, it became increasingly apparent that Tehran had decided that negotiations would not resume until the incoming Raisi administration could represent Iran at the negotiation table.⁷⁵

Rouhani had for several months intimated that forces within the Iranian system were cramping his room for manoeuvre. He lamented that “they took away the opportunity to reach an agreement from this government”, referring obliquely to legislation the Iranian parliament had enacted in December with Ayatollah Khamenei’s backing, mandating a significant escalation of Iran’s nuclear activities.⁷⁶ But while Iran’s nuclear steps certainly complicated the JCPOA’s revival, the key blockage – at least from Iran’s side – stemmed from lack of consensus in Tehran on whether what was on offer in Vienna would serve Iran’s interests and meet the supreme leader’s terms.⁷⁷ Notably, Ayatollah Khamenei rejects the U.S. demand for a commitment on

in the next few years, killing Americans? Also, Congress will neither permanently lift sanctions nor ratify the JCPOA as a treaty, and even [if it were to do so,] that would not be an irreversible guarantee”. Crisis Group interview, June 2021.

⁷⁴ When leaving Vienna, Iran’s chief negotiator, Deputy Foreign Minister Abbas Araghchi, told his European counterparts that consultations in Tehran would take seven to ten days. Crisis Group online interviews, European officials based in Brussels and London, July 2021.

⁷⁵ Arshad Mohammed, “Iran not ready for nuclear talks until Raisi takes over”, Reuters, 14 July 2021. Most negotiators expected, and the Iranians had believed, that a deal to revive the JCPOA was likely during the transition period from Rouhani to Raisi. Raisi could then have come in with a clean slate to reap the revived deal’s economic dividends. Crisis Group online interviews, U.S., Iranian and EU officials, June 2021. See also “Russia expects Iran nuclear deal to be back in effect before July 14”, TASS, 1 July 2021. This assumption turned out to be erroneous.

⁷⁶ Quoted in Parisa Hafezi, “Iran insists it can enrich uranium to 90 percent purity – weapons grade – if needed”, Reuters, 14 July 2021. Within days of the assassination of a top Iranian nuclear scientist in November 2020, allegedly by Israel, Iran’s hardliner-dominated parliament pressed ahead with passing a “strategic action to lift sanctions and protect Iranian nation’s interests”, outlining an immediate expansion of Iran’s nuclear program, including through initiation of 20 per cent enrichment, uranium metal production and suspension of Iran’s adherence to the Nuclear Non-Proliferation Treaty’s Additional Protocol should other JCPOA signatories provide no sanctions relief within two months of the law’s enactment. The Rouhani administration negotiated a temporary, technical understanding with the IAEA that preserved the agency’s continuity of knowledge through keeping the recordings of agency cameras installed in facilities to which the IAEA had lost access until 21 May. In May, the two sides renewed the deal until 24 June, but it has been in limbo since then. Peter Millard and Jonathan Tirone, “Alarm grows on Iran nuclear program among sidelined monitors”, Bloomberg, 19 July 2021.

⁷⁷ To build consensus and reconcile the supreme leader’s, the parliament’s and the incoming Raisi administration’s requirements with the draft negotiated in Vienna, Iran’s Supreme National Security Council convened a special committee comprising two representatives from the Rouhani administration (Ali Akbar Salehi, head of the Atomic Energy Organization of Iran, and Deputy Foreign Minister Araghchi), three parliamentarians (Mojtaba Zolnour, former head of the parliamentary national security and foreign policy committee, his successor, Vahid Jalalzadeh, and Abdolreza Mesri, second deputy speaker of parliament), and two Raisi representatives (Ali Hosseini Tash, the Council’s strategic affairs director, and former hardline nuclear negotiator Ali Bagheri). Mohammad Ali Shabani, “Iran’s foreign ministry keeps nuclear file ‘for now’, Raisi reps join key committee”, Amwaj, 9 July 2021.

follow-on negotiations as a ruse of an untrustworthy interlocutor, which the outgoing Rouhani administration, in his estimation, was too eager to embrace.⁷⁸

For his part, while Raisi expressed his commitment to the JCPOA during the campaign, his foreign policy team comprises individuals who have a track record of strongly opposing it.⁷⁹ In a 2018 interview, one of Raisi's key foreign policy advisers, Ali Bagheri, who served as deputy nuclear negotiator under Ahmadinejad, provided clues as to the hardliners' likely approach.⁸⁰ Referring to the 2003–2005 nuclear talks between Iran and the E3 (France, Germany and the UK), Bagheri contended that the reason the Europeans did not abandon "their maximalist demands" and failed to reciprocate Iran's suspension of uranium enrichment with economic incentives was not U.S. obstructionism, but their perception that Iran was in a position of weakness.⁸¹ By that logic, Iran's tactic should be to demonstrate its strength rather than to make conciliatory gestures. He also defended Iran's confrontational approach from 2006 to 2013, which led to a perilous race of sanctions vs. centrifuges – the UN Security Council and Western governments imposing the former in an attempt to stop Iran developing the latter – boasting that it gradually pushed the U.S. to retreat from its red lines and make offers more advantageous to Iran.⁸²

How the Raisi government proceeds is now arguably the key variable in the JCPOA negotiations. Raisi and his team could resume the Vienna negotiations, try to extract marginally better terms than were on offer at the conclusion of the sixth round, and secure an agreement that, while falling short of Tehran's ideal terms, provides sufficient sanctions relief for the system to greenlight it. But with the hardliners ascendant, a brinksmanship gambit – whether by further nuclear provocations or increasing muscle-flexing in the region – could gain favour in Tehran as a means of securing wider concessions from the U.S., on the assumption that Iran's leverage can be increased more quickly than the West's capacity for additional financial pain or appetite for military action.

If the first option drags out, or Raisi prefers the second option, the JCPOA could collapse or become moot. The Biden administration's position seems to be that, if Iran's nuclear advancements pass the point at which the JCPOA's constraints no

⁷⁸ See "West can't be trusted in Mr Rouhani's administration", Khamenei.ir, 28 July 2021; and tweets by Mahdi Mohammadi, @mmohammadi61, adviser to the speaker of parliament, 9:31am, 22 July 2021.

⁷⁹ In a presidential debate, Raisi said: "We will abide by the JCPOA, which the Supreme Leader approved, but [the Rouhani team] cannot implement it. Implementing the JCPOA requires a strong government". Quoted in Amir Vahdat, "Final presidential debate shows Iran's political fissures", Associated Press, 12 June 2021.

⁸⁰ "Ali Bagheri's interview", Aparat, 16 December 2018. Bagheri served as Jalili's campaign manager in 2013. His brother is Ayatollah Khamenei's son-in-law.

⁸¹ There is an established view in the hardline camp that Rouhani, who was then Iran's chief nuclear negotiator, was too soft on the West. The JCPOA experience has only strengthened that perception. Raisi said: "This [Rouhani administration] is like a goalkeeper who lets in seventeen goals ... and then says without me it would have been 30 goals". Quoted in "Dull Presidential Debates: 2021", U.S. Institute of Peace, 9 June 2021. For more on Iran-E3 negotiations, see Crisis Group Middle East Report N°51, *Iran: Is There a Way Out of the Nuclear Impasse?*, 23 February 2006.

⁸² For more details on nuclear talks in this period, see Crisis Group Middle East Briefing N°34, *The P5+1, Iran and the Perils of Nuclear Brinkmanship*, 15 June 2012.

longer suffice, it may reconsider its entire approach.⁸³ As Secretary Blinken noted, “At some point those advances will be such that returning to compliance with the nuclear agreement won’t solve the problem. ... This can’t go on indefinitely”.⁸⁴ Another key question linked to the JCPOA’s fate is that of dual-national U.S. and European detainees, whose release was to be part of a swap the U.S. and Iran were negotiating in Vienna in parallel to the nuclear talks.⁸⁵ Progress or lack thereof on one track would inevitably affect the other.

Restoring the JCPOA remains the Biden administration’s preference. But if in its view the JCPOA proves unworkable because the nuclear program is just too advanced for the restored deal to contain it, then the U.S. and its allies would likely feel they need to go back to the drawing board, and it is not yet clear what that would entail. The U.S. could work with its allies, particularly in Europe, to add coercive economic measures, while still seeking a more robust non-proliferation agreement with Tehran – what one official has likened to “the dual-track strategy of the past”.⁸⁶ The result could be something between the compliance-for-compliance proposal now on the table and the Trump-era idea of wholesale sanctions relief for a comprehensive shift in Iranian policies.

B. *A China Model or a Hermit Kingdom?*

How the new Iranian government approaches the JCPOA could also shed light on how it will tackle other files, notably regional relations and trade. In his first press conference after the elections, Raisi proclaimed: “Our foreign policy will not be limited to the nuclear deal. ... We will have interaction with the world. We will not tie the Iranian people’s interests to the nuclear deal”.⁸⁷ But as with his domestic priorities, only the broad outlines of his approach toward the rest of the world can be discerned at this stage. He has said he wants to improve Iran’s ties with its neighbours, especially through an inclusive regional dialogue, but has given no indication of how Iran would address Saudi and Emirati concerns about Iran’s ballistic missiles and regional power projection, in particular.⁸⁸ He has also indicated that he wants to further strengthen ties with Russia and China, whose leaders were the first two counterparts to congratulate him on his election, in line with Iran’s declared “look to the east” strategy.⁸⁹

⁸³ U.S. experts assess that the point of no return on Iran’s nuclear advances could be a matter of weeks or months. Crisis Group interviews, U.S. officials, Washington, June-July 2021.

⁸⁴ Quoted in “Secretary Antony J. Blinken with Saad Al-Enezi of Sky New Arabia”, U.S. State Department, 29 July 2021. European officials have also sounded notes of increasing urgency on resuming talks and a narrowing window for JCPOA restoration. See “Iran – Q&A from the Press Briefing”, French Foreign Ministry, 26 July 2021; and “Germany signals growing impatience with Iran on nuclear deal”, Associated Press, 30 July 2021.

⁸⁵ Crisis Group interviews, U.S., Iranian, British and Swiss diplomats, May-July 2021.

⁸⁶ Quoted in Laura Rozen, “Iran’s Khamenei complains U.S. seeking follow-on talks, as U.S. urges return to Vienna negotiations”, Diplomatic (Substack newsletter), 28 July 2021.

⁸⁷ Quoted in “Raisi says his election as president sends message to the world”, *Tehran Times*, 21 June 2021.

⁸⁸ “Raisi: Collective security is the regional policy doctrine of the new government”, IRNA, 24 June 2021 (Persian).

⁸⁹ Crisis Group interviews, Iranian diplomats, Tehran, July 2021. See also Mohsen Shariatnia, “How will the Raisi administration shape Iranian-Chinese relations”, Al Sharq Strategic Research, 9 July

Broadly speaking, the strategic choice facing the Islamic Republic is whether to seek stability at home and calm in its neighbourhood or a risky escalation over its nuclear program and turmoil in the region. As reformist Tajzadeh put it, “the supreme leader would have to choose between the China model of holding a tight grip on politics but opening up the country’s economy to the outside world through restoring the JCPOA, or moving down North Korea’s path of isolation”.⁹⁰ Opting for a de-escalatory path forward on both nuclear and non-nuclear issues would bring a sorely needed economic reprieve and help break the cycle of brinksmanship with Gulf rivals. That hardliners are responsible for negotiations with the U.S. and following through with commitments may actually make it easier for Iranian negotiators to reach and implement a deal.⁹¹ On the other hand, a confrontational path, be it through nuclear escalation, regional provocation or both, would carry major risk. Not only could Iran squander the slim diplomatic opportunities that have emerged from its recent moves toward rapprochement with some neighbours, notably Saudi Arabia, but it could also increase the possibility of accidental or deliberate conflict.⁹²

Tehran could try to chart a middle course. Iran’s conservatives trumpet the country’s self-reliance but few see North Korea as a model. Almost three quarters of Iran’s exports go to five countries, four of which are neighbours.⁹³ A Raisi government seems unlikely to put those links in jeopardy by courting regional conflict; more probably,

2021; Hamidreza Azizi, “What Raisi’s presidency will mean for Iran-Russia relations”, *Amwaj*, 9 July 2021; and Annalisa Perteghella, “Iran Looking East: An Alternative to the EU?”, Italian Institute for International Political Studies, 29 November 2019.

⁹⁰ Crisis Group online interview, 13 July 2021.

⁹¹ “The deep state trusts the country’s new representatives, because they are [part of] the deep state”, noted a senior Iranian diplomat. Crisis Group online interview, June 2021. Mohebian, the conservative strategist, assessed that “Raisi is going to have much more support within the system for dealing with the outside world than Rouhani ever did”. Crisis Group online interview, 13 July 2021. An adviser to the supreme leader, Hamidreza Taraghi, went so far as to state that there are no obstacles to direct negotiations with the U.S. as long as the hardliners are in charge of conducting them. Quoted in “There is no problem in principlists negotiating with America”, *Hamshahri*, 12 November 2020 (Persian). See also “Zolnour: Principlists’ dealing with the U.S. has a better chance of success”, Deutsche Welle, 21 February 2021 (Persian). But there are also political forces within Iran that are either ideologically opposed to engagement with the U.S. or have vested economic interests in Iran’s isolation. For instance, the Iranian hardliner-controlled legislature considered a bill aimed at requiring parliamentary authorisation for talks with the U.S. “A bill that ties the government’s hands”, *Arman*, 13 July 2021 (Persian).

⁹² In early 2021, Iranian and Saudi officials held three rounds of mostly exploratory talks in Baghdad, but then put them on hold pending the presidential transition in Iran. Crisis Group interviews, Iranian and UN officials, Tehran, May-July 2021. See also “Iran confirms talks with Saudi Arabia, promises best efforts”, Reuters, 10 May 2021. Iran’s effort through allied Shiite paramilitary groups to push U.S. forces out of Iraq and its simmering multi-front rivalry with Israel carry further risks of miscalculation. A senior U.S. official said: “If a single U.S. citizen is killed in rocket and drone attacks in Iraq, continuing nuclear talks will become that much more difficult, if not impossible”. Crisis Group interview, Washington, 28 June 2021. See also “Iranian commander urged escalation against US forces at Iraq meeting”, Reuters, 13 July 2021; Frank Gardner, “Iran and Israel’s shadow war takes a dangerous turn”, BBC, 13 April 2021; and Jon Gambrell, “US, UK and Israel blame Iran for ship attack; Tehran denies”, Associated Press, 1 August 2021. For more analysis of regional flashpoints, see Crisis Group’s “Iran-U.S. Trigger List”.

⁹³ “Five countries account for 74 per cent of Iranian exports in first quarter”, *Financial Tribune*, 18 July 2021.

it would work to deepen existing relationships while aspiring to diversify. Iran's hard-liners may not put great stock in chasing after Western contracts, particularly if they can up the country's economic engagement with Russia and China. In any case, European companies will have only so much interest in doing business in Iran, not just if U.S. secondary sanctions remain in place but even if they are lifted or eased, particularly if Iran's banking system remains out of line with international standards.⁹⁴ Thus, the Raisi government may hope to pursue security and economic engagement with Gulf rivals; deepen strategic ties with Moscow and Beijing; and shed lingering notions of rapprochement with the U.S. and Europe.

Whether it can achieve all that if the JCPOA unravels – particularly if Iran finds itself estranged from Russia and China as well over the nuclear issue and at odds with its Gulf neighbours, who are U.S. allies – remains a dubious proposition. More likely, tensions around the nuclear agreement and growing hostility between Washington and Tehran would spill over and limit Iran's options for pursuing parallel strategies of escalation over the JCPOA and normalisation of trade and foreign relations.

⁹⁴ Najmeh Bozorgmehr, "Global business wary of Iran deal talk", *Financial Times*, 13 December 2020.

V. A Way Forward

The impact of Iranian presidential transitions can be both downplayed and overstated. As head of the executive branch, Raisi will face the same structural limits that stymied his predecessors: he will be neither the decisive voice on matters of national security nor in full control of the government's policies and purse strings. But the president's office does set the domestic agenda, decide key appointments and set the tone in which the Islamic Republic speaks to the world.⁹⁵

Negotiating with Iran has rarely been easy, but Raisi raises especially uncomfortable dilemmas for Western powers. In the short run, at least, his presidency is likely to aggravate tensions between Tehran and the West, all the more so if he does not swiftly resume talks to restore the JCPOA and ploughs ahead with Iran's nuclear development. His abysmal human rights record and the prospect of further crackdowns will give critics of negotiations more grounds for attacking nuclear talks or diplomatic engagement of Iran more broadly; indeed, such pressure is already evident.⁹⁶ But in the end, the alternative to talks is a path that almost inevitably leads to military confrontation.⁹⁷ Hoping for regime change any time soon seems futile. For all the internal disillusionment, the Islamic Republic has proven resilient. That it is consolidating power in the hands of hardliners with shrinking popular support and who are unlikely to address legitimate grievances could jeopardise the system's survival in the medium term, if anger translates into organised opposition. But there is no sign of the Islamic Republic's imminent collapse.

Besides, engagement with Iran does not mean indifference to human rights violations. How to address those abuses is a challenge, especially for Western governments hoping to deal with Iran over the nuclear file while viewing its domestic policies, particularly any brutal suppression of dissent, with concern. That said, this problem is hardly unique to Iran.⁹⁸ Nor should diplomacy and criticism be mutually exclusive: Tehran should not expect its participation in talks to earn it a pass on internal abus-

⁹⁵ Raisi's past gives considerable fodder to those critical of engagement with Iran. Israeli Prime Minister Naftali Bennett is reportedly preparing a dossier on Raisi's years in the judiciary to give "world leaders and the public ... a glimpse into the soul and record of Iran's designated president and linking his actions to Iran's push for military nuclear capacity". Ben Caspit, "Ahead of Bennett's Washington visit, Israel prepares 'Raisi file'", *Al-Monitor*, 16 July 2021. Yet when Rouhani was elected, Bennett's predecessor downplayed the implications of a relative moderate taking office, saying: "He doesn't count. He doesn't call the shots". Benjamin Netanyahu quoted in Raphael Ahren, "PM: Rowhani has no power to change nuclear policy", *The Times of Israel*, 17 June 2013.

⁹⁶ Lahav Harkov, "Israel: EU legitimising terror by sending diplomat to Raisi inauguration", *Jerusalem Post*, 2 August 2021.

⁹⁷ These exact dynamics – ie, escalation in the absence of negotiations – brought the region to the brink of military confrontation in 2019. See Crisis Group Middle East Report N°205, *Averting the Middle East's 1914 Moment*, 1 August 2019. See also "Bennett says Israel able to 'act alone' against Iran over ship attack", Reuters, 3 August 2021.

⁹⁸ A senior European official said: "Holding your nose and negotiating with unsavoury counterparts is what diplomats are paid to do". Crisis Group interview, July 2021. After Raisi's election, the U.S. State Department noted: "It is Iran's supreme leader who determines Iran's policy on a range of important issues. This is the same supreme leader who was in place in 2015; he was the same supreme leader who was in place before the election; and presumably, he'll be the same supreme leader who is in place in August". "Department Press Briefing", U.S. State Department, 21 June 2021.

es, just as the importance of resolving the nuclear question requires U.S. and European governments to deal with an interlocutor whose other conduct they may find grating. At the same time, naming and shaming may not be a silver bullet, particularly against Iranian hardliners who see themselves as financially immune from sanctions and regard Western condemnation as a triviality, if not a badge of honour.⁹⁹ Constructive methods, such as engaging with the breadth of Iranian civil society and ensuring that the Iranian people keep access to a wide spectrum of information, should complement coercive measures.¹⁰⁰

For now, neither Washington nor Tehran appear overly dismayed at the impasse in talks, which is delaying concessions that would almost certainly prove unpopular with critics on both sides. Moreover, each side is fairly optimistic that if it continues with its present strategy it is likely to succeed over the long term. The U.S. sees the accumulated impact of its punitive measures, past, present and prospective, as a force that eventually will compel Iran to alter its stance in fundamental ways.¹⁰¹ The Raisi administration is equally persuaded that, with time, Washington will have to make greater concessions as sanctions reach the point of diminishing returns and concerns peak over the nuclear program's progress.¹⁰²

Yet the current stalemate in the nuclear talks is unsustainable. Absent progress in negotiations, Iran is unlikely to resolve an issue that has taxed its relations with the IAEA: the inconclusive investigation into four sites that Tehran had not disclosed and where the agency has found evidence of human-made uranium and other activities

⁹⁹ For example, when the U.S. sanctioned Guardian Council chief Ahmad Jannati in February 2020, he quipped: “Now I’m thinking what we should do with all the money we have in American banks, and also we can no longer go to Christmas celebrations in the U.S.” Quoted in “Jannati mocks U.S. ban, says ‘I cannot go to the U.S. for Christmas anymore’”, *Tehran Times*, 21 February 2020. Even the relatively moderate Zarif, designated while serving as Iran’s foreign minister, riposted that the decision “has no effect on me or my family, as I have no property or interests outside of Iran. Thank you [ie, the Trump administration] for considering me such a huge threat to your agenda”. Tweet by Javad Zarif, @JZarif, 4:33pm, 31 July 2019. Sarcastic reactions like these explain why some activists contend that naming and shaming can be counterproductive, resulting in a “more callous and less responsive” government. Crisis Group correspondence, Mani Mostofi, director, Miaan Group, 16 July 2021.

¹⁰⁰ Crisis Group correspondence, Narges Mohammadi, spokesperson for the Defenders of Human Rights Centre in Tehran, 19 July 2021. Digital rights experts contend that the U.S. could facilitate greater information access by lifting sanctions and making technological products and services available to Iranian developers. Crisis Group correspondence, Amir Rashidi, director of digital rights and security, Miaan Group, 16 July 2021. See also “Joint Letter: The Islamic Republic of Iran Must Keep the Internet Open and Secure during Presidential Elections”, Human Rights Watch, 17 June 2021.

¹⁰¹ Putting pressure on Iran’s oil exports to China, the country’s key customer, is the likeliest option, supplemented by further designations targeting drone and missile proliferation. See Benoit Faucon and Ian Talley, “U.S. weighs new sanctions on Iran’s oil sales to China if nuclear talks fail”, *The Wall Street Journal*, 19 July 2021; and “U.S. plans sanctions against Iran’s drones and guided missiles”, *The Wall Street Journal*, 29 July 2021.

¹⁰² Crisis Group interviews, Iranian officials, Tehran, July 2021. It took nearly eight years from deadlock in the Iran-E3 negotiations in 2005 to the interim nuclear deal that was concluded in Geneva in November 2013. For more on the race of sanctions vs. centrifuges, see Crisis Group Middle East Report N°138, *Spider Web: The Making and Unmaking of Iran Sanctions*, 25 February 2013.

that Tehran has yet to satisfactorily explain.¹⁰³ If little moves between now and the IAEA's mid-September convocation, the agency's Board of Governors could very well pass a resolution expressing its grave concern and eventually refer Iran to the UN Security Council. Such a development could lead Iran to escalate further, by either ratcheting up its nuclear program or even, as it has threatened, withdrawing from the JCPOA and/or the Nuclear Non-Proliferation Treaty altogether.¹⁰⁴ The U.S. and its allies would likely step up coercive measures in turn. Tehran would be left not only short of its goal of shedding the burden of U.S. sanctions but also facing a more united Western front.

The better path forward would be a mutual return to full compliance with the already negotiated JCPOA. The Raisi administration's envoys could return to Vienna in September and negotiate a slightly improved version of the text that their predecessors prepared and that brought the talks close to the finish line. Both sides would need to be flexible. The U.S. would need to offer greater sanctions relief, and Iran would need to reassure its negotiating partners that the JCPOA's non-proliferation aspects are fully restored by conceding on the advances it has made in research and development since 2019.¹⁰⁵ As for the more significant obstacles – Tehran's wish for guarantees against another unilateral U.S. withdrawal and Washington's desire for follow-on talks – two options present themselves: both sides should either drop these demands or link them. In the second case, they could keep negotiating after restoring the JCPOA to strengthen it, including by building assurances – potentially, for example, a stringent exit clause – into a follow-on accord.¹⁰⁶

The alternative, if the two sides cannot bridge their divides, would likely be a risky escalation. Iran might well up the nuclear ante further and the U.S. impose more coercive measures, both looking for more leverage ahead of a return to talks. This scenario is, in any case, not anathema to some in Tehran and Washington, who deem the JCPOA inadequate and seek a more advantageous agreement, or JCPOA-plus.¹⁰⁷

¹⁰³ "IAEA Director General's Introductory Statement to the Board of Governors", IAEA, 7 June 2021. In June, IAEA Director General Rafael Grossi dismissed suggestions that the investigation concerned "a minor, old thing", adding: "How can you have a JCPOA pillar that is working, based on mutual confidence, when you can feel that there are other things ongoing that you are not aware of?" Grossi quoted in "We are on a ventilator": IAEA chief laments reduced access to Iran's nuclear sites", *PassBlue*, 20 June 2021. The IAEA's May 2021 report on implementation of Iran's safeguards agreement underscores that the "lack of progress ... seriously affects the ability of the Agency to provide assurance of the peaceful nature of Iran's nuclear program". "GOV/2021/29", IAEA, 31 May 2021.

¹⁰⁴ "Iran lawmakers call for debate on quitting nuclear arms treaty", Reuters, 28 January 2020.

¹⁰⁵ A senior European diplomat asked: "Which is more important: keeping sanctions on an Iranian official who has no assets abroad and doesn't travel outside of Iran, or keeping Iran's nuclear program in a box? The answer should be clear". Crisis Group online interview, 13 July 2021. U.S. diplomats, however, are concerned that any sanctions relief that lacks minimal support in Congress, because lawmakers would see it as conceding too much, could militate against a negotiated solution. Crisis Group interviews, Washington, June-July 2021.

¹⁰⁶ In reality, there is no guarantee that will forever block the U.S.'s ability to reimpose sanctions. But one option might be to change the adjudication process and require at least two votes for UN sanctions snapback (instead of one). Many international agreements also have one/two-year advance notice before withdrawal takes effect.

¹⁰⁷ Crisis Group interviews, Iranian and U.S. officials, July 2021. *Kayhan*, the hardline daily whose editor is appointed by the supreme leader, wrote: "That the JCPOA must change is the one issue

Each would hope to extract more from the other. Iran, as it has already indicated in the six rounds of talks in Vienna, would want more sanctions relief, including from U.S. primary sanctions (these proved the main obstacle for the Iranian banking sector in trying to rejoin the U.S. dollar-dominated global financial system after the 2016 JCPOA sanctions relief).¹⁰⁸ Iran would also want compensation for damages incurred during the Trump administration’s “maximum pressure” campaign. Western governments, in turn, would want longer-term restrictions and more rigorous monitoring of Iran’s nuclear program. But such an escalatory cycle could spin out of control just as easily as lead to further talks.

The path to a JCPOA-plus does not need to be so treacherous. One option that would avoid the dangerous escalatory cycle would be to strike quickly an arrangement that amounts to a JCPOA-minus, in which Iran agrees to freeze some of its most proliferation-sensitive activities (eg, enrichment above 3.67 per cent, advanced centrifuge work and uranium metal production) in return for an agreed-upon level of oil exports and/or partial access to its frozen assets. Such an interim arrangement would cap the immediate non-proliferation crisis, deliver economic reprieve for Iran and buy time for the parties to negotiate parameters of a more-for-more JCPOA-plus that addresses their broader demands.

Still, even such an agreement would not be enough. Any deal along those lines will remain susceptible to the same pathologies that damaged the JCPOA: a narrow arms control agreement is unlikely to survive the enmity between Iran and the U.S., given the views of hardliners in both countries, and their respective regional allies. The parties need a parallel process to address regional tensions. As Crisis Group has proposed before, that process could take the form of an inclusive dialogue in the Gulf that is region-owned but could be initiated and supported by a core group of European states, with backing from the U.S. and other UN Security Council permanent members.¹⁰⁹ Smaller and relatively neutral Gulf countries, such as Oman and Kuwait, could lead the discussion, addressing both Iran’s and the Gulf Arab states’ collective security concerns. A regional arms control discussion that takes the conventional weapons asymmetry into account is the only way to address Iran’s ballistic missiles and their proliferation to non-state actors.¹¹⁰

upon which Iran and the U.S. converge”. See Mohammad Emad Erabi, “The JCPOA’s fate”, *Kayhan*, 30 June 2021.

¹⁰⁸ For more on sanctions relief in 2016, see Crisis Group Middle East Report N°173, *Implementing the Iran Nuclear Deal: A Status Report*, 16 January 2017.

¹⁰⁹ Crisis Group Middle East Report N°212, *The Middle East between Collective Security and Collective Breakdown*, 27 April 2020.

¹¹⁰ Anthony Cordesman, “The Military Dynamics of the Middle East and North Africa”, Center for Strategic and International Studies, 26 October 2020; “Stockholm International Peace Research Institute Arms Transfers Database”, 15 March 2021; and Fabian Hinz and Sahil Shah, “A nuisance to the West, a life insurance to the Islamic Republic: Can Biden do anything about Iran’s missiles?”, European Leadership Network, 18 January 2021.

VI. Conclusion

The arrival of a hardline president in Iran has prompted dire predictions about the direction of Iran's domestic and foreign policies. There are reasons for concern. Raisi's past, his rhetoric during and after the election campaign, and the hardliners' consolidated control over the instruments of power in Iran may well signal a more ideological and less pragmatic approach, especially toward the West. But none of the fundamentals has changed: the supreme leader will still have the final say on strategic matters; Iran still needs and will actively pursue sanctions relief; and any chance of altering its regional and defensive calculus will come, if at all, through serious diplomatic engagement – including at the regional level – that takes into account the country's legitimate security concerns and interests alongside those of its rivals.

Yet the promise and peril of Raisi's presidency depend, above all else, on his predecessor's key legacy: the JCPOA. Both Iran and the U.S. squandered the opportunity to restore the deal during the overlap between Presidents Biden and Rouhani – the former's initial dithering deepened mistrust and hardened the latter's stance, as it continued its provocations in the nuclear realm and in the region, in turn fuelling scepticism in Washington over Tehran's seriousness in wanting to reach a deal.¹¹¹ But the agreement is still salvageable despite the required trade-offs, and saving it would be far less costly than the alternatives. Failure to resuscitate it soon could usher in another race between sanctions and centrifuges, reminiscent of the early years of Ahmadinejad's presidency. The advances Iran has already made over recent months in its nuclear development would make such a race all the more perilous.

If an agreement on the JCPOA does remain beyond reach, however, a Plan B would be to agree to an interim arrangement that would freeze the crisis. Both sides, having learned from the JCPOA experience, could then build a stronger and more durable nuclear accord in parallel to talks aimed at de-escalating tensions in the region. Raisi, as a trusted disciple of Ayatollah Khamenei, is better placed to negotiate and follow through on agreements with the West. But that potential could quickly fizzle, and success depends on an inclination toward pragmatism both in Tehran and the capitals of its negotiating partners and neighbours. Eschewing diplomacy altogether, with each side waiting for the other to blink first while seeking more leverage, has already proven to deliver the worst of all worlds: mounting concerns over Iran's nuclear program, recurrent calls for military action and continued severe economic hardship for the Iranian people.

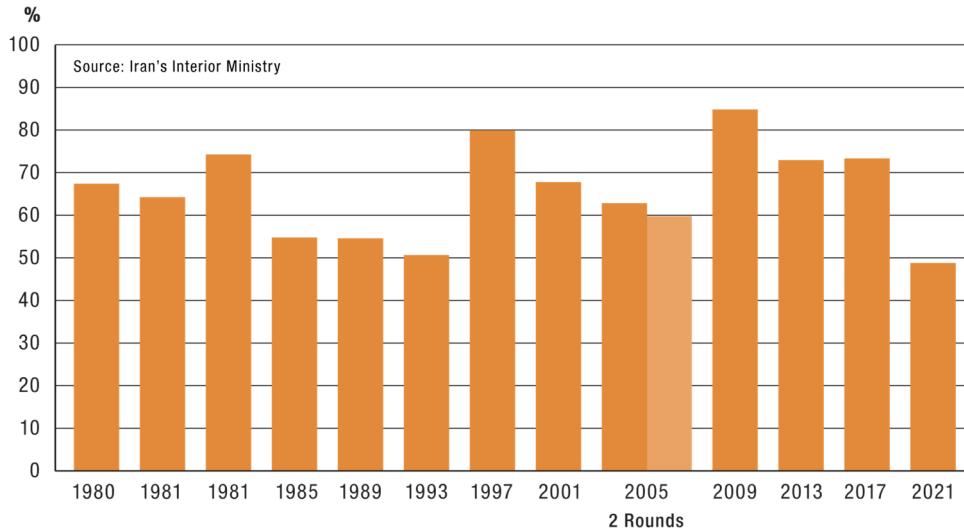
Tehran/Washington/Brussels, 5 August 2021

¹¹¹ As Crisis Group warned in December 2020, "any attempt by either the U.S. or Iran to tinker with – let alone fundamentally alter – the terms of the deal on the theory that it has more leverage than the other would be a dangerous gambit. At best, it would amount to loss of precious time. At worst, it would amount to squandering a precious opportunity". Crisis Group Statement, "The Vital but Delicate Task of Reviving the JCPOA", 10 December 2020.

Appendix A: Map of Iran



Appendix B: Participation Rate in Iran's Presidential Elections



Appendix C: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 80 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is co-chaired by President & CEO of the Fiore Group and Founder of the Radcliffe Foundation, Frank Giustra, as well as by former Foreign Minister of Argentina and Chef de Cabinet to the United Nations Secretary-General, Susana Malcorra.

After President & CEO Robert Malley stood down in January 2021 to become the U.S. Iran envoy, two long-serving Crisis Group staff members assumed interim leadership until the recruitment of his replacement. Richard Atwood, Crisis Group's Chief of Policy, is serving as interim President and Comfort Ero, Africa Program Director, as interim Vice President.

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Appendix D: Reports and Briefings on the Middle East and North Africa since 2018

Special Reports and Briefings

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