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# U.S. and Iranian Strategic Competition: The Proxy Cold War in the Levant, Egypt and Jordan

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## Executive Summary

Iran's efforts to expand its influence in the Levant, Egypt, and Jordan are a key aspect of its strategic competition with the US. Nearly twenty years after Israel's invasion of Lebanon in 1982, and five years after the 2006 Israeli-Hezbollah War, the US and its allies continue to struggle with the realities of Iran's growing influence in the region and its use of proxy and asymmetric warfare. The Islamic Republic has developed strong ties with Syria and non-state actors in the region, including the Lebanese Shi'a group Hezbollah and the Palestinian Islamist movement Hamas in what Iranian and Syrian leaders have dubbed the "Resistance Axis." Iran continues to exploit Arab-Israeli tensions in ways that make it an active barrier to a lasting Arab-Israeli peace, while the US must deal with Arab hostility to its strategic partnership with Israel.

At the same time, both the US and Iran face an unprecedented level of policy instability in the Levant, and the rest of the Middle East and North Africa, that affects every aspect of their regional competition. At present, no one can predict the outcome in any given case. Even the short-term impact of changes in regimes is not predictable, nor is how those changes will affect the underlying drivers of regional tensions. It is particularly dangerous to ignore the risk of replacing one form of failed governance with another one, and the prospect of years of further political instability or upheavals.

### Syria

While Syria has been a challenge for US policy-makers for decades, the current round of instability is unprecedented and the situation in Syria is not predictable enough for the US to be able to develop a sustainable strategy in the short term. Accordingly, unless the opposition becomes far more cohesive and its character is far more clear, and unless far more Syrian forces defect, the US should consider the following options.

- The increasing use of violence by elements within the opposition is likely to lead to incrementally harsher military and security responses from the regime on the basis that it is fighting a foreign-backed insurgency as opposed to peaceful democratic activists. There is no clear US response to this increasingly dangerous phase of instability in Syria. Providing material support to opposition forces will likely justify a harsher crackdown and the forces buttressing the regime will continue to close ranks. US or western covert and overt assistance could also trigger a negative response from Russia, China and other members of the UN Security Council who do not want to see a repeat of steps taken in Libya.
- The US cannot ignore the regional spillover effects should Syria destabilize further and it needs to adopt a strategy based on containing Syrian instability. How events do and do not play out in Syria will have deep and unforeseen consequences on the precarious sectarian balance in Lebanon, the security of Israel along its northern and eastern flanks, the stability of Jordan at a time of increased internal unrest, and pressure along Turkey's southern flank as Ankara tries to contain increasingly assertive Syrian and Iraqi Kurdish groups. A collapse in Syria – controlled or otherwise – may hold the promise of breaking Iran's umbilical cord to Levant, but it also promises to expose both budding and strategic US allies to waves of uncertainty for years to come. The US must work with these states to minimize these pressures should Syria deteriorate further.
- While the US may have reasons to support opposition forces that are democratic or more representative of popular forces in Syria, that may not translate into a more stable Syria at peace with its neighbors in either the short or long term. There is no real world basis on which to make the argument that a post-Asad Syria will make peace with Israel, renounce claims to the Golan

Heights or stop providing assistance to Palestinian elements operating in and outside the Occupied Palestinian Territories.

- The Russian and Chinese double veto is a message that the US cannot ignore and if it hopes to garner broader support in the international community, it must take into account the interests and priorities of other leading and emerging powers. It must work closely with its allies to reassure the so-called BRIC countries that Syria is not another Libya and that military intervention at heart of the Arab-Israeli conflict is not being considered.
- Some analysts have proposed prying Syria's security establishment and the Alawite community away from the Asad regime. While the approach is sound in principle, the US may need to accept that the chances of doing so are slim. The passage of time and the level of bloodshed have made it more difficult to conceive of a post-Asad Syria devoid of retaliatory measures against the Alawite community. While many Alawites may not like or support Asad, the potential loss of their political and economic autonomy is a key barrier to defections. Even in a scenario where a dominant opposition proved magnanimous in victory, there is little sign that Asad's base – and the other minorities that support the regime – is betting on such a favorable outcome.
- While events in Syria are challenging to the US and the West, they also complicate Iran's foreign policy and, as a result, how the US and Iran will compete in Syria in the future. Iran continues to support the Asad regime's efforts to crush popular dissent. However, it has increasingly done so with the acceptance that returning to the status quo ante in Syria is a fleeting hope rather than a likely outcome. As such, Iran's position is in flux in the Levant and could as easily lead to progress or confrontation with the US and the West in Syria, as well as Iraq, Lebanon and with the Palestinians.
- There now is only limited support in the US, Europe, and the Arab world for direct intervention in Syria. There are also reasons why the US might directly (or indirectly) take the lead in such efforts. The withdrawal of US troops from Iraq has left many questions about the future role and influence of the US, especially in the context of strategic competition with Iran. Instability in Syria presents Washington with the opportunity to undermine Iran's regional posture, weaken or change the leadership of one of its key regional allies and potentially downgrade the Islamic Republic's role in the Arab-Israeli conflict through Hezbollah.
- Syria is not Libya. Syria has a population that is more than three times larger than Libya's, has almost 30 times the latter's population density and a much larger and far more capable military overall. Syria also enjoys strong political, financial and military support from Iran and Russia. These factors complicate any calculus on military intervention in Syria, whether in terms of the level of potential military opposition, or with regards to the risk of high civilian casualties. Opposition forces in Syria do not control regime-critical territory, and most attacks, while potentially coordinated, seem to have limited tactical or strategic depth and have yet to present a serious challenge to units loyal to the regime.
- At best, the Assad regime would be replaced by a democratic Sunni-dominated leadership that is more favorable to the foreign policies of the United States and the Gulf states led by Saudi Arabia. This could include a degradation of ties to Iran with effects on the flow of Iranian weapons and support to Hezbollah. At worst, Syria would remain unstable and could deteriorate into a deeper sectarian civil war, a conflict that could in turn draw its neighbors—especially Saudi Arabia and Iran—into a cycle of regional proxy warfare. What is certain, however, is that in any scenario, Syria's regional role has been severely weakened by a year of unrest.

The exception to such restraint is the possibility that Syria's repression will become so violent that some form of humanitarian military intervention will be absolutely necessary. The US is planning for this option, but the risks are high, it could take weeks to make fully effective, and it might be seen as intervention from Israel's closest ally and as interference in support of Israel – an association that could discredit the Syrian opposition.

If at all possible, any intervention should be led by Arab states and Turkey, with US support. The goal is to legitimize an Arab and native Syrian approach to political change, not outside intervention.

Even with Arab and Turkish support, any US-led intervention would play out less in terms of humanitarian relief and more in terms of US and Gulf Arab efforts to compete with Iran and Syria and to bring stability to a region that is liable to remain unstable for years. Taking stock of the scale of Sunni-Shi'ite regional polarization and the level of acrimony between the Southern Gulf states and Iran is critical to determining the benefits and potentials costs of deeper US involvement in the Levant.

### **Lebanon**

While Lebanon has been relatively stable during the current period of upheaval, there are real risks of instability as well as opportunities to manage security politics in the Levant that the US should not ignore.

- While it is easy to get caught up in ideological pursuits in Lebanon, US policy should remain focused on a policy based on the fact that Lebanon will remain the problem child of US foreign policy. This entails a pragmatic policy that seeks to minimize Lebanon's geopolitical profile and contain the risks posed by Hezbollah and other forces hostile to US interests in the Levant. The US must continue to capitalize on the fact that Iran's relationship is with Hezbollah while its own relationships can be with a broader range of Lebanese institutions and political forces.
- The collapse of the March 14-led government of Saad Hariri in January 2011 has raised concerns in Washington of a Hezbollah-led constitutional coup and the growing strength of forces hostile to the US and close to Iran and Syria. The cycle of regional instability and prolonged unrest in Syria have done much to dampen the effects of these changes in Beirut. The US should not miss the current opportunity to build bridges with forces that, while enjoying ties to Syria and the Asad regime, are viewed with growing distrust by Hezbollah. Prime Minister Najib Mikati was never Hezbollah's choice for the post he now occupies. Meanwhile, his government continues to honor Lebanese international commitments and seems keen to nurture ties with the US to try and insulate Lebanon from the prospect of further Sunni-Shi'a sectarian escalation. The US does not need further instability in Lebanon and must work with existing allies and potential new ones to contain and manage Lebanese instability.
- The US should continue to support UNFIL and the LAF based on their real world impact on security politics along the Blue Line. This means accepting first that the UN force's role as a regional punching bag for both the Israelis and the Lebanese is conducive to stability along Israel's northern flank. It also means accepting that while the LAF is not the non-sectarian military force that many in the US hoped it would be, it remains critical to keeping a lid on Lebanese instability.
- Unlike the US with the LAF, Iran has had 25 years to build up Hezbollah. Given the weaknesses of Lebanese political allies and the limits of US policy in Lebanon, long term military diplomacy remains crucial to maintaining US influence in Lebanon and sustaining the US's place in security politics in the Levant. The US Congress should consider lifting a hold on the limited lethal military aid the LAF has requested. The State Department, with the support of Congress, should also release some \$100 million in approved FY2011 FMF for Lebanon to avoid the real prospect that US security assistance and cooperation programs will run out of unallocated funds before the end of 2011.
- The US should seek to support the UN Special Tribunal for Lebanon in ways that will not reinforce negative perceptions of the US as well. Given the depth of divisions in Lebanon, the US will not score points in its competition with Iran if the Tribunal cannot eject perceptions that it is a Western political tool meant solely to undermine Syria and Iran in the Levant.

## Israel

As this report shows, Israel is a key arena for US-Iranian competition and the recent cycle of instability will remain critical to how both countries develop their bilateral relationship and security ties.

- A ring of instability now exists around Israel. However, the long term implications remain uncertain. The US will continue to provide Israel with both political and military security guarantees to bolster the strategic partnership. Both countries will also continue to coordinate their efforts to minimize and curtail Iranian influence in the broader Levant.
- The current cycle of regional unrest has accelerated the US need to bring Israeli-Palestinian negotiations on a two-state solution to fruition. Given the level of popular sentiment across the Arab world, US preferences and the need for a lasting peace, and given the recent Palestinian UN bid for statehood, the US, Israel and the Palestinians must seize the initiative. Much mistrust remains between Israel and the Palestinians and there is no certainty that any process will succeed. However, not to work that much harder will serve to strengthen Iran's efforts to spoil peace efforts, undermine the US role in a changing the Arab world and to further radicalize the Palestinians at a time when rational minds should prevail.

## The Palestinians

The place and role of the Palestinians in US policy and competition with Iran are part and parcel of competition over Israel.

- Suspending aid to the Palestinians can do little to strengthen the US position in the Levant in general and in the Arab-Israeli conflict in particular. The UN bid for statehood did upset many in Washington. In the end, any alliance is only as strong as the sum of its parts, and the Palestinian bid provided a much needed boost to the ailing presidency of Mahmoud Abbas, a key regional ally. Censuring the Palestinian Authority will strengthen the hand of pro-Syrian and pro-Iranian Palestinian factions and undermine perceptions of the US in the Levant. The US should continue to nurture its relationship with the PA and make good on its aid commitments.
- As with Israel, the US needs to work hard to bring the PA back to negotiations on a two-state solution. The PA's UN bid has done much to buoy the position of President Abbas, however, this effect will degrade with time unless parties to negotiations can capitalize on it. The Quartet, led by the US, must push ahead with peace efforts. The alternative is a degeneration of the Palestinian position to a point that strengthens Palestinian opponents of the West and invigorates Iran's spoiler role in the Arab-Israeli conflict.
- The Palestinian Islamist wildcard has proven crucial to projecting Iranian influence in the Levant as a means of impacting the Arab-Israeli conflict. Relying on groups like Hamas was also an important means of shoring up much needed Sunni support for Iran in the region. A very public break between Syria and Hamas is a setback for Iran, but the Islamic Republic continues to cultivate ties with Palestinian Islamist groups. So far, Tehran has also rejected a deeper isolation of Hamas for siding against the Assad regime, going so far as to invite Prime Minister Haniya to Tehran in early February 2012 for consultations.<sup>1</sup>
- The US should work to capitalize on rifts between Syria and Hamas. US engagement with the Egyptian Muslim Brotherhood was relatively; in contrast, it will prove far more difficult for the US to build bridges with an Islamist group the US government considers to be a terrorist organization. Meanwhile, given Iran's unwavering support for the minority-led Assad regime in Syria, it is unclear how and for how long Iran can sustain its policy of supporting such groups. What is certain is that unlike the US, the Islamic Republic has shown it is flexible enough to at least try and recalibrate to shifts on the Palestinian political scene.

## Egypt and Jordan

Lastly, US policy towards Egypt and Jordan are driven by a number of common factors that have impacted whether or not these two key US allies become exposed to Iranian influence and interference.

- President Mubarak's exit from power means that Egypt will go through a prolonged cycle of instability as it reconciles itself with the role of the military in and out of politics, the role of the Muslim Brotherhood and other Islamist political forces and the other political and reform movements working to shape post-Mubarak Egypt. The US government and Congress must both remain flexible as it tries to sustain ties with the "new" Egypt – a move that is crucial to ensuring stability across the Levant and the broader Middle East and North Africa
- Military aid from the US, and financial assistance from the Gulf states, are crucial to stabilizing post-Mubarak Egypt. The US must continue to nurture its military-to-military relationship while recognizing that Egypt's economic needs must also be addressed. While funding from the Gulf can help sustain investment and macroeconomic indicators, only the US and other Western democracies can provide the sort of socio-economic aid that can bolster governance and state accountability in the long term.
- Uncertainty about bilateral ties with Israel is likely to increase as the Egyptian military comes to terms with the country's Islamic political forces. The threat of suspending military aid to Egypt is no more effective than proposed cuts to Lebanon and the Palestinians. If nothing else, the implications could be far more damaging to regional stability and Israeli security. That being said, the US must balance aid with Egypt's continued adherence to Egyptian-Israeli peace and more efforts to stabilize an increasingly unmanaged Sinai Peninsula.
- While Egypt will face challenges in the years ahead, a post-Mubarak Egypt has an opportunity to re-capture much of the authenticity and prestige it lost over the course of the past three decades. While this could lead to an Egypt that is less sensitive to US and Israeli national security and foreign policy prerogatives, it is also clear that a more important role for Egypt in Arab politics could come at the expense of Shi'a Iran.
- The ratcheting up of sectarian tensions between Egyptian Muslims and Coptic Christians presents a serious risk. The continued deterioration of communal ties will likely have an increasingly negative effect on the country's internal stability. While accounting for 10% of the Egyptian population, at some 10 million strong the Copts remains the largest Christian community in the Levant. With the rise of sectarian tensions in Syria, continued sectarian recrimination in Lebanon, and the depletion of Christians in Iraq and the Palestinian Territories, the US and Egypt must both do more to prevent the communal and primordial politics from becoming yet another source of instability in a region in a deep state of flux.
- As with Egypt, Jordan is too important to the US and its Gulf allies not to make every effort to help it avoid prolonged or even limited instability. Here too, the US needs to continue to support security and economic assistance programs to the Hashemite Kingdom, while supporting peaceful democratic reforms as well. It should also continue to support Gulf efforts to integrate Jordan into the Gulf Cooperation Council as one measure to limit regional instability and bolster the Kingdom's security.

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## Introduction

Iran's efforts to expand its regional influence are a key aspect of its strategic competition with the US. Nearly twenty years after Israel's invasion of Lebanon in 1982, and five years after the 2006 Israeli-Hezbollah War, the US and its allies continue to struggle with the realities of Iran's growing influence in the region and its use of proxy and asymmetric warfare. The Islamic Republic has developed strong ties with Syria and non-state actors in the region, including the Lebanese Shi'a group Hezbollah and the Palestinian Hamas Islamist movement in what Iranian and Syrian leaders have dubbed the "Resistance Axis." Iran continues to exploit Arab-Israeli tensions in ways that make it an active barrier to a lasting Arab-Israeli peace, while the US must deal with Arab hostility to its strategic partnership with Israel. At the same time, both the US and Iran face new uncertainties in dealing with Egypt, Syria, and the wave of unrest in the Arab world.

US-Iranian competition in the Levant has evolved significantly over the more than 30 years since Iran's 1979 Islamic revolution, and the collapse of the US-Iranian partnership that began in the post-World War II (WWII) period. Post-war US policy towards the Middle East was largely defined by the need to secure a reliable global energy supply, coupled with the broader US hegemonic contest with the Soviet Union. The Eisenhower Doctrine authorized the US to cooperate with and support economically and militarily any state in the Middle East in an effort to curtail the spread of communism.<sup>2</sup> In addition to Israel and Saudi Arabia, the US sought the support of Turkey and Iran as regional bulwarks against Soviet efforts to make inroads in the Middle East.

Equally important was Iran's expected role as counterweight to states that adopted confrontational foreign policies, or were politically unstable. In the case of the Levant, Syria underwent coup after counter-coup and remained unstable for the better part of the 1950s and 1960s.<sup>3</sup> Egypt under Gamal Abdel Nasser – initially considered a prospective US ally – fought two wars with Israel in 1967 and 1973,<sup>4</sup> and Egypt's Pan-Arab narrative was perceived by the West and Nasser's regional opponents as a possible route to communist inroads in the region and new wars with Israel.<sup>5</sup> Lebanon's post-independence sectarian political system was inequitable and parochial and quickly became a source of internal discord, regional instability and open conflict. With the collapse of the Iraqi monarchy and keen to contain potential regional spillover effects, the US elected to intervene militarily in Lebanon's short-lived civil war in 1958.<sup>6</sup>

As result, the collapse of the pro-Western government of Shah Mohammad Reza Pahlavi in 1979, and the rise of the conservative Iranian clerical establishment under Grand Ayatollah Ruhollah Khomeini, soon had impacts far beyond the Gulf. The US lost a critical regional ally. The Shah had been a supporter of US interests in the region, guaranteed access to Iranian energy resources, garnered close ties to regional Arab monarchies and maintained friendly ties with Israel by minimizing its role in the Arab-Israeli conflict. In stark contrast, the new Islamic Republic of Iran was hostile to US hegemonic interests in the region, was hostile to Arab states it saw as US clients, sought to forge an alliance with Asad's Syria, opposed the state of Israel and became a fervent supporter of the Palestinian cause.<sup>7</sup>

In the decades that have followed – particularly since the end of the Iran-Iraq War in 1988 – Iran's competition with the US has had a growing impact on the regional

geopolitical and military balance. Iran had one of the most capable and technologically advanced militaries at the time it was a Western ally. Much of that capability deteriorated after Western advisors left and the US imposed an arms embargo, resulting in turmoil within Iran's forces, losses during the Iran-Iraq War, and Iran's inability to modernize its conventional forces since the end of that conflict. Iran has, however, become a missile power, is seeking at least the capability to make nuclear weapons, has built up a major asymmetric force in the Gulf, and has created special units like the Al Quds force to build up friendly and proxy forces like Hezbollah and those of the Moqtada Al Sadr. As a result, Iran increasingly threatens the security of Saudi Arabia, Israel, and other pro-Western regional actors and plays a major role in Iraq, Syria, Lebanon, and Gaza. Iran could selectively use its energy resources and continued membership of OPEC as a source of leverage and influence against the West.

The end result is that both countries continue to struggle in what has largely become a proxy cold war over the Levant. This struggle takes place in the larger context of a struggle to shape the balance of power in the broader Middle East and one whose outcome is extremely uncertain because of the broad pattern of instability in the Middle East. Amid unprecedented popular unrest starting in 2011, dynamics in the Levant have become all the more complex thanks to changes in leadership, political contestation, the fragmentation of decaying state and security structure and socio-economic challenges driven by long-term popular discontent. Key regional states – including Egypt, Syria, Lebanon and possibly Jordan – have been affected by this trend with the potential for knock-on effects on how the US and Iran compete in the Levant.

It is still too early to know how much influence Iran can gain in Iraq and gain or retain in Syria – particularly if Asad does not survive. It is unclear whether Iran can exploit political change in Egypt and in dealing with the Palestinians. Iran faces a considerable Arab backlash over its own steadily growing internal repression, and must deal with growing tensions between Sunnis and Shi'ites, as well as Arab fears that it seeks regional domination or influence at the expense of Arab states. Iran must also now factor

If popular unrest and political instability in Syria continue to make Asad's survival at least partly dependent on Iranian support, this will be a growing factor in US and Iranian strategic competition. Iran does have good relations with Syria's Alawites; but this is far more a matter of politics than any real similarity between Shi'ite and Alawite religious beliefs. Iran has had to divert increasingly scarce national resources to shore up its beleaguered ally.

Meanwhile, the US and key regional allies have steadily sought to increase international pressure against Syria, not the least of which to weaken Tehran's sole Arab state ally. Iran's regional ambitions have become increasingly dependent upon Syria's future; if Asad and the Alawites fall, Syria might become far more closely tied to other Sunni regional powers, alienated from Iran, and willing to work with the US.

Iran has scored gains in Lebanon; although much again depends on how the overall pattern of unrest in the Middle East plays out over time. Once Iran came under Khomeini's control, it sent Iranian Revolutionary Guard troops to Lebanon to create new ties to the Lebanese Shi'a community. Iran found willing and able allies in an increasingly reactionary and radical Shi'a community angered by the presence of

overbearing Palestine Liberation Operation (PLO) commandos followed by a no-less abrasive Israeli military occupation of South Lebanon.

Israel's mishandling of the occupation shifted Lebanese Shi'ite attitudes from one of initial support to one of organized hostility, and Iran took advantage of this situation to create an Iranian sponsored militant group that first began as the "Islamic Amal," an ideological splinter group of Nabih Berri's Shi'a Amal militia, and then emerged as the Hezbollah after the Israeli invasion.<sup>8</sup> As later sections will show, the group was very much a Lebanese entity; however, its emergence and consolidation as a leading player in regional security and national sectarian politics would not have been possible without Iranian support.

Syrian unrest could have effects on how the US and Iran compete in Lebanon. The potential loss or destabilization of the Asad regime could weaken Iran's ability to project influence and support to Hezbollah. So far, neither the US nor Iran have opted to sharply deepen the contest for Lebanon. Competing Lebanese factions aligned with and against Syria have grown increasingly sensitive to events in Syria and sectarian tensions between Sunnis and Shi'ites and Sunnis and Alawites in Lebanon have heightened to the point that both limited violence and broader escalation are possible.

Events in Syria also have potential indirect effects on other regional actors. Jordan's Hashemite monarchy, a key US regional ally, is coming under growing pressure from Islamist opposition groups to do more to intercede in Syria. Syrian unrest has forced Palestinian Hamas to choose between its regional credentials as a Sunni Islamist movement and its long-time regional partners Iran and Syria. Meanwhile, Israel has few viable options as siding with opposition forces in Syria could help Iran and its allies link regional developments to accusations of so-called US and Israeli plots to reshape regional politics,

Given deep socio-economic, political and sectarian cleavages, the pervasiveness of the Arab-Israeli conflict and more recently a cycle of popular protests, the Levant continues to challenge how the US could or should project power in its regional struggle with Iran. This chapter addresses core US and Iranian interests in the Levant, Egypt, and Jordan. It then analyzes the conventional and asymmetric military dimensions of US-Iranian competition, and the socio-economic levers that the US and Iran use to advance their respective national interests and harden their linkages in the region.

It examines five core theaters in the US-Iranian contest: Syria, Lebanon, Israel, the Occupied Palestinian Territories, Egypt and Jordan and how the US and Iran seek to advance their interests in each theater. It concludes by considering some of the enduring and emerging regional challenges and wild cards that are likely to shape and influence US-Iranian interests and competition in the Levant – potentially for years to come.

## **U.S.-Iranian Interests in the Levant, Egypt, and Jordan**

The US and Iran have different geostrategic interests and their reasons for engagement with the region are not easy to compare. The US is a global superpower that has worked hard to shape regional trade, security, socio-economic and political dynamics in the Levant at least since the end of WWII. In contrast, Iran's levels of engagement and its objectives are far more limited; this is due largely to the realities of geography and the real world limitations of Iran's ability to project influence and shape events beyond its immediate Gulf sphere of influence.

### **U.S. Interests**

While US efforts to support democratic development are not unimportant, US interests remain largely centered on traditional hard power interests. These include energy security, sustaining strategic partnerships with key regional allies and supporting favorable stability in a region that has experienced deep instability in the post-WWII period. The Arab-Israeli peace process has increasingly become a core US strategic interest in the region, in no small part as a result of recent US military involvement in the region and a desire to reshape Arab and Muslim perceptions of the US in the broader Arab and Muslim Middle East.

The US has also grown increasingly concerned with the role played by armed non-state Islamist movements – including Palestinian Hamas and Hezbollah in Lebanon – in regional security politics. In short, US interests are predicated on supporting geopolitical forces that favor long term stability and the protection of US interests in the Levant.

### ***The US-Israeli Strategic Relationship and Iran***

Much of the current pattern of US and Iranian competition is affected by the fact that Israel is one of the US's most important Middle East allies. Few countries have faced as many "existential" military crises in modern times as Israel. This has led to a continuing arms race where Israel has developed and maintained a decisive qualitative military edge (QME) over its Arab neighbors with continued US support. The US has also made it clear to regional states that American support for Arab-Israeli peace efforts rests on the preservation of Israel's security and US commitments to guard Israel against an Iranian nuclear threat remain robust.

In the Levant, Israel and the US have both sought to secure a political order that favors Israel's security. The US also has a strong preference for Israel to have truly favorable bilateral relations with regional states – not the "cold peace" that currently exists between Israel and the two Arab countries it has peace deals with, namely Egypt and Jordan.

Both Israel and the US have sought to support – in different ways and sometimes at cross purposes – the Palestinian Authority under Fatah's leadership as a bulwark against Palestinian groups aligned with Iran and Syria, including Hamas and Palestinian Islamic Jihad. In the wake of Syria's military exit from Lebanon in 2005, Israel has also been favorable to the emergence of political forces in Beirut with close ties to the US and the West in the hope that threat posed by Iran's leading ally in Lebanon, the Shi'a group Hezbollah, could be degraded; thus undermining Iran's asymmetric edge in the Levant.

Lastly, both Israel and the US share an interest in seeing the emergence of a Syria – under the current leadership or otherwise – that takes serious stakes to downgrade its ties to Iran, Hezbollah and Hamas as well its role as a confrontation state against Israel.

US and Israeli perceptions of Iran do differ in detail, and in assessing the scope and scale of the regional threat posed by Iran. While recent upheaval in the Arab world is likely to present a clear and present challenge to US policy in the Levant, it does little to diminish the perception in Israel that Iran's development of a nuclear capability presents the most important strategic threat to Israel today. According to one Israeli assessment, Iran already has the means to make a nuclear weapon system, however it still lacks a viable delivery method.<sup>9</sup>

The US remains concerned with the risk Iran poses to Israel, but the US view of the threat the Islamic Republic poses is focused more broadly on the threat Iran poses to the Gulf and the world's energy exports, and on the threat posed to stability and security across the Levant by Iran's regional allies Syria, Hezbollah and Hamas. At the level of the broader Middle East, the US has sought to contain Iranian influence and hegemonic aspirations rather than confront Tehran directly through preemptive action.<sup>10</sup>

### *Protecting Energy Security & Regional Infrastructure*

The US has broader strategic interests in the Levant, although the impact of US and Iranian competition on these interests has so far been limited. These interests include the security of regional trade and energy infrastructure and the preservation of bilateral and multilateral energy ties in the region. Egypt has been exporting natural gas to Lebanon, Jordan and Syria via the Arab Gas Pipeline (AGP) since the mid-2000s. Egypt also began supplying natural gas to Israel in 2009 – a move many Egyptians appeared to disapprove of and that remains highly unpopular.<sup>11</sup>

The Suez Canal – which accounts for the passage of some 8 percent of global seaborne trade – and the adjacent Suez-Mediterranean (SUMED) pipeline are an important part of Mediterranean energy infrastructure.<sup>12</sup> The Canal has sufficient capacity to accommodate the movement of some 2.2 million barrels per day (bpd) of oil, while the SUMED pipeline can support a volume of 2.3 million bpd of oil for a combined total capacity of 4.5 million bpd. While the volume of oil passing through both has been far below maximum capacity in recent years – in part due to Organization of Petroleum Exporting Countries (OPEC) cuts in production – the security of the Suez Canal and guaranteeing the free flow of trade through its waters remains critical to stability in global energy and commodities markets.

**Figure VIII.1** shows the route of the Suez Canal and the SUMED pipeline. The US Energy Information Administration (EIA) provides additional background data on the Suez Canal and risks associated to its potential closure or disruption:<sup>13</sup>

#### **Suez Canal**

The Suez Canal is located in Egypt and connects the Red Sea and Gulf of Suez with the Mediterranean Sea, spanning 120 miles. Year-to-date through November of 2010, petroleum (both crude oil and refined products) as well as liquefied natural gas (LNG) accounted for 13 and 11 percent of Suez cargos, measured by cargo tonnage, respectively. Total petroleum transit volume was close to 2 million bbl/d<sup>14</sup>, or just below five percent of seaborne oil trade in 2010.

Almost 16,500 ships transited the Suez Canal from January through November of 2010, of which about 20 percent were petroleum tankers and 5 percent were LNG tankers. With only 1,000 feet at its narrowest point, the Canal is unable to handle the VLCC (Very Large Crude Carriers) and ULCC (Ultra Large Crude Carriers) class crude oil tankers. The Suez Canal Authority is continuing enhancement and enlargement projects on the canal, and extended the depth to 66 ft in 2010 to allow over 60 percent of all tankers to use the Canal.

Closure of the Suez Canal and the SUMED Pipeline would divert oil tankers around the southern tip of Africa, the Cape of Good Hope, adding approximately 6,000 miles to transit, increasing both costs and shipping time. According to a report released by the International Energy Agency (IEA), shipping around Africa would add 15 days of transit to Europe and 8-10 days to the United States.

### **SUMED Pipeline**

The 200-mile long SUMED Pipeline, or Suez-Mediterranean Pipeline provides an alternative to the Suez Canal for those cargos too large to transit the Canal (laden VLCCs and larger). The pipeline has a capacity of 2.3 million bbl/d and flows north from Ain Sukhna, on the Red Sea coast to Sidi Kerir on the Mediterranean. The SUMED is owned by Arab Petroleum Pipeline Co., a joint venture between the Egyptian General Petroleum Corporation (EGPC), Saudi Aramco, Abu Dhabi National Oil Company (ADNOC), and Kuwaiti companies.

### **Crude Oil**

The majority of crude oil flows transiting the Canal travel northbound, towards markets in the Mediterranean and North America. Northbound canal flows averaged approximately 428,000 bbl/d in 2010. The SUMED pipeline accounted for 1.15 million bbl/d of crude oil flows along the route over the same period. Combined, these two transit points were responsible for over 1.5 million bbl/d of crude oil flows into the Mediterranean, with an additional 307,000 bbl/d travelling southbound through the Canal. Northbound crude transit represented a decline from 2008 when 940,000 bbl/d of oil transited northbound through the Canal and an additional 2.1 million travelled through the SUMED to the Mediterranean.

### **Total Oil and Products**

Total oil flows from the Suez Canal declined from 2008 levels of over 2.4 million bbl/d in 2008 to just under 2 million bbl/d on average in 2010. Flows through the SUMED experienced a much steeper drop from approximately 2.1 million bbl/d to 1.1 million bbl/d over the same period. The year-on-year difference reflects the collapse in world oil market demand that began in the fourth quarter of 2008 which was then followed by OPEC production cuts (primarily from the Persian Gulf) causing a sharp fall in regional oil trade starting in January 2009. Drops in transit also illustrate the changing dynamics of international oil markets where Asian demand is increasing at a higher rate than European and American markets, while West African crude production is meeting a greater share of the latter's demand. At the same time, piracy and security concerns around the Horn of Africa have led some exporters to travel the extra distance around South Africa to reach western markets.

### **Liquefied Natural Gas (LNG)**

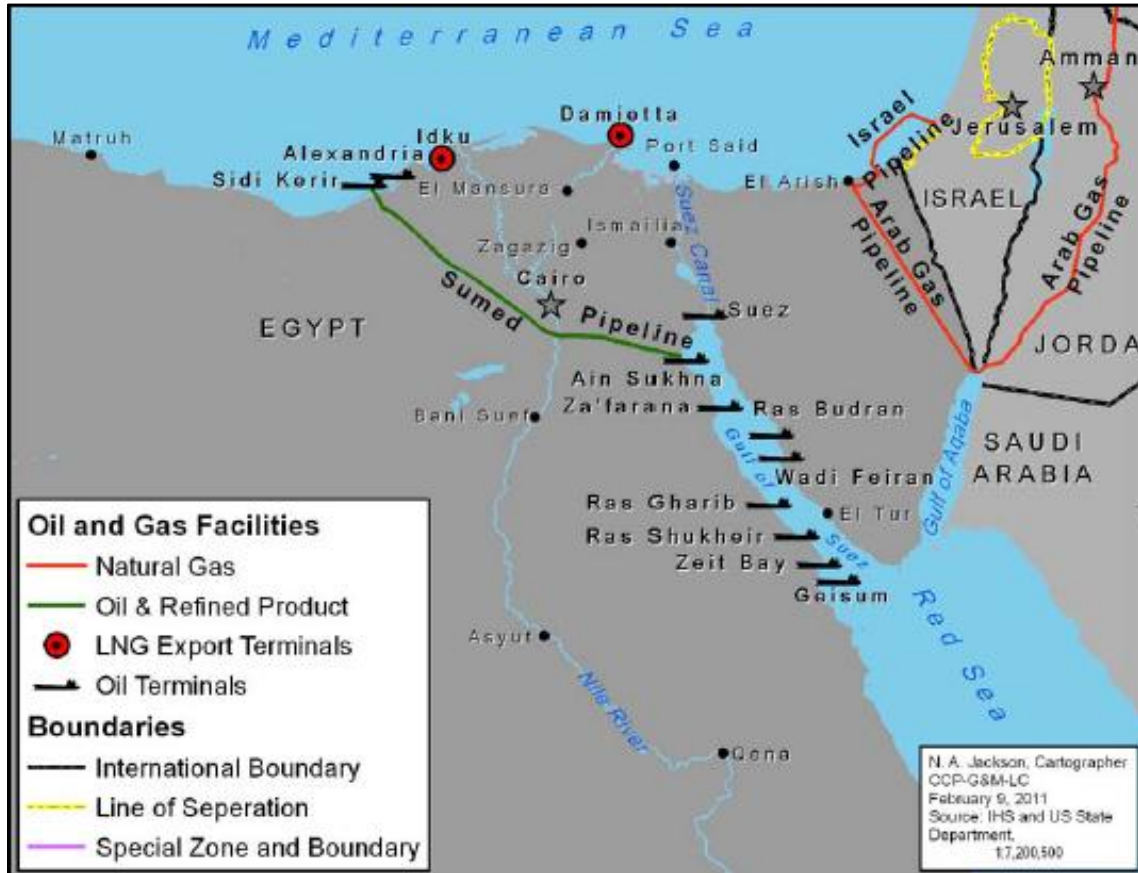
Unlike oil, LNG transit through the Suez Canal has been on the rise since 2008, with the number of tankers increasing from approximately 430 to 760, and volumes of LNG traveling northbound (laden tankers) increasing more than four-fold. Southbound LNG transit originates in Algeria and Egypt, destined for Asian markets while northbound transit is mostly from Qatar and Oman, destined for European and North American markets. The rapid growth in LNG flows over the period represents the startup of five LNG trains in Qatar in 2009-2010. The only alternate route for LNG tankers would be around Africa as there is no pipeline infrastructure to offset any Suez Canal disruptions. Countries such as the United Kingdom and Italy received more than half of their total LNG imports via the Suez Canal in 2009 while over 90 percent of Belgium's LNG imports transited through the canal.



Iran only has an indirect effect on the security of these routes. Its sponsorship of Palestinians militants and Hamas, and tacit if not explicit support of attacks on the US and Israel, may have had some impact on the stability of the Sinai – although this is uncertain. In 2011, lax security in the Sinai Peninsula contributed at least in part to an escalation of attacks to energy infrastructure in Egypt, causing severe disruptions to the flow of natural of natural gas supplies to Israel and Jordan.

There is no evidence – anecdotal or otherwise – that Iran was involved in these attacks. However, changes in internal Egyptian politics, the risk that Egypt may indefinitely suspend energy exports to Israel, regional instability near the Suez, a tenuous Israeli-Egyptian border and changing bilateral energy trade dynamics are all to the disadvantage of a regional order the US has spent decades nurturing. Iran and other regional opponents of the US stand to gain from any regional instability by default.

**Figure VIII.1: The Suez Canal, the SUMED Pipeline and the Vulnerability of Mediterranean Energy Infrastructure**



Source: Adapted by Aram Nerguizian from “World Oil Transit Checkpoints,” February 2011, the Energy Information Administration, available at [http://www.eia.gov/cabs/world\\_oil\\_transit\\_chokepoints/Full.html](http://www.eia.gov/cabs/world_oil_transit_chokepoints/Full.html), other EIA data & Congressional Research Services cartographic data.

### *Countering the Threat for Non-State Armed Groups*

Iran has played a far more serious role in its dealings with Hezbollah and Hamas, and in cooperating with Syria. The threat from non-state or subnational actors is not a new one. The Palestine Liberation Organization (PLO) played a destabilizing political and security role in Jordan and Lebanon. US military forces witnessed firsthand what non-state armed groups can do in the wake of the 1993 Marine barracks bombing in Beirut by elements that would later go on to become Hezbollah.

Hamas and other Palestinian groups do not have the resources or the levels of external aid from Iran and Syria to pose a critical threat to Israel, especially given US-backed Israeli efforts to create effective countermeasures to militant rocket fire. However, Hezbollah is a growing threat. It has the support of the majority of Lebanon's most populous community, the Shi'a, and enjoys quasi-autonomy in its area of operations in South Lebanon. It has rocket and missile capabilities (discussed later) that can rival most Arab military forces and the organizational wherewithal and training to present a far more decisive organized threat, not only to Israel but US regional hegemonic aspirations.

This threat must be kept in proportion. Hezbollah's boasts of defeating Israel in a future conflict are fantasy, not reality. Israel, the US and key regional allies are not facing truly existential threats from armed groups that ultimately rely on open-ended conflict as a means of legitimizing their roles and continued existence. They do, however, pose a risk to US preferences on regional stability and the development of the Arab-Israeli peace track, which in turn informs US concerns about their future development and roles in regional security politics.

### *The Impact of US Military Assistance to Egypt, Israel Jordan and Lebanon*

The US has sought to make military aid and arms transfers an important component of how the US competes with Iran so as to build up and sustain influence over the Arab states in the Levant. The US has used military aid to shore up support in key Arab capitals, such as Cairo and Jordan, while working to build support in regional "battleground" states and arenas, including Lebanon and the Palestinian Territories. US military aid to the Levant over the 1971-2001 period alone has totaled some \$82.5 billion, with aid to Israel and Egypt accounting for 61.2% and 33.4% of total loans and grants.<sup>15</sup>

Iran has not and cannot compete with the US directly in building up such military partnerships in the region. US military ties with Egypt, Jordan and Israel are central to denying Iranian influence, and the Islamic Republic has had to resort to supporting armed Palestinian and Lebanese factions as a means of harassing US allies in the Levant.

**Figure VIII.2** shows the overall pattern of US foreign military assistance to Egypt, Israel Jordan and Lebanon. **Figure VIII.3** shows major US FMF-funded Congressional arms sales notifications for Egypt, Israel and Jordan over the 2005 to 2013 period. It is important to remember that such notifications only offer an approximate and potential picture of future arms sales 3-10 years on the horizon.

The US has also used foreign military aid to bolster Arab-Israeli ties, as in the cases of Egypt and Jordan, while also seeking to strengthen US ties with other states in the region

that policymakers consider moderate and sources of influence serving to discourage uncontrolled regional arms races.<sup>16</sup> Building up strong military partnerships and aid ties are also a tool to ensure that other international and regional players hostile to the US are denied the opportunity to undermine US interests or the stability of US regional allies.

It is difficult to measure the future impact of US military aid on the furthering of US strategic interests in the region. Military aid is also not without its critics. Regional observers highlight the view that US aid to Israel could be indirectly contributing to Palestinian fatalities in ongoing clashes between the IDF and Palestinians. Other critics point to the impact of foreign military aid in bolstering conservative authoritarian regimes or undermining democracy and human rights in the region. A broad consensus exists, however, that US military aid significantly boosted Israeli security, ensured Egyptian stability and consolidated ties of friendship between America and Jordan. The promise of Foreign Military Financing (FMF) dollars helped move Egypt and Jordan to sign peace deals with Israel.<sup>17</sup>

Egypt, Israel and Jordan have been allies of the US and had access to priority delivery of US excess defense articles (EDA), the ability to purchase depleted uranium (DU) anti-tank shells, are eligible for no-cost loans of materials in support of cooperative research and development programs with the US, and other benefits.<sup>18</sup> Syria is the only regional country that does not have security or military aid ties with the US.

### **Transfers and Aid to Israel**

Israel has been the top recipient of US military aid since 1976 and the largest cumulative recipient since WWII.<sup>19</sup> Israel also has access to a number of other benefits that other countries in the region do not have access to, such as the ability to use US military aid dollars for research and development in the US or use 26.3% of annual aid funds towards military purchases from Israeli industry. The US also delivers all assistance earmarked for Israel in the first 30 days of a given fiscal year, unlike other countries that receive staggered installments of aid at varying times.<sup>20</sup>

Israel is heavily dependent on US FMF, which represents 21 to 22 percent of Israeli defense spending. In 2007, the Bush Administration announced that US military aid to Israel would increase by \$6 billion over the coming decade, reaching an annual aid level of \$3.1 billion by FY2018. In addition to offsetting the end of US economic support funds in FY2007, it is expected that increased levels of FMF will allow Israel to fund sophisticated US purchases, such as a possible sale of F-35 Joint Strike Fighter (JSF) aircraft.<sup>21</sup>

### **Transfers and Aid to Egypt**

Egypt has been second only to Israel in terms of both annual aid and arms sales patterns since 1979. The promise of US military (and economic) aid was critical to bringing post-Nasr Egypt closer to the US and helped the ruling establishment under President Hosni Mubarak consolidate peace deal with Israel. Egyptian military aid has settled into a relatively consistent pattern, with FY2013 requests for \$1.3 billion in FMF holding at similar levels of funds provided or estimated for Egypt in FY2011 and FY2012.

US military aid under FMF has consisted mainly of acquisitions of new systems, upgrades for existing military systems and follow-on support and maintenance. Egypt

generally hopes to allocate 30% of annual FMF to new systems acquisition in order to gradually replace what remain of aging Soviet holdings with US equipment. In addition to receiving systems “as is where is” worth hundreds of millions of dollars through the excess defense articles (EDA) program, the Egyptian military also participates in US international military education and training (IMET) programs. In recent years Egypt has lobbied the US to increase US FMF dollars in a bid to offset the rising costs associated with contract support and maintenance.<sup>22</sup>

So far, US military aid has not been significantly disrupted by the recent upheavals in Egypt and the ousting of long-time US ally President Hosni Mubarak. One anecdotal indicator that the military-to-military relationship between the US and Egypt continues to be robust is a July 5, 2011 notification to Congress for the potential sale and co-production of 125 M1A1 Abrams tank kits, supporting weapons systems, equipment and maintenance worth some \$1.3 billion.<sup>23</sup>

### **Transfers and Aid to Jordan**

Jordan, another key regional ally, has been a recipient of US military aid since 1951. US aid dollars are in recognition of Jordan’s position as a key moderate ally and to help sustain almost two decades of formal peace with Israel. As with Egypt, US FMF allocations to Jordan increased significantly in the wake of the 1994 peace agreement, jumping from \$7.3 million in FY1995 to \$200 million FY1996, with elevated levels since then.

US aid has helped Jordan modernize its air forces through recent purchases and upgrades of F-16 fighters, air-to-air missile systems and radar equipment. FMF also allowed Jordan to modernize its logistics and transport helicopter fleet. This facilitates Jordanian border management operations and supports Jordanian contributions to UN peacekeeping operations.<sup>24</sup> While patterns of aid are generally stable, **Figure VIII.2** shows that aid levels have gradually increased over the 2006 to 2013 period.

### **Transfers and Aid to Lebanon**

Lebanon received some \$268 million in FMF over the 1946 to 2005 period. While the bulk of those funds were allocated in 1983 at a time of heightened US interest in Lebanon, this was followed by only very limited aid patterns over the 1985 to 2005 period driven mainly by IMET. By contrast, the US has provided significantly higher levels to Lebanon in the wake of Syria’s withdrawal from the country in 2005, with the country receiving in excess of \$775 million in US military assistance over the FY2006 to FY2011 period, driven by FMF and “Section 1206” counter-terrorism funds.<sup>25</sup>

This is a significant increase given Lebanon’s tenuous regional position, the presence of Hezbollah and a continued technical state of war between Lebanon and Israel. Unlike Egypt, Israel and Jordan, Lebanon has yet to enter into a stable pattern of assistance from the US and aid levels were reduced to some \$75 million in FMF for FY2011, FY2012 and potentially FY2013. The challenges to long-term military assistance to Lebanon will be discussed in greater detail later in this chapter.

### **Security Aid to the Palestinians**

**Figure VIII. 2** does not show US security assistance to the Palestinians, as aid dollars are not provided from FMF funds. Security aid to the Palestinian Authority (PA) is driven by

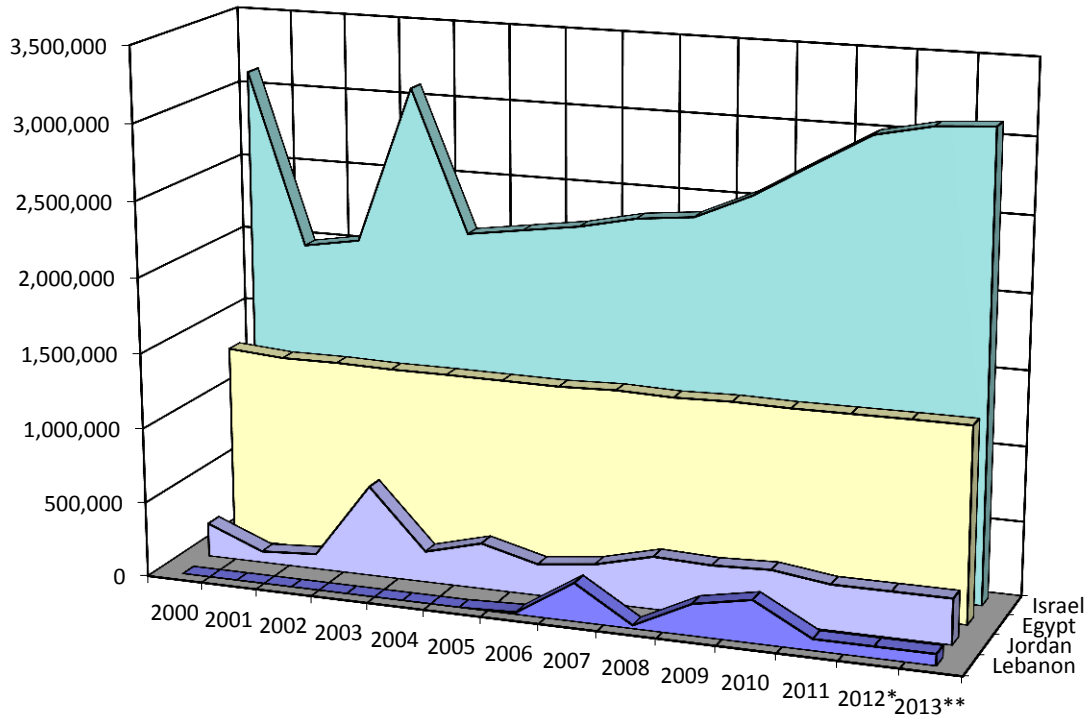
funds from the International Narcotics Control and Law Enforcement (INCLE) account, which has earmarked some \$545.4 million to the PA over the FY2007 to FY2011 period with an addition \$113 million requested for FY2012. INCLE funding, training and equipment were intended to assist security forces loyal to President Abbas (mainly in the West Bank) in their efforts to counter militants belonging to groups the US labels as terrorist organizations, such as Hamas and Palestinian Islamic Jihad.

Security assistance to the PA was also intended to strengthen rule of law and the criminal justice sector for a future Palestinian state.<sup>26</sup> The US effort to train and equip Palestinian security forces has not been an easy task and has been hobbled by the inherent challenges of building up domestic legitimacy, the perception of the US and Israel as sponsors of the PA, and the disconnect between US aid prerogatives and local security realities.<sup>27</sup> This too will be touched upon in greater detail later in this chapter.

**Figure VIII.4** shows the patterns of military orders in the Levant by country of origin over the 1999 to 2010 period. The US remains the most important source of military sales to the region, with Israel and Egypt as its top clients. Military sales to Jordan and Lebanon are similarly dominated by imports from the US. Syria, which continues to have a mutually confrontational relationship with the US, has traditionally relied on Russia for its arms acquisition and modernization needs. China has also played a growing role when it comes to Syrian arms imports.

**Figure VIII.2: Actual and Projected US Military Assistance to Arab-Israeli States from 2000 to 2013**

(In thousands of current US dollars)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013**
Lebanon	582	546	560	700	700	0	15,097	256,30	23,540	210,83	283,30	77,326	77,375	77,250
Jordan	226,39	76,535	102,01	606,40	208,01	307,41	210,92	255,82	351,20	338,10	353,80	303,16	303,70	303,80
Egypt	1,326,	1,298,	1,301,	1,292,	1,293,	1,290,	1,288,	1,301,	1,290,	1,301,	1,295,	1,298,	1,301,	1,301,
Israel	3,120,	1,975,	2,040,	3,086,	2,147,	2,202,	2,257,	2,340,	2,380,	2,550,	2,775,	2,994,	3,075,	3,100,

\* Data for 2012 reflect estimated amounts.

\*\* Data for 2013 reflect requested amounts.

Note: Includes supplemental funding and FMF/IMET funds tied to the Wye River Agreement. Data shown include FMF, IMET and Department of Defense Section 1206 funding for Lebanon. “FMF” is Foreign Military Financing, “IMET” is International Military Education and Training and Section 1206 is “Title 10” funding.

Source: Adapted by Aram Nerguizian from *Congressional Budget Justification for Foreign Operations*, various fiscal years.

**Figure VIII.3: Select U.S. Foreign Military Sales Congressional Notifications for  
Egypt, Jordan and Israel 2005-2011**

(In current US dollars)

<b>Country Recipient</b>	<b>Date</b>	<b>Weapon System/ Equipment</b>	<b>Cost</b>
Egypt	July 29, 2005	200 M109A5 155 mm SP howitzers with equipment and services	\$181 million
Egypt	June 27, 2005	25 AVENGER Fire Units with equipment and services	\$126 million
Egypt	June 27, 2005	50 CH-47D, T55-GA-714A turbine engines for CHINOOK Helicopters with equipment and services	\$73 million
Israel	April 29, 2005	100 GBU-28 with equipment and services	\$30 million
Israel	July 14, 2006	JP-8 aviation fuel	\$210 million
Jordan	July 28, 2006	M113A1 to M113A2 APC upgrade and sustainment with equipment and services	\$156 million
Jordan	September 26, 2006	C4ISR System with equipment and services	\$450 million
Jordan	September 28, 2006	UH-60L Black Hawk helicopters with equipment and services	\$60 million
Israel	August 3, 2007	JDAM, PAVEWAY II tail kits, MK-83 bombs, MK-84 bombs, GBU-28, BLU-109, components, equipment and services	\$465 million
Israel	August 24, 2007	200 AIM-120C-7 AMRAAM air-to-air missiles with equipment and services	\$171 million
Israel	August 24, 2007	30 RGM-84 BkII HARPOON SSMs, 500 AIM-9M SIDEWINDER air-to-air	\$163 million



		missiles with equipment and services	
Egypt	September 18, 2007	125 M1A1 Abrams tank kits with equipment and services	\$899 million
Egypt	October 4, 2007	164 STINGER Bk1 missiles with equipment and services	\$83 million
Egypt	September 28, 2007	139 RIM-116B Bk1A Rolling Air Frame with equipment and services	\$125 million
Egypt	October 19, 2007	2 E-2C AEW C2 aircraft with equipment and services	\$75 million
Israel	October 29, 2007	TOW-IIA, AGM-114 MSLS, PATRIOT GEM+ , HEDP, HE rounds, various munitions with equipment and services	\$1.329 billion
Egypt	October 29, 2007	2,000 TOW-IIA ATGMs	\$99 million
Israel	June 9, 2008	25 T-6A Texan aircraft, equipment and services	\$190 million
Israel	July 15, 2008	4 Littoral Combat Ships (LCS-I), weapons, systems equipment and services	\$1.9 billion
Israel	July 15, 2008	JP-8 aviation fuel	\$1.3 billion
Israel	July 30, 2008	9 C-130J-30, engines, systems, equipment and services	\$1.9 billion
Israel	September 9, 2008	1,000 GBU-39, mounting carriages, simulators, trainers, systems, equipment and services	\$77 million
Israel	September 9, 2008	28,000 M72A& LAAW, 68,000 training rockets, equipment and services	\$89 million

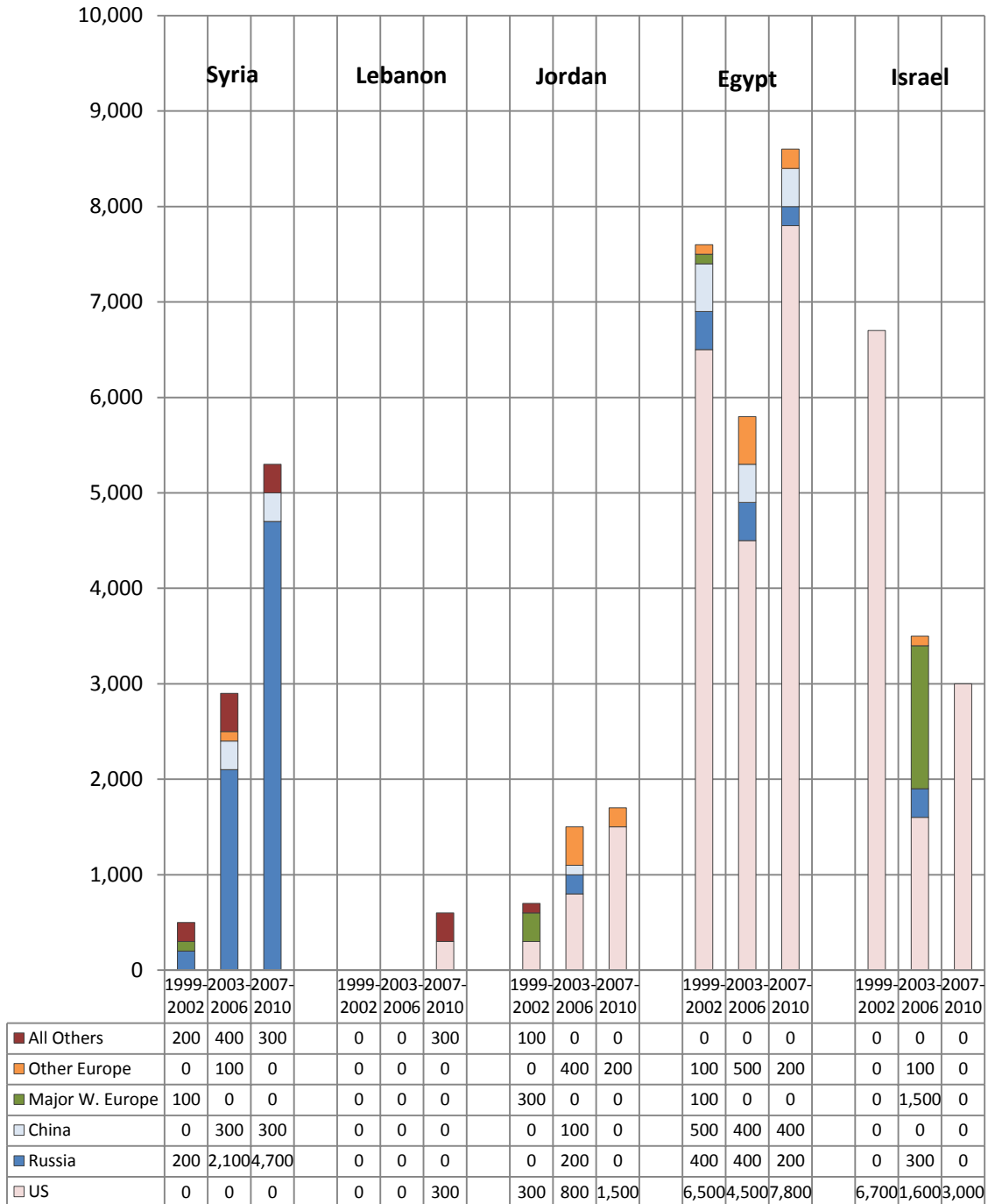
Israel	September 9, 2008	3 PATRIOT System Configuration 3 fire unit upgrades, equipment and services	\$164 million
Jordan	September 9, 2008	Increment 2 Requirements for Border Security Program, equipment and services	\$390 million
Egypt	September 9, 2008	6,900 TOW-IIA ATGMs	\$319 million
Egypt	September 9, 2008	15,500 120 mm HE-T rounds, other systems, equipment and services	\$69 million
Egypt	September 9, 2008	4 UH-60M BLACK HAWK helicopters, engines, parts, systems, equipment and services	\$176 million
Israel	September 29, 2008	25 F-35 CTOL JSF, 50 F-35 CTOL, engines, C4/CNI, other systems, equipment with services	\$15.2 billion
Egypt	May 26, 2009	12 AH-64D Bk II APACHE Longbow helicopters, engines, systems, equipment with services	\$820 million
Jordan	August 3, 2009	85 AIM-120C-7 AMRAAM air-to-air missiles, equipment and services	\$131 million
Egypt	August 6, 2009	6 CH-47D CHINOOK helicopters, engines, systems, equipment and services	\$308 million
Jordan	September 9, 2009	12 M142 High Mobility Artillery Rocket Systems, systems, equipment and services	\$220 million
Jordan	November 30, 2009	1,808 JAVELIN ATGMs, systems, equipment and services	\$388 million
Jordan	December 8, 2009	61 F100-PW-220E engines with equipment and services	\$75 million

Egypt	December 14, 2009	450 AGM-114K3A HELLFIRE II missiles with equipment and services	\$51 million
Egypt	December 18, 2009	156 F-110-GE-100 engine modification and upgrade kits with equipment and services	\$750 million
Egypt	December 18, 2009	4 Fast Missile Craft (FMC) with systems, equipment and services	\$240 million
Egypt	December 18, 2009	20 RGM-84L/3 HARPOON Bk II SSMs with equipment and services	\$145 million
Egypt	July 2, 2010	40 Skyguard AMOUN Solid-State Transmitters for upgrade of Skyguard-SPARROW Launcher/Illuminator with equipment, training and services	\$77 million
Egypt	July 5, 2011	125 M1A1 Abrams Tank kits for co-production, 125 M256 Armament Systems and other military equipment, training and services	\$1.3 billion

Note: Costs are letter of offer and acceptance (LOA) estimates that are subject to change and re-costing.

Source: Adapted by Anthony H. Cordesman and Aram Nerguizian from DSCA data on 36(b) Congressional arms sales notifications.

**Figure VIII.4: Arab-Israeli Arms Orders by Supplier Country: 1999-2010**  
 (Arms Agreements in \$U.S. Current Millions)



Note: 0 = less than \$50 million or nil, and all data rounded to the nearest \$100 million.

Source: Adapted by Anthony H. Cordesman and Aram Nerguizian from Richard F. Grimmett, Conventional Arms Transfers to the Developing Nations, Congressional Research Service, various editions.

### ***Competition and US Support of the Arab-Israeli Peace Process***

Barring a major shift in regime, Iran will continue to use the Palestinian question as a means of foiling US regional interests so long as the Arab-Israeli conflict remains unresolved. It will promote Iran's role as a leading defender of the Palestinians – chiefly through groups like Hamas and Hezbollah. This, and the recent instability and popular protests in the Arab world, give the US even more of an interest in removing the Israeli-Palestinian (if not the broader Arab-Israeli) conflict as an arena of competition between the US and Iran.

Successive US administrations have held the position that a lasting Arab-Israeli peace would be in the best interest of the US and the broader Middle East.<sup>28</sup> Views have differed over time as to whether the peace process was a US policy “want” rather than a “need.” What is clear is that despite regional protests in 2011 across the Arab and Muslim world, the lack of Palestinian statehood remains a core issue for people across the region and an enduring lens through which US intentions and resolve are perceived.<sup>29</sup>

A number of interest groups have a stake in shaping how the US deals with the Arab-Israeli peace process, but the US military's position and views on the issue have become critical to the debate. This is in no small part thanks to the military's experience in Iraq dealing with the local and regional factors that drive and sustain conflict instability.

Many senior US military officers have made it clear that they considered US interests in the Middle East to be at risk so long as there is no lasting Middle East peace.<sup>30</sup> In January, 2010, General David Petraeus – then head of USCENTCOM – reportedly underscored in a report to the Chairman of the Joint Chiefs of Staff Admiral Michael Mullen the military's concern that Israeli “foot-dragging” on peace efforts was detrimental to the US. It went on to underscore that the conflict was a core source of regional instability, that lack of movement on the peace track was harming US standing in the Arab and Muslim worlds, and that lasting Arab-Israeli peace was a critical American national security and strategic interest.<sup>31</sup>

Such criticism should be kept in perspective. American officers and officials fully understand that that Israel alone is not responsible for the lack of successes in the peace process. Other regional state and non-state actors, including the Palestinian Authority, Syria, Hezbollah and Hamas have contributed at least as much to these failures over the years. What should also be obvious, however, is that the roadblocks to peace have been exploited and aggravated by Iran for close to three decades.

### ***The Broader Quest for Favorable Regional Stability***

US foreign policy in the Middle East is predicated on promoting and supporting regional stability in ways that are favorable to US interests. The Levant has proven to be the repeated epicenter of regional instability. This is due in large part to multiple Arab-Israeli wars, continued paralysis on the Israeli-Palestinian track, the repeated mobilization of political ideologies (including pan-Arab nationalism and Islamist politics), and continued crises of legitimacy and governance in fragile often-contested post-Ottoman states in the region.

Cold War great power competition led the US to shore up pro-Western governments, such as Israel, Lebanon and Jordan while opposing or containing states with strong ties to the Soviet Union, such as Egypt and Syria. Beyond Cold War decision-making, the US has also repeatedly interceded in the Levant in the post-WWII period to preserve stability or minimize uncertainty, albeit with significant caution and reluctance. In 1956, the US supported a resolution to the Suez War that favored Egyptian and broader Arab concerns over those of Israel, the United Kingdom and France. The US also authorized troop deployments to Lebanon in 1958 during the country's short-lived civil war, and again in 1982-1984.<sup>32</sup>

As was discussed earlier, US military assistance is seen as a critical foreign policy tool in building strong ties with regional states and preserving stability. Economic aid has also been crucial to such efforts. While the US provided only limited aid during the 1950-1971 period, economic assistance to the Levant during 1971-2001 totaled some \$62.4 billion, with aid to Israel and Egypt accounting for 45.4% and 40.2% of total loans and grants.<sup>33</sup>

However, economic aid levels to the Levant underwent significant reductions over the 2002 to 2011 period. Economic support funding levels for the period total some \$13.3 billion with annual aid to Egypt, Israel, Lebanon and Jordan declining from some \$2.2 billion in 2002 to \$696.5 million by 2011. In a departure from previous patterns Jordan was also a major aid recipient in addition to Egypt and Israel; the three country recipients accounted for 35.2%, 37% and 22.2%.<sup>34</sup>

The wave of popular unrest in the Middle East & North Africa starting in early 2011 presents a complex challenge to US preferences for socio-economic and political stability in the Levant. The Mubarak regime in Egypt was overthrown and the transition from authoritarian and military rule to civilian rule is anything but certain and the Egyptian economy has seen significant setbacks in the wake of popular unrest. The Alawite-dominated Ba'thist government of President Bashar Al-Asad has also experienced mounting pressure and unrest as largely peaceful protests movements seeking reforms have metastasized into an insurgency calling for the downfall of the Asad regime.

Neighboring states such as Jordan, Lebanon and Iraq are experiencing growing internal socio-economic and political pressures as a result of unrest in Syria. Syrian instability also presents significant challenges to non-Arab states in the region such as Israel and Turkey as they seek to mitigate negative spillover effects. This shifting environment has presented real challenges to crafting a longer term US policy response, especially in the case of Syria. Given the country's centrality and pivotal role to both Arab-Israeli and inter-Arab regional politics, there are no simple solutions that can both guarantee stability and promote strategic shifts that favor the US and not Iran.

As the US comes to terms with the reality that the "Arab Spring" is more of an Arab decade of popular discontent, it continues to weigh the benefits and potential costs of pursuing as-yet uncertain reform-driven policy responses to events in the Levant against a long-term US interest in regional stability.

## **Iranian Interests in the Levant and Egypt**

Post-revolutionary Iran has gone from being a status quo player to one actively seeking to expand its influence. The Iranian regime has contested the legitimacy of some of the region's Arab states, enhanced the Islamic Republic's geopolitical position and gained access to arenas that were closed to Iran under the Shah.<sup>35</sup> While the ideological dimension is significant given Iran's support for Shi'a groups in Lebanon and Iraq, ideology may ultimately be subordinated to more traditional or pragmatic state interests.<sup>36</sup>

### ***The Broader Quest for Geopolitical Advantage***

Iran has sought to deepen its alliance with Syria while building on the increasing politicization of Lebanon's Shi'a community. Exploiting the Arab-Israeli conflict serves as a means for Tehran to gain greater traction in the Arab Middle East. This first meant exploiting the Israeli-Syrian standoff in Lebanon during the 1980s, and second, focusing on Arab and Palestinian grievances against Israel.

Both have served to distance Tehran from the legacy of a robust Israeli-Iranian alliance under the Shah while deepening Iranian links with regional Islamist groups – either Shi'a or Sunni; this was done, however, with an eye on avoiding the alienation of Asad's Syria, Iran's sole Arab ally in the post-revolutionary period.<sup>37</sup> Some 30 years after the Islamic Revolution, Iran has consolidated its ties to Syria, Lebanon's Shi'a community and its support for Palestinian Islamist group and is likely to continue to leverage its regional spoiler role so long as that continues to secure Tehran's efforts to grow its regional geopolitical advantage.

### ***Israel, Iran, and the Arab-Israeli Conflict***

As was mentioned earlier, pre-revolutionary Iran and Israel enjoyed strong positive ties for decades. Ties between the Shah's Iran and Israel were driven by shared interests and shared threats, including a mutually beneficial trade partnership driven in part by Israel's need for non-Arab energy resources and mutual enmity with Iraq and Egypt during the 1960s and 1970s. Both countries were also stalwart supporters of the US and the West.<sup>38</sup>

Iranian policy towards Israel reversed drastically after the 1979 Iranian revolution. For some, Iranian policy towards Israel was predicated more on ideological dogma rather than pragmatic state interests.<sup>39</sup> This view holds that Iran's approach to Israel remains rooted in a revolutionary narrative whereby Iran's leadership role of the anti-Israel regional camp could serve to advance the Islamic Republic's credentials as a major regional and Islamic power. Iran's support for Palestinian Islamist militants, key among them Hamas, and other regional forces opposed to Israel, including Hezbollah, remains a testament to the enduring regional utility of Iran's anti-Israel regional position.

The utility of Iran's anti-Israel policy has limitations. Iran and its regional allies have little to no real-world ability to change realities on the ground with regards to Israel's existence and the plight of the Palestinians. As David Menashri observed, "some Iranians doubted the advisability of being more Palestinian than the Palestinians."<sup>40</sup> Iran's views concerning Israel seemed to soften during the Khatami presidency, with officials indicating publicly that Iran may need to come to terms with Palestinian aspirations for peace with Israel.<sup>41</sup>

Since the days of Khatami's presidency, however, President Ahmadinejad has refocused Iran's foreign policy on a clearly anti-Israeli narrative, defining Iran's role in the Arab-Israeli conflict in terms of a broader confrontation with the West. Iran's continued pursuit of a nuclear capability – peaceful or otherwise – has also served to deepen the perception that Iran's struggle with Israel and opposition to Israeli interests remains deeply entrenched.<sup>42</sup>

How much of Iran's policy represents real opposition to Israel's existence versus a means to serving its regional ambitions by winning popular Arab support and deflecting opposition by Arab regimes is a matter of debate. What is clear is that Iran has made good use of its contest with Israel to bolster its position. The mainly Sunni Arab Middle East remains broadly opposed to Israel, no thanks to the lack of momentum on the peace process and the perception that the US cannot be a neutral arbiter of the conflict. Iranian support for Hamas and Hezbollah, especially the latter in the context of the group's "non-defeat" in an open military contest with the IDF in 2006, has been a source of legitimacy and influence.

What is less clear is how much Iran can exploit the situation in the future, especially during a period of upheaval in the Arab world. The possible resurgence of "dormant" or "absent" Arab regional forces with strong national credentials and regional legitimacy, such as Egypt, could downgrade Iran's ability to leverage its antagonistic policy towards Israel. This also applies to any headway Turkey may make in its regional role, and if there is any true international and Israeli-Palestinian movement towards a lasting resolution of regional Arab-Israeli grievances.

### ***Iran's "Partnership" with Syria***

Iran's current ties to Syria go back to the early days of the revolution. Syria met the US embassy in Tehran's takeover by Khomeini loyalists with a declaration of support for the move, which went on to call for greater Arab support for the new Iran.<sup>43</sup> Then Syrian Foreign Minister Abdul Halim Khaddim went on to add that "the Iranian revolution gave appreciable help to the Palestinian cause" and that it was "normal that [Iran] should be backed by the [Arab states]."<sup>44</sup> Today, the Syrian-Iranian axis remains a key part of Iran's regional efforts to thwart US, Western and Israeli interests in the Levant.

### **Shaping the Relationship**

The Syrian-Iranian axis was initially shaped by both countries' regional isolation and common interests. One of the pillars of the early alliance was the common threat posed by Saddam Hussein's Iraq. This led to significant intelligence cooperation and the execution of covert operations by both countries in Iraq in an effort to destabilize the Hussein regime.<sup>45</sup> In addition to their mutual hatred of Iraq, Syria also sought to strengthen its ties with Iran in order to play a larger role in Gulf Arab security politics, given the poor state of Iran-Gulf relations during the 1980s. Syria also remained keen to scuttle any Saudi-led effort to promote a settlement in the Arab-Israeli conflict based on UN Security Council Resolutions 242 and 338 – a settlement that would have been at the expense of Damascus's position and interests.<sup>46</sup>

The Al-Asad regime considered a strong Syria-Iran axis as a means of exerting leverage in its dealings with Iraq, Saudi Arabia and Israel from positions of relative strength. The



partnership in Syria in turn provided Iran with the geographic and political means through which to increase its influence in the Levant and its role in the Arab-Israeli conflict.

The relationship has not been without its obstacles, chiefly rooted in both players' efforts to exploit the strategic partnership to their own advantage. The 1985 to 1988 period proved the most challenging to the Iran-Syria relationship, largely due to increasingly divergent foreign policy interests and priorities. Syria and Iran had effectively curtailed US and Israeli efforts to relocate Lebanon into the pro-Western camp by spring 1985.

However, both countries were pursuing broadly conflicting foreign policy goals. Syria wanted to stabilize Lebanon by bringing into its own uncontested sphere of influence and to pursue a more prominent role in regional Arab politics. Meanwhile, by virtue of its own role in thwarting US and Israeli ambitions in the Levant, Iran had hoped not only to spread its revolutionary model, but also to provide it with the ability to harass and strike at Israel in the name of Palestine.<sup>47</sup> Eventually, competing Lebanese Shia factions, Amal loyal to Syria and the then-newly formed pro-Iranian Hezbollah, came to blows.<sup>48</sup>

In the mid-1980s both the Soviet Union and the Arab states that Syria hoped to mend ties with encouraged Syria to distance itself from Iran. While the prospects of remaining part of the Arab political mainstream, reducing the risk of confrontation with Israel, and greater access to economic and financial resources help promise, the Syria-Iran relationship proved far more resilient. This was due to both countries' shared long-term strategic interests grounded in security politics, distinct yet complimentary ideological worldviews and a desire to abide by foreign policy orientations that did not rely upon (or was subject to) great power politics.<sup>49</sup>

### **A Current Climate of Uncertainty**

Today, the strategic partnership between Iran and Syria remains a cornerstone of Iran's policy in the Levant, and Tehran is keen to preserve the alliance even at significant cost. Most recently in 2011, Iranian Revolutionary Guards were reported to be supporting the security forces of President Bashar Al-Asad in suppressing a months-long cycle of popular protests and civil disobedience.<sup>50</sup>

The loss of Syria as a strategic partner and asset in the Levant could signal a significant downgrading of Iranian interests and strategic posture in the broader Levant. Accordingly, Iranian support for the Al-Asad regime is only likely to increase as Tehran tries to stabilize its ailing ally. Assessing the true pattern of Iranian support to Syria is difficult and inaccurate under any circumstances. However, sufficient open source data exists to extrapolate at least fragments of what Iran is doing politically, economically and militarily to shore up its only major regional ally in the Middle East. The following chronology is based at least in part on relevant data compiled by the American Enterprise Institute's Iran Tracker program.

Any analysis of the events covered below is uncertain, but a chronology of recent events does provide a useful perspective:

March 15, 2011 – The Israeli Navy captured a ship carrying weapons including shore-to-ship Chinese-made C-704 missiles. Reports speculated that the missiles were intended for Palestinian

- militants. However, Israeli Prime Minister Benjamin Netanyahu commented that the weapons came from Iran and were meant to be delivered, at least in part, to Syria.<sup>51</sup>
- March 23, 2011 – Turkey seized an Iranian cargo meant for Syria. While details remained limited, it was reported that the shipment included 60 AK-47 assault rifles, 14 BKC/Bixi machine guns, 8,000 rounds of 7.62 mm ammunition, 560 60 mm mortar shells and 1,288 120 mm mortar shells. If the shipment’s intended destination was the Asad regime and its security forces, that would constitute a violation of UN sanctions banning Iranian arms exports.<sup>52</sup>
  - June 23, 2011 – Members of the UN Security Council’s Panel of Exports monitoring sanctions against Iran showed concern that Iran was violating arms embargoes with three new examples of illegal arms transfers that included Syria.<sup>53</sup> It was not immediately clear what the exact violations were, or whether or not Syria was a benefactor of actual arms transfers from Iran.
  - July 15, 2011 – Iran’s Supreme Leader Ayatollah Khamenei was reported to support a proposed transfer of \$5.8 billion in aid to Syria. *Reuters* reported that the funds were meant to bolster Syria’s economy and that the aid package included \$1.5 billion in immediate cash assistance. It was also reported that Iran could have provided Syria with as much as 290,000 barrels of oil per day to Syria during the month of August. Neither report could be decisively verified.<sup>54</sup>
  - July 25, 2011 – Iran, Iraq and Syria signed a natural gas agreement worth an estimated \$10 billion. The deal would see the three countries building a pipeline from Iran’s natural gas fields to Syria and potentially terminating on the Mediterranean via Lebanon. According to the deal, Iraq would initially receive 20 million cubic meters of gas per day, and Syria would receive 20 to 25 million cubic meters of gas per day.<sup>55</sup>
  - August 2, 2011 – Iranian Foreign Ministry spokesman Ramin Mehmanparast cautioned Western states not to interfere in Syria’s domestic affairs, adding that “the West [should] learn [its] lesson from its previous mistakes and interference in different countries and not to enter new issues to complicate the problems in the region.”<sup>56</sup>
  - August 12, 2011 – Iran agreed to provide Syria with \$23 million to build a military facility at the Mediterranean coastal city of Latakia. The agreement was the result of a June 2011 meeting between Syria Deputy Vic-President Muhammad Nasif Kheirbek and Islamic Revolutionary Guard Corps Qods Force commander Qassem Suleimani in Tehran. The base is intended to be built by the end of 2012 and is reportedly intended to house IRGC officers and personnel to coordinate weapons transfers from Iran to Syria. Given increasing difficulty in transferring Iranian arms to Syria via Turkey, the construction of the new facility would reportedly provide Latakia with more of the infrastructure necessary to receive larger volumes of arms and equipment by air.<sup>57</sup>
  - September 9, 2011 – Iranian President Mahmoud Ahmadinejad proposed to host a meeting of Islamic states to help Syria to resolve its political crisis. While the Islamic Republic continued to provide both material and rhetorical support to its ally, it was reported that the Iranian president called on Syria to find a “solution” with opposition forces “through dialogue and not violence.”<sup>58</sup>
  - January 26, 2012 – Arab media and opposition sources reported the capture of members of the Iranian Revolutionary Guards.<sup>59</sup> Iran has repeatedly denied reports that it is covertly sending troops and military aid to Syria.<sup>60</sup> However, reports citing Iranian government sources claim that while Iran has yet to interfere directly in Syria, the Islamic Republic was ready provide aid should its ally come under external attack or military intervention.<sup>61</sup> Despite these reports, there is little reliable open source data on the quality and scope of Iranian support to the Asad regime.
  - February 6, 2012 – The Syrian National Council, a mainly expatriate-led Syrian opposition umbrella group reported that General Qassem Suleimani, the commander of the Iranian Revolutionary Guard’s Qods Force, was in Syria to provide the Asad regime with aid and support

in suppressing popular unrest and a growing insurgency.<sup>62</sup> There is little reliable data or confirmation with regards to the role and scope of Suleimani's presence in Syria.

### *Hezbollah and Lebanon's Shi'a Community*

Iran benefited from the fact that the continued marginalization of the Shi'a by Maronite-Sunni coalitions in post-independence Lebanon served to entrench sectarian identities and a Shi'ite lack of confidence in state structures. This also left the Shi'ite community – the largest single faction in the Lebanese population – searching for political, sectarian, and security vehicles that could advance Shi'a communal interests – even if these platforms were ideological, if not radical, in nature.<sup>63</sup>

Iran had maintained close relations with Lebanon's Shi'a community even during the reign of the Shah. The new Islamic Republic of Iran, however, saw a war-torn Lebanon and the country's increasingly radicalized Shi'a community as ideal terrain for exporting the revolution. Israel's 1982 invasion of South Lebanon then facilitated a more prominent Iranian role in Lebanon, and broadened Tehran's influence among the country's Shi'a. The invasion and de facto occupation of the south that followed created growing hostility towards Israel and the Maronite-dominated government. It also gave Iran added leverage over Syria and helped reverse the damaging effects of Iraq's invasion of Iran and the strengthening position of Damascus vis-à-vis Tehran.<sup>64</sup>

While Syria had reservations about turning a blind eye to Iranian operations and ties to Shi'ite groups in the Bekaa, Syria's defeats at the hands of the IDF left Damascus with little alternative but to allow Tehran to gain greater influence. With Syria's tacit consent, Iran maintained some 1,500 Revolutionary Guards in the Bekaa Valley in 1982. The force worked closely with local Shi'a groups, including Hussein al-Musawi's Islamic Amal and Hezbollah, led at the time by Abbas al-Musawi and Sheikh Subhi al-Tufayli.<sup>65</sup>

In addition to moral and ideological support, Iran provided Hezbollah with political, economic and military support as a means of maintaining a foothold on Israel's northern flank and to maintain its role in Levantine security politics. Hezbollah's arsenal (described in greater detail in a section describing the regional asymmetric balance) is in large part the byproduct of more than 25 years of consistent and unyielding support to the group. The closest regional analogy to Iranian "security assistance" to Hezbollah is US military support for Israel: no other two players in the region have received such consistent support over so long a period.

Hezbollah has since grown and evolved into one of if not the most formidable political and military forces in the country. Despite Hezbollah's political orientation and stated ideological narrative of support for the Iranian political model, there has been no overt effort to establish theocratic rule in Lebanon. This is in no small part thanks to the fact that Lebanon's Shi'a community has more to gain by systematically mobilizing sectarian politics than trying to steer Lebanon away from an overtly sectarian power structure.<sup>66</sup>

It is important to note, however, that Hezbollah's decision to pursue politics within the current system of Lebanese politics limits Iran's influence at the national level. Iran must increasingly rely on Hezbollah as a means of impacting the region. Meanwhile, Hezbollah is far less of a proxy of Iran or Syria, far more autonomous in Lebanon and far

more rooted in its local Lebanese environment than many expected or seem to realize.<sup>67</sup> This complicates both Iran and Syria's ability to deploy the Shi'a community in their efforts to influence regional security politics.

Iran's ability to rely on Hezbollah as a source of regional prestige and support is increasingly uncertain due to other factors. The Persian-Arab and the Sunni-Shi'a divides are increasingly relevant and deterministic in a region rocked by instability. The aura of Hezbollah's military prowess during the 2006 war, while still significant, has done little to entrench a long-term pattern of Sunni Arab support.<sup>68</sup>

Furthermore, Hezbollah's willingness to support popular protests and regime change in Arab states with close ties to the US – such as Tunisia, Egypt and Bahrain – while continuing to support the Assad regime's minority-led crackdown on Syria's predominantly Sunni population has served to further erode how the group is perceived by the Middle East's largely Sunni population; a population that has grown increasingly hostile towards Shi'ite Iran over time.<sup>69</sup> That being said, Iran has invested too much and has seen a great deal in return from Hezbollah, and Tehran's support for the group is liable to remain a core foreign policy interest so long as such efforts are sustainable.

## **The Conventional Military Balance in the Levant**

The US and Iran actively compete in virtually every aspect of the military balance in the Levant and in a range of capabilities from low-level terrorism through asymmetric and conventional warfare to missile warfare. The US has an interest in preserving the qualitative edge and the support of its regional allies, including Egypt and Jordan but especially Israel. While Iran is not a physical part of the Levant – nor does it have the resources to project forces to the region – it has continued to try and find means to erode Israel's supremacy in any and all aspects of the conventional military balance.

While the Levant is part of CENTCOM's area of responsibility (AOR), the US maintains few ground forces in regional countries, with the exception of Incirlik Air Force Base in Turkey and current troop deployments to Iraq. In contrast to Army and Air Force deployments, US naval forces account for the bulk of American forces in the broader Levant. In addition, the US must rely on regional alliances and partnership with states, such as Israel and Egypt, to maintain stability in the region and deny Iran even a hypothetical foothold in terms of conventional forces.

In contrast, Iran has few regional allies and none that can project conventional power and deter the US and Israel on its behalf. As such, any discussion of Iran's place in the Levantine conventional balance is predicated on the military capabilities of its regional ally Syria. While Iran is not a direct arms supplier to Syria, it has provided its allies with funds and resources to develop its military capabilities.

### **Ground Forces**

The US does not deploy forces in the Levant, and neither does Iran. Instead, US aid and Israel military industries – along with Israel's military professionalism – ensure Israel is superior to any regional threat. In contrast, Iran cannot help Syria to present a meaningful conventional ground forces threat to either Israel or US interests in the region.

Israel's active manpower strength has not changed radically over time, but has fluctuated according to fiscal and security pressures. The data also show just how dependent Israel is on reserve versus active manpower. Israel has a small active force, but it has now halted a recent trend toward force cuts and is rebuilding the training and readiness of both its active manpower and reserves. If its high-quality reserves are added to its total actives, its force strength is far more competitive with its Arab neighbors. Syria maintained extremely high manpower levels after its 1982 war with Israel, but cut back in the late 1990s, partly because of their cost and partly because it could not properly equip, train, and support such forces.

As for the Israeli-Syrian balance – which is a key indicator of the strength of Iran's main ally – numbers tell only part of the story. Human factors are at least as important as manpower numbers. Training, experience, and personnel management and development are critical "intangibles" that are hard to compare, virtually impossible to quantify, and which again can differ radically between countries and units.

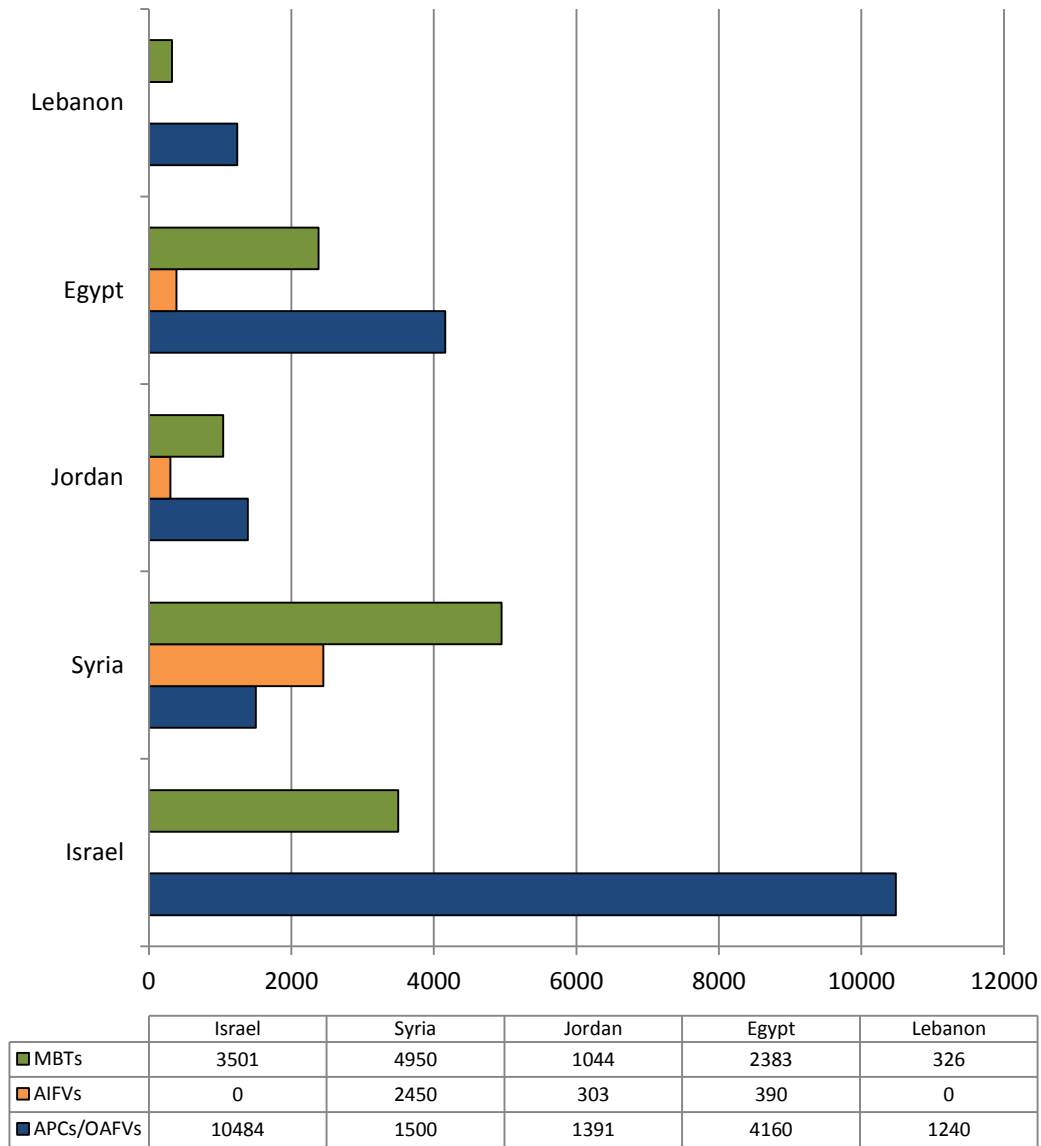
Israel has set much higher training standards than Syria, although it did reduce many aspects of its training activity between 2003 and 2005. The Israeli-Hezbollah War of 2006 made the Israeli Defense Force (IDF) aware of the need to rebuild its manpower quality as soon as possible, to carry out large-scale exercises of its conscripts and reserves, and to expand and improve the training of its experienced, combat-ready cadres.

Differences in the quality of each country's full-time active manpower are compounded by more serious quality gaps in the case of most reserve forces. Israel does have modern and relatively well-trained reserves, many of which have had extensive practical experience in asymmetric warfare since 2000. In general, Syria's reserve military forces are little more than "paper" forces with no real refresher or modern training, poor equipment and readiness support, and little or no experience in mobility and sustainability. These forces are often given low-grade or failed officers and NCOs. They do little more than pointlessly consume military resources that would be better spent on active forces.

**Figure VIII.5** compares the armored forces of each nation. It shows that Israel has emphasized main battle tanks (MBTs) and armored personnel carriers (APCs) – many of which it has armed with light weapons. Syria has supported its tanks with large numbers of other armored fighting vehicles (OAFVs) from the former Soviet Bloc, but has much less overall armored mobility and far fewer armored personnel carriers. Syria's forces seem to be deliberately tank heavy in an effort to provide enough tank numbers to try to compensate for the IDF's superior tactics, training, leadership, and equipment

**Figure VIII.6** shows regional main battle tank (MBT) trends. This includes both modern high quality armor and aging systems. Israel has a distinct lead in tank quality. The export versions of the T-72s in Syria have competent armor and drive trains, but poor ergonomics and inferior fire control, targeting, and night-vision systems. The armor, night-fighting and long-range engagement capabilities of export versions of the T-72 proved to be significantly more limited than many unclassified estimates had predicted. Israel also dominates Syria in terms of anti-tank guided missile (ATGM) holdings, the quality of its artillery, both fixed and mobile, and its ability to deal with battle damage in the field.

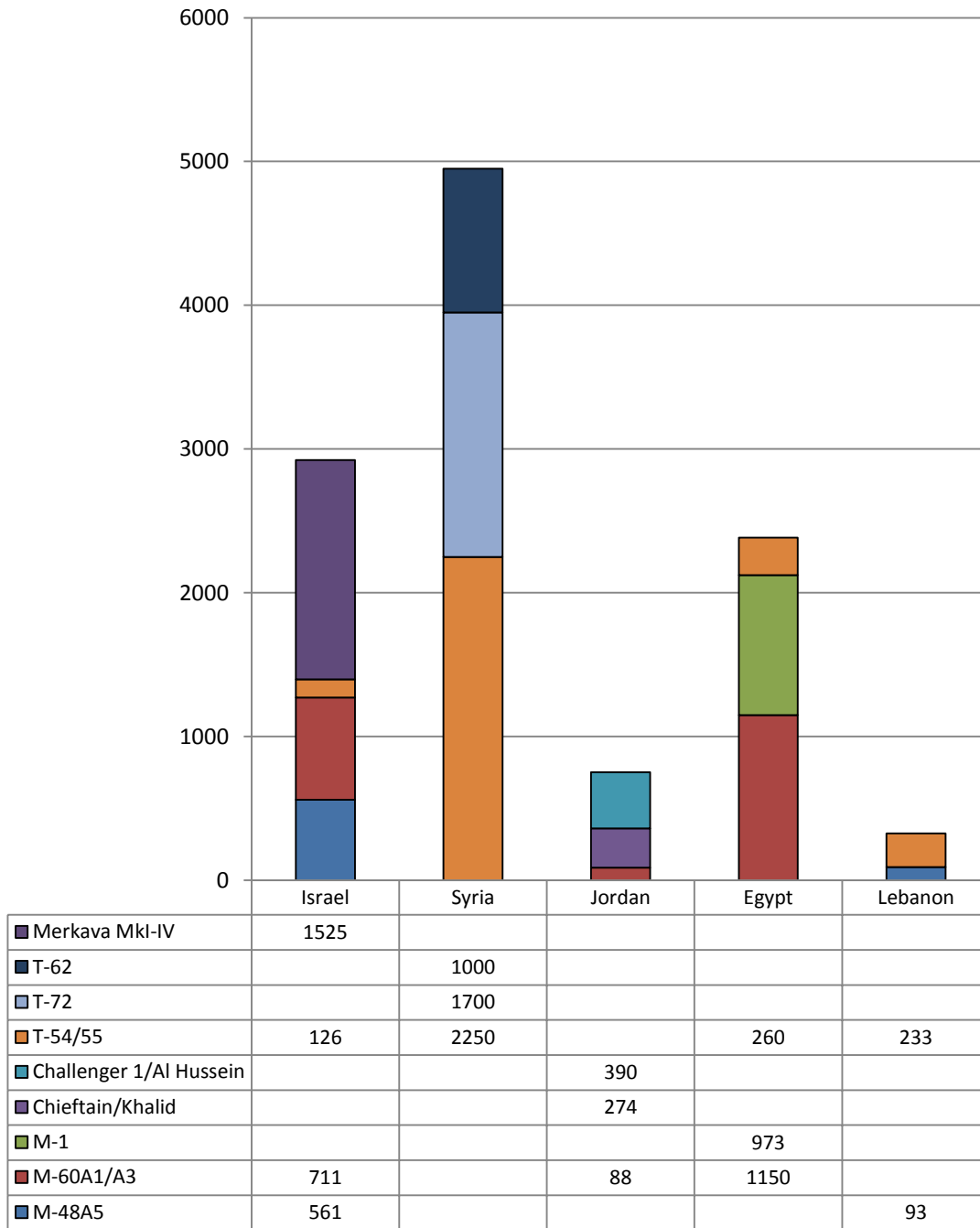
**Figure VIII.5: Arab-Israeli Armored Forces in 2011**  
(Numbers of major combat weapons)



Note: Does not include old half-tracks and some combat engineering and support equipment.

Source: Adapted from the IISS, *The Military Balance*, various editions. Other data based upon discussions with US experts.

**Figure VIII.6: Israel versus Egypt, Jordan, Lebanon and Syria: Tanks by Type 2011**



Note: Numbers do not include equipment in storage. Some equipment categorizations include modified versions (e.g. Egypt Ramses II is modified T-54/55)

Source: Adapted from the IISS, *The Military Balance 2011*, various editions. Some data adjusted or estimated by the author. Data differ significantly from estimated by US experts.

## Air Forces

US aid to Israel decisively shapes the air aspects of the balance in ways that Iran can do nothing to directly counter – although Iranian and Syrian transfers of longer range rockets and missiles to Hezbollah have had an important indirect impact. While Syria maintains a large number of combat aircraft, it does not present a viable air threat to Israel. If one looks only at the total aircraft numbers, Syrian forces would have a lead in aircraft. This is driven in part by the large number of obsolete and obsolescent aircraft in the Syrian forces. Syria is also trying to train for, maintain, arm, and sustain far too many different types of aircraft. This puts a major – and costly – burden on the air force and dilutes manpower quality, and does so with little, if any, actual benefit.

**Figure VIII.7** shows the number of high-quality aircraft in the region. While the number of total combat aircraft is not irrelevant, in war-fighting terms, high quality air assets are the ones that really count. **Figure VIII.7** shows that Israel maintains major air superiority over Syria, whose export versions of the MiG-29s and Su-24s now have obsolescent avionics and cannot compete with Israeli types on a one-on-one basis.

Given past rates of delivery and modernization, this Israeli lead will grow in the near term. Israel has much better real-world access to aircraft improvement programs, and to next-generation aircraft such as the F-35, than Syria. Israel has access to many next-generation upgrades in US systems with “stealth,” “supercruise,” advanced avionics, and advanced guidance packages.

**Figure VIII.8** shows the total strength each air force and army has in rotary-wing combat aircraft, less naval assets. Israel has truly advanced attack helicopters such as the AH-64 Apache, and it is also now in the process of taking delivery of 18 AH-64D Apache *Longbow* helicopters with extremely advanced avionics and “fire and forget” capabilities that do not require the aircraft to wait and track the missile to its target. Syrian attack helicopter units are elite units, but Syria has not been able to modernize its rotary-wing combat forces, and its training and tactics have not been fully updated over the last decade.

It is more difficult to make comparisons of air-to-air and air-to-ground munitions, but the disparity is increased by the fact that Israel can modify imports and has a wide range of its own systems, some of which are classified. It is clear, however, that Israel has extensive stocks of state of the art systems and ready access to US weapons and technology.

Syria’s stocks are often badly dated, and Syria faces particularly serious limits in terms of comparative precision strike, and long-range air-to-air missiles that have high terminal energy of maneuver and effective counter-countermeasures. The IAF also has a significant advantage in the ability to add specialized external fuel tanks, add on pods with special electronic warfare and precision strike capability, the ability to modify and develop external jammers, and adapt wing loading to new munitions needs.

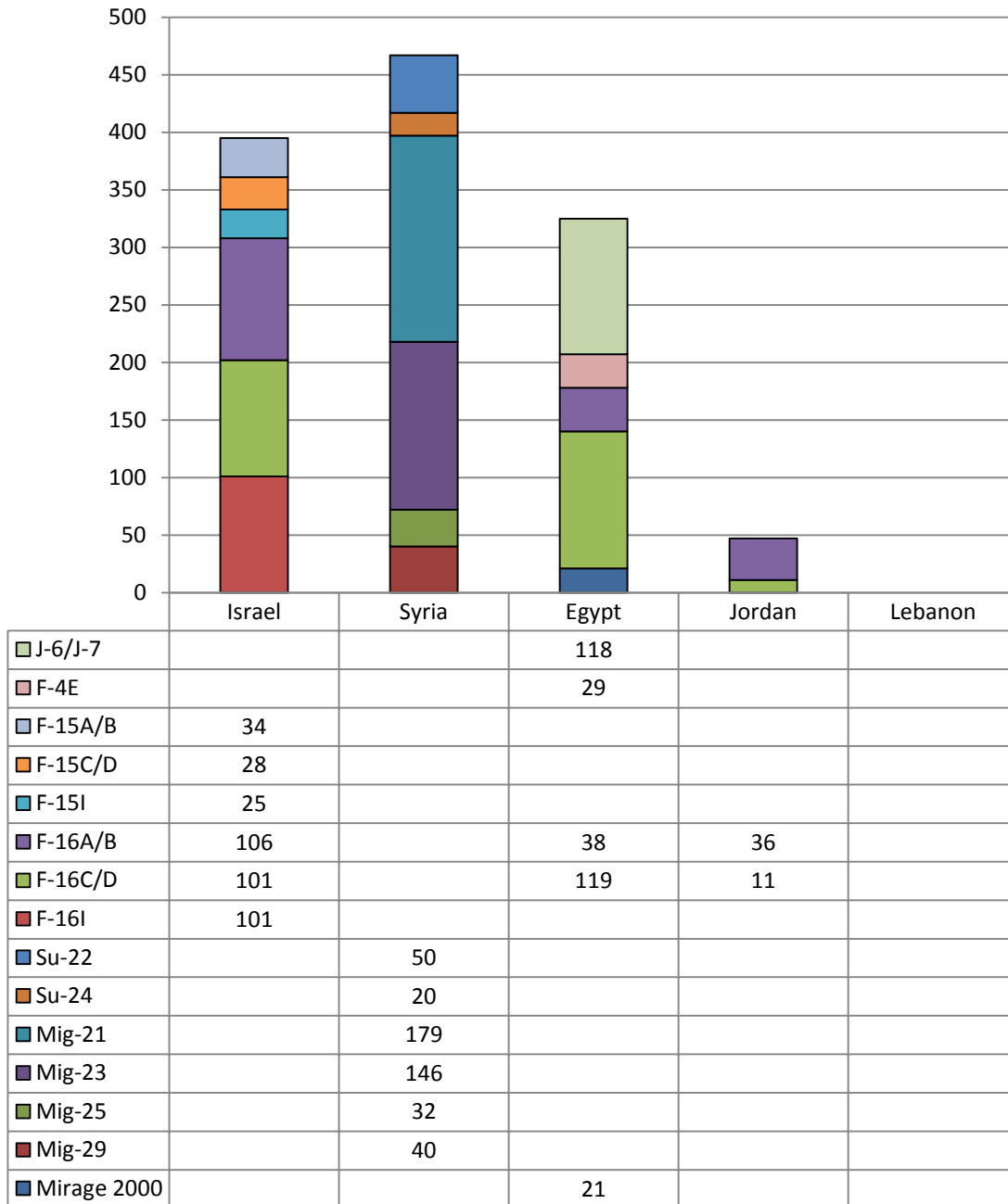
Israel maintains modern, high performance land-based air defenses that include Arrow and Arrow II batteries, Hawks and Patriot missile systems. Syria maintains largely aging systems and does not have access to the latest weapons and technologies. At present, neither Israel nor Syria has a fully modern, integrated mix of sensors and battle-



management systems to tie together its surface-to-air defenses, but Israel does have a significant capability to perform such operations.

**Figure VIII.7: High-Quality Operational Arab-Israeli Combat Aircraft in 2011**

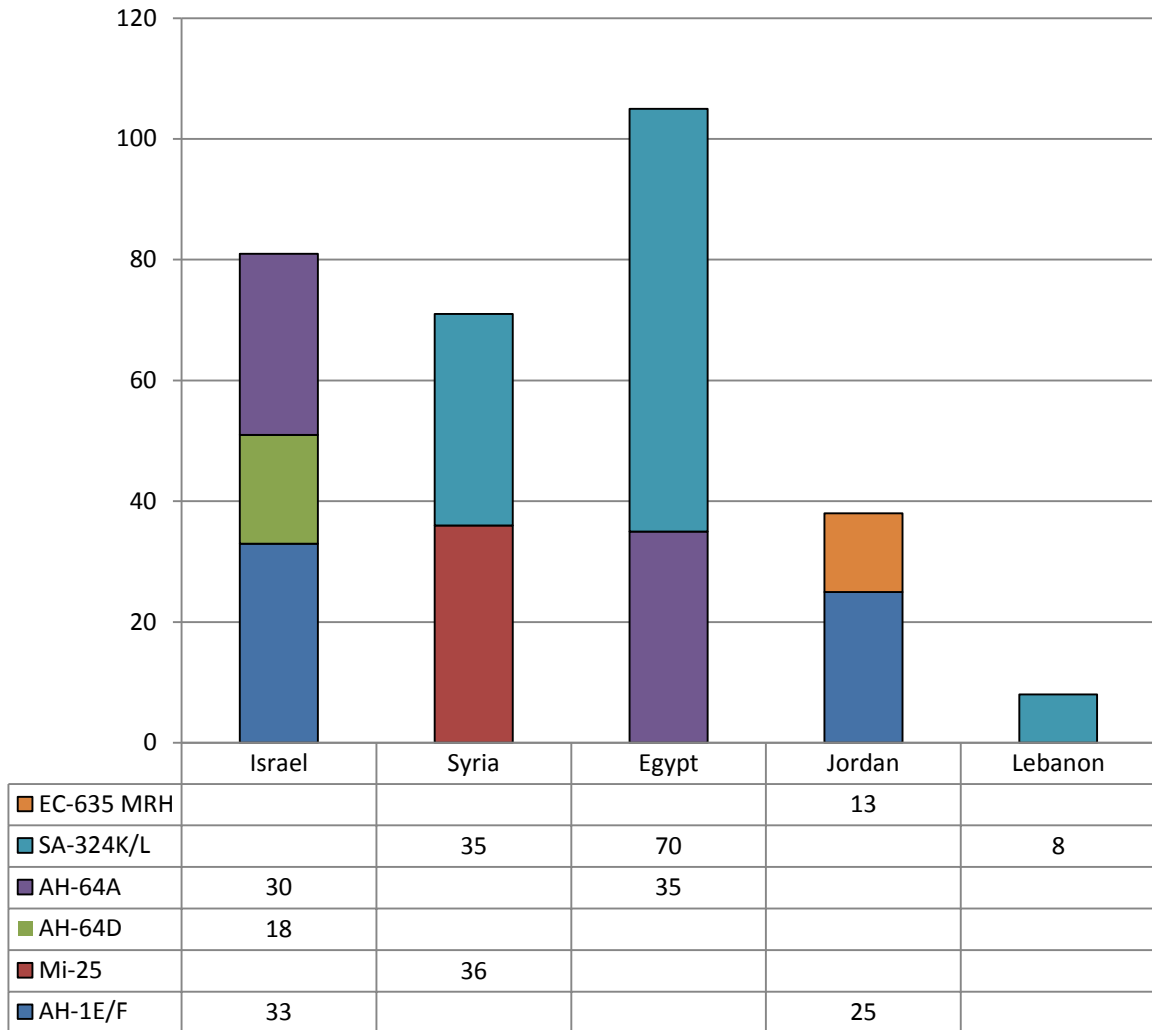
(Does not include stored, unarmed electronic warfare or combat-capable RECCE and trainer aircraft)



Source: Adapted by Aram Nerguizian from the IISS, *The Military Balance*, and discussions with U.S. and regional experts.

**Figure VIII.8: Operational Arab-Israeli Attack and Armed Helicopters in 2011**

(Does not include antisubmarine warfare or antiship helicopters)



Source: Adapted by Aram Nerguizian from the IISS, *The Military Balance*, and discussions with U.S. and regional experts.

## Naval Forces

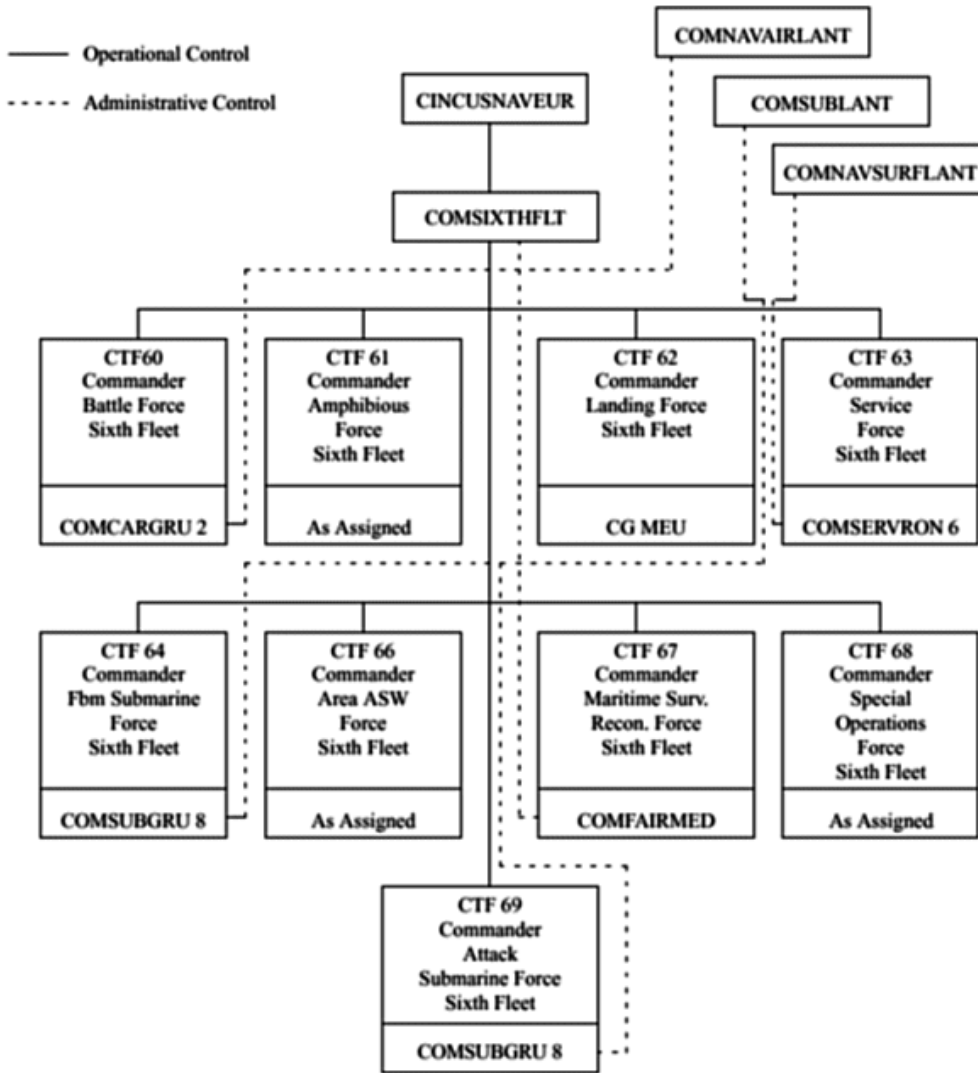
Iran cannot compete with the US or Israel in any meaningful way in determining the balance of conventional sea power in the Mediterranean – although it can create new asymmetric threats through the transfer of systems like anti-ship missiles and mines. With more than 7,000 vessels in the Mediterranean at any given time and risk factors linked to choke points at Gibraltar to the West and the Suez Canal to the East, maritime security in the region is critical to US national security interests. In addition to a need to secure merchant shipping routes, more than 4 million barrels a day of crude oil (4.5% of global production) are shipped through the canal or the adjacent SUMED pipeline.<sup>70</sup>

The US has maintained a naval presence in the Mediterranean since WWII. Today, under the overall command of the Commander in Chief, US Naval Forces, Europe (CINCUSNAVEUR), the US Navy's 6<sup>th</sup> Fleet is responsible for planning and conducting contingency, overwatch, civilian evacuation operations, as well as protecting US interests and generally providing a strong US naval military presence in the Mediterranean.

The 6<sup>th</sup> Fleet's offensive and defensive posture are centered on the Fleet's carrier battle groups, supported by modern surface combatants, nuclear attack submarines, modern fighter and fighter-attack aircraft. Additionally, the Fleet can count on ELINT, C4I and ASW aircraft, US Marine aboard amphibious landing and logistic support ship. The combined force posture in the Mediterranean includes some 40 ships, more than 175 aircraft and 21,000 military and support personnel.<sup>71</sup> **Figure VIII.9** shows one representation of the 6<sup>th</sup> Fleet's nominal command structure.

The US has adapted as a result of the evolving threats and challenges that have emerged since September 11, 2001. NATO member states, along with the alliance's Mediterranean Dialogue and Partnership for Peace (PfP) continue to contribute forces and intelligence capabilities to Operation 'Active Endeavour' (OAE). Intended to deter terrorist groups and contribute to stability in the Mediterranean region, OAE's Maritime Component Command (CC-Mar) is headquartered in Naples, Italy. OAE's role is also critical to the security of regional energy infrastructure and liquid petroleum gas-type carrier vessels.<sup>72</sup>

**Figure VIII.9 U.S. Military Presence in the Levant: Command and Control structure of the U.S. Navy's 6<sup>th</sup> Fleet**



Note: The diagram above is not intended to represent an accurate or current picture of the 6<sup>th</sup> Fleet's command and control in 2011.

Source: GlobalSecurity.org

While the Horn of Africa, the Gulf of Aden and the choke point at Bab al-Mandeb have become increasingly less secure due to instability and increasing piracy, 80% of all contingencies that the US has had to respond to since the end of the Cold War have taken place in the 6<sup>th</sup> fleet's area of responsibility (AOR).<sup>73</sup>

While Iranian incursions in the Mediterranean are rare, they continue to remain a cause for concern, especially in the first half of 2011 during a period of regional instability and popular upheaval in Arab states across the Mediterranean perimeter. The crossing of the Suez Canal by two Iranian warships on route to Syria in February of 2011 was perceived by the US and its regional allies – especially Israel – as only the latest of a long line of regional provocations. The crossing also raised questions about the long-term implications of a change in leadership in Egypt – a long-standing pillar of US policy in the Middle East, not the least of which in the confrontation with Iran.

**Figure VIII.10** shows Iran's naval holdings in 2011. Iran's mix of older surface combatants poses little real threat to US interests in the Mediterranean, and the Islamic Republic does not have the resources to sustain even a skeletal force deployment in what is at best a remote show of force in blue waters dominated by regional opponents. As such, Iranian excursions to the Mediterranean could be interpreted as a largely symbolic threat to Israel. In 2009 the Israeli Navy's (IN) deployment of *Dolphin* (Type 800) attack submarines to the Red Sea, potentially en route to the Gulf, was similarly interpreted by Iran as a direct provocation.<sup>74</sup>

The Israeli Navy is a US partner in security operations in the Mediterranean and the Red Sea. Israel has relatively modern and effective submarines and surface forces, backed by effective airpower. It also has effective anti-ship missiles, as well as superior systems and targeting/electronic warfare capabilities.

Its three *Sa'ar 5*-class corvettes are modern ships with considerable long-range capability by local mission capability standards. Israel's eight *Sa'ar 4.5*-class missile patrol boats, commissioned during 1994-2002, have been regularly modernized. All of these *Sa'ar*-class vessels are armed with updated versions of the *Harpoon* anti-ship missile and have modern radars and electronic warfare suites. Israel's three *Dolphin*-class submarines are also modern vessels commissioned during 1999-2000.

Iran cannot project conventional maritime power in the Levant without regional allies and the Islamic Republic's chief ally in the region is Syria. However, Syria's navy is largely obsolete, ineffective, and dependent on aging anti-ship missiles. Syria has two *Petya*-class frigates armed with guns and torpedoes, but they spend little meaningful time at sea. Its three *Romeo*-class submarines never performed meaningful combat roles and have been withdrawn from service. In short, it is unlikely that Iran can do much to disrupt the conventional US naval posture in the Levant. At best, Iran is little more a maritime irritant to the US and its allies.

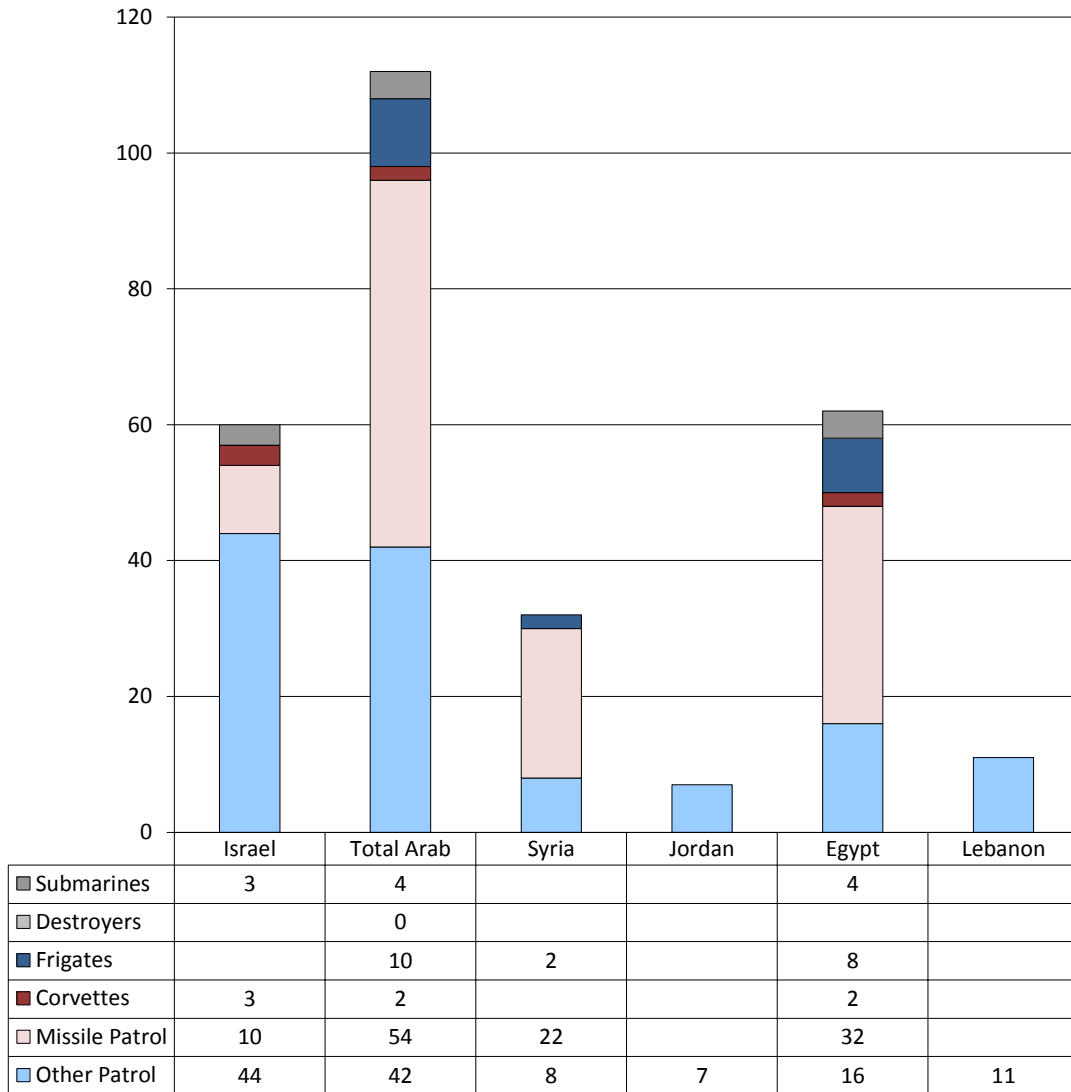
**Figure VIII.11** shows Arab-Israeli naval holdings by category in 2011. Only Egypt has naval assets that can be considered capable while Syria maintains a navy with only limited attack and interception capability that poses no threat to the Israeli Navy's modern naval combat systems.

**Figure VIII.10: The Iranian Navy in 2011**

	<b>Regular Forces</b>	<b>IRGC Forces</b>
<b>Manpower (18,000/20,000+)</b>	<b>18,000</b>	<b>20,000+ (incl. 5,000 Marines)</b>
<b>Submarines (23/0)</b>	3 <i>Kilo</i> -class SSK 12 SSW/"midget" submarine (11 <i>Qadir</i> -class; 1 <i>Nahang</i> -class) 8 SDV (5 <i>Al Sabehat</i> -class for SOF insertion/mine-laying; 3 other)	
<b>Corvettes (6/0)</b>	1 <i>Janaran</i> (UK Vosper MK 5) with CSS-N-4 <i>Sardine</i> ASGM, SM-1 SAM (1 under construction, expected 2013) 3 <i>Alvand</i> (UK Vosper Mk 5) with CSS-N-4 <i>Sardine</i> ASGM 1 <i>Bayandor</i> (US PF-103) with C-802 ASGM 1 <i>Bayandor</i> (US PF-103)	
<b>SSM-Capable Patrol Craft (17/40)</b>	13 <i>Kana</i> (FRA <i>Combattante II</i> ) with CSS-N-4 <i>Sardine</i> ASGM 4 Mk 13 with <i>Kosar</i> ASGM	5 <i>China Cat</i> with FL-10/C-701 ASGM 10 <i>Thondor</i> (PRC <i>Houdong</i> ) with C-802/CSS-N-8 <i>Saccade</i> ASGM 25 <i>Peykaap II</i> (IPS-16 mod) with C-701 <i>Kosar</i> ASGM
<b>Other Patrol Craft (77/55)</b>	21 fast patrol craft (3 semi-submersible; 18 other) 56 patrol boats (4 <i>China Cat</i> ; 3 <i>Parvin</i> ; 49 other)	15 <i>Peykaap I</i> (IPS-16) 10 <i>Tir</i> (IPS 018) 10 <i>Pashe</i> (MIG-G-1900) 20 <i>Ghaem</i>
<b>Mine Warfare (5/0)</b>	2 Type-292 coastal minesweepers 1 <i>Shakrokh</i> (in Caspian Seas as a training ship) 2 <i>Riazi</i> (US <i>Cape</i> ) inshore minesweepers	
<b>Amphibious (23/4)</b>	3 <i>Farsi</i> (ROK) LSM (9 tanks; 140 troops) 4 <i>Hengam</i> LST (1 helicopter; 9 tanks; 225 troops) 6 <i>Fouque</i> LSL 2 LCT 1 <i>Liyan 110</i> LCU 7 UCAC (6 <i>Wellington</i> ; 1 <i>Iran</i> )	2 <i>Hejaz</i> (mine-laying capability) 2 MIG-S-5000
<b>Logistics (26/0)</b>	26 support craft	

Source: Adapted by Aram Nerguizian from the IISS, *The Military Balance*, various editions.

**Figure VIII.11: Arab-Israeli Major Combat Ships by Category in 2011**



Note: Israeli other patrol craft are SSM-capable. Lebanese holdings do not show craft in storage or in disrepair.

Source: Adapted by Anthony H. Cordesman and Aram Nerguizian from the IISS, *The Military Balance*, and Jane's *Fighting Ships*, various editions.

## **Iran, the Asymmetric Balance & Regional Wild Cards**

Iran has found other ways to compete. In contrast to the conventional balance, the evolving asymmetric balance is far more fluid and contingent upon the pursuit of short and medium term objectives by regional players with limited resources and comparative disadvantages in the overall conventional balance. This aspect of the balance is a growing feature of the Israeli-Syrian-Iranian-Hezbollah balance, and any discussion of Iranian military capabilities would be incomplete without recognizing that Syria's struggle with Israel hinges on asymmetric and proxy warfare and the role that Iran's ties to Syria play in this aspect of US and Iranian competition.

### **Origins of the Asymmetric Balance**

During the June 6, 1982 Israeli invasion of Lebanon, it became painfully clear to Syria's political and military leadership that their conventional forces could not compete successfully with Israel in conventional warfare. While offering stiff resistance and maintaining unit morale and force cohesion, they were outmatched by IDF military tactics and capabilities. Syria lost 400 tanks, 90 combat aircraft, 100 artillery/missile batteries, 70 armored vehicles and some 1,900 troops in the first three days of the invasion alone.<sup>75</sup>

Iran promptly took advantage of this situation. On June 17, 1982, an Iranian delegation to Damascus headed by Iran's foreign and defense ministers offered to send 40,000 regular troops supported by heavy armor and an additional 10,000 lightly-armed Revolutionary Guards and volunteers to fight in Lebanon under Syrian command. While Iranian and Syrian military and political objectives presented one major obstacle to an Iranian force commitment to Lebanon, the principal reason Asad refused the offer was the expectation that Iranian forces could do little to tip the scales in Syria's favor.<sup>76</sup>

Neither Iran nor Syria, however, had or have the means to impact the regional conventional military balance. A new approach was needed and it came in the form of Asad's "sword and shield" strategy; the former would require the use of Syria's allies in Lebanon, including Shi'ites loyal to Syria and Iran, as part of an asymmetric warfare campaign of terrorism and guerilla warfare against Israel and its allies in Lebanon. The latter required the Soviet Union to replenish Syria, its sole major ally in the region, in order to achieve "strategic parity" with Israel and build up meaningful long term deterrence.<sup>77</sup>

While this "sword and shield" approach has been diminished by the loss of the Soviet Union as a reliable source of advanced defensive military equipment, Syria in the post-Cold War era has been able to compensate by strengthening its linkages and coordination with Iran, increasing its support for (and arms transfers to) Hezbollah, and by relying on Palestinian groups in Lebanon, Syria and Occupied Territories. Meanwhile, Iran continued to develop its ballistic missile capabilities to present an increasing deterrent and threat to Israel's regional posture. The combined Syrian and Iranian approaches serve to deepen the costs of the regional asymmetric balance to Israel and its regional and international allies.



## **Low-Level and Irregular Warfare**

Israel may dominate the balance in terms of modern conventional systems, recapitalization and foreign military support, but asymmetric and unconventional strategies have come to provide Syria and Iran with the means to harass, if not yet undermine, Israeli security and strategic interests in the region. The 2006 Israeli-Hezbollah war was the best proof that Syria could use these efforts to put significant pressure on Israel.

Syria and Iran's relationship with armed sub-national organizations with an anti-Israel agenda, especially Hezbollah in Lebanon and Hamas in the Gaza Strip, is now a pillar of the asymmetric balance. While proxy warfare is not new to the region, the development of increasingly sophisticated non-state conventional military capacity represents an evolutionary step in Syria's long-term policy of "passive" confrontation with Israel. "Active" non-state allies confront Israel in South Lebanon and the occupied Palestinian territories, rather than on the Golan Heights.<sup>78</sup>

It is clear that Hezbollah would never have emerged as a major force in Lebanon and the region without Syrian and Iranian arms transfers, training and financial support. While the Shi'a group's unrivaled autonomy in Lebanon has relied on its links to its patron states, there is little indication that Hezbollah has acted, or will, as a Syrian or Iranian proxy unless its leaders feel this is to the group's direct advantage. In practice, all three seem to have used each other for their own goals and interests.

While the Lebanese and Palestinian "fronts" allow Syria to harass Israel, Damascus' proxies lack the kind of effective conventional war-fighting capability necessary to defeat the IDF. Hezbollah demonstrated the limits of its war-fighting capabilities in 2006, as well as some of its strengths. It can play a limited, largely defensive role in conventional warfare and wage spoiler attacks and wars of defensive attrition, but is not a serious direct threat to Israel's ability to maneuver, defend its territory, or exercise air and missile supremacy.

Nonetheless, Hezbollah allows Syria and Iran to project power in ways that Israel could not directly counter and without conditions that would prompt Israel to use decisive force against Hezbollah's sponsors. This form of power projection has allowed Syria to push Israel into a low-level war of attrition without involving Syria, while transforming Hezbollah into a serious threat over time.

## **Rockets and Missiles**

Iran and Syria have helped non-state actors such as Hamas and Hezbollah to develop capabilities that allow them to strike Israel from increasing distances. Iran is a critical supplier of rocket and missile systems and technological know-how to these groups.

### **Transfers of Rockets and Missiles**

Hamas has steadily developed its holdings of short-range rockets. However Israeli security measures, including the separation barrier between Israel and the West Bank have complicated Hamas' and other Palestinian groups' efforts to confront Israel. A 2010 report noted that Hamas' longer range rockets could include dozens of 122-mm "Grad" or similar rockets, 230-mm "Oghabs," and as many as 50 modified 240-mm "Fajr-3

rockets that have the potential to strike Tel Aviv or Israeli nuclear facilities in the Negev.<sup>79</sup> **Figure VIII.12** shows a high approximate estimate of rocket strike ranges for Hamas's alleged rocket and missile holdings. **Figure VIII.13** shows an estimate of Hezbollah rocket ranges.

Various reports indicate that Iranian and Syrian transfers that build the Hezbollah's growing holdings of guided and unguided short range and tactical missiles are becoming a steadily more important aspect of the asymmetric balance, and one where Iranian competition with the US and Israel has an important impact.

- Some reports indicate that Hezbollah's largest rocket system is the 610 mm "Zelzal 2." Weighing some 3,400 kg and capable of delivering a 600 kg warhead in excess of 200 km, the system's lethality and utility are limited by its lack of electronic guidance systems. While the Shi'a militant group did not use its "Zelzal" rockets during the 2006 war, it is widely believed to have vastly expanded its holdings of both short and medium range unguided rockets to deter future conflict or to inflict psychological costs on the Israeli population in any future war.
- Hezbollah also hopes to expand its holdings of guided rocket systems. The "Fatah" A-110, a guided version of the "Zelzal 2," or the Syrian made M600, a "Fatah" A-110 clone, would present more of a threat to Israel's interior. Equipped with inertial guidance systems and able to deliver a 500 kg payload to a range of 250 km within a circular error probability (CEP) of 100 m, these systems would allow Hezbollah to threaten as far south as Tel Aviv from the Northern Bekaa. While there are competing and unconfirmed reports surrounding whether or not Hezbollah has them in inventory, the group is generally believed to have limited holdings of both systems.
- Reports surfaced in early 2010 that Syria may have transferred Russian R-17 "Scud-B" ballistic missiles to Hezbollah. 11.25 m long and weighting some 5,900 kg, the guided liquid fuel rocket is able to deliver a 985 kg warhead over a range of 300 km.

While the "Scud B" has superior range to Hezbollah's existing holdings of unguided medium range rockets, its much larger CEP of 450 m is significantly inferior to the Fatah A-110's CEP of 100 m. In July 2011, reports surfaced that Syria transferred some ten "Scud-Ds" to Hezbollah.<sup>80</sup>

Scud-type missiles are unwieldy systems for an organization that emphasizes stealth, mobility and rapid deployments for multiple fires. They cannot be taken apart for easy or inconspicuous transportation. Furthermore, the complexity and volatility of the missile's propulsion system would require dedicated facilities in addition to highly trained personnel.

There is continued skepticism surrounding the transfer of "Scud-Bs" or "Scud-Ds" to Hezbollah and to date, there has been no release of aerial observation of any "Scud" transfers across the Lebanese-Syrian border. Unlike solid-propellant rockets like the Zelzal 2, even a modified/stealthy "Scud" transporter/erector/launcher (TEL) would present a clear target for overhead reconnaissance.<sup>81</sup> US defense sources also have indicated that while a transfer has not been ruled out, there are increasing indications that Hezbollah personnel trained on "Scud" type systems in Syria rather than in the wake of a transfer to Lebanon.

Ultimately, Scud-type liquid fueled rockets might be more of a liability than an asset to Hezbollah's overall missile capability. Furthermore, given Hezbollah's existing inventory of guided and unguided systems, the potential acquisition of "Scud-Bs" or "Scud-Ds" has a popular psychological impact in Israel, rather than actually impacting the overall regional balance.

- While Hezbollah has continued to consolidate its arsenal of short range 107 mm and 122 mm rockets meant to harass IDF ground forces in any future war, it may also have developed a use for systems otherwise considered irrelevant in the asymmetric balance. These include using multiple teams using large numbers of 106 mm recoilless rifle rounds to swarm and overwhelm the IDF's Trophy active protection system currently equipped on Israeli Merkava MBTs. *Jane's* went on to report that if assisted by sighting guns, this low-tech AT solution could successfully hit Israeli

armor out to a range of 1,000 m.<sup>82</sup> Such tactics would be part of Hezbollah's own lessons learned as it tries to build an edge in the asymmetric balance with Israel.

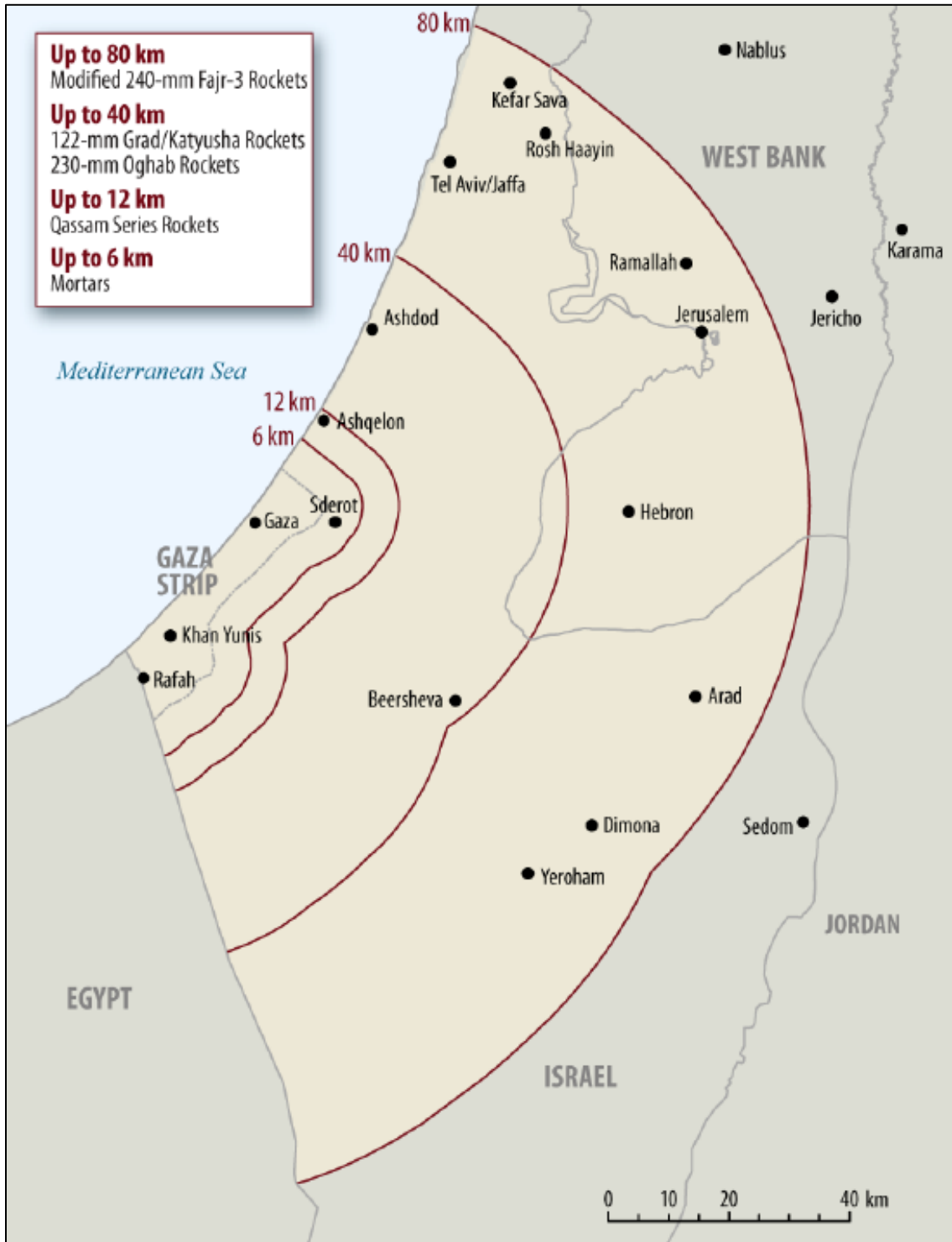
These growing missile capabilities do not threaten Israeli security in anything approaching existential terms, nor do they seriously weaken its "edge" in military technology, given the challenges of targeting largely unguided missile systems. However, they have increased Israel's efforts to field newer defensive counter-fire systems, such as the Trophy active protection system (APS) for Israeli armor, the low altitude Iron Dome defensive systems and high altitude Arrow II counter-ballistic missile system, and to defeat short and medium range rocket and missile threats. It has also prompted the IDF to further decentralize its supply and logistics infrastructure to protect ammunition and equipment in event of a future war.

There are also reports that Hezbollah has expanded its holdings of advanced longer-range anti-ship systems, while personnel may have also trained on the SA-2 and SA-3 major SAM systems. In the post-2006 era, Israel operates under the assumption that any system in Iran or Syria's arsenal could be made available to Hezbollah, with logistics posing the main challenge to inventory development and consolidation.<sup>83</sup>

### **The Israeli Reaction**

In a bid to erode the risks posed by Palestinian and Hezbollah rockets and missiles, Israel has taken costly steps to develop countermeasures that have the ability to defeat incoming short, medium and long range target and untargeted fire. In a bid to support such efforts, in March 2010 the Obama Administration announced that it would provide Israel with \$205 million in defense aid for the purchase of up to 10 Iron Dome anti-rocket batteries. The US Congress and successive administrations have supported joint-US Israeli missile defense projects, including ongoing work on David's Sling, which is designed to counter medium-range (40km to 300 km) threats, and the longer-range high altitude systems, such as the Arrow III.<sup>84</sup>

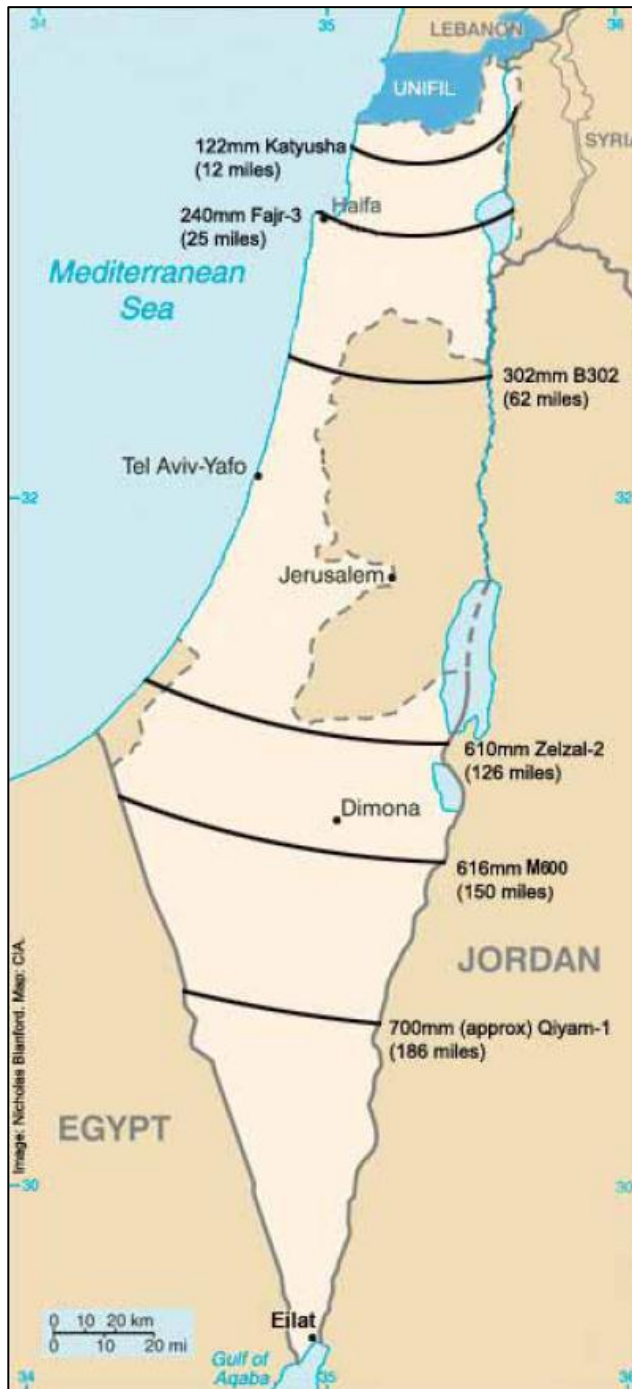
**Figure VIII.12: Map of Approximate Rocket & Missile Ranges from Gaza**



Note: All data presented is approximate.

Source: Adapted from Congressional Research Service; *Jane's Missiles and Rockets*; Ian Spierco, "Shield of David: The Promise of Israeli National Missile Defense," *Middle East Policy*, Vol. 17, No. 2, Summer 2010.

**Figure VIII.13: Map of Approximate Rocket and Missile Ranges from Lebanon**



Note: ranges based on launch sites in southern Lebanon.

Source: Adapted from Bilal Y. Saab & Nicholas Blandford, "The Next War: How Another Conflict Between Hizballah and Israel Could Look and How Both Sides are Preparing for It," *Analysis Paper*, No. 24, The Brookings Institution, August 2011, p. 8.

**Figure VIII.14** shows the major missile and rocket holdings in the region.

**Figure VIII,14: Arab-Israeli Surface-to-Surface Missiles in 2011**

Country	Med/Long Range SSM	Short Range SSMs	MRLs
<b>Egypt</b>	9 Scud-B	9 FROG-7 24 Sakr-80	96 BM-11 122 mm 60 BM-21 122 mm 50 Sakr-10 122 mm 50 Sakr-18 122 mm 100 Sakr-36 122 mm 36 Kooryong 133 mm 32 BM-14 140 mm 26 MLRS 277 mm 48 BM-24 240 mm (in store)
<b>Israel</b>	+/-100 Jericho 1 SRBM/ Jericho 2 IRBM 7 MGM-52 Lance (in store)	None	58 BM-21 122 mm 50 LAR-160 160 mm 60 LRS 227 mm 36 BM-24 240 mm 20 LAR-290 mm
<b>Jordan</b>	None	None	None
<b>Lebanon</b>	None	None	22 BM-21 122 mm
<b>Syria</b>	94+ SSM 18 Scud B/Scud C/Scud D 30 look-a-like	18 FROG-7 18+ SS-21 Tochka (Scarab) SS-C-3 Styx	+/- 200 Type 63 107 mm +/- 300 BM-21 12 mm

Note: Medium range SSMs have a range in excess of 70km and includes SRBMs and IRBMs.

Source: Adapted by Anthony H. Cordesman and Aram Nerguizian from the IISS, *The Military Balance*, various editions. Some data adjusted or estimated by the authors

While Hezbollah's weapons arsenal is of concern to Israel, it is important to note that it is scarcely the only player in the regional balance with short and medium range rocket and missile capability, and that Iranian cooperation with Syria could have a significant impact if Syria became involved in a missile conflict. Egypt has a large inventory of short range unguided missiles. It also maintains older SSMs and some 'Scud-Bs'. Syria has relatively large holdings of medium and short range ballistic missiles with large holdings of MRLs.

As is discussed later, Syria's larger systems such as its "Scud" holdings, while lacking accuracy and ease of deployment, could potentially play a role in the asymmetric balance were they to be used as chemical or biological delivery systems. Israel has modern short and intermediate range ballistic missiles. Its Jericho I and Jericho II SSMs are capable of delivering conventional, chemical, biological or nuclear payloads up to a range of 500 km and 1,500 km respectively. Israel also has large holdings of short range MRLs. Lebanon's MRL holdings are negligible while Jordan has no SSM holdings.

### **Iranian and Syrian Transfers of Guided Weapons**

Hezbollah has significantly developed its holdings of guided and unguided anti-tank systems in the wake of the IDF's withdrawal from South Lebanon in 2000 with Iranian and Syrian support. As is the case of reported rocket and ballistic missile transfers, it is hard to determine what systems have actually been transferred. However, a number of reports raise important questions about the level of increased sophistication in Hezbollah holdings:

- Tehran is reported to have provided Hezbollah with the "Nader" and the "Toophan," Iranian versions of the Russian RPG-7 and possibly the American TOW missile. The Shi'a group is also reported to be in possession of the "Towsan" and the "Raad," which are based on the AT-5 "Spandrel" and the AT-3 "Sagger" ATGM systems. The improved "Raad-T" is reported to be armed with tandem warheads designed to defeat reactive armor systems.<sup>85</sup>
- According to some reports, the bulk of Hezbollah's ATGM capabilities expansion in the post-2000 period was provided by Damascus. This is noteworthy given that prior to the presidency of Bashar al-Asad, Syria had allowed arms transfers but was not a direct supplier. Systems reported to have been provided include the AT-13 "Metis-M" equipped with a tandem warhead and able to hit targets at 1.5 km and the AT-14 "Kornet-E." The "Kornet-E," which has a range of 5.5 km and utilizes a semi-automatic command-to-line of sight laser beam-riding targeting system, is one of the most sophisticated anti-armor systems currently available. It could significantly raise the level of threat to Israeli forces in any future conflict. Unguided RPG systems provided by Syria are reported to include the RPG-29 (a tandem warhead variant of the RPG-7) and the disposable single-shot RPG-18.<sup>86</sup>

### **Air Defense Weapons**

Iran can alter the balance of any proxy or asymmetric conflict in other ways. In addition to Hezbollah's expansion of its surface-to-surface missile and rocket holdings, future SAM capabilities could become another dimension of the asymmetric balance. In addition to holdings of older SA-7 "Grail" MANPADs, the Shi'a group has been widely reported to be in possession of the more sophisticated SA-14 "Gremlin" and SA-18 "Igla" MANPADs. *Jane's* reported that Hezbollah was receiving training in Syria on the SA-8 "Gecko" mobile radar guided light SAM system in 2009.<sup>87</sup> There is no indication that Hezbollah received SA-8s which could potentially pose a threat to Israeli helicopters. Neither the SA-8 nor the Igla present a meaningful threat to Israeli F-15Is and F-16Is. Meanwhile, Israeli defense sources reported in March 2010 that Syria had provided the

group with the SA-24 “Grinch,” a far more advanced shoulder-fired anti-aircraft missile system.<sup>88</sup>

As was stated earlier, the IDF’s Teffen 2012 plan was conceived largely as a result of these realities and the perceived shortfalls of the 2006 war. One of the core lessons was Israel’s need to address manpower quality and training to confront the shifting realities of asymmetric urban warfighting. The IDF has since taken steps to drastically expand the number of urban warfare training centers in Israel. The IDF’s Combat Engineering Corps, which plays an increasingly relevant counter-IED and armored demolition role, has also been adapting to the realities of future asymmetric warfighting. Teffen 2012 further emphasized the development of a comprehensive multitier Israeli anti-rocket and anti-ballistic missile defense umbrella.

## **Proxy Warfare**

Every year since the 2006 war, some have predicted that another Israeli-Hezbollah war would herald the next major proxy contest between the US and Iran. The risk of conflict through regional surrogates and allies continues to present a clear and present danger to regional stability. The US would have to rely on its key regional ally Israel in any future conflict, while Iran would call upon its allies Hezbollah, Syria and Palestinian militant groups in Gaza.

While proxy warfare is an important component in Iran and Syria’s regional asymmetric strategy, its current posture would not have been possible without regional alliances. Russia, which has yet to completely support the rejuvenation of Syria’s armed forces, has only limited impact on Syria’s asymmetric regional capabilities. It is Iran, not Russia, the Palestinians or Hezbollah, that may be the most important source of support in the asymmetric balance with Israel.

The Israeli-Hezbollah War of 2006 showed that Iran and Syria could work together in proxy warfare. It also showed that Syrian and Iranian transfers of advanced weapons like modern antitank-guided weapons, light surface-to-air missiles, and a range of short- to long-range rockets and missiles could inflict casualties on the IDF and limit its military freedom of action.

On the other hand, Hezbollah’s core constituency and base of support, Lebanon’s Shi’a community, suffered as a result of the 2006 conflict. The militant group did its best to lay the blame and the costs associated to the conflict on Israel and the US. Irrespective of where the blame on deaths and loss of property may lie, what is clear is that the country’s Shi’a would be hard pressed to accept another large scale confrontation, especially one where Hezbollah is perceived – if only in part – to have started the conflict.<sup>89</sup>

Whether this will moderate Hezbollah’s future behavior is unclear. There is at least anecdotal evidence that Hezbollah will seek to play up its role as a reactive deterrence force in Lebanon, rather than a proactive force for direct confrontation with Israel – a point the group loosely articulated in its 2009 political manifesto.<sup>90</sup> Meanwhile Israel has balanced strong language of a military response to any Hezbollah threat with the reality that it prefers managed security politics along the UN Blue Line of demarcation between Israel and Lebanon.<sup>91</sup>



What is clear is that both Israel and Hezbollah have taken steps to both build up their capability to deter the other, and to prepare for the prospects of war. Since the end of the 2006 war, Hezbollah has undertaken new efforts to recruit and train new members, acquire longer-range rockets witted with guidance systems, build up its air defenses and tried to further advance its signals intelligence capabilities. In the event of war, the potential exists for Hezbollah to undertake both ground and seaborne commando operations within Israel. Combined with the group's growing missile capabilities, the battle space – both in Lebanon and Israel – is expected to be far larger than during the 2006 war.<sup>92</sup>

Israel in turn has bolstered the logistical autonomy of its combat units, strengthened its ground forces, and deepened its ability to carry out combined air, land and sea operations. The IDF has also taken steps to upgrade its urban war-fighting capabilities, anti-rocket defense systems, and the defense capabilities of its armored systems against guided missile attacks. If enacted, the 2008 “Dahiyah Doctrine” – which would see Israel targeting civilian infrastructure – could cause mass civilian casualties and infrastructure damage in Lebanon and similarly damaging retaliatory strikes against Israeli civilian targets.<sup>93</sup>

Again, every year since the 2006 war has been the year predicted to usher in the next major US-Iranian proxy war in the Levant. While public statements on either side of the Blue Line favoring continued calm are all too rare, neither side can afford another depleting conflict without a clear political and security outcomes. Whether that and the factors described above are reason enough to avoid another round of proxy warfare may ultimately continue to be tested on an annual basis.

### ***Weapons of Mass Destruction and the Nuclear Arms Race***

The region is already involved in a de facto nuclear and missile arms race, has at least some stocks of chemical weapons, and may be involved in a race for biological weapons as well. While the most important component is the Iranian-Israeli nuclear and missile arm race, Iran's ties to Syria – and Syria's efforts – play an important role as well.

#### **Nuclear Weapons**

As Chapter IV has analyzed in detail, Iran's nuclear and other WMD programs interact with those of Syria, and give it the ability to target Israel and the other major powers in the Middle East. At the same time, Israel sees nuclear weapons in the hands of any potential enemy as an “existential threat.” On September 6, 2007, the Israeli Air Force targeted and destroyed the Al Kibar facility in Dair Alzour on grounds the remote installation may have housed a nuclear reactor.<sup>94</sup> While weapons of mass destruct (WMD) are not often associated with US-Iran strategic competition in the Levant, they cannot be discounted as a source of potential instability and a means of shifting the regional balance of power in Iran's favor.

Israel is the only country widely reported to have nuclear weapons and advanced ballistic missiles. Israel has a significant, if undeclared, inventory of nuclear weapons. There are reports they have been manufactured at the Negev Nuclear Research Center, outside the town of Dimona. Based on estimates of the plutonium production capacity of the Dimona

reactor, Israel has approximately 100-200 advanced nuclear explosive devices —but such estimates are based on nominal production figures and very uncertain estimates of the material required for a given number of nuclear weapons. They do not address yield, design, or the mix of fission, boosted, and thermonuclear weapons, and Global Security estimates that the total could be as high as 375 to 500 weapons. Egypt explored such developments in the past, and Syria was actively developing a reactor suitable for nuclear weapons production before it was struck and destroyed by Israel.

There are no reliable unclassified figures on Israel's holdings of nuclear weapons or the mix of delivery systems it has available. Israel did obtain substantial amounts of nuclear weapons design and test data from France before 1968, and probably has a stock of both tactical and thermonuclear weapons. Its inventory is sometimes stated to be 200 weapons, but there is no meaningful source for such data. It is clear that Israel has developed missile booster technology and systems that could deliver nuclear weapons that could strike at any target in Iran. Israel has at least two types of long-range ballistic missiles — sometimes called the Jericho, and has almost certainly deployed either an improved version of the second or a third type of system.

### **Israel's Ballistic Missile and Missile Defense Forces**

There are no reliable unclassified reports on Israel's ballistic missile holdings, but unclassified sources speculate that Israel has the following capabilities:

- **Jericho I:** 13.4 meters (44 ft) long, 0.8 m (2 ft 7 in) in diameter, weighing 6.5 tons (14,000 lb). It had a range of 500 km (310 mi) and a nominal CEP of 1,000 m (3,300 ft), with a payload of 400 kilograms (880 lb). It was intended to carry a nuclear warhead. It seems to be close or identical to the Dassault MD-620, which was test fired in 1965. According to a report in Wikipedia, IAI produced such missiles at its Beit Zachariah facility. It also reports that that around 100 missiles of this type were produced, although there were some problems with its guidance systems. It also reports that The Jericho I is now considered obsolete and was taken out of service during the 1990s.
- **Jericho II:** a solid fuel, two-stage medium-range ballistic missile system tested in launches into the Mediterranean from 1987 to 1992. Wikipedia reports that the longest was around 1,300 km, and fired from the facility at Palmachim, south of Tel Aviv. Jane's reports that a test launch of 1,400 km is believed to have taken place from South Africa's Overberg Test Range in June 1989, but other sources indicate that this was part of a series of launches of a system using a larger booster. It is reported to be 14.0 m long and 1.56 m wide, with a reported launch weight of 26,000 kg (although an alternative launch weight of 21,935 kg has been suggested). Wikipedia reports that it has a 1,000 kg payload, capable of carrying a considerable amount of high explosives or a 1 MT yield nuclear warhead. It uses a two-stage solid propellant engine with a separating warhead. It also reports that the missile can be launched from a silo, a railroad flat truck, or a mobile vehicle. This gives it the ability to be hidden, moved quickly, or kept in a hardened silo, ensuring survival against any attack. It may have maximum range of about 7,800 km with a 500 kg payload.
- **Jericho III:** Estimates of the Jericho III differ sharply. It may have entered service in the late 1990s, but some put it in the late 2006-2008 period. It is reported to be a three-stage solid propellant and a payload of 1,000 to 1,300 kg. Wikipedia reports it may have a single 750 kg nuclear warhead or two or three low yield MIRV warheads, an estimated launch weight of 30,000 kg, and a length of 15.5 m and a width of 1.56 m. Some reports indicate that Jericho 3 has a radar guided, terminal homing warhead in addition to inertial guidance, and is silo-based with road and rail mobility. No reliable estimate of its range exists. It may be able to hit any target in the Middle East and targets as far away as Pakistan and Russia.

Israel has practiced air weapons deliveries that fit nuclear bomb delivery profiles, it may well have nuclear-armed air-to-surface missiles that can strike from outside the range of most surface-to-air missile defenses, and it may be developing nuclear armed cruise missiles for surface ship and submarine launch. Israel may have missile warheads with terminal guidance, but this is unclear. If it does not, it would have to use its ballistic missiles to strike at large area targets like cities, although it could use its strike fighters to launch nuclear strikes on point targets. Commercial satellite photos have been published of earlier Israeli missile sites, including missile silos. Current sites are unknown.

Israel's 17 batteries of improved Patriot MIM-23B surface-to-air missiles have a point defense capability against ballistic missiles. It has deployed three Arrow 2 theater ballistic missile systems and 20-24 active launchers, supported by a Green Pine radar system, and Citrus Tree command and control system. There are known sites at Hadera and Palmachin.

### **The Impact of Iran's Nuclear and Missile Programs**

Although Iran does not yet have nuclear weapons, and has only a nominal capability to attack Israel with ballistic missiles – that currently seem limited to inaccurate guidance systems and unitary conventional warheads – Israel is already making significant improvements in its missile defenses. It also seems likely that Israel is improving its capabilities to strike at Iran with fission and fusion nuclear weapons. Iran almost certainly has developed both nuclear bomb and missile warhead designs, but its progress and their nature remain unclear.

### **Chemical and Biological Weapons**

Egypt and Syria may have chemical warheads for their "Scud" missiles, and it is possible they could have covert biological designs. All of the Arab-Israeli countries do, however, have a growing technology base to manufacture first and second generation biological weapons, but no reliable data exist to prove they are doing so.

All of the Arab-Israeli countries, except Lebanon, have the technology base for manufacturing chemical weapons. Iran is a self-declared chemical weapons power, but has never declared its inventory. Syria is known to have large stocks of a variety of chemical weapons, including bombs and chemical warheads for its missiles. Israeli experts believe that Syria has modern cluster munition warheads for its missiles and rockets, including ones armed with nerve gas.

Both Egypt and Israel have been caught smuggling key components for chemical weapons in the past, including components for the manufacture of nerve gas. Egypt used chemical weapons in Yemen in the 1960s, and there are strong indications that Israel and Egypt believed the other side had chemical weapons during the 1973 conflict. However, no data exist on either Egyptian or Israeli inventories of such weapons.

There are some indicators that Syria and Iran have at least explored the production of biological weapons. Iran, Israel, and Egypt have almost certainly at least explored the technology for both offensive biological weapons and biological defenses (the two technologies cannot be separated from each other). States in the region are acquiring the technology and production base to develop and manufacture advanced genetically-

engineered biological weapons. There are no meaningful controls on such technology and equipment, and no existing credible inspection options.

It is unclear, however, whether countries other than Israel have advanced beyond unitary or relatively simple cluster warhead designs, although this seems likely in the case of Syria. Both Egypt and Syria countries have aircraft, and a potential capability to create drones orUCAVs for delivering chemical or biological weapons.

- Syria has extensive holdings of “Scud-B” missiles with a nominal range of 300 meters, a 985 kilogram payload, and operational accuracies of 1,500-2,000 meters. Reports of CEPs as low as 450 meters seem more theoretical than real. Syria also has up to 150 “Scud-C” missiles with 18-26 launchers. These are North Korean modifications of Russian designs – probably variants of the Hwasong 5 although some elements of Rodon 1 technology are possible -- and have accuracies that range from 1,500-4,000 meters – although theoretical CEPs as low as 500 meters are reported in some sources. Reports that Syria has a more accurate “Scud-D,” with a CEP of only 50 meters, do not seem accurate. The “Scud C” has a nominal range of 500 kilometers, but a small warhead could extend the range.
- Egypt has an unknown number of “Scud-Bs,” and at least 9-12 mobile TEL launchers. There are a number of reports that it has operational “Scud-Cs” that it produced using technology it obtained from North Korea. Reports indicate that the CIA detected Egyptian imports of “Scud-C” production technology in 1996.

It is not known if any country in the Levant has developed advanced designs for the covert use of such weapons, line source dissemination, the use of unconventional systems likeUCAVs, or advanced cluster munitions and non-destructive sub-munitions delivery. There have been several reports of developments like a Syrian missile warhead with cluster munitions carrying nerve gas. Egypt, Iran, Israel, and possibly Syria all have the technology and manufacturing base to create such weapons, have developed or produced some form of cluster munitions, and could manufacture systems munitions and warheads covertly.

## **The Socio-Economics of U.S.-Iranian Competition**

While the conventional and asymmetric balances dominate US and Iranian security competition in the Levant, socio-economic competition is important as well. This includes trade patterns with the region as well as economic aid. This section offers only a broad overview as later sections focus on US and Iranian interaction with specific economies. The discussion on aid also focuses mainly on US efforts as no equivalent transparent Iranian aid data exists for the purpose of comparison.

### **Trade Relations with the Levant**

The first table in **Figure VIII.15** shows the trade dynamics between the US, Iran and countries in the Levant for 2010.<sup>95</sup> When comparing specific US versus Iranian trade with the region, it is clear that the US is the dominant player in all countries except Syria. Meanwhile, Iran maintained important trade relations with Turkey in 2010. However, how deep that bilateral relationship has become is yet uncertain: exports from Iran, driven mainly by natural gas transfers, accounted for 80% of bilateral trade.<sup>96</sup>

The EU is also a major trade partner in the region. This is illustrated in the second table of **Figure VIII.15**. With the exception of Jordan, which saw Saudi Arabia as its top trade partner in 2010, The EU was the leading trading partner of Israel, Lebanon, Syria and

Turkey. The EU's role was especially important for Israel and Turkey, where trade with the Eurozone accounted for 30.6% and 42% of all trade respectively. Even Iran counted the trading block as its largest trading partner in 2010.

While the EU is the leader in the Levant in terms of trade, the US is a far more important trader than Iran. US industries have built deepening trade partnerships with countries such as Israel and Turkey, and the US has worked hard to build up bilateral trade with Jordan, a key regional ally that continues to maintain peaceful relations with Israel.

Iran does remain important to the Turkish economy and has done well in developing trade ties with Ankara. Iran also plays an important role in the Syrian economy, but not as significant as its rhetoric sometimes implies. Iranian trade levels were overshadowed by EU, Saudi, Turkish and Russian trade with Syria – a pattern that Tehran has not managed to shift thus far. As for Lebanon, a key battleground for US-Iranian regional competition, both players have limited trade ties with the country relative to Lebanon's place in their respective foreign policy calculus.

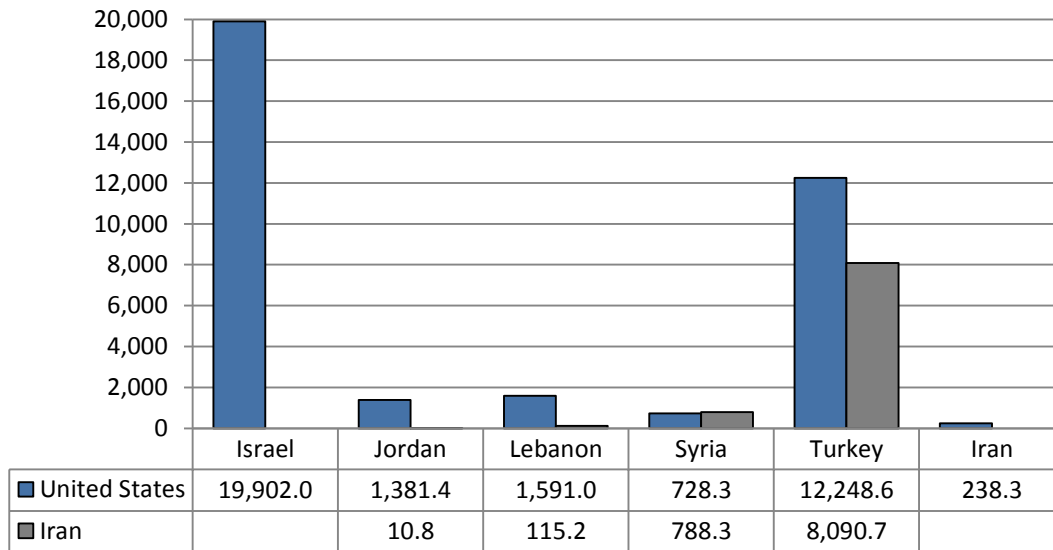
Iran's own economic failures have probably done far more to limit Iran's role than sanctions. Despite Iran's leading role as the world's fourth-largest crude oil exporter and a large young population, the post-revolutionary economy has been severely mismanaged with too many challenges at home that need to be addressed before it can take on a more robust regional role.<sup>97</sup>

The fact that Iran relied on oil exports for 80% of its total revenue and 40-50% of government revenue in 2008 made Iran deeply susceptible to collapses in oil prices. In 2008-2009, shortfalls in revenue from energy exports left a \$30 billion budget deficit in addition to \$28 billion in foreign debts, forcing Tehran to rely on now-severely reduced foreign currency reserves.<sup>98</sup> An inability to reform effectively, coupled with challenges in managing public spending further complicate Iran's ability to utilize its economic resources to their full advantage.

**Figure VIII.15: The Economics of U.S. and Iranian Competition in the Levant: Comparative Trade Levels in 2010**

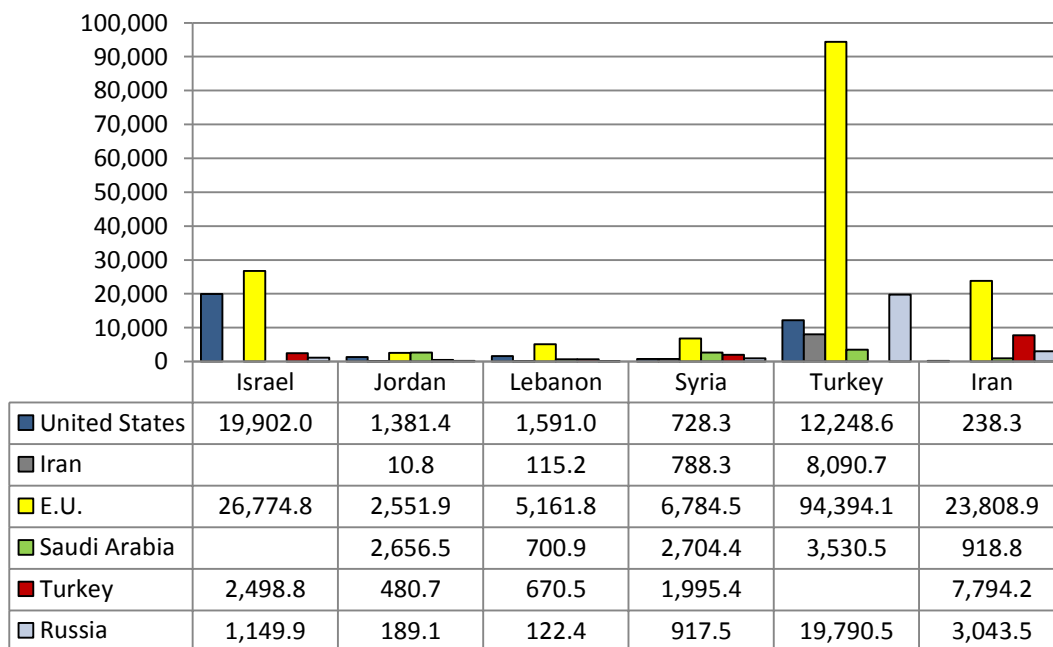
**U.S. versus Iran Trade Levels in the Levant**

(In millions of current Euros)



**U.S., Iran and other Major Levant Trade Partners**

(In millions of current Euros)



Source: Adapted by Aram Nerguizian from International Monetary Fund (IMF) and the European Union Directorate General for Trade.

## Assessing Development Assistance

While US military aid plays a major role in building and maintaining strategic partnerships in the Middle East, economic and development assistance are also important tools in US and Iranian competition, and ones where the US has had a near historical monopoly.

It is unclear how this aspect of competition will play out in the future given US resource constraints and the uncertain political future of Egypt, but US aid to the Levant is likely to take on greater significance in light of regional popular upheaval, which have been driven by broad grievances on income inequality, corruption, crony capitalism, the lack of opportunity and unrepresentative government. Any US failure to help address these persistent and emerging challenges could provide Iran with political ammunition in its regional contest with the US.

The US allocated \$1.67 billion in Economic Support Funds (ESF) for FY2010 and FY2011 respectively. This represents some 34-36% of the value of FMF and 23-24% of total aid to the Middle East for FY2010 and FY2011. It is important to note, however, that economic aid levels are down when compared to previous fiscal years and are expected to decline to an estimated \$1.4 billion in FY2013.<sup>99</sup>

US economic aid to Egypt has gradually decreased over the past ten to fifteen years. This is largely due to Egypt and Israel reaching a deal with the US in the late 1990s known as the “Glide Path Agreement,” whereby economic aid is reduced over a 10-year period. However, unlike Israel, Egypt did not see an increase in military assistance. It remains to be seen what economic aid levels to Egypt will look like in the wake of recent protests and given the dire economic challenges the country is likely to face in the future.

The US also provides Jordan with economic assistance in the form of cash transfers and USAID programs in-country. The cash transfers help Jordan to service its foreign debt, and 45% of Jordan’s annual ESF is in the form of cash transfers. USAID programs in the country focus principally on democracy assistance, water preservation and education reform. Water management is an especially important area for US economic assistance given Jordan’s status as one of the region’s most water-scarce countries.<sup>100</sup>

The Palestinian Authority has been a major recipient of US economic aid since the 1993 Oslo Accords with aid worth some \$2.3 billion over the FY2004 to FY2010 period. US assistance to the Palestinians has averaged some \$388 million a year and are geared principally towards economic development, democratic reform, water management, infrastructure, health management, education reform and professional development projects in both the West Bank and Gaza, but principally the former in the wake of the Hamas take-over of the Strip in 2007.<sup>101</sup>

In addition to ESF and other conventional aid programs, the US is the largest single bilateral donor to the United Nations Relief and Works Agency (UNRWA) with only the EU as a larger overall contributor. US funding to UNRWA is not classified as bilateral economic assistance and funds provided by the US account for 20-25% of the UNRWA budget. While UNRWA funding continues to be a divisive issue in the US and is often associated with the risk of US funds reaching groups that the US considers terrorists, such as Hamas, US funding towards UNRWA remains critical for the operation

of Palestinian refugee relief services in the West Bank, Gaza Strip, Jordan, Syria and Lebanon.<sup>102</sup>

The US faces growing fiscal and political challenges in maintaining such efforts. It now must deal with a major economic and long-term budget crisis. US assistance is also subject to a presidential waiver to Congress that cites aid to the Palestinians as vital to the interests of national security. In the event that Hamas in Gaza were to join a national unity government with ruling Fatah in the West Bank, a provision exists to ensure that aid is not disrupted provided the US President certifies that such a government acknowledges Israel's right to exist and commits to previous international agreements between Israelis and Palestinians.<sup>103</sup>

Lastly Lebanon has also received increased levels of economic aid via ESF from the US. Given US commitments to support Lebanon in the wake of Syria's withdrawal in 2005, US economic aid (in addition to military aid) was significantly boosted over the FY2006-FY2011 period. US economic aid focuses principally on USAID-managed democracy support and development programs and efforts to reduce corruption.

ESF and other programs have focused on promoting education reform and scholarships for students in Lebanon. US ESF to Lebanon spiked at some \$334 million in FY2007 to help in Lebanon's post-war recovery in the wake of the 2006 Israeli-Hezbollah conflict. While there were indication that ESF to Lebanon had stabilized at around \$109 million for FY 2010, cuts to global aid programs saw aid levels decline to \$84.7 million in FY2011 with a similar amount estimated for FY2012 and a possible further reduction to \$70 million in FY2013.<sup>104</sup>

Whether this is indicative of a future trend in terms of aid levels remains uncertain: there is continued apprehension in Washington in 2011 about a new government in Beirut that is perceived to be more sympathetic to Syria and accommodating of Hezbollah.<sup>105</sup> US aid to Egypt will also be dependent on Egypt's political future, its adherence to the Camp David accords, its relations with Iran, and its willingness to carry out real democratic reforms.

## **The US Economic Response to Arab Protests**

The current cycle of popular unrest in the Middle East is in large part a byproduct of decades of economic neglect by regional states undergoing deep internal changes. The US is now caught between trying to massively cut federal expenditures and the fact it cannot afford to give Iran a free "win" by failing to address the economic ramifications of regional upheaval. The recent protests across the Arab world have prompted the Obama Administration to assure the Middle East that the US will be a partner in the long term effort to manage the economic costs of social upheaval in the region. **Figure VIII.16** illustrates just how important these issues are to the US, as is reflected in the full transcript of President Obama's May 19, 2011 address. It should be noted that US policy has since been much stronger on rhetoric than actual action and funding, and there is strong US political resistance to supporting such aid:

### **Figure VIII.16: U.S. Economic Support for the Middle East & Africa**

The revolutions in the Middle East and North Africa (MENA) provide an historic opportunity to meet the aspirations of a people long denied political freedom and economic opportunity.



Economic modernization is key to building a stronger foundation for prosperity and showing people the fruits of democratic change. The people of the region will choose their own paths to democracy and prosperity, with policies and programs that suit their circumstances. That process may take years, as was the case in the transitions of Central and Eastern Europe. From the beginning of this process and along the way, the United States will offer its support for economic modernization and development to those making the transition to democracy.

The countries of the Middle East and North Africa are diverse societies with diverse characteristics and economies. The region of over 400 million people contains a group of countries that export 18 million barrels a day of oil as well as a group that is dependent on oil imports from their neighbors. Saudi Arabia's \$440 billion economy is more than 14 times that of Yemen. What these countries share is untapped potential, that if unlocked could provide broader economic opportunities for their people.

Oil and gas revenues have enriched several countries and enabled them to fund ambitious infrastructure programs. Some of the non-oil exporters attracted more foreign direct investment and achieved an acceleration of economic growth. The pace of economic reform in the region, however, has been uneven and corruption has been a widespread challenge. Despite an abundance of natural resources and impressive potential human capital, economic growth in the region has not been as rapid as in the fast-growing emerging market world, nor have its benefits been widely distributed.

With the majority of the population under the age of 30, and more than 4 million people entering the labor force annually, the demographics of the Middle East and North Africa pose challenges. Unemployment rates are high across the region, particularly among the burgeoning youth population. In Egypt, youth unemployment is estimated at over 30 percent. The ability to address the growing demand for jobs – which was one of the drivers behind the revolution – will require significant structural changes and economic reform.

From the beginning of the transitions, representatives of the U.S. government have consulted with the people of the region to better understand the significant challenges they are facing. Given the nature of change in the region – the nature of our support is also evolving. The President outlined a new economic vision to support nations that commit to transition to democracy, and announced a series of initiatives that are geared toward supporting a broadening of economic opportunity.

These initiatives are designed to meet short term economic stabilization requirements as well as longer term economic modernization needs. These two objectives are not mutually exclusive – The U.S. will direct support now to help meet the needs of future generations. Our approach is based around four key pillars – support for better economic management, support for economic stability, support for economic modernization, and the development of a framework for trade integration and investment.

#### **Support for better economic management**

We will offer concrete support to foster improved economic policy formulation and management. We will do so alongside our democratization efforts. We will focus not only on promoting economic fundamentals, but also transparency and the prevention of corruption. We will use our bilateral programs to support economic reform preparations, including outreach and technical assistance from our governments, universities, and think tanks to regional governments that have embraced reform, individuals, and NGOs. We will mobilize the knowledge and expertise of international financial institutions to support home grown reforms that increase accountability.

#### **Support for economic stability**

Egypt and Tunisia have begun their transitions. Their economic outlooks were positive before recent events, but they are now facing a series of economic dislocations. Growth forecasts have been revised downward to 1 percent or less. International reserves have decreased and budget deficits are widening. The tourism sector, which is an important employer and source of revenue, has been idled and foreign direct investment will significantly decrease this year. Egypt is

projecting a fiscal gap of 10 percent of GDP over the next 12 months, and Tunisia is projecting a deficit of 5 percent of GDP. If we implement the right initiatives to offer stabilization support, the long term outlook for these countries can be positive. Absent action, we run the risk of allowing economic instability to undermine the political transition.

The United States has designed initiatives to support the stabilization process and to lay the foundation for longer term prosperity. We are galvanizing financial support from international financial institutions and Egypt and Tunisia's neighbors to help meet near term financial needs. We strongly welcome Egypt and Tunisia's engagement with the IMF and are looking forward to seeing the joint action plan that multilateral development banks are working on for the G8 summit.

We will also help bilaterally. In response to numerous requests from the Egyptian government and the Egyptian people, the United States will relieve Egypt of up to \$1 billion in debt by designing a debt swap arrangement, and swap it in a way that allows Egypt to invest these resources in creating jobs and fostering entrepreneurship. As another part of our effort to help Egypt invest in its people and regain access to global capital markets, we will lend or guarantee up to \$1 billion in borrowing needed to finance infrastructure and support job creation. We will do this via our Overseas Private Investment Corporation (OPIC).

#### **Support for economic modernization**

We realize that the modernization of the MENA economies will require a stronger private sector. To address that, we are committed to working with our international counterparts to support a reorientation of the European Bank for Reconstruction and Development to support countries in the region. That Bank played a crucial role in the democratization and economic transition in Central and Eastern Europe and can make a great contribution in MENA as well. The International Financial Corporation will scale up its investments to strengthen the private sector in transition countries. We also seek to establish Egyptian-American and Tunisian-American Enterprise Funds to stimulate private sector investment, to promote projects and procedures that support competitive markets, and to encourage public/private partnerships. And as Secretary Clinton announced in Cairo, the Overseas Private Investment Corporation will provide up to \$2 billion dollars in financial support for private sectors throughout the MENA region.

#### **Develop a framework for trade integration and investment**

If you take out oil exports, the MENA region of nearly 400 million people exports about the same amount of goods as does Switzerland, with less than 8 million people. Moreover, regional trade structures are poorly integrated, as MENA sourced just 13 percent of their imports from other countries in the region. Developing Asian countries, in contrast, sourced over 25 percent of their imports from regional partners. The United States will launch a comprehensive Trade and Investment Partnership Initiative in the Middle East and North Africa. We will work with the European Union as we launch step-by-step initiatives that will facilitate more robust trade within the region, build on existing agreements to promote greater integration with U.S. and European markets, and open the door for those countries who adopt high standards of reform and trade liberalization to construct a regional trade arrangement.

#### **Background: The Economic Situation in Egypt and Tunisia**

Egypt's economy grew by more than 5 percent on average over the last 15 years. However, these gains did not translate into improved opportunity for the Egyptian people. Egypt is a lower middle income country, with per capita GDP at about \$2,800. Inflation levels are well above regional averages, and Egypt is plagued by chronic structural problems, including high levels of youth unemployment (34 percent) and long-term unemployment for first time job-seekers.

Egypt is now facing a series of economic dislocations associated with the transition, which has raised its financial vulnerability. Before recent unrest, GDP growth was projected at 5.5 percent and the fiscal deficit was estimated at 8.4 percent. Due to a slump in tourism, which accounts for over 5 percent of GDP and employs more than 10 percent of the labor force, as well as a decline in foreign direct investment, growth forecasts have been revised downward to about 1 percent and the

deficit is expected to widen to over 10 percent of GDP. Decreased tourism revenues and foreign direct investment will also have an adverse impact on employment.

Tunisia, which is wealthier than Egypt on a per capita basis (\$4400), also had a positive economic outlook before the revolution. However, the revolution is expected to put pressure on the economy in the short term. GDP growth will be close to zero this year, and reserves have declined by about a billion since unrest broke out. After running relatively small fiscal deficits the past few years, Tunisia's fiscal position is expected to widen this year to about 5 percent of GDP (up from 3 percent in 2010). Much like in Egypt, tourism revenues and foreign direct investment, coupled with labor protests and increased social spending, are adversely impacting the near-term economic outlook. A failure to help stabilize these economies could undermine democratization efforts.

Source: "Factsheet: Economic Support for the Middle East and North Africa," Office of the Press Secretary, the White House, May 18, 2011.

The key problem shaping this aspect of US and Iranian competition is that the President's May 2011 statement provides little detail about the steps Washington can or will take in terms of economic aid in the wake of Arab protests. On the one hand, it is clear from the economic impact of the protests on countries such as Egypt and Tunisia that the long standing pressures on the economies of the nations caught up in unrest will be sharply downgraded by their dependence on depleted revenues from tourism and outside investment and trade. If the US hopes to ensure a stable regional environment and mitigate both regional and economic risk, it will have to play an important role in ensuring that the economic drivers that led to protests do not lead to a cycle of regional violence and further instability. On the other hand, the US will have to do this at a time of economic crisis and a striking lack of domestic support for foreign aid.

Iran has little to offer a region in flux short of rhetoric. It has neither the national resources, nor the economic health, to play a leading role in steering the outcome of Arab protests. However, Iran has shown time and again its ability to co-opt regional militant groups and to capitalize on instability, and misery. In the end, this Arab world in flux is the US's to lose.

## **Key Areas of Competition by Country**

While the previous sections discuss how the US and Iran compete politically, militarily and economically across the Levant, there is a need for additional focus on key arenas of competition, namely Syria, Lebanon, Israel, the Occupied Palestinian Territories, Egypt and Jordan.

### **Competition Over Syria**

Syria has been a key player in US-Iranian competition in the Levant, and has been Iran's most important strategic partner over the past 30 years. Since Syria's 2005 military withdrawal from Lebanon, the regional partnership between Syria and Iran has become increasingly skewed in favor of the latter. However, Syria remains critical to Iran's efforts to shape a favorable security situation in Lebanon and along Israel's northern frontier. This helps explain why the US has repeatedly sought to reorient or downgrade Syria's long-held role as Iran's gateway to the Levant.

After more than a year of popular unrest starting in early 2011, Syria's internal stability and its role in regional security politics have both become far more uncertain. As the regime continues its crackdown on dissent, international pressure on Syria has also steadily increased. The US, EU and some members of the Arab League have bolstered unilateral and multilateral sanctions the regime, turned to the UN to deepen international pressure and have openly called for President Bashar Al-Asad to step aside. Turkey, until recently one of the regime's closest allies, has been one of Syria's most vocal critics. Lastly, the conservative Gulf monarchies, which continue to have reservations about regional popular unrest, have nonetheless pushed ahead with Arab League efforts to further isolate Syria.

On the one hand, local and expatriate Syrian forces opposed to the regime are backed by the West, and key Arab and Sunni states such as Saudi Arabia and Turkey. On the other hand, the Al-Asad regime enjoys the support of its key regional ally Iran, support from Hezbollah in Lebanon, and strong international backing from Russia and China – countries that could play counter-revolutionary roles during what is increasingly looking like a “long winter of Arab discontent.”<sup>106</sup>

### ***The Economic Dimension of Popular Unrest***

Analyzing the economic dimension of popular unrest is necessary to know what is needed to move Syria forward in ways that aid the US and limit Iran's ability to consolidate its role in the Levant. While it is hopeful to think that the recent protests in Syria are solely a reflection of the Syrian people's aspiration for democratic government, the core drivers of unrest are far more basic, remaining largely centered on a broader sense of socio-economic inequity, poor governance and the widespread perception of systemic corruption and injustice.

In the latter years of the 1960s, the Ba'th Party initiated reforms meant to degrade the power and autonomy of Syria's traditional notable families, while earning the support of the country's peasants and workers. In short, the Party sought the support of the broader Syrian populace – the intended beneficiaries of the party's aggressive policy of economic

redistribution – in exchange for greater access to resources and the promise of state-led socio-economic mobility.<sup>107</sup>

While the state maintained monopolies on most sectors of the economy, the Ba’th regime under president Hafez al-Asad encouraged the emergence and consolidation of new social, economic and political alliances. Fostering a mixed economic system saw the return of at least part of the old Damascene middle merchant establishment; however, their interests were now linked to those of the ruling Ba’th order.<sup>108</sup>

The new power structure met its most significant test during the early 1980s when the Asad regime faced an armed insurgency led by the Muslim Brotherhood. A key pillar of dissent against the regime was centered on the merchant establishment of Aleppo, which threatened a nationwide strike. In sharp contrast, the Damascus merchants did not participate, choosing instead to cooperate with the Asad regime – a decision that, according to some, assured the survival of the Ba’th order.<sup>109</sup>

Maintaining the support of the traditional Sunni “industrial bourgeoisie” became a key policy of the Alawi-led regime. So did supporting the emergence of a new group of crony capitalist middle-men tied to elements in the ruling establishment.<sup>110</sup> Unlike the traditional business community, which engaged in mainly productive economic activities, this new group – often called the *awlad al-sultah* (“children of authority”) – engaged in mainly unproductive rent-seeking and short term profiteering.<sup>111</sup> In the years to come, the contradictions of this new hollow business-regime elite structure would inform at least some of the socio-economic grievances of anti-regime protesters in 2011.

It is also important to consider the metrics that are shaping socio-economic disaffection and alienation in Syria are critical to understanding the variables that will shape Syria’s future – regardless of who is in charge in Damascus and irrespective of the form of government – and the extent to which both internal Syrian efforts and US aid might counter Iran.

- **Figure VIII.17** shows trends in population development in Syria over the 1980 to 2009 period. While population growth has been generally linear with the urban population accounting for a majority of Syrians, the country’s growth rate in terms of rural areas, while slightly lower, has largely kept up with growth in urban centers. Whereas 47% of Syrians were urban against 53% rural in 1980, 55% of Syrians were urban against 45% urban in 2009: an all but net reversal over a 30-year period, but with very little real numerical variation.
- Given these rates, equal attention and welfare for the Syrian urban and rural populations is critical for any government in Damascus. Given that protests in Syria began in Der’a in the south-west of the country, away from the country’s major urban population centers, part of any post-protest period would have to address core grievances at the level of the Syrian periphery – not just the country’s urban rich and well-to-do. It is important to bear in mind, however, that the definition of “urban” is not defined. Many Syrians, pushed out of their villages due to lack of economic opportunity, live in very difficult conditions in suburban poor housing districts just beyond the boundaries of major metropolitan cities in Syria.<sup>112</sup>
- **Figure VIII.18** shows data on Syrian economic productivity and regional trends. The first table shows that while per capita gross domestic product (GDP) and gross national income (GNI) have increased steadily over the 1986 to 2009 period, so too has household consumption, and at a much higher rate over the 2003 to 2009 period. Meanwhile, the second table shows that unlike the majority of countries in the region, Syria has seen largely negative growth in terms of GDP per person employed.

- **Figure VIII.19** presents Syrian consumer price and migration data. The first table shows that Syrian consumer prices have risen steadily over the 1980-2009 period with steep increases over the 2002 to 2009 period. The second table in **Figure VIII.19** shows that Syrian migration has significantly increased over the 2005-2010 period. No clear correlation exists between a sharper rise in consumer prices and increased efforts to migrate in search of economic opportunity outside of Syria. However, that both indicators seem to be increasingly at higher rates shows a Syrian economy that is increasingly under strain and unable to retain an increasingly large portion of a labor pool with shrinking economic prospects.
- Lastly, **Figure VIII.20** shows patterns in Syrian oil production, consumption and exports. While domestic consumption of oil has steadily increased over the 1980 to 2010 period, Syrian oil production plateaued in the mid-1990s and has been in steady decline. The second table shows the other side of falling Syrian oil production. Crude oil exports have dropped significantly over the 1993-2007 period. Not only does this make it significantly harder for Syria to manage growing demand at home, it also robs the government in Damascus of much needed rents from energy exports. Syria's decreasing oil rents will continue to negatively impact the country's foreign currency reserves, making it that much more dependent on external rents and other sources of revenue. It will also make it that much more difficult for any government to mobilize national resources in support of desperately needed structural, economic and social reform programs.

In 2010, the World Bank described the Syrian socio-economic landscape in ways that warn that reforming the trends in these figures will not be easy – particularly after a year of political unrest, violent repression, and sanctions have made the situation far worse.<sup>113</sup>

“Syria is a lower middle-income country with a per capita GNI estimated at US\$ 2,090 (2008), a population of 18.7 million – plus 1.2 million Iraqi refugees and migrants - growing at about 2.5 percent per annum and a labor force growing at the rapid rate of about 3 to 4 percent per annum.

Syria's growth performance has strengthened in recent years, reflecting the country's own reform efforts towards a social market economy as well as the hitherto favorable external environment for oil-producing countries. However, Syria's macroeconomic performance has been affected by ongoing external and domestic shocks, particularly the impact of the global financial crisis and a prolonged drought that has been affecting agricultural output. Inflation was 2.5% in 2009 but is expected to increase over the next years as commodity prices recover, fuel prices rise and a VAT is introduced. Year-on-year inflation reached 3.7 percent in April 2010.

Foreign assets remain high, but their coverage of imports is declining. Although public debt remains moderate at 22 percent of GDP, the recourse to debt to finance the budget deficit is likely to increase with the progressive decline in oil revenues. Despite the decrease in oil production, real GDP growth averaged 5.1 percent in 2004-2008. This is due to the expansion in private investments, stimulated by the recent economic reforms and to inflows from oil rich countries. Real economic growth had previously averaged 3.4 percent per annum between 1999 and 2003, only one percentage point over the current population growth. While growth slowed by more than 1 percentage point in 2009 compared to 2008, and unemployment increased to 11%, the Syrian economy did continue to grow at a rate of 4% in the midst of the global crisis. This in part reflects countercyclical fiscal measures aimed at reducing the impact of the crisis, including increases in public investments and the wage bill.

Syria's GDP remains dependent on the oil and agriculture sectors, both subject to uncertainties due to changes in oil prices and rain dependency respectively. The oil sector provides approximately 20 percent of the government's revenues and about 40 percent of its export receipts. The agriculture sector contributes to about 20 percent of GDP and 20 percent of employment. Oil exports, exports of services and foreign transfers of income and remittances are the main sources of foreign earnings. Oil reserves, however, are expected to continue decreasing in the coming years and Syria has already become a net oil importer. A current account deficit of 2.4 percent of GDP is projected for 2010.

Over the medium term, Syria faces the dual challenges of: (i) keeping strong growth and developing non-oil sectors to cope with still important demographic pressures and with the decline in oil production and, (ii) maintaining fiscal sustainability.

To sustain growth, Syria will need to further develop the non-oil sector and diversify its economy, away from the oil sector, improve private sector development, and exports. Much has been done, including the opening of banking and finance to private investors, the unification of the exchange rate and the removal of many barriers to trade. However, further structural reforms are needed, to help sustain export diversification and institutional reform. More precisely, developing the business environment needed for the development of a diversified, competitive and export oriented private sector remains crucial in face of the negative impact of the decline in oil exports on external and fiscal accounts. In addition, Syria will need to increase its productivity by raising the skills of its labor force and improving its overall technological base.

To maintain fiscal sustainability, Syria needs to continue on the path of fiscal consolidation. The current budget still relies on oil revenues, and, in the recent years, increases in oil prices have led to increases in public spending. The depletion of oil reserves renders the sustainability of the current fiscal policy difficult. In recent years, Syria has started to strengthen its fiscal policy stance through conservative budgeting and by reducing the fuel subsidies and broadening the tax base for the consumption tax. Fiscal consolidation towards an adjustment of non-oil budget deficit requires a continuation of this reform process.

Other challenges include an education system which is not fully prepared to provide quality education and economically relevant skills to the young labor force. Syrian workers appear uncompetitive by regional standards. Major upgrading of the quality of the human resource base is required to take up the challenges of opening up the economy. This includes upgrading the quality of education in schools, professors at universities, vocational training systems, and civil servants to manage the transition.

Like many Middle East and North Africa countries, Syria faces major challenges in terms of environmental and natural resources sustainability. Most water basins are under stress and water deficits are expected to worsen, due to large and unsustainable water usage in agriculture, and expected rapid increase in urban water demand. Climate change is resulting in a decrease in agriculture production and is adversely affecting the food security target of the Government.”

Political upheaval starting in 2011 means that Syria’s economic outlook has suffered significantly since the World Bank’s 2010 assessment. It is difficult to measure the impact of lost tourism revenue and the potentially long-term disruption of trade between Syria and its leading economic partners. As was discussed earlier, the latest round of US unilateral sanctions will make it that much more difficult for the Syrian regime to counter-balance growing internal and regional pressures. No matter the outcomes of recent protests, it is also likely that the influence of countries that can continue to interact with Syria – such as Iran and perhaps Russia and China – are liable to increase in the short term as Damascus works desperately to counter-balance growing international pressure.

There is little that Iran can do to significantly dampen the economic impact of protests beyond infusing the Syrian economy with foreign currency in exchange for oil sales. This is in part due to the continued fall in energy prices and the general decrease of foreign currency reserves in support of Iranian regional initiatives. Meanwhile, while the US could potentially play a stabilizing role in the Syrian economy, it is difficult to extrapolate a clear and present scenario that allows Washington to take decisive action before the Syrian economy is further undermined.

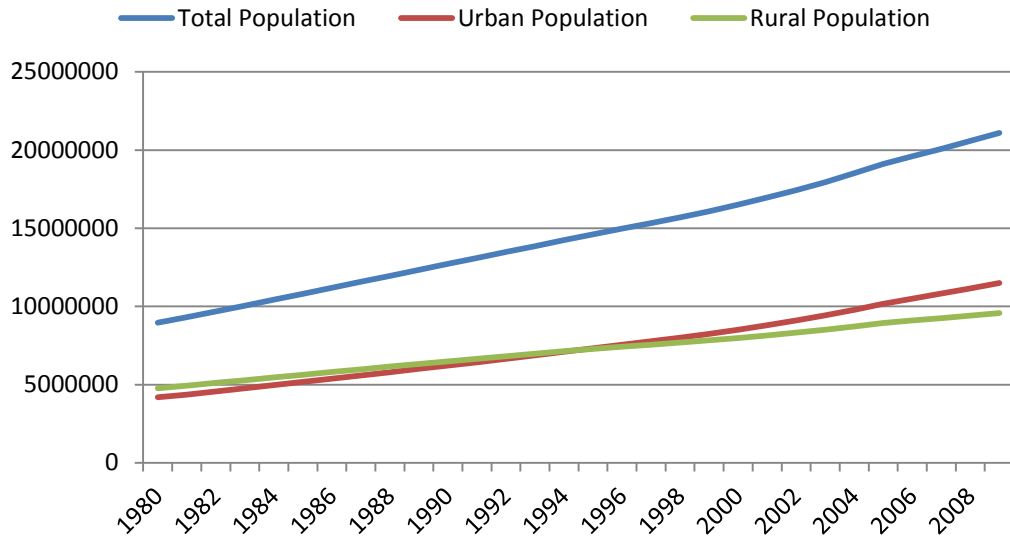
Arguably, the US is waiting to see how the country's merchant and business community in Aleppo and Damascus will react to the increasing isolation of Syria from the broader global economy. Even in a scenario where the merchant class put their weight against the Asad regime, there is still no clear end state either on where Syria is going, or which players can and will be at the helm.



**Figure VIII.17: Syrian Total, Urban & Rural Population, 1980-2009**

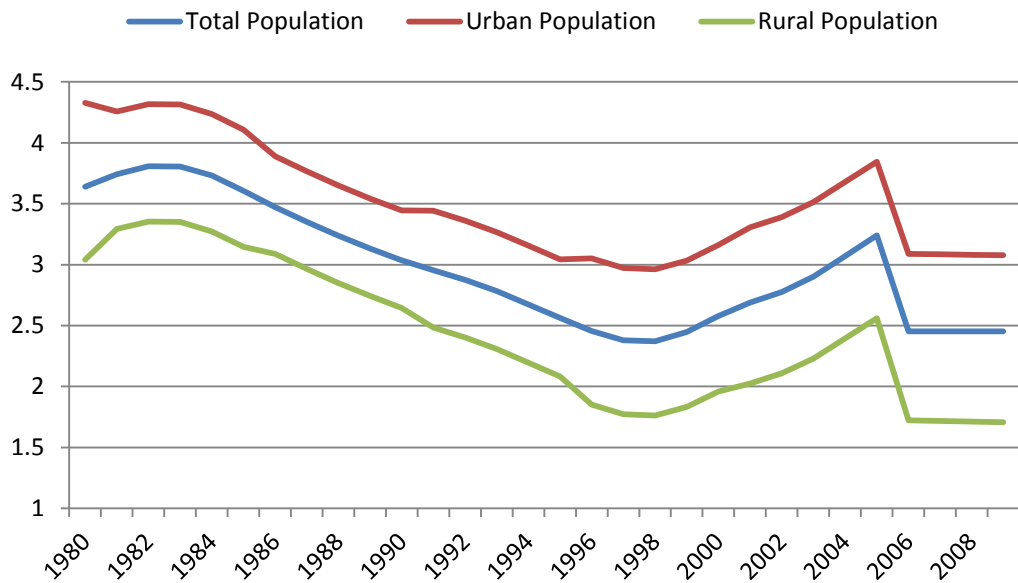
**Syrian Population**

(Actual)



**Syrian Population**

(Percentage Growth)

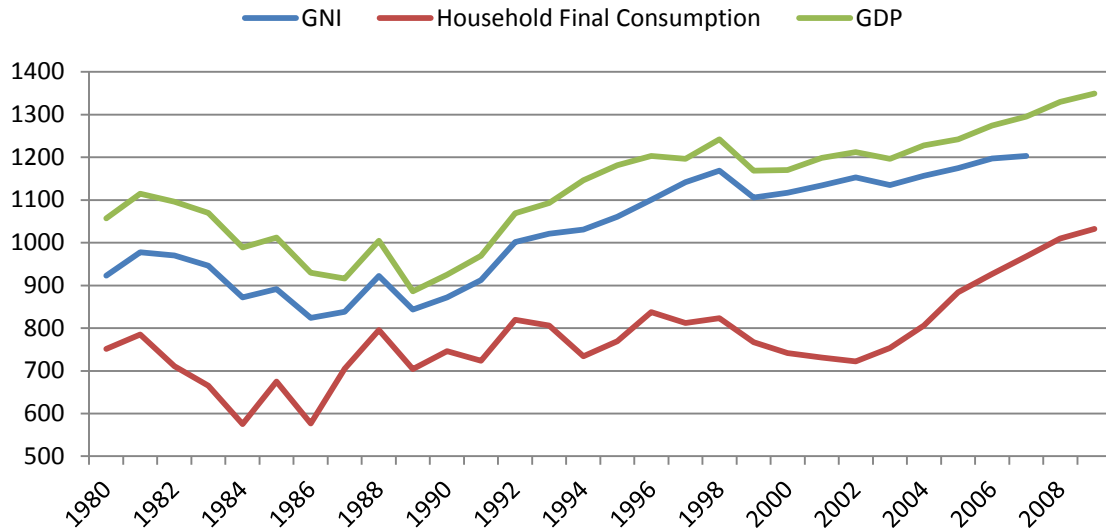


Source: Adapted by Aram Nerguizian from World Bank data.

**Figure VIII. 18: Syrian Economic Productivity and Regional Trends**

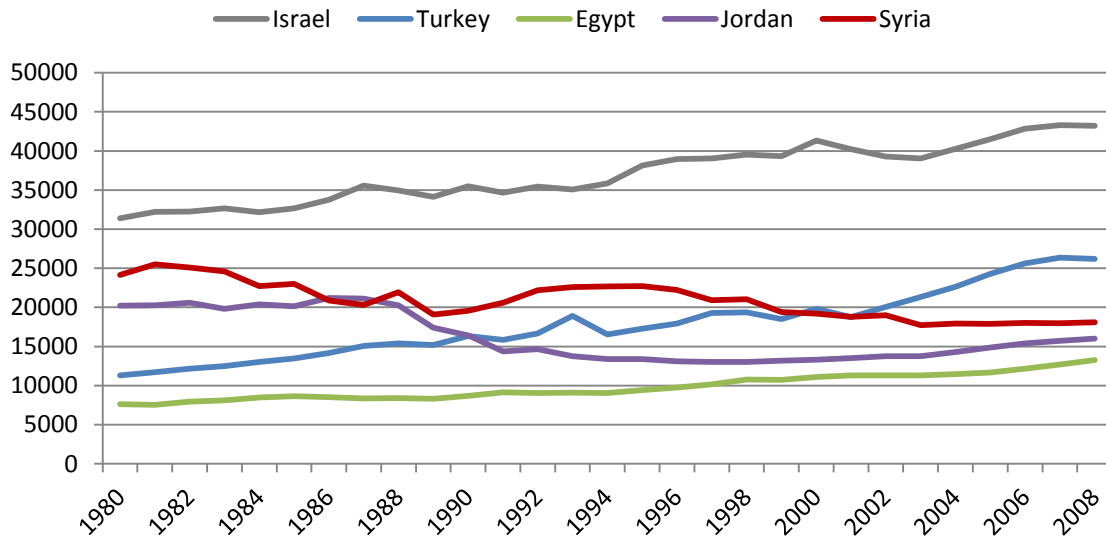
**Syrian per Capita GDP, GNI & Household Consumption 1980-2009**

(Constant 2000 US Dollars)



**Regional GDP per Person Employed 1980-2008**

(Constant 1999 PPP Dollars)



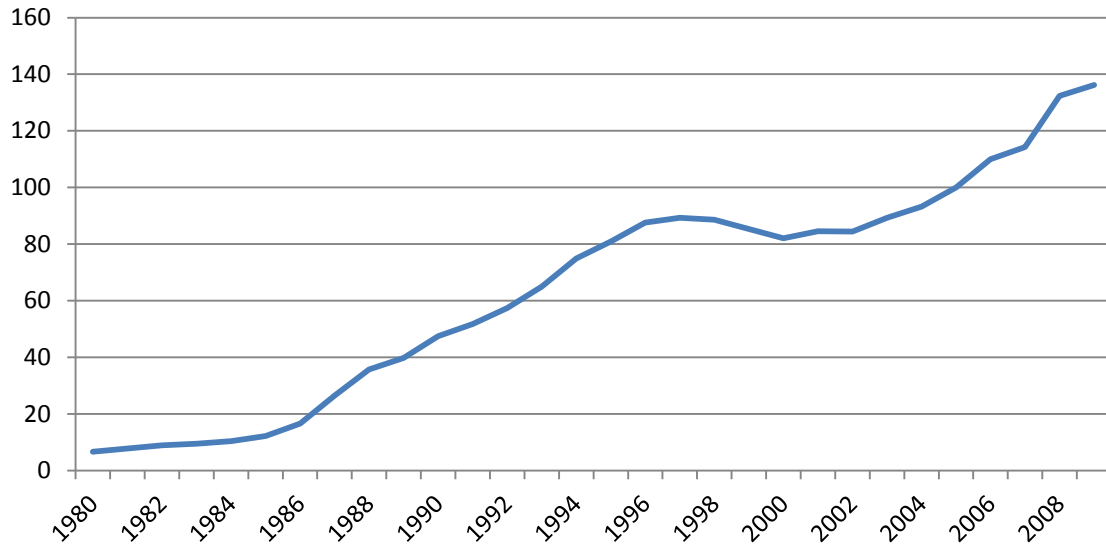
Note: “GDP” is gross domestic product. “GNI” is gross national income. “PPP” is purchasing power parity. Household consumption refers to final consumption is calculated using private consumption in constant 2000 prices and World Bank population estimates. Household final consumption expenditure is the market value of all goods and services, including durable products It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. No per person GDP World Bank data is currently available for Lebanon.

Source: Adapted by Aram Nerguizian from World Bank data.

**Figure VIII.19: Syrian Consumer Price and Migration Data**

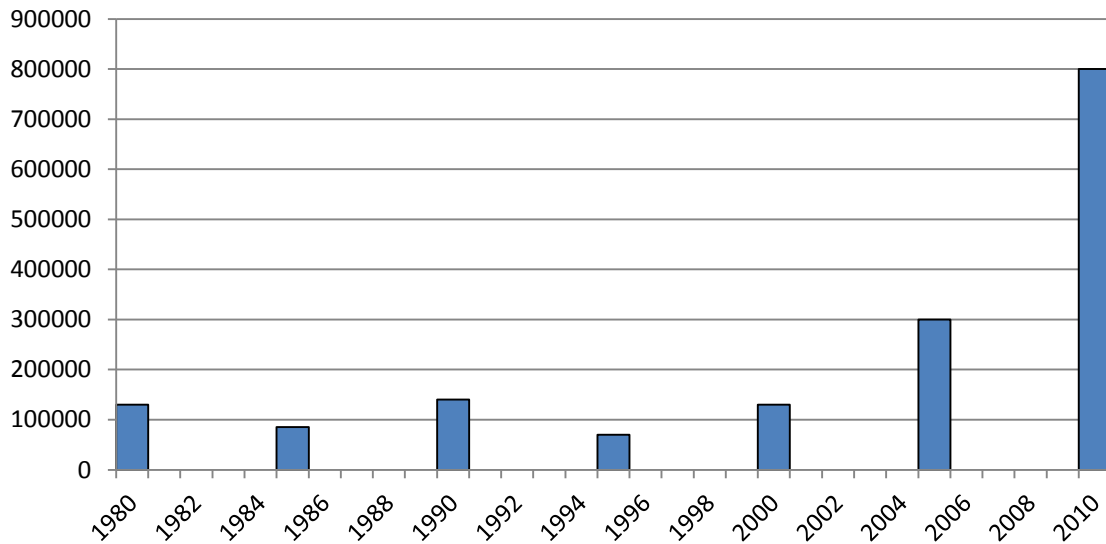
**Syrian CPI 1980-2009**

(Base of 100 for 2005)



**Syrian Migration 1980-2010**

(Actual)



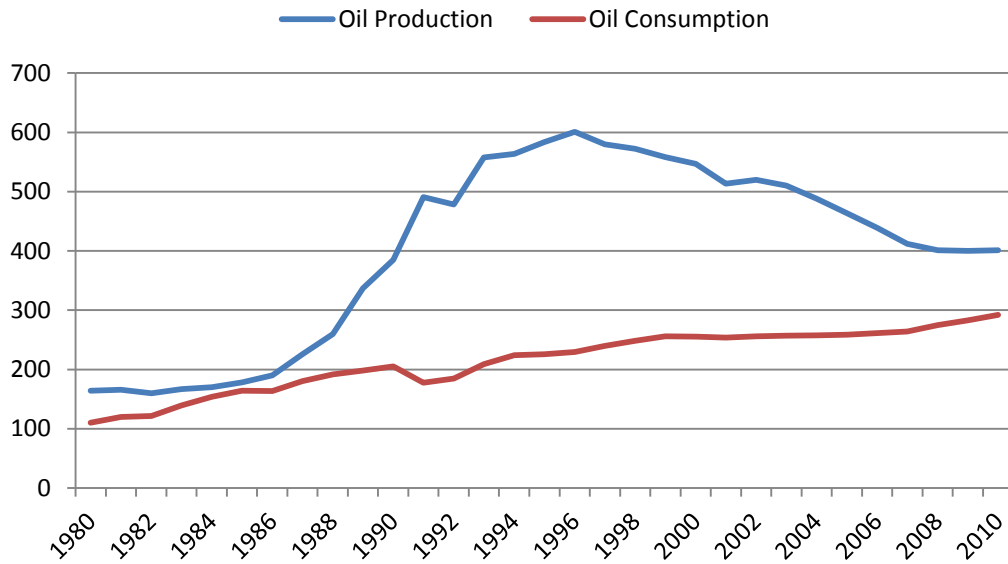
Note: "CPI" is consumer price index. Migration data are estimates and show updates at five year intervals. Actual levels might vary and could be higher.

Source: Adapted by Aram Nerguizian from World Bank data.

**Figure VIII.20: Patterns of Syrian Oil Production, Consumption & Exports**

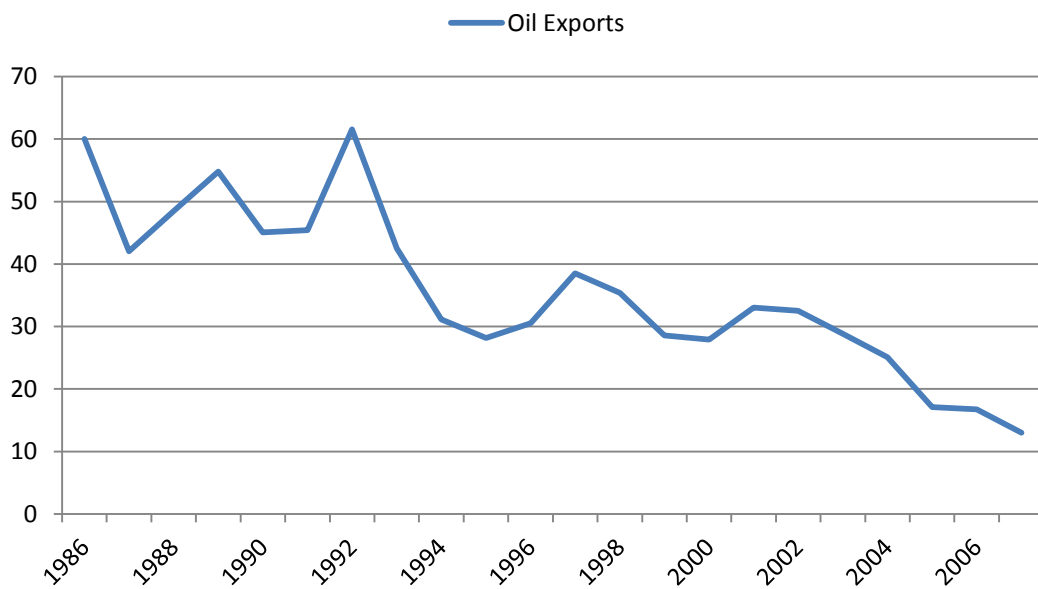
**Syria Oil Production & Consumption, 1980-2010**

(Thousand barrels per day)



**Syrian Oil Exports, 1986-2007**

(Thousand barrels per day)



Source: Adapted by Aram Nerguizian from Energy Information Administration data.

### ***US Policy Towards Syria & Iran's Response***

While the current turmoil in Syria has led to major changes in US policy that affect US competition with Iran, it is still useful to consider the evolution of US policy over the past three decades.

#### **Shaping Past Policy**

US policy towards Syria during the Reagan Administration was defined largely by Cold War realism: the risk of uncontrolled conflict in the Levant during the 1980s as a source of growing instability and a precursor for increasingly complicated Soviet and US involvement in regional affairs.<sup>114</sup> While Syria had been on the US State Department list of state-sponsors of terrorism since 1979, the Administration could not afford to ignore Syria. This was even in spite of the increasing frequency of Syrian-terrorist attacks against US interests in the region. The country was considered too geopolitically too important and US engagement with the Al-Asad regime only deepened.<sup>115</sup>

Even in a post-Cold War context, US policy under the George H. Bush and the Clinton Administrations followed a similar approach toward Syria. For the George H. Bush Administration, this was due to the view that Syria was critical to maintaining the regional balance of power and the need to include Syria in any US-Arab coalition against Saddam Hussein's Iraq in 1991.<sup>116</sup>

During the Clinton years, the pursuit of Arab-Israeli peace predicated engagement with Syria in order to achieve a lasting regional settlement. While many doubts rightfully remained as to whether Syria would play a positive role in the negotiations, the Clinton Administration, not unlike its predecessors, thought to overlook Syria's illicit behavior and authoritarian politics in an effort to satisfy US national interests.<sup>117</sup>

The George W. Bush Administration changed this approach. The neoconservative ideals that defined the Administration's approach to Syria called for "evil regimes" to be opposed through isolation rather than engagement with regime change as the ultimate goal for Syria.<sup>118</sup> Towards the end of the Bush presidency, however, signs of a return to more traditional approaches to Syria resurfaced. They were driven by concerns that regime change as a policy goal was a dangerous departure for the Bush Administration's "freedom agenda" and that greater engagement with Syria was needed; Israel also stressed its concerns that regime change towards an unknown end state where the Muslim Brotherhood may come to dominate Syria was far too unpalatable.<sup>119</sup>

The George W. Bush Administration's approach did push Syria toward Iran and helped galvanize Syrian opposition to US interests in Iraq and Lebanon.<sup>120</sup> Syria sought to strengthen its relationships with Iran, as well as Turkey and the EU. It adopted policies predicated on "classical balancing, asymmetric balancing and balking" to counter US threats.<sup>121</sup> While the neoconservative approach was effective at temporarily isolating Syria, neoconservative adherents concede that it led to few tangible geopolitical gains for the US in terms of changing Syria's behavior or policies.<sup>122</sup>

#### **The Obama Approach**

The Obama Administration initially took a different approach, including the sending of envoys from the White House, the State Department and visits by senior lawmakers to

Syria in 2009 signaled a return to a more realist and pragmatic approach to Syria.<sup>123</sup> This was later followed in early 2011 by the appointment of Robert Ford as Ambassador to Syria – a post that had been vacant since 2005.<sup>124</sup>

The US did react cautiously. That the first set of new sanctions came some three months after protests began were indicative of how challenging it was from a policy standpoint to respond to popular protests in Syria. However, regional and European partners have taken their own steps to apply pressure on Syria. EU oil sanctions against Syria are especially critical as imports from Germany, Italy, France, the Netherlands, Austria and Spain accounted for 95% of Syrian oil exports in 2010.<sup>125</sup>

By the spring of 2011, however, the rise of mass protests and unrest in Syria led the US to take a different path. On balance, the Obama Administration has balanced denouncing the al-Asad regime's brutal crackdown with the need to shape and consolidate an international consensus on the next steps towards the Syrian government.<sup>126</sup> On August 17, 2011, the US and several major allies, including the United Kingdom, France Germany, called for President Bashar Al-Asad to step aside.<sup>127</sup>

US pressure in terms of rhetoric, sanctions and coordination with Western and Arab allies has continued to increase steadily through early 2012. Below is a list of steps taken by the Obama Administration in reaction of the popular upheaval in Syria, including measures against Iranian individuals and organizations for their roles in supporting the crackdown as well as wavers designed to allow limited transactions between the US and Syria:

- April 29, 2011 – President Obama issues Executive Order (EO) 13572, blocking the property and interests of five high-ranking Syrian officials and organizations. These include President Asad's brother Maher Al-Asad; Ali Mamluk, Director of the Syrian General Intelligence Directorate (GID); Atif Najib, the former head of the Syrian Political Security Directorate for Dar'a province; the General Intelligence Directorate; Iran's Islamic Revolutionary Guard Corps – Quds Force.<sup>128</sup>
- May 18, 2011 – President Obama issues EO 13573, which sanctioned President Bashar Al-Asad along with six other high-ranking Syrian officials, including: Vice-President Farouk al Shara; Prime Minister Adel Safar; Minister of the Interior Mohammad Ibrahim al Shaar; Minister of Defense Ali Habib Mahmoud; head of Syrian military intelligence, Abdul Fatah Qudsiya; Director of Political Security Directorate Mohammed Dib Zaitoun.<sup>129</sup>
- June 29, 2011 – The US Treasury Department added Syrian Head of Air Force Intelligence Jamil Hassan, and the Syrian Political Security Directorate (PSD) to the Office of Foreign Assets Control's (OFAC) specially designated nationals list (SDN), blocking their assets and prohibiting US persons from dealing with them.<sup>130</sup>
- August 4, 2011 – The US Treasury Department added Muhammad Hamsho and his company to the Office of Foreign Assets Control's (OFAC) specially designated nationals list (SDN), blocking their assets and prohibiting US persons from dealing with them.<sup>131</sup>
- August 10, 2011 – The US Treasury Department added the Commercial Bank of Syria, its Lebanon-based subsidiary Syrian Lebanese Commercial Bank and the country main mobile phone operator Syriatel to the Office of Foreign Assets Control's (OFAC) specially designated nationals list (SDN), blocking their assets and prohibiting US persons from dealing with them.<sup>132</sup>
- August 18, 2011 – President Obama issued EO 13582 directing the US Treasury Department to freeze Syrian assets in the US and banning the import of petroleum products produced in Syria. EO 13582 also prohibits people in the US from operating or investing in Syria.<sup>133</sup> The US Treasury Department also added Syria's General Petroleum Corporation, Syrian Company for Oil

Transport, the Syrian Gas Company, Syrian Petroleum Company and Sytrol to the Office of Foreign Assets Control's (OFAC) specially designated nationals list (SDN), blocking their assets and prohibiting US persons from dealing with them.<sup>134</sup>

- August 30, 2011 - The US Treasury Department added Syrian Foreign Minister Walid Mouallem, Syrian Ambassador to Lebanon Ali Abdul Karim Ali, and Syrian Advisor Bouthaina Shaaban to the Office of Foreign Assets Control's (OFAC) specially designated nationals list (SDN), blocking their assets and prohibiting US persons from dealing with them.<sup>135</sup>
- September 9, 2011 – The US Treasury Department's OFAC issued four general licenses to Syria to authorize “wind down” transactions, select official activities related to international organizations and incidental transactions related to US persons residing in Syria.<sup>136</sup>
- September 27, 2011 – The US Treasury Department's OFAC issued a general license to authorize third-country diplomats and consular funding transfers and to permit certain services to support nongovernment organizations operating in Syria.<sup>137</sup>
- October 3, 2011 - The US Treasury Department's OFAC issued two general licenses to authorize payments linked to over-flights and emergency landing and transactions with regards to telecommunications in Syria.<sup>138</sup>

### **Trying to Shape an Uncertain Future**

While it is tempting to draw conclusions about the Obama Administration's approach to popular unrest in Syria, the challenges and regional reverberations associated with deepening instability from *within* Syria have been a source of great division in Washington policy circles as well as within the US government.

Calls for the US to either intervene militarily or to provide military aid in support of Syrian opposition groups have escalated steadily in late 2011 with Libya often invoked as the template for a response to events in Syria. Moral and humanitarian grounds for shaping a US policy response are often cited. However, whether or not the US is willing to deepen its involvement in Syria and engage in protracted proxy warfare with Iran is the true geopolitical question.

US experiences in Iraq from 2003 to the present and Lebanon in 1982-1984 may be more useful than comparing Syria to Libya. Both countries, like Syria, have sectarian and other internal divisions and are close to the epicenters of regional Arab-Israeli and inter-Arab politics. Both countries also served as regional arenas for competition between the US and its regional allies on the one hand and Iran on the other. Like Iraq, instability and change in Syria will have significant consequences not only for US-Iranian competition, but also on the regional balance of power in the Levant and the stability of states like Iraq, Israel, Jordan, Lebanon and Turkey.

The US department of Defense has been especially cautious with regards to events in Syria with indications that at least parts of DoD were uneasy with official US calls for Asad's ouster given signs the Asad regime continued to enjoy the support of key minority groups, a resilient and loyal security apparatus and acquiescence from the country's Sunni business community and Ba'th Party membership.<sup>139</sup>

US military planners are deeply concerned about the sheer scale of Syria's military forces, the lack of unity and military capability in the opposition, its uncertain ideology and the risk of religious extremist and sectarian conflict. They are worried that what

might start as a limited humanitarian intervention could become a major conflict with significant casualties and collateral damage, as well as trigger civil conflict along sectarian lines. Both US military and State Department planners are deeply concerned about inserting secular US forces into an Arab internal conflict in an area where US ties to Israel are far more important than was the case in Libya, doing so without Arab nations being in the lead, and doing so without the support of the UN and NATO. They fear that unless the US followed an Arab lead, US action could be portrayed as supporting Israel and used to discredit the Syrian opposition – particularly the more moderate and secular elements.

In early 2012, there is still no tangible consensus in the US on what should be the official response after a year of unrest and thousands of Syrian civilian casualties. Congressional testimony on March 7, 2012 by Secretary of Defense Leon Panetta and Chairman of the Joint Chiefs of Staff General Martin Dempsey on the risks of intervening in Syria seem to indicate that, at least for now, the US hopes to avoid getting embroiled in yet another unstable and divided Middle Eastern state in the throes of what could be a decade of socio-economic and political unrest.<sup>140</sup>

What is also certain, however, is that Iran will continue to shore up the Asad regime, its sole regional ally other than Hezbollah in Lebanon and Hamas in Gaza. It is also likely that the longer Syria lingers in a state of decay and political uncertainty, the more likely it will be that the country will emerge as the latest regional arena for proxy competition. The US would then face increasing difficulty in both staying out of and competing with Iran in Syria.

### *The Military Dimension*

The US is not – and currently cannot – use arms sales and military aid to Syria to compete with Iran. This could only occur if Asad fell and a suitably favorable new regime emerged in Syria. **Figure VIII.21** shows Syrian arms agreements over the 1995 to 2010 period. These are contrasted to consistently higher delivery patterns in Israel. As was discussed earlier, Israel's security is a key interest for the US in the Levant, as are maintaining Israel's military edge vis-à-vis Syria and its regional allies.

Given their antagonistic relationship the US does not maintain military to military or defense aid ties with Syria. While Iran does not generally play a major role in Syria's efforts to recapitalize its forces, it was reported by *Jane's* in 2009 that Iran was partially financing Syria's acquisition of 50 96k6 Pantsir S1 self-propelled short range gun/surface-to-air missile air defense systems. It was also reported that Iran would acquire 10 of the 50 systems. The deal, which was reached in 2007, was worth some \$730 million and deliveries were reported to be underway in 2009.<sup>141</sup>

Iranian support for Syrian arms acquisition is not implausible. Iran has a vested interest in ensuring that its core regional ally has at least some modern systems to offset the substantial qualitative edge of the IDF and to ensure that the bulk of the burden of confronting or defending against Israel is not solely on the shoulders of Hezbollah. Syria for its part benefits from its alliance with Iran as a means of allocating external resources to bolster its balancing approach in the region.



Syria's relations with Russia, however, have been the key to Syrian progress. Syria, used to rely on substantial levels of Soviet assistance during the Cold War, but saw arms deliveries decrease from \$2.6 billion in 1987 to \$52 million in 1994 as a result of the collapse of the Soviet Union. By 2005 Syria also owed some \$13.4 billion in debt to the Russian Federation, compounding efforts to continue force recapitalization.

Syria responded by attempting to cement its relationship with Iran while continuing efforts to obtain Russian assistance at or near Cold War levels. In 2005, Russia agreed to write off 73% of Syria's debt, opening the prospect of renewed arms sales. Russia has been keen to reassert its influence in the region, committing to provide Syria with some \$300 million in aid over a three year period starting in 2008.

Iran has also been reported to have financed part of a \$730 million deal for Syria to purchase 50 Russian Pantsyr-S1E mobile short-range air defense systems. While the capability of this system is uncertain, unclassified sources report that it is a short to medium range ground based air defense system, with automatic anti-aircraft guns and surface-to-air-missiles which have radar or optical target-tracking and radio-command guidance. It is used to provide protection for civil and military point and area targets, for motorized or mechanized troops up to regimental size and as part of a layered air defense systems providing close in defense for longer range systems like the S-300PMU-2/ SA-10 "Grumble" or the S-400/SA-21 "Growler."<sup>142</sup>

The Pantsyr-S1E is claimed to be able to hit targets with at least a radar cross-section of 2 cm<sup>2</sup> to 3 cm<sup>2</sup> and with speeds up to a maximum of 1300 meters/second within a maximum range of 20,000 meters and heights up to 15,000 meters. The system is claimed to be able to defend against stealth aircraft, cruise missiles, and precision guided weapons, but some of these claims seem more hype than real.

It is increasingly unclear whether or not Moscow will emerge as a reliable source of funds, equipment and training for a politically unstable and cash-strapped Damascus. Russia has yet to disrupt the regional balance by providing either Syria or its ally Iran with the sophisticated long range SAM systems, such as the S-300PMU-2/ SA-10 "Grumble" or the S-400/SA-21 "Growler" that would make a major difference in the air balance, and seriously erode Israel's "edge" and US capability to intervene.

Given the fact that the bulk of agreements with Russia were made in 2007, it remains to be seen whether Syria has found a reliable arms supplier in the longer term. Even with renewed Russian support, it is doubtful that external support for Syrian expenditures will reach pre-1992-levels.

A year of unrest in Syria has prompted much debate and discussion of a military option to end the Asad regime's security crackdown against an increasingly militarized protest movement. At the international level, Russia has signaled that intervention in Syria is a foreign policy red line. There are multiple reports that Russia has provided Syria with its sophisticated and lethal long range "Bastion" coastal defense system which is based on the SS-N-26 "Yakhont" supersonic anti-ship cruise missile (ASCM).

Multiple sources report that Russia delivered unspecified numbers of "Yakhont" ASCMs to Syria in December 2011 to fulfill the \$300 million deal.<sup>143</sup> The "Yakhont" is capable of reaching a maximum speed of Mach 2-2.5, and can deliver a 200 kg warhead out to a

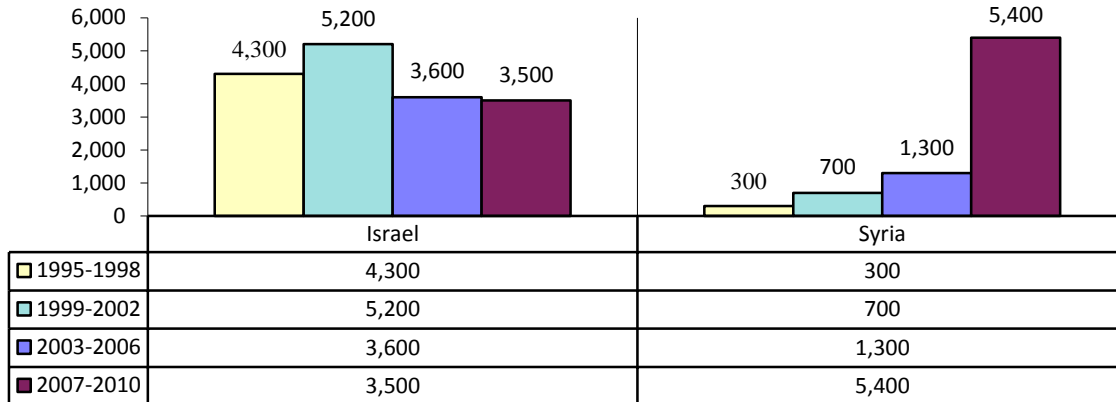
range of 300 km with a “hi-lo” high altitude trajectory and a range of 120 km on a “lo-lo” sea-skimming trajectory. Unlike most other ASMs, the “Yakhont” relies on passive homing for the majority of its flightpath and only resorts to active tracking in the final stages of flight. Coupled with its speed and low altitude approach, the “Yakhont” significantly reduces warning time, thereby increasing the vulnerability of ships offshore to attack.<sup>144</sup>

Delivery of the “Bastion” serves to bolster deterrence against deeper intervention in Syria and to signal Russia’s support for its regional ally. This is a significant statement from Moscow with ramifications for the regional military balance. Should Russia decide to provide Syria with much-delayed major SAM systems, such as the S-300 or the S-400, this would constitute yet another signal that further intervention in Syria is a red line.

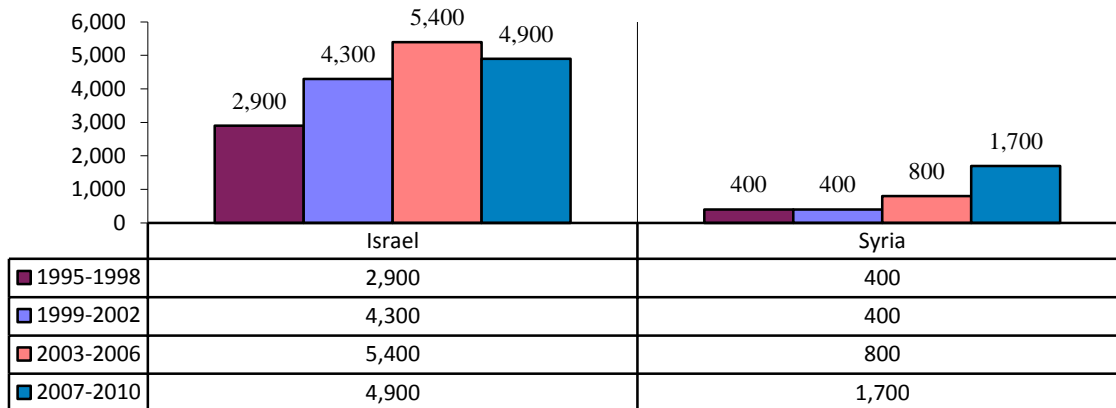
**Figure VIII.21: Syrian-Israeli Arms Agreements and Deliveries: 1995-2010**

(\$U.S. Current Millions)

**New Agreements: 1995-2010:**



**New Deliveries: 1995-2010:**



Source: Richard F. Grimmett, *Conventional Arms Transfers to the Developing Nations*, Congressional Research Service, various editions.

### ***Implications of Syrian Protests & Instability for the US & Iran***

The political upheaval and a nascent insurgency in Syria is having a critical impact on US and Iranian competition in the Levant. Syria has not experienced organized mass unrest on a national scale since Hafez Al-Asad crushed protests in the early 1980s, which were driven by a coalition principally backed by the banned Muslim Brotherhood and elements of the old merchant elite. The government of Bashar Al-Asad, having lost much international support and legitimacy, is likely to be buffeted by international and internal pressures with no clear indicators as to how long or how deep instability will go, let alone what a post-Asad structure could look like.

For the US, the latest round of protests in Syria and the potential for an end to Ba'th rule may hold the promise of achieving the core foreign policy outcomes that all of the competing schools of US policy towards Syria aspire to achieve: breaking the three decade-old Iranian-Syrian axis and denying Tehran the means to project power and influence in the Levant. However, protests and instability with no clear end-state in Syria do little to satisfy US efforts to safeguard Israel's security and regional stability.

Given the increasingly sectarian nature of the confrontation between the regime, supported by the country's ruling Alawite community and other minority groups, and the mainly Sunni protesters and political organizations, it is critical that the spillover effects of Syrian instability be contained. So far, it remains unclear as to whether the Obama Administration has a policy that can support the protests, identify future centers of power (new or otherwise), and chart a course that does not further undermine an already shaky regional order.

For Iran, the risks of Syrian instability include at least a partial loss of its ability to influence the Arab-Israeli conflict, militant Palestinians and its Shi'a allies in Lebanon, chief among them Hezbollah. As with the Muslim Brotherhood-led uprising of the early 1980s, Iran is allegedly providing assistance to the regime of Bashar Al-Asad as it tries to suppress the latest rounds of pro-democracy protests. This is reported to include providing crowd suppression equipment, monitoring and blocking protestors' use of the internet, as well as surveillance of cellphones and text messages.<sup>145</sup>

There is only so much Iran can do to influence the course of events in Syria. So far, it has provided political support, military advisors, and evidently arms and some funds. However, as the risk of losing its geopolitical bridge to the Levant increases, Iran may seek to foment instability in the Arabian Peninsula in countries with important Shi'a populations, including Bahrain, Yemen and Saudi Arabia. It is unclear how successful such a strategy would be. Saudi Arabia's recent intervention in Bahrain signaled that instability in the Arabian Peninsula was a regional red line for Riyadh. The Gulf Cooperation Council (GCC)'s recent moves to induct Jordan and Morocco only serve to further entrench the Council's unofficial status as a Sunni monarchies club.

In short, both the US and Iran face an uncertain future in dealing with instability in Syria. The US position that Al-Asad must step down, while significant, may have limited real world impact. Although the lack of US direct levers of influence in Syria is one factor, others include divisions at the regional and international levels above an appropriate response a fractured UN Security Council, fragmented Syrian opposition forces and the

risks of growing radicalization and instability in the internal and regional battles for Syria.

The West, led in part by the US, has been supportive of further international sanctions against the al-Asad regime. However, the so-called “BRICS”<sup>146</sup> countries, led by Russia and China, have been critical of what they perceive to be the possibility of yet another Libya-style international intervention in the Arab world.<sup>147</sup>

The US has stated on background that it is carrying out planning for possible humanitarian military intervention, but as of March 2012, US experts saw no signs of serious divisions in the Syrian military and security forces and a growing willingness to escalate to using more artillery and armor to repress a divided opposition with few Syrian Army defectors and little military capability.

US military planners examined the possibility of using airpower to create secure zones for Syrian civilians and safe transit corridors, but this potentially involves a serious air war and suppression of Syria’s land based air defenses. It required access to land bases since carrier and cruise missile forces might not be sufficient, and Israel could not be used as a base for political reasons. Such a campaign would take weeks to prepare and Arab and/or Turkish bases, and could trigger even more violence from Asad’s forces against Syrian civilians on the ground, as well as even more displacement of Alawites, Sunnis, Christians and Kurds along sectarian and ethnic lines.

This did not mean there was no military option, but no one could safely predict the level of escalation that would result, or the political reaction of the Syrian military and Syrian civilians, or the behavior of the opposition to Asad. It was clear, however, that the situation would be different if the Syrian military forces did divide. Defections from Asad’s security forces did take place, and there were much clearer lines of division between opposition controlled areas and those still loyal to Asad.

The US could not rule out having to intervene if Syria lapsed into a civil war involving far more massive civilian casualties, and the US was reported to have consulted informally with its Arab allies, Turkey, and Israel. It was clear that if the US did have to intervene that it would be better to do so with Arab and Turkish support, and with some group of Arab states taking the political lead.

Meanwhile Iran finds itself in a mainly Sunni Arab Middle East that has fewer and fewer reasons to emulate the Islamic Republic. This is further compounded by the very real risk that Iran might have to adapt to either a post-Asad Syria, or a Syria that will be principally pre-occupied with consolidating a political, social, economic and security landscape scarred by months of violence and instability.

Even with Arab and Turkish support, any US-led intervention would play out less in terms of humanitarian relief and more in terms of US and Gulf Arab efforts to compete with Iran and Syria and to bring stability to a region that is liable to remain unstable for years. Taking stock of the scale of Sunni-Shi’ite regional polarization and the level of acrimony between the Southern Gulf states and Iran is critical to determining the benefits and potential costs of deeper US involvement in the Levant.

## **Competition Over Lebanon**

Lebanon has been the chronic problem child in US foreign policy in the Levant since the Eisenhower Administration. However, given the country's centrality to regional security politics and Iran's support for the Shi'a militant group Hezbollah, the US cannot avoid looking at Lebanon as yet another arena of competition with Iran in the broader Levant.

### ***US Policy Towards Lebanon & Iran's Response***

While Lebanon's warring factions may think that the US and Iran have their core interests at heart, it is important to remember that US-Iranian strategic competition is not driven by the internal politics of regional states. How the US crafts its foreign policy towards Lebanon continues to be informed by a number of age-old constraints. These include domestic political considerations, regional dynamics and international conflict.

In the post-Iraq invasion period, US policy was principally a function of denying US regional opponents, such as Syria and Iran, the means to undermine US strategic interests in the region. As was mentioned throughout this report, these include preserving a regional order that favored broader US interests in the region and second that safeguarded Israel's national security.

Sensing an opportunity to reshape the regional balance of power in the Levant in 2003, the US began to call for Syria's exit from Lebanon. In the wake of the popular upheaval of 2005 following the assassination of former Prime Minister Rafik Hariri, Syria withdrew its forces from Lebanon and the balance of power within the country began to tip in favor of the West and the US. Since 2005, the US has sought to consolidate its gains by trying to ensure that Lebanon in the wake of Syria's exit does not become an arena for proxy competition yet again.

With Syria on the defensive in 2005, Iran began to play a more proactive role in Lebanon. While Iran has always had a vested interest in defending Shi'a interests across the Middle East, there is little indication that Iranian foreign policy-making is that different from the US in terms of a desired end state. Iran's ambitions in Lebanon are simply to secure its regional hegemonic interests and to continue to act on the Arab-Israeli stage as means of shoring up its broader regional position in a mainly Sunni Arab Middle East. Having a role to play in Lebanon also meant that Iran could use the small country as a means of foiling US strategic and political interests in the broader Levant.

This aspect of US-Iranian competition in Lebanon led to the emergence of two cross-confessional political forces with one aligned with the US and the West and the other aligned with Syria and Iran. The US supported so-called the pro-US and pro-Western "March 14 Alliance," a cross-sectarian grouping of Lebanese political actors that included much of the country's Maronite Christian community, most of the country's Sunni representatives and, at one time, the Druze led by Walid Jumblatt. The Alliance did not include any truly representative Shi'a political forces.

Iran supported Lebanon's leading Shi'a political-sectarian forces, which were Hezbollah and Nabih Berri's Amal movement. These, along with a large segment of the country's Maronite community led by former Lebanese Armed Forces (LAF) commander General Michel Aoun and other smaller forces, formed the so-called "March 8 Alliance." In

contrast to March 14, this grouping did not include any truly representative Sunni political forces.

While both the US and Iranian-backed groups were cross-confessional – and included members from all of the country’s leading communities – neither was viewed as truly representative by the other. This in turn impacted the pace and scale of US-Iranian proxy competition in Lebanon: neither group commanded an overwhelming majority in power. Who could win in Lebanon would be determined by a two level game that includes a domestic contest for power backed by the support and resources of external actors championing either alliance.

It is unclear who will win this struggle within Lebanon and in terms of US and Iranian influence. Alliances in Lebanon are ever-changing as sub-national sectarian groups jockey for political position. Meanwhile, it is difficult to predict the impact of continued instability in Syria. It is all too easy to assume that a collapse in the Assad regime will lead to a stable pro-Western Lebanon. It could mean the downgrading of Iran’s ability to influence both Lebanese and Palestinian elements in its contests with the US and Iran.

What is less likely, however, is that it will resolve Lebanon’s fundamental Sunni-Shi’a dividing lines. These have been further aggravated by indictments of Hezbollah members by the UN Special Tribunal for Lebanon (STL) in connection to the assassination of former Prime Minister Rafik Hariri. A post-Asad Syria could see Lebanon’s Sunni community grow far more assertive if not aggressive in its dealings with the country’s leading Shi’a forces. Given the degree of sectarian polarization in Lebanon, this could make the risk of internal conflict that much more significant.

### ***New Patterns in US Military Aid to Lebanon***

It is not easy to draw lessons from the achievements and limitations of the US security assistance and cooperation programs in Lebanon, or to tie it to US competition with Iran – and Syria and the Hezbollah. What is clear is that from a US perspective, military aid to Lebanon was expected to help reduce the country’s footprint in regional instability and its role as a regional confrontation state against Israel. In short, military assistance to Lebanon became the latest addition to US-Iranian proxy warfare in the Levant.

Much of this analysis is based on field research in Lebanon and conversations with US and Lebanese political and military personnel involved in the broader effort to build up the LAF. It is significantly abridged and is not intended to give a more detailed window into the patterns of systems deliveries, qualitative development and other data collected in Lebanon by the author over the past four years. It also does not consider US efforts to build up Lebanese police and internal security units.

As the previous section attempted to articulate, US policy towards Lebanon is a function of far broader US strategic imperatives in the Middle East, including the regional contest with Iran. How the US goes about providing security assistance to its Lebanese allies is also dependent on, and held back by, this overarching top-down approach to security politics in the Levant.

In the wake of Syria’s withdrawal from Lebanon in 2005 and spurned on by the Lebanese Armed Forces’ (LAF) counter-terrorist efforts against the Al-Qaida inspired Fatah El-Islam terrorist group, the US decided to support its allies in Lebanon, principally the

March 14 Alliance, by providing security assistance to build up Lebanon's national military. At the level of the US government, it was hoped that the LAF, which was popular across the country's sectarian divisions, could gradually take on an increasingly important national security role, largely at the expense of Iran's main non-state regional ally Hezbollah. Many in the US Congress supported US efforts to build up the LAF based on the hope that the military could one day confront Hezbollah and serve as a bulwark against Iranian influence along Israel's northern flank.

The patterns involved may be summarized as follows:

- There is a general consensus both within the LAF and among US security assistance personnel familiar with Lebanese civil-military dynamics in post-Ta'if Lebanon that US military aid to Lebanon did not realistically translate into military support for the March 14 Alliance. A great deal of the LAF's popularity does not come from its self-styled narrative as a national institutional above the sectarianism that defines modern Lebanon.
- The LAF's legitimacy and popularity is principally a byproduct first of the LAF's cross-sectarian character, and second its aversion to undermining the interests and core prerogatives of the country's leading sectarian groups and communities – especially the Shi'a, the Sunni and the Maronites.
- It is also clear, however, that many in the US security assistance community were very much aware that such a dynamic was at work. The Lebanese often forget that most alliances to control and shape Lebanon are short-lived. Ultimately, US support for Lebanon through the LAF rather than one or another sectarian faction is a more pragmatic approach to projecting US influence. However, how the current US approach can strengthen weak Lebanese state-society and civil-military dynamics in the future is unclear.
- **Figure VIII.22** shows funding levels allocated towards Lebanese military development, in particular over the 2006 to 2013 period. The US has provided Lebanon with more than \$775 million in FMF, IMET and "Section 1206" counter-terrorism funding over the FY2006 to FY-2011 period.
- **Figure VIII.23** shows a breakdown of how US counter-terrorism funding has been allocated to Lebanon. Funding sources such as the Section 1206 grant authority were crucial in building up the LAF's special operations forces (SOF) quickly in the wake of costly battle with Sunni militants at the Nahr El-Bared refugee camp in 2007. The bulk of US assistance obligated between 2006 and 2010 has focused principally on the most urgent needs of the LAF, which tend to be the basics of mobility, command & control, communication, personnel equipment, light weapons for infantry and other forms of equipment with limited lethality.<sup>148</sup> While all of these systems were urgently needed, their impact on positive perceptions of LAF development in Lebanon remained limited.
- While this aid has been helpful in building up the LAF, six years of significantly increased military aid to Lebanon have so far had limited impact on the balance of force between the LAF and Hezbollah, the US-Iranian contest in the country or in shaping positive local perceptions of the US effort in Lebanon. It is still too soon to extrapolate a long-term future pattern of US assistance, or assess how future aid efforts may affect future US interests and the contest with Iran.
- Lebanon is too internally divided and too prone to complicating the foreign policy priorities of regional and international powers such as the US. The recent collapse of the March 14-led government of Saad Hariri is also a cause for concern, principally due to the fact that from some US congressional standpoints, a government not led by March 14<sup>th</sup> should not be privy to US military or economic support. The US interagency, however, remains largely confident that the US can support and sustain future levels of assistance, and US confidence continues to grow in Prime Minister Najib Mikati's ability to chart a path for Lebanon that does not lead to a major break with the international community. However, whether aid will remain at current levels is up for debate in no small part thanks to proposed congressional cuts in foreign assistance programs.



- **Figure VIII.24** shows the number of LAF troops trained by the US over the 1998 to 2011 period. Despite challenges in shaping how US aid to the LAF could play a role in the contest with Iran, US aid has positively impacted security politics along the UN Blue Line separating Lebanon and Israel.
- **Figure VIII.25** shows the LAF's broader force deployment in early 2012. Prior to US security assistance programs and the expansion of the United Nations Interim Force in Lebanon's (UNIFIL) mandate and force structure, the LAF did not maintain significant forces in South Lebanon or areas controlled by Hezbollah. In 2011 and at least since late 2009, the LAF has deployed some 8 mechanized infantry brigades south of an imaginary "Beirut parallel." This constitutes the bulks of the LAF's conventional heavy units, with a deployment of some 14,000 troops south of the "Beirut Parallel," including 6,000 to 8,000 troops south of the Litani River.
- **Figure VIII.25** also shows the general disposition of LAF forces in UNIFIL's area of responsibility in early 2012. While the LAF's southern deployment is an important milestone in and of itself, US assistance has yet to meaningfully compensate for the fact that LAF units in the south are still little more than an expeditionary force in their own country. The LAF lacks infrastructure in the south with few barracks, training facilities and well-defended command and control posts.
- The experience of UNIFIL over the past three decades is critical and should inform US thinking about future aid patterns: LAF units and positions, like those of UNIFIL, should gradually become increasingly entrenched in the socio-economic tapestry of South Lebanon. Such an effort is unlikely to be rejected by the region's mainly Shi'a population, who – while supportive of Hezbollah – continue to maintain positive views of the LAF and remain keen to see it play a more muscular national defense role.

### *Paradoxes of Building Lebanese Military Capabilities*

While the US-LAF relationship has been characterized as generally positive for both players, a number of obstacles remain on both the US and the Lebanese sides of the security assistance equation, and they have severely limited US ability to compete with Iran and Syria in Lebanon, as well as efforts to strengthen Lebanon's moderates and its democracy.

Some of these problems are the result of US policies and expectations. First, the US continues to feel the need to have the LAF present it with a clearly defined national defense strategy which in turn not only identifies the threats the LAF faces, but also characterizes why certain systems and not others are needed to sustain future Lebanese security needs. Given the polarized nature of Lebanese politics and the general absence of post-Ta'if (let alone post-independence) civil-military coordination, it will be difficult for the LAF to produce such a strategy in the short term.

Second, the US continues to struggle with the reality that it cannot significantly modify Lebanese civil-military dynamics, given the primacy of sectarian politics in the wake of Syria's withdrawal in 2005. US difficulty in accepting Lebanese internal dynamics for what they are, and then failing to extract the outcome most favorable to Washington's interests, is not new to how the US deals with Lebanon. There is something to be said about making the same hopeful choices with little to show for it.

Third, the quality of US assistance will continue to be determined by pre-existing core US interests. Chief among them is the US commitment to maintaining Israel's qualitative edge. What this means in the real-world is that US security assistance professionals understand that the only way they can "stand up" the LAF is by turning it into a force that

the Shi'a can respect and that can dissuade Israel from future military confrontations. They also understand, however, that such an effort would create an untenable policy paradox as far as US regional interests are concerned.

Lastly, the US Congress is playing a growing role. Administration arguments in favor of continued support to the LAF are increasingly falling on deaf ears. This reflects a deepening domestic political polarization in the lead-up to the 2012 presidential elections and the frustration of a congressional body with a country that continues to be a source of difficulty for US policy in the Levant. The fact that aid to Lebanon has done little to shift the balance of forces in favor of the US against Iran in the Levant is another core driver. However, how the US can suspend military aid to Lebanon without handing over the country to Syria and Iran remains unclear.

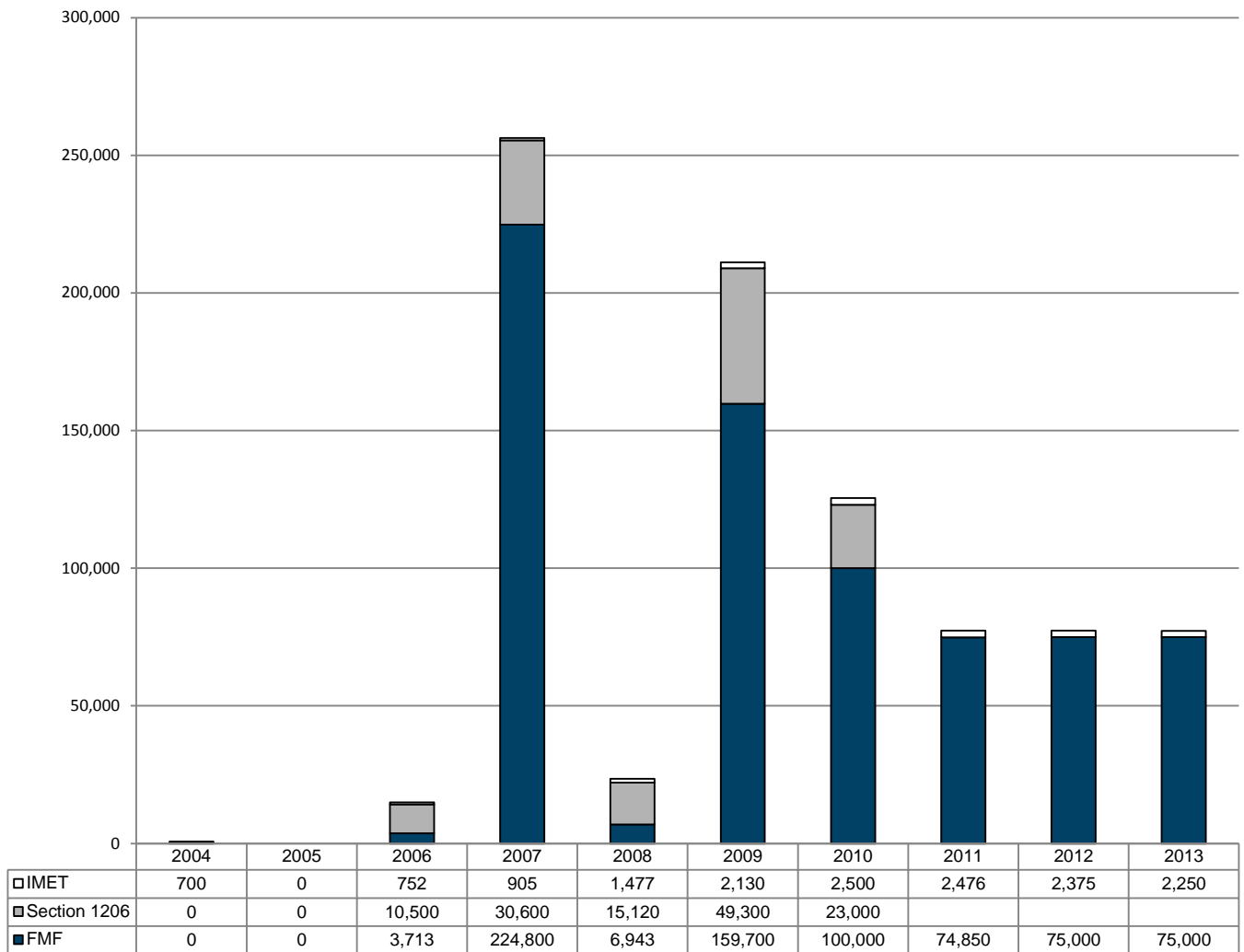
The Lebanese and the LAF also present challenges in maximizing their bilateral military relationship with the US.

- First, there is often a disconnect in how the LAF and the US interpret the military's mission priorities. While the US has often considered demarcating the Lebanese-Syrian border a unilateral Lebanese issue, the LAF has traditionally consider it a Lebanese-Syrian bilateral issue. While keen to be the dominant security actor in Lebanon, the LAF cannot easily meet congressional expectations that it should do more to confront Hezbollah without risking sectarian divisions and all-out civil strife. Instead, the LAF, which considers Hezbollah a legitimate political-sectarian actor in Lebanese politics, focuses more on dealing a decisive blow to Sunni Lebanese and Palestinian militants – a position that is palatable to the country's Shi'a community and many Christians – while it tries to build up its capabilities and insulate itself from sectarian politics. As for the matter of the LAF's national defense role, the US considers only Syria to be a threat to Lebanon. In contrast, the LAF finds that in the absence of meaningful Israeli-Lebanese and Israeli-Syrian peace efforts, the LAF should be ready to address potential security risks from both Israel and Syria.
- Second, the LAF skirts key failures in Lebanon's dysfunctional civil-military effort and choses to focus more on its own frustration with US demands for a clearly articulated national defense strategy. The LAF expected that US security assistance would be far more accommodating of Lebanon's civil-military paralysis and lead to far more coordinated military-to-military mentorship.<sup>149</sup>
- Lastly, the LAF and the Lebanese, while cognizant of the US commitments to Israel's QME and comfort with friendly ruling alliances like the March 14 Alliance, expect the US effort to benefit the country as a whole. In light of a change in the political balance of power in early 2011, this would include working vigorously with the Lebanese government under Prime Minister Mikati to ensure that Lebanon does not become yet another source of regional instability – potentially to the benefit of Iran and its regional allies.
- In the wake of continued instability in Syria, the risk of escalation along the Blue Line has only intensified. In mid-2011, Hezbollah assured the LAF that it would send minders to prevent Palestinian protests commemorating the *Nakba* ("catastrophe") and the *Naksa* ("the setback") from reaching the Blue Line of demarcation between Israel and Lebanon. However, given the absence of Hezbollah minders during the May 2011 *Nakba* protests, LAF troops in South Lebanon were instrumental in containing Palestinian protestors trying to enter Israel, averting a major cross-border incident. Given that some 11 Palestinians were killed during the May 2011 incident, the LAF, supported by UNIFIL, would go on to declare the area along the Blue Line a closed military zone, preventing any *Naksa* protesters from approaching Israel at all. While some in the LAF reported that the move upset Hezbollah, there was little the group could ultimately do, and the military seemed keen to minimize spillover effects that could impact security politics along the

Blue Line.<sup>150</sup> With continued tension in Syria and an Iran hard pressed to reshape regional events in its favor, the LAF may still have an important role to play as a regional stabilizer.

**Figure VIII.22: The Impact of U.S. Military Assistance to Lebanon 2004 to 2013**

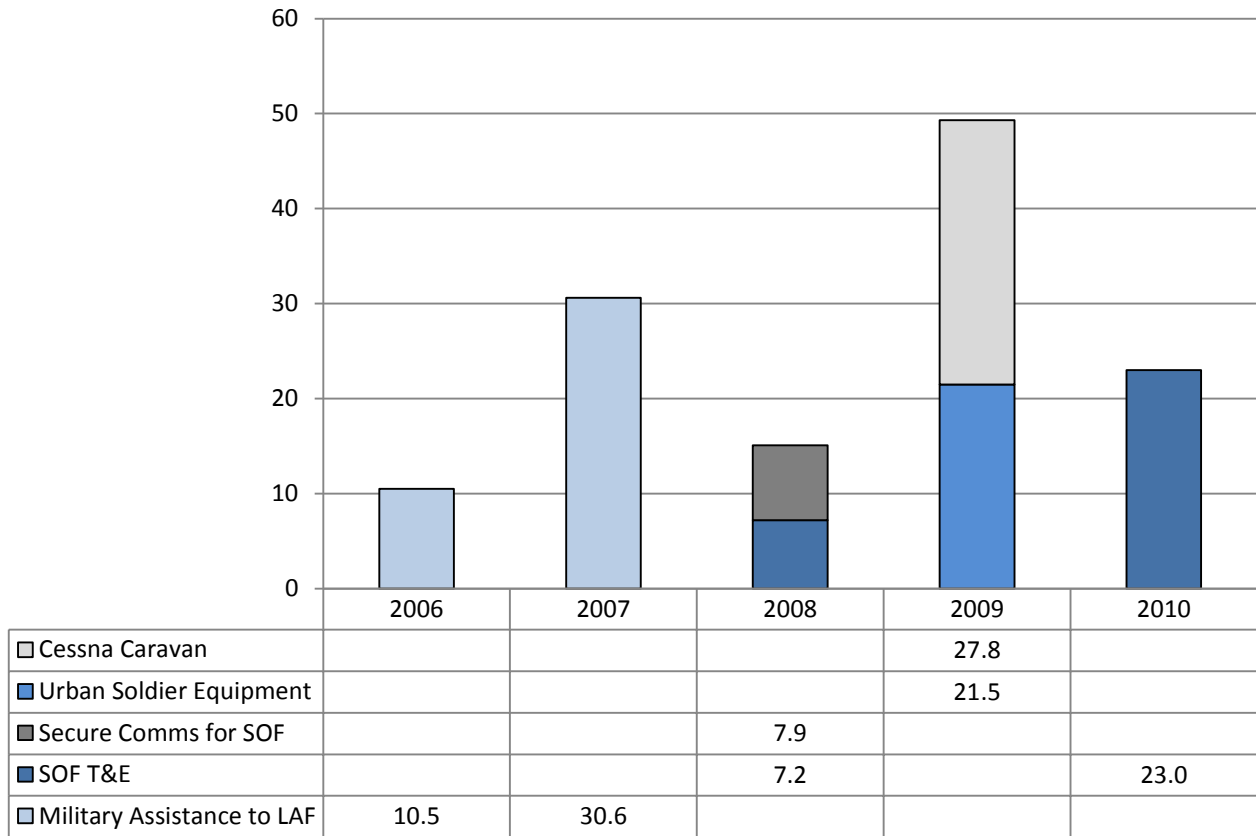
(In thousands of current U.S. Dollars)



Note: 2012 numbers are U.S. Government programmed estimates and 2013 numbers are projected U.S. Government estimates. Both 2012 and 2013 numbers are subject to change.

Source: Adapted by Aram Nerguizian from *Congressional Budget Justification for Foreign Operations*, various fiscal years, the DSCA *Historical Facts Book 2007*, Nina M. Sorafino, “Section 1206 of the National Defense Authorization Act for FY 2006,” *CRS Report for Congress*, RS22855, May 15, 2008 and discussions with U.S. government Experts.

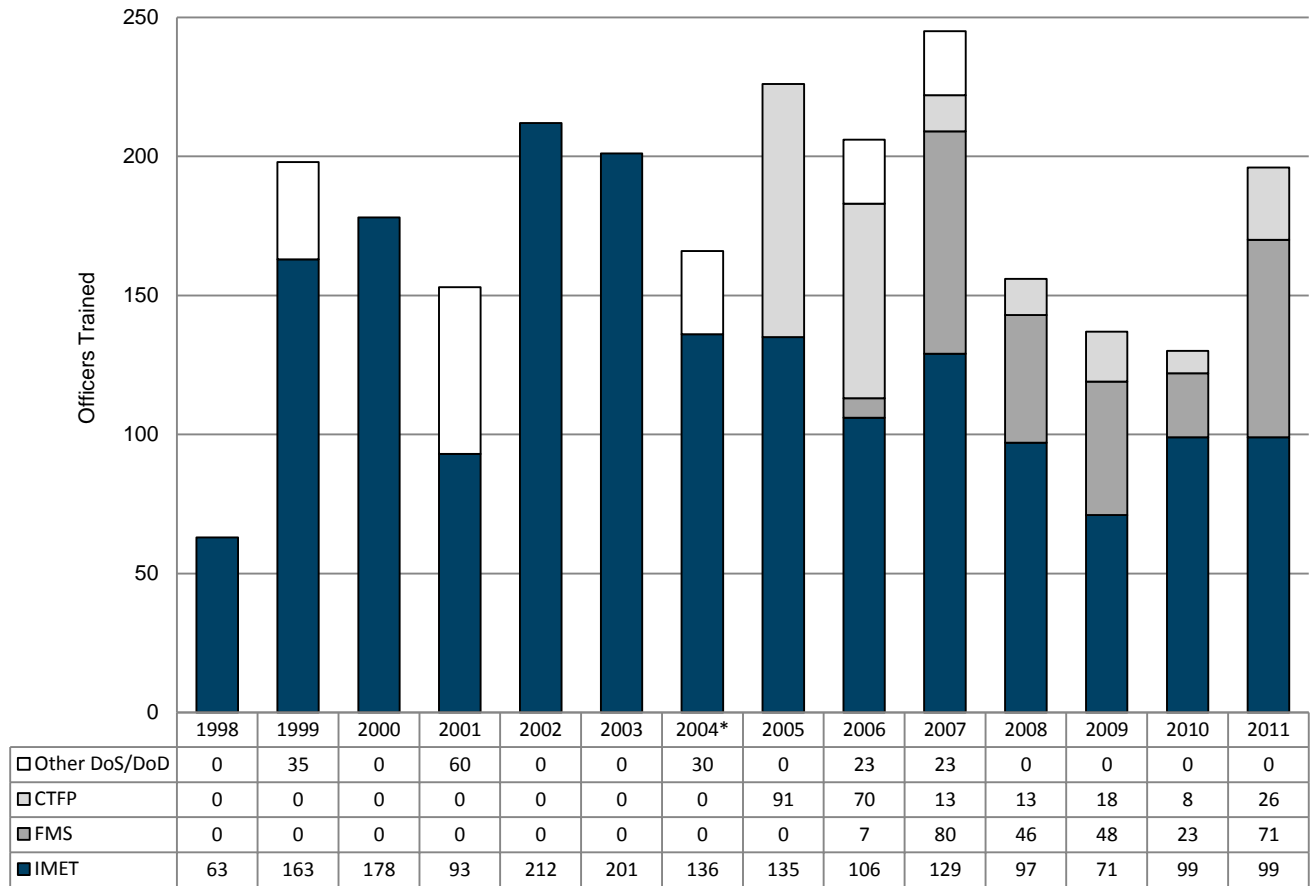
**Figure VIII.23: Breaking Down “Section 1206” Assistance to the LAF 2006-2010**  
 (In millions of current U.S. Dollars)



Note: 2011 numbers are U.S. Government programmed estimates and 2012 numbers are projected U.S. Government estimates. Both 2011 and 2012 numbers are subject to change.

Source: Adapted by Aram Nerguizian from *Congressional Budget Justification for Foreign Operations*, various fiscal years, the *DSCA Historical Facts Book 2007*, Nina M. Sorafino, “Section 1206 of the National Defense Authorization Act for FY 2006,” *CRS Report for Congress*, RS22855, May 15, 2008 and discussions with U.S. government Experts.

**Figure VIII.24: LAF Personnel Receiving U.S. Training 1998-2011**

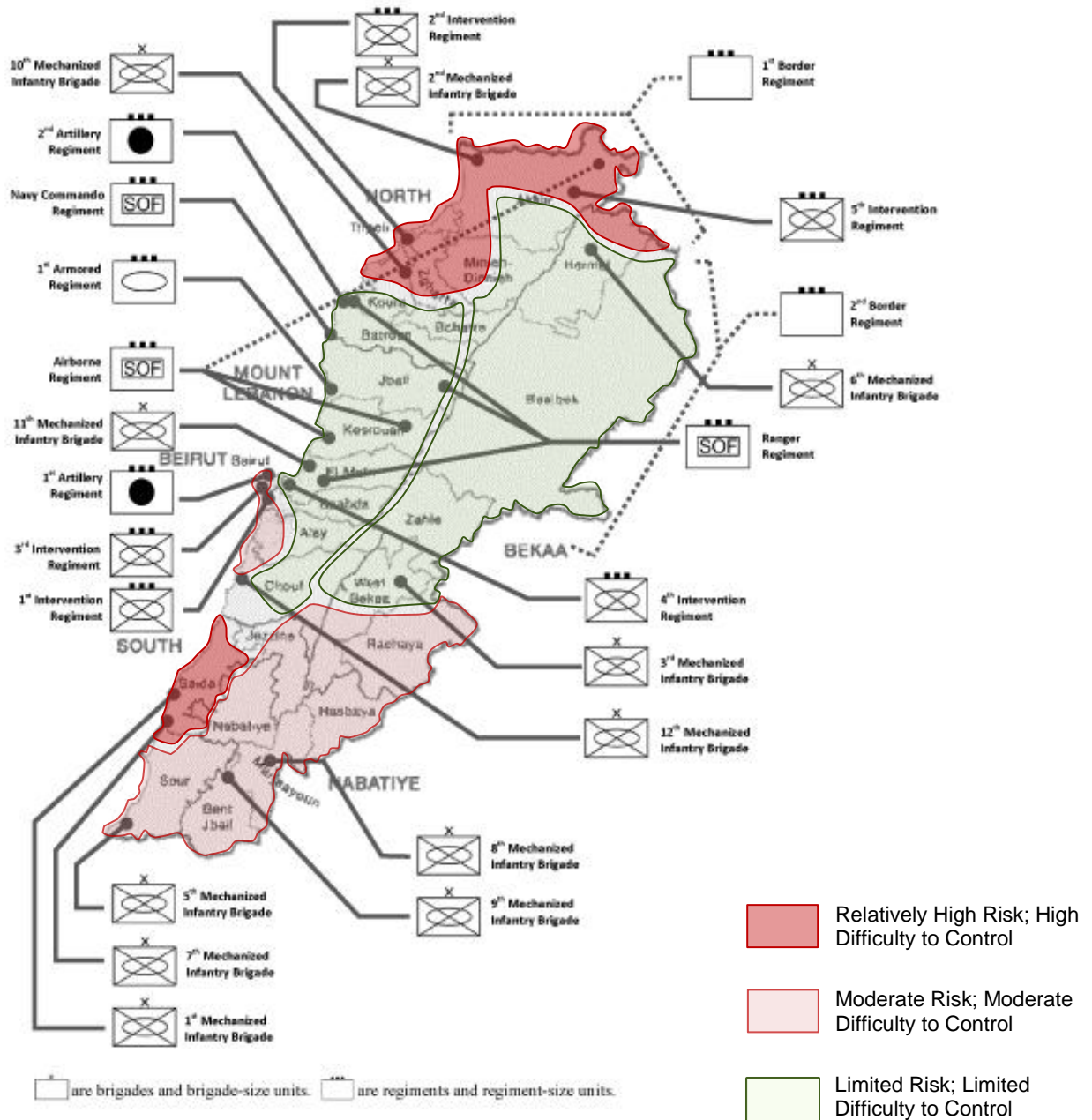


\* FY2004 includes INL maritime law training for 30 members of the Lebanese Navy. 2010 numbers are U.S. Government programmed estimates and 2011 numbers are projected U.S. Government estimates. Both 2010 and 2011 numbers are subject to change.

Note: All activities are listed by the fiscal year (FY) in which the training occurred, not by the FY in which the funding for the training was provided. Data does not include 287 LAF personnel trained in demining under DoD Non-Security Assistance Combatant Command funding for FY2005.

Source: Adapted by Aram Nerguizian from “Foreign Military Training and DOD Engagement Activities of Interest,” various editions, U.S. Department of State, Bureau of Political-Military Affairs and interviews with U.S. Government experts.

**Figure VIII.25: LAF Ground Force Deployment in March 2012**



Source: Adapted by Aram Nerguzian from discussions with Lebanese Armed Forces and U.S. government Experts.

### *Lessons from Iran's Military Support for Hezbollah*

The previous sections in this report have summarized depth and breadth of Hezbollah's importance to Iranian geopolitical aspirations in the Levant. However, the Iranian model of "security assistance" also bears important lessons for any future US engagement with Lebanon – particularly in the context of the problems in US efforts to build up the LAF:

- First, the US is invested in Lebanon as part of a broader multifaceted effort to shape stability and outcomes from the Mediterranean to Afghanistan. Meanwhile, Iran looks at Lebanon and Hezbollah as central to its prerogatives, not only in the Levant but also the broader Arab Muslim Middle East. Prior strategic commitments and policy choices make it difficult for the US to bring its tremendous national resources to bear effectively. The US is concerned with maintaining Israel's military edge and ensuring that no regional player poses an imminent threat to its regional ally. Iranian policy towards Lebanon is not burdened by competing geopolitical priorities, which means unlike the US, it can provide its allies with as much assistance as they need.
- Second, despite its revolutionary rhetoric, Iran recognizes that Lebanon's sectarian system is to Hezbollah's advantage, given the group's level of organization, its unique military capabilities and unrivaled intelligence gathering capabilities. Iran does not need to "capture the state" or build a "state within a state" in Lebanon in order to further its interests. The same goes for Hezbollah as well, which has increasingly accepted the benefits of the autonomy granted by eschewing the fragile and hollow post-war Lebanese state structure.
- In contrast, the US continues to focus on trying to rehabilitate Lebanese state institutions that, by virtue of the primacy of sectarian politics in the post-Syria period, are very resistant to change or reform. The US also continues to face difficulties in dealing with sectarian and feudal rather than true reform-minded national leaders. Pursuing US policies predicated on dealing with Lebanon for what it is will allow the US to recalibrate its reform agenda to find more meaningful avenues for future reform.
- Lastly, time is a critical factor in building up truly capable regional allies. Iran has spent the past 25 years building up Hezbollah and it has done so without any qualitative reservations and without the burden of a transparent bureaucratic interagency process. The US has been conducting security assistance to the LAF for 6 years under the watchful eye of an often cumbersome and ill-directed interagency effort. The US, as was mentioned above, is largely unable or unwilling to provide the LAF with capabilities and training that could change the balance of force between it and Hezbollah.

Is it unclear how and how many of these lessons can be integrated in future US efforts in Lebanon or elsewhere to build up and support local allies. What is clear is that the Iranian approach has been successful while the US effort has been defined more by good intentions than measurable geopolitical outcomes.



### *The Special Tribunal for Lebanon*

The Special Tribunal for Lebanon (STL) investigating the assassination of former Prime Minister Rafik Hariri has also become a key arena for US-Iranian competition in Lebanon. Established in 2007 with the expectation that Damascus would be found culpable in the assassination, the US and France hoped that the Tribunal would undermine Syria's regional role and strengthen the position of Lebanese allies in Beirut.<sup>151</sup>

On June 30, 2011, the STL issued indictments against four members of Hezbollah in connection to the assassination.<sup>152</sup> The prospect that members of Lebanon's leading Shi'a political force had a potential hand in the killing of Lebanon's leading Sunni political figure served to further aggravate Sunni-Shi'a tensions that have been growing in intensity since the 2006 Israeli-Hezbollah war.

It is difficult to rely on Lebanese public opinion polling, let alone polling in the broader Levant. Sectarian politics can heavily color results, while ambiguities and obstacles in polling methodology can also serve to complicate an already challenging political landscape. That some 60% of Lebanese were claimed to support the STL in one 2010 poll,<sup>153</sup> versus another claiming the exact opposite months later<sup>154</sup> is reason enough to be wary of any polling data on the STL – or anything else in Lebanon.

What is clear is that one prevailing pattern continues to hold: most Sunnis support the STL while most Shi'a and many Christians oppose or distrust it.<sup>155</sup> The US has been a strong proponent of the STL, going so far as linking future bilateral ties (at least in part) to whether current and future Lebanese government chose to honor financial commitments to the UN-backed court. By contrast, Iran has publicly criticized the STL as a political tool of the US and its allies in an effort to defend Hezbollah.

It is unclear how far the US can go in using the STL as a means of winning ground in the US-Iranian competition in Lebanon. First, the US has pushed ahead with its support for the Tribunal at a time when it has become increasingly difficult to disentangle discrete Lebanese Shi'a interests in post-war Lebanon from the interests of those supporting Hezbollah in the wake of Syria's 2005 withdrawal. Consequently, the US position on the Tribunal will continue to make it difficult to "win over" Lebanon's Shi'a – the country's best organized and, by some estimates, most numerous community.

Another challenge to the STL's utility in competing with Iran is the intersection of politics and untested judicial processes. Local and regional opponents of the STL have repeatedly criticized it as politicized in favor the US and its regional allies, a message that has hurt the Tribunal's credibility at home and abroad.<sup>156</sup> Meanwhile, the Tribunal's unique character – predicated on prosecuting one politically motivated assassination in Lebanon and not others – has been another source of contention by critics and supporters alike.<sup>157</sup>

A third obstacle is that turmoil in Syria and across the Middle East has taken much of the US policy focus away from Lebanon and the STL. This is not to say that the STL is no longer important to US policy in the long-term, and should the al-Asad regime destabilize further in a way that does undermine regional stability, the Tribunal's future role could still be important. However, the prospects of civil strife in Syria and security spillover

effects in Lebanon continue to dominate much of the focus and concern of US policy planners.

Iran's allies and legal counsel have privately welcomed the opportunity to discredit the Tribunal, either in the media or through future court proceedings.<sup>158</sup> However, Iran also faces challenges in how it and its ally Hezbollah handle the STL. Conversely to the US, Iran also cannot "win over" a majority of Lebanon's Sunni community. Iran's approach to the STL can be further aggravated by declining perceptions of Iran. Tehran has been losing support in a largely Sunni Arab Middle East during a period of unrest where Iran is increasingly linked to Shi'a unrest in Bahrain and the repression of Sunnis in Syria.

### *Potential Spillover Effects of Instability in Syria*

All of the factors discussed earlier are easily exacerbated by regional instability. After a year of political unrest, there were signs in late 2011 that Syrian instability were having negative spillover effects on an already divided Lebanon. In early 2012 it remained far from clear how power and politics would evolve in Syria, let alone whether or not the Asad regime would find the means to survive. That has not stopped pro and anti-Syrian forces from maneuvering in a bid to shape the internal Lebanese balance of power.

The anti-Syrian March 14 forces – pushed to the margins in early 2011 with the collapse of the government of Prime Minister Saad Hariri – have shown increasing willingness to capitalize on Syrian instability. There were indications in 2011 that the predominantly Sunni Future Movement was keen to streamline its foreign policy orientation in line with the broader Sunni Arab regional order centered on Saudi Arabia and Qatar in the expectation that the Asad regime will fall.

Meanwhile, members of pro-Syrian March 8 alliance, led Hezbollah, have largely remained strong supporters of the Asad regime. While there are concerns that the Asad regime might not survive the current cycle of unrest, there are many more that believe that the Alawite-led regime – aided by Iran at the regional level and Russia and China at the international level – will weather the storm and rebuff both internal and external challengers to its autonomy and ability to rule Syria.

While divisions along pro and anti-Syrian as well as pro and anti-Western lines in Lebanon are nothing new, the scale of unrest in Syria poses real questions about the future stability of Lebanon. This in turn could have real consequences for the US and Iran as they weigh how best to respond. The country has also experience a resurgence of Sunni-Alawite violent confrontation in the northern city of Tripoli. Sunnis in northern Lebanon have grown increasingly sympathetic to the cause of predominantly Sunni Syrian opposition forces. Lebanese support ranging from medical aid and housing for Syrian refugees to growing support for Syrian insurgents to use northern Lebanese border towns as opposition staging grounds.

Another critical risk is tied to Hezbollah and continued Sunni-Shi'ite tension in Lebanon. The assumption that Asad's rule may be finite has led to growing calls for Hezbollah's disarmament: a de facto call for shifting the internal political and security balance of power in Lebanon. However, even if the Asad regime were to fall, Hezbollah would still remain nothing short of Lebanon's Sparta. It is – and is likely to remain – Lebanon's best organized and most disciplined political force. The logic that Hezbollah is weakened

because Syria is unstable is largely incorrect and should the group's opponents seek to confront its armed status unilaterally, there is a clear precedent for Hezbollah to undertake possibly violent preemptive action: in May 2008, Hezbollah responded to the government of Prime Minister Fouad Saniora's efforts to close down the group's private communications and fiber-optic network by engaging in running battles in predominantly Sunni West Beirut with Lebanese Sunni fighters. Fighting quickly spread to the Chouf Mountain – the traditional bastion of the Druze community – and to Tripoli in the North.

There is every reason to assume that another May 2008-type event is likely should Hezbollah perceive an imminent threat from its local opponents in Lebanon. Given the Levant has grown far more polarized along Sunni-Shi'ite and pro and anti-Iranian lines, it is also difficult to predict the scale of any internal conflict, the ability or regional states to broker successful de-escalation, or any guarantee that the conflict will remain largely localized and not spread into all-out civil war.

Given local political forces have yet to succeed and win outright in successive struggles to for power in Lebanon, any scenario where either pro or anti-western forces miscalculate is likely to have negative effects on both US and Iranian interests. Competing in Lebanon at this level, or more realistically trying to contain a Lebanese civil war, is a problematic prospect that neither player can benefit from. As Syria's crisis lingers, it is far more likely that both the US and Iran will support their allies short of reaching a tipping point that leads to open confrontation. However, whether Lebanese actors can act and behave along these lines is anything but certain.

## Competition Over Israel

Israel is particularly important in US-Iranian competition because it plays a key role in shaping every aspect of opinion in the Arab and Muslim worlds.

### *US Policy Towards Israel and Iran's Response*

Ever since the Arab-Israeli conflict of 1967, the US has seen Israel as an ally and Israel has had the support of successive US administrations and national public opinion. Relations with the Arab world have suffered as a result, but the US has seen the benefits as outweighing the costs. However, the US has also continued to support broader Arab-Israeli peace efforts and the position that Arab states would have more to gain over time from normalization with Israel; a position strengthened by the threat of further Soviet encroachment in the Middle East.<sup>159</sup>

Israel has grown into a key US ally and regional superpower buttressed by the strongest regional economy and national security and military establishment. The US and Israel also share a number of core foreign policy prerogatives in the Levant, which include limiting Iranian influence in the Levant through Syria, Lebanese Hezbollah and Palestinian Hamas.

While Israel remains a key strategic partner of the US and is important to the broader strategic contest with Iran, America's ties to Israel remain grounded primarily on moral and ethical rather than strategic grounds. At the best of times, an Israeli government provides some intelligence, some advances in military technology and at times a source of regional stability to Jordan and other Arab states. However, Israeli military intervention in Arab and Islamic affairs has proven over time to be as destabilizing as beneficial with the real risk of Israel unnecessarily making itself a US strategic liability when it should remain an asset.<sup>160</sup> This is especially true with regards to US efforts in seeking a lasting peace between Israelis and Palestinians.

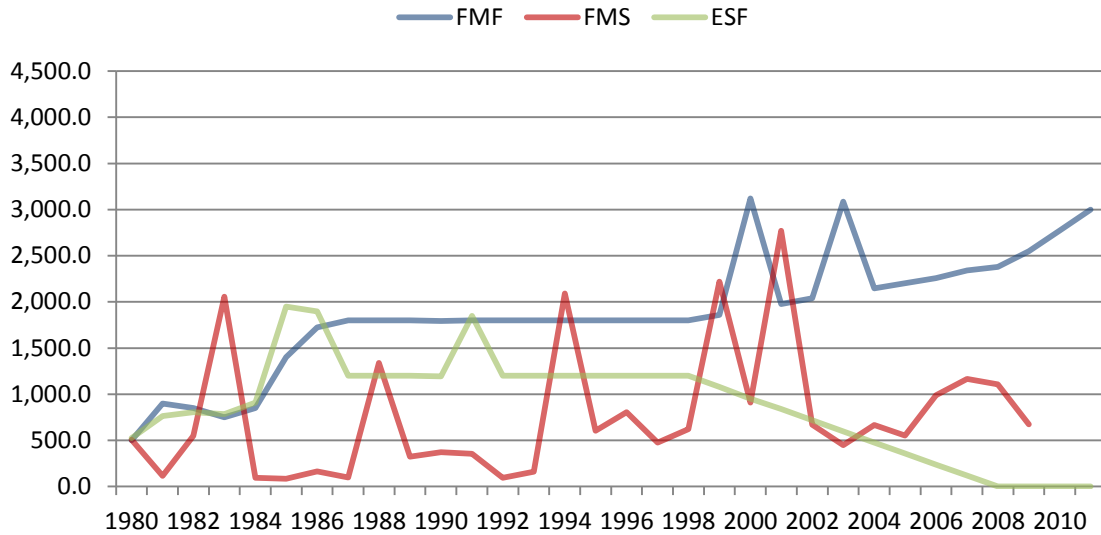
**Figure VIII. 26** shows broad patterns of US military and economic support over the 1980 to 2011 period. While the US no longer provides Israel with economic support funds, this has been largely offset by a net increase in security assistance dollars and the highest levels of US military aid to the broader Levant.

For its part Iran sees Israel as one of its primary regional hegemonic competitors. It would be difficult for Iran to garner the level of support it appears to enjoy in the Arab world were it not for the growing pessimism that surrounds the Palestinian question. Iran has been successful at turning the lack of momentum on the Palestinian statehood issue to its advantage both regionally and in the context of US-Iranian competition in the Levant.

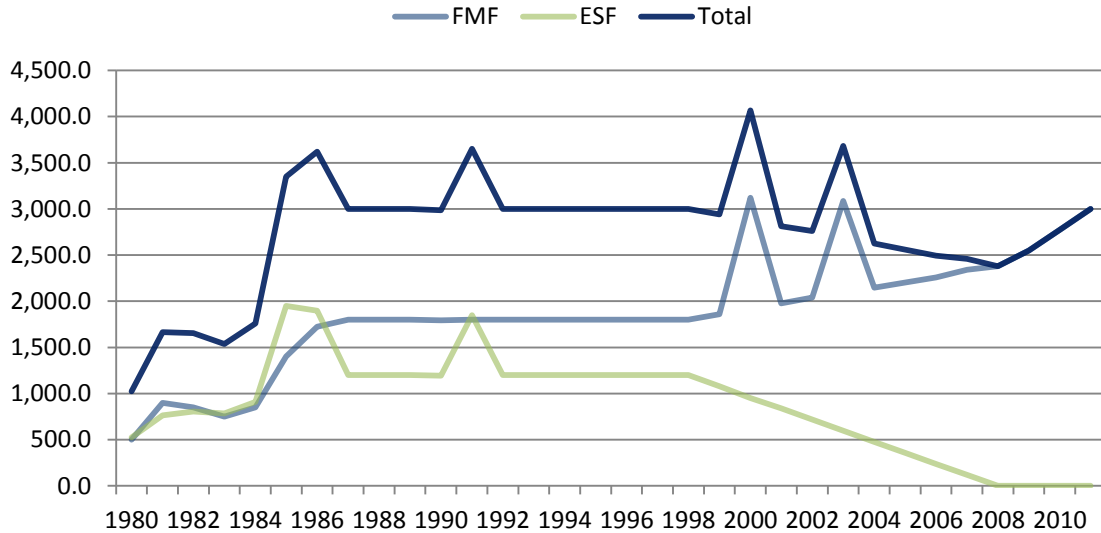
Iran cannot begin to compete with the US in Israel. Israel and Iran are the region's main strategic competitors and Iran's core interest is to undermine the hegemonic aspirations of both the US and Israel. To that end, Iran continues to foil efforts to advance Arab-Israeli peace efforts, and it continues to back Palestinian militant groups, such as Hamas and Islamic Jihad, as a means of harassing Israel and undermining US interests in favorable regional stability.

**Figure VIII.26: Historical Data on U.S. Military and Economic Aid to Israel**  
 (In millions of current US dollars)

**FMF, FMS & ESF, 1980-2011**



**FMF, ESF & Total, 1980-2011**



Note: "FMF" is Foreign Military Financing. "FMS" is Foreign Military Sales. "ESF" is Economic Support Fund. 2011 FMF figures are requested values.

Source: Adapted by Aram Nerguizian from the *Defense Security Cooperation Agency Fiscal Year Series*, updated on September 30, 2009, and *Congressional Budget Justification for Foreign Operations*, various fiscal years.

### *The US-Israeli Military & Security Partnership*

The US has provided Israel with enough military assistance to preserve Israel's military superiority over its neighbors. **Figure VIII.27** offers a snapshot of major US arms deals with Israel over the 2005 to 2011 period, totaling more than \$25 billion.

Israel does, however, face a growing asymmetric threat that is further amplified by the continued risk of conflict if not war between Israel and the Lebanese Shi'a movement Hezbollah. Backed by Iran and Syria, the group fought Israel on numerous occasions since its founding in the 1980s.

The most recent round in the ongoing Israeli-Hezbollah conflict took place in 2006. The 33-day war left Israel with an inconclusive military outcome and Hezbollah's command and control structure largely intact and able to coordinate missile strikes in northern Israel until the end of hostilities. The US granted access to its stockpiles of military equipment in Israel during the 2006 conflict. The stockpiles included missiles, armored vehicles and artillery munitions. Put into practice in the early 1980s as an effort to boost bilateral collaboration, the value of these stockpiles stood at some \$800 million in 2010.<sup>161</sup>

This led to even more of a joint emphasis on boosting Israeli missile defense capabilities as part of the US effort to boost Israel's deterrence capability and in support of US objectives of denying Iran an effective asymmetric strategy. US-Israeli missile defense cooperation includes co-development of a number of systems designed to counter threats from short-range missiles and rockets used by Hamas and Hezbollah as well as solutions for medium to long-range ballistic systems currently in Syrian and Iranian arsenals.<sup>162</sup> This is discussed in greater depth in a separate section on the asymmetric military balance in the Levant.

US military aid to Israel is a critical lever of influence as American policy evolves to meet the challenges of a region in flux. However, given strong congressional support for arms transfers and aid to Israel, successive administrations have faced significant challenges in using the sustainment or the withholding of military aid as an effective means of getting Israeli decision-makers to satisfy regional US policy goals.

There is some risk that US budgetary and fiscal austerity measures could have a negative impact on US foreign assistance programs with possible ramifications for future US aid levels. It is important to bear in mind, however, that US military aid to Israel indirectly supports US defense firms, given that the bulk of FMF funds must be spent in the US. However, increased scrutiny of foreign aid funds is real, and if Washington cannot address economic woes at home, Israel's \$3 billion annual economic and defense aid package may become increasingly difficult to justify – in part given Israel's recently higher levels of economic growth when compared to the US.<sup>163</sup>

While Iran is not a direct threat to Israel in the conventional military sense, Iran's attempts to develop increasingly capable ballistic missile systems and its support for both state and non-state actors in the Levant that are opposed to Israel have deepened the perception in Israel that Iran poses a critical asymmetric threat. The official US position in 2011 is to leave all options on the table, while the impetus remains on building an international consensus behind sanctions and diplomatic pressure, followed by internationally-backed military options should diplomacy fail. Israel, on the other hand,

sees Iran as an existential threat. A single nuclear, chemical or biological strike on Tel Aviv and/or Haifa would raise major questions about Israel's future existence.

**Figure VIII.27: Select U.S. FMS Congressional Notifications for Israel 2005-2011**

(In current US dollars)

<b>Date</b>	<b>Weapon System/ Equipment</b>	<b>Cost</b>
April 29, 2005	100 GBU-28 with equipment and services	\$30 million
July 14, 2006	JP-8 aviation fuel	\$210 million
August 3, 2007	JDAM, PAVEWAY II tail kits, MK-83 bombs, MK-84 bombs, GBU-28, BLU-109, components, equipment and services	\$465 million
August 24, 2007	200 AIM-120C-7 AMRAAM air-to-air missiles with equipment and services	\$171 million
August 24, 2007	30 RGM-84 BkII HARPOON SSMs, 500 AIM-9M SIDEWINDER air-to-air missiles with equipment and services	\$163 million
October 29, 2007	TOW-IIA, AGM-114 MSLs, PATRIOT GEM+ , HEDP, HE rounds, various munitions with equipment and services	\$1.329 billion
June 9, 2008	25 T-6A Texan aircraft, equipment and services	\$190 million
July 15, 2008	4 Littoral Combat Ships (LCS-I), weapons, systems equipment and services	\$1.9 billion
July 15, 2008	JP-8 aviation fuel	\$1.3 billion
July 30, 2008	9 C-130J-30, engines, systems, equipment and services	\$1.9 billion
September 9, 2008	1,000 GBU-39, mounting carriages, simulators, trainers, systems, equipment and services	\$77 million
September 9, 2008	28,000 M72A& LAAW, 68,000 training rockets, equipment and services	\$89 million

September 9, 2008	3 PATRIOT System Configuration 3 fire unit upgrades, equipment and services	\$164 million
September 29, 2008	25 F-35 CTOL JSF, 50 F-35 CTOL, engines, C4/CNI, other systems, equipment with services	\$15.2 billion
August 5, 2010	60 million gallons of unleaded gasoline, 284 million gallons of JP-8 aviation jet fuel & 100 million gallons of diesel fuel	\$2 billion

Note: “FMS” is Foreign Military Sales. Costs are letter of offer and acceptance (LOA) estimates that are subject to change and re-costing.

Source: Adapted by Anthony H. Cordesman and Aram Nerguizian from DSCA data on 36(b) Congressional arms sales notifications.

### ***Regional Arab Protests & Potential Consequences for Israel***

It is far too soon to predict the long term consequences of the current period of popular upheaval in the Arab world. What is clear, however, is that any deterioration or instability in countries surrounding Israel could undermine its security— a situation that could benefit Iran and that the Islamic Republic could seek to exploit.

In 2007, the IDF launched its first five year military plan in the wake of the 2006 war with Hezbollah. Known as Teffen 2012, the 2008-2012 plan made a number of assumptions concerning the kinds of threats Israel would face. These included the likelihood of continued conflict with the Palestinians, the potential for war with Syria or Hezbollah and the emergence of a nuclear-capable Iran. Teffen 2012 also took into account the possibility of “dramatic” change in regimes in countries Israel considered moderate, including Egypt and Jordan. This “ring of fire” scenario was viewed as “worst case” when it emerged in 2007.<sup>164</sup>

Some four years later:

- Egypt has seen the ouster of President Mubarak, mounting instability in the Sinai, continued insecurity along the Egypt-Israel border, the potential rise of Sunni and Salafi political forces in Cairo and the real risk that bilateral relations with Egypt could deteriorate further. Jordan has seen unprecedented protests with unheard-of criticism of the Monarchy from across the spectrum of the Jordanian political opposition.
- Syria, Israel’s long-time regional opponent, saw instability along its border with the Golan Heights for the first time since the 1973 Arab-Israeli conflict, along with the strongest opposition so far to Bashar Al-Asad’s rule, with thousands dead and no clear end-state in sight for Damascus.
- The Palestinians, thanks to Egyptian mediation, have taken steps towards Fatah-Hamas reconciliation, and frustration with a beleaguered peace process have led to a Palestinian bid for



UN recognition in late September 2011. Turkey, a long time non-Arab ally, is now estranged from Israel, in part as a means of bolstering its own credibility in a changing Sunni Arab world.

- Lebanon remains largely stable despite the change in government in early 2011, but tensions have mounted thanks to the hot-button issue of potential Israeli-Lebanese energy reserves in the Mediterranean.

It is difficult for Israel to examine these developments and not see growing uncertainty and risk. From one perspective, developments in the region benefit Iran at Israel's and the US's expense. Long-time regional allies are gone and long-nurtured strategic partnerships are now in a state of flux. Iran could add to this tenuous scenario by fomenting instability – something it already seems to be doing through fringe Palestinian militant groups in Gaza.

From another point of view, recent events may not be benefiting Israel and the US in the short-term, however Iran could be a significant loser regardless. The potential loss of Syria could severely undercut Iran's ability to project its foreign policy clout to the Levant in support of its regional allies. Another challenge could be the emergence of a far more authentic Egypt in tune with many of the regional aspirations of the Arab people. As the most populous Sunni Arab state, Egypt could severely undermine Shi'a Iran's role in inter-Arab affairs. However, whether this can and will happen is uncertain, as is whether it can be done without sacrificing peace with Israel on the altar of Arab public opinion.

Ironically, these developments give both Israel and the Palestinians even stronger incentives to reach a comprehensive peace deal. A final Israeli-Palestinian peace deal could serve to defuse much of the regional discontent with Israel while also eliminating Iran's bully pulpit as a regional confrontation state. By the same token, there is no worse time for peace between Israel and the Palestinians. Both Palestinian and Israeli political dynamics are shifting increasingly to the right with decreasing room to maneuver. Israelis also fear suing for peace at a time when doing might be perceived as a sign of fear and insecurity.

While some Israeli leaders have tried to show some optimism amid regional change – Israeli Defense Minister Ehud Barak called the potential departure of Syria's Asad a “blessing” for the region and a “blow to the Iran-Hezbollah axis”<sup>165</sup> – there are far more that remain uncertain and wary of what change will entail; some have gone so far as to call recent events an “Arab nightmare” rather than an “Arab Spring.”

The US will continue to support Israel during this period of regional change and will remain a key guarantor of Israeli security. The US also has an interest to promote its own positive role as regional states struggle with their transitions. Failing to do so could only harm the US to the benefit of its regional opponents, including Iran. The Palestinians' bid at the UN in late September may not show it, and Israelis may doubt it, but the US has never needed a diplomatic success on the Palestinian-Israeli track as it does today.

## Competition Over the West Bank & Gaza Strip

The US and Iran also compete for influence over the Palestinians in both the West Bank and Gaza. US policy towards the West Bank and the Gaza Strip focused on the largely geographic factional split between the Fatah-led Palestinian Authority (PA) in the West Bank and Hamas in Gaza.

In the wake of the 2007 Hamas takeover of the Gaza Strip, the US has continued to support President Mahmoud Abbas and his “caretaker” government in Ramallah. Days after Abbas tasked Salam Fayyad, an independent technocrat, with organizing the interim government as Prime Minister, the US lifted economic and political embargos on the PA. The Bush Administration and the US Congress were hopeful that boosting aid levels would foster economic and security gains that would then in turn be conducive to peaceful coexistence between a future Palestinian state and Israel.<sup>166</sup>

### *US Security Assistance to the Palestinians*

US security assistance is a key tool in moving towards an Arab-Israel peace and countering Iran, but one that has only mixed success. US aid to the Palestinian Authority is meant to train and equip PA civil security forces in the West Bank loyal to President Abbas so that they could counter Hamas, Palestinian Islamic Jihad and other militant groups in order to promote the rule of law in anticipation of a future Palestinian state. As was previously mentioned, significant assistance has come through the International Narcotics Control and Law Enforcement (INCLE) account, through which some \$545.4 million was appropriated since 2007 for programs in the West Bank.<sup>167</sup>

- **Figure VIII.28** shows overall US bilateral assistance to the Palestinian Authority over the FY2005 to FY2012 period, including INCLE funding. **Figure VIII. 28** also shows a breakdown of planned spending for FY2012. Both tables show that while security funding has increased considerably since 2007, Economic Support Funds (ESF) continue to constitute the bulk of direct US assistance to the PA.
- **Figure VIII.29** and **Figure VIII.30** show the structures of both the Fatah-led PA’s security forces and those of the Hamas-led government in the Gaza Strip. While forces in the West Bank are larger and better funded thanks to US and EU aid funds, Hamas’ security forces were reported to be both more professional and more capable on the ground. Furthermore, this was reported in spite of the absence of any substantial external support to Hamas’ security forces.<sup>168</sup>

**Figure VIII.28: Actual & Proposed U.S. Bilateral Assistance to the Palestinians**

(In current US\$ millions)

**Levels of Aid, FY2005-2012**

Account	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012*
ESF	224.4	148.5	50.0	389.5	776.0	400.4	400.4	400.4
P.L. 480 Title II (Food Aid)	6.0	4.4	19.488	-	20.715	-	-	-
INCLE	-	-	0	25.0	184.0	100.0	100.0	113.0
<b>Total</b>	<b>230.4</b>	<b>153.243</b>	<b>69.488</b>	<b>414.5</b>	<b>980.715</b>	<b>502.9</b>	<b>550.4</b>	<b>513.4</b>

**Proposed Spending Plan for FY2012**

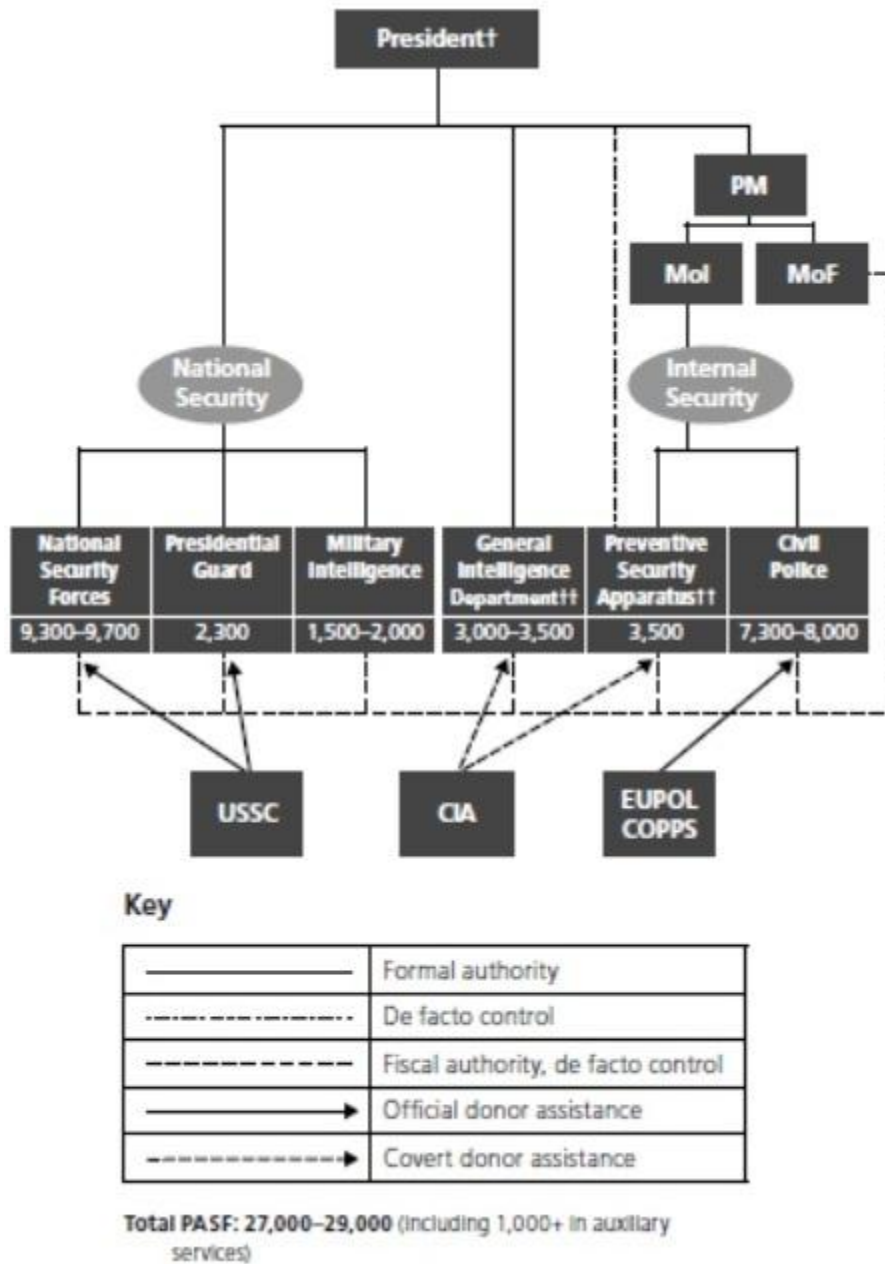
Amount	Purpose
<p><b>Economic Support Fund</b> <b>(\$400.4 million total)</b></p> <p><i>\$200 million</i></p> <p><i>\$200.4 million</i></p>	<p>Direct budgetary assistance to the Palestinian Authority in the West Bank</p> <p>Assistance for the West Bank and Gaza through USAID</p> <ul style="list-style-type: none"> <li>▪ \$20.0 million – governance, rule of law, civil society</li> <li>▪ \$79.7 million – health, education, social services</li> <li>▪ \$53.2 million – economic development</li> <li>▪ \$47.5 million – humanitarian assistance</li> </ul>
<p><b><u>International Narcotics Control and Law Enforcement (INCLE)</u></b> <b>(\$113 million total)</b></p> <p><i>\$77 million</i></p>	<p>Training, non-lethal equipment, and garrisoning assistance to PA security forces in the West Bank, supporting efforts by the US Security Coordinator</p>

<u>\$36 million</u>	Assistance for PA Ministry of Interior and for the justice sector (prosecutors and criminal investigators) to improve performance, efficiency, and inter-institutional cooperation, rule-of-law infrastructure, including courthouses, police stations and prisons
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Note: All amounts are approximate; “bilateral assistance” does not include U.S. contributions to UNRWA or other international organizations from the Migration and Refugee Assistance (MRA or Emergency Refugee and Migration Assistance (ERMA) accounts. Amounts for FY2012 have been requested but not yet appropriated.

Source: Adapted by Aram Nerguizian from U.S. State Department and USAID data, *Congressional Budget Justification for Foreign Operations*, various fiscal years, Jim Zanotti, “U.S. Foreign Aid to the Palestinians,” *CRS Report for Congress*, RS22967, May 31, 2011.

**Figure VIII.29: West Bank Palestinian Security Forces Organizational Chart in 2011**

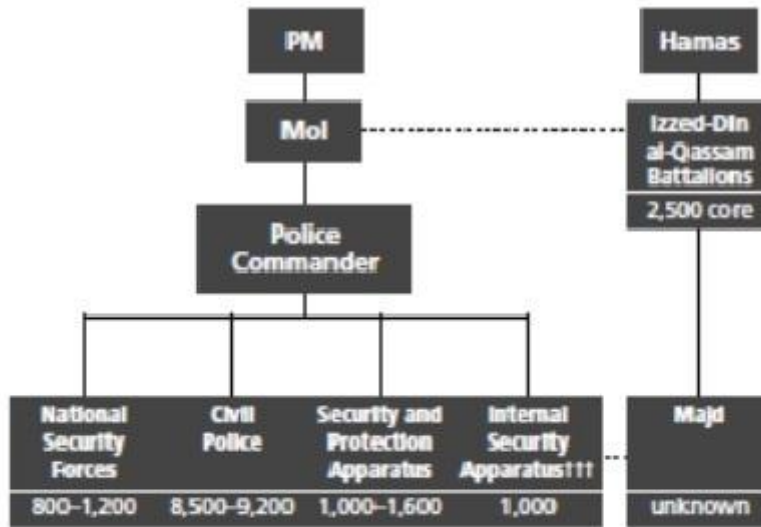


\* The PA President is designated Commander-in-Chief under the revised Basic Law of 2003 with authority over all PASF branches. Under the Law for the Palestinian Security Services of 2005 he delegates responsibility for internal security to the Council of Ministers

\*\*The two agencies may have additional informers.

Source: Yezid Sayigh, “Policing the People, Building the State: Authoritarian Transformation in the West Bank and Gaza,” *The Carnegie Papers*, February 2011, p. 6.

**Figure VIII.30: Gaza Palestinian Security Forces Organizational Chart in 2011**



**Key**

—————	Formal authority & actual control
-----	Covert coordination

Total PASF strength: 12,520–15,420 (including 1,220+ in auxiliary services)

\*\*\*The agency may have additional informers.

Source: Yezid Sayigh, “Policing the People, Building the State: Authoritarian Transformation in the West Bank and Gaza,” *The Carnegie Papers*, February 2011, p. 6.

### ***Implications of Potential Fatah-Hamas Reconciliation***

Iran is having problems of its own in dealing with the Palestinians, although not necessarily in ways that will benefit the US. On April 27, 2011, Fatah and Hamas announced a surprise unification deal. Built upon secret talks mediated by Egypt's new interim government, representatives from both sides were optimistic that this latest round of negotiations would succeed where others failed. The sudden move came on the heels of changes in the regional balance of power and changes to Palestinian strategies meant to secure statehood.

Popular uprisings in Egypt and Syria have meant that the two Palestinian groups needed cooperate in order to compensate the weakening of both players' relative bargaining power.

Egypt, newly reconciled with its own Islamists, also was in a far better position to bring Hamas back to talks with Fatah. Meanwhile, Syria continued to face the real risk that Bashar Al-Asad's regime could collapse, thus threatening to downgrade much needed support for Hamas. By moving quickly on the path to reconciliation and not waiting for events to unfold in Syria, Hamas appeared to have secured its place at the negotiating table with Fatah as an equal. Meanwhile, Fatah, reeling from failed peace talks between the Fatah-led PA and Israel, sought to secure recognition of Palestinian statehood at the UN General Assembly in September of 2011.<sup>169</sup>

Washington had hoped that it could broker a deal between the Fatah-Led PA and Israel, and was arguably disappointed at the collapse of talks. There is also a great deal of apprehension at the prospect of "losing" Fatah to a unity government with Hamas. The latter is considered a terrorist organization by the US and other Western states, and a real risk exists that a Palestinian unity government that included Hamas risked losing considerable foreign assistance from the West.<sup>170</sup>

A great deal of uncertainty remains. Fatah and Hamas leaders President Mahmoud Abbas and Khaled Mishal signed the reconciliation deal in Cairo on May 4, 2011.<sup>171</sup> By July there were already signs that the Hamas-Fatah deal was coming apart at the seams in no small part thanks to Fatah and Hamas intelligence and security cadres opposed to the move and lack of unity over who should hold the post of interim prime minister. To add to an already difficult Palestinian political environment, Israel seized Palestinian tax revenues while the US threatened to end financial support for the PA.<sup>172</sup>

While the US has reason to be concerned about any Fatah-Hamas reconciliation effort, it is important to bear in mind the changes taking place in Iran's position in inter-Palestinian dynamics. While initially supportive of the Hamas-Fatah deal, Iran has grown disenchanted with the agreement as it failed to produce much sought after Iranian rapprochement with Egypt.<sup>173</sup> Continued instability in Syria may have also contributed to increased apprehension on the part of Tehran in a bid to restore the core pieces of its "resistance axis."

### ***Iran & The Palestinian Islamist Wildcard***

Iran has continued to try and bolster its position and that of Syria. One tool Iran has had at its disposal was the mobilization of Palestinian Islamist groups in support of Syria. However, Hamas has so far refused to provide its backing behind the regime.

While Hezbollah has backed the Asad regime, Hamas has not. One possible explanation for this policy divergence is Sunni Hamas's desire not to alienate the mainly Sunni Syrian opposition, given the militant group's own view that the Asad regime is not likely to survive the latest round of instability. A strong pro-Asad position would likely weaken Hamas's position in the mainly Sunni Arab Middle East. As such the group may not be able to afford overtly backing Syria's crackdown. Shi'a Hezbollah, on the other hand has other calculations to take into account, including its own tenuous position in Lebanon's deeply divided sectarian landscape, and its need to balance against domestic pressures by consolidating its relationship with Tehran.

Iran has reacted by turning to other Palestinian factions. Iran has been frustrated by Hamas' overtures to Fatah and weary of its refusal to pledge its support for Syrian president Bashar Al-Asad. *Jane's* reported that in early August 2011, Iran directed pro-Iranian Palestinian Islamic Jihad (PIJ) to launch rocket attacks on Israel as part of a broader pressure tactic against Hamas. *Jane's* added that Iran would not direct PIJ to halt firing missiles until Hamas declares its support for Asad, potentially provoking a strong Israeli military response against the Gaza Strip in the meantime.<sup>174</sup>

On August 9, 2011, *Jane's* reported that the IDF had authorized the deployment of an Iron Dome anti-rocket battery in response to PIJ rocket fire from the Gaza Strip.<sup>175</sup> Later on August 18, 2011, Palestinian militants fired two Grad rockets at Ashqelon in Israel's Southern district. The attack resulted in no casualties with one of the rockets landing in an open area while the second was intercepted by the Iron Dome system.<sup>176</sup> The Popular Resistance Committee (PRC) took credit, as well as acknowledging a separate roadside bombing and shootout the same day near the Jordanian border. The Israeli military retaliated with airstrikes against both PRC and Hamas offices in the strip. Hamas vehemently denied any involvement in the attacks.<sup>177</sup>

There is some circumstantial evidence that indicated the latest round of Palestinian violence was driven by Iranian efforts to balance external threats against its core regional ally Syria. It may also represent an Iranian effort to coax Hamas into a pro-Asad position – a move the group is loath to pursue. Pressured to action by Iran and increasingly unsettled in Syria, Hamas was reported to be looking to move its external political bureau from Damascus to another regional capital. However, the initial response to Hamas was lukewarm at best with no major countries offering to host the group.<sup>178</sup>

In January 2012, Khaled Meshal and other top Hamas officials decided to leave their headquarters in Damascus.<sup>179</sup> While the report cited security concerns in the wake of Syria's protracted cycle of popular unrest, it is more likely that this reflects a strategic shift on the part of the Islamist group. This could be driven by the reality that Syria's crisis is likely to be protracted and Hamas's desire to recalibrate its position to allow it to continue to garner the support of the region's Sunni Arab majority.

While it is still uncertain where Hamas will relocate its leadership, it is clear that the group has espoused the region's popular protests, if only at the rhetorical level. In a break with years of ties with the Asad regime, Hamas's Prime Minister in Gaza, Ismail Haniya, declared the group's support for protesters aspirations for political change in Syria in late February 2012.<sup>180</sup> That the statement was issued from the Al Azhar mosque in Cairo



Egypt only was at least equally symbolic; Egypt under President Hosni Mubarak was hostile to Hamas, an offshoot of the then-banned Muslim Brotherhood.

The Palestinian Islamist wildcard has proven crucial to projecting Iranian influence in the Levant as a means of impacting the Arab-Israeli conflict. Relying on groups like Hamas was also an important means of shoring up much needed Sunni support for Iran in the region. A very public break between Syria and Hamas is a setback for Iran, but the Islamic Republic continues to cultivate ties with Palestinian Islamist groups. So far, Tehran has also rejected a deeper isolation of Hamas for siding against the Asad regime, going so far as to invite Prime Minister Haniya to Tehran in early February 2012 for consultations.<sup>181</sup>

There is little the US can do to capitalize on rifts between Syria and Hamas. US engagement with the Egyptian Muslim Brotherhood was relatively; in contrast, it will prove far more difficult for the US to build bridges with an Islamist group the US government considers to be a terrorist organization. Meanwhile, given Iran's unwavering support for the minority-led Asad regime in Syria, it is unclear how and for how long Iran can sustain its policy of supporting such groups. What is certain is that unlike the US, the Islamic Republic has shown it is flexible enough to at least try and recalibrate to shifts on the Palestinian political scene.

### ***The US, Iran & the Palestinian bid for Statehood***

On September 23, 2011, Palestinian President Mahmoud Abbas formally asked the United Nations to recognize a Palestinian State.<sup>182</sup> While the move defied US pressure to abandon the effort in favor of resuming negotiations, it did much to re-energize Mahmoud Abbas's waning presidency, bolstering his popularity and undermining the perception that the Palestinian leader was weak.<sup>183</sup>

The Palestinian move presented a significant challenge to US policy at a time of increasing popular upheaval across the Arab world. While the Obama Administration supported the establishment of a Palestinian state based on the 1967 lines with mutually agreed land swaps,<sup>184</sup> the US nevertheless declared its opposition to Palestinian efforts to secure statehood through the UN Security Council.<sup>185</sup> While the position is part and parcel of the US's strong bilateral ties to Israel, it does go against the tone of regional democratic aspirations and US efforts to play a leading role in support of positive transformation across the Middle East.

While the nuances of US policy both inform and limit Washington's approach on the Palestinian push for statehood, Iran's position on the bid is no less challenging. On October 1, 2011, Iran's supreme leader, Ayatollah Ali Khamenei, rejected the Palestinians' bid for statehood at the UN, commenting that a deal that accepted Israel would threaten the security of the Middle East and leave a "cancerous tumor" unchecked in the region.<sup>186</sup> Similar to the US position, the Iranian stance on the Palestinians' UN bid is also fraught with danger. Through its bid to support Palestinian factions opposed to normalization, as well as its efforts to support regional allies Syria and Hezbollah, Iran risks further degrading its shrinking popularity in a mainly Sunni Arab Middle East.

The Palestinian UN bid is important to US-Iranian competition in part given that it remains unclear what the future holds and which player will seize the initiative first. It is

uncertain as to whether the US can maneuver Israel and the Palestinians to a political position that can allow the US to decisively endorse a move to Palestinian statehood. It also remains to be seen how effectively Iran can move to foil US and other states' peace efforts at a time when Iran faces a more cohesive Gulf Arab position and continued instability in Syria.

## Competition Over Egypt

The 1979 Islamic Revolution in Iran cost the US one of its core regional allies but it was also in 1979 that Egypt and Israel signed a US-brokered peace deal ending years of conflict. In the three decades since then, Egypt has grown into one of America's core regional allies along with Israel, Jordan, Saudi Arabia and Turkey.

Egypt is the Arab world's most populist nation and one of the Middle East's most important regional actors. While the days of Egypt as the epicenter of Pan-Arabism have long since passed, the country continued to envision itself as the champion of Arab nationalism.<sup>187</sup> Egypt and Iran have also been rivals throughout much of the 20<sup>th</sup> century. Over the last 30 years, the Egyptian-Iranian regional rivalry persisted and increased markedly in the wake of the US invasion of Iraq and the expansion of Iranian and Shi'a influence in the Middle East. Today, Iran continues to be viewed largely as a Persian Shi'a regional foil.<sup>188</sup>

Some Egyptians felt that Egypt's foreign policy re-alignment in 1979, came at the expense of the country's leadership in both regional and Arab politics.<sup>189</sup> Nevertheless, Egypt under Mubarak remained deeply concerned with Iranian support for Palestinian militant and Islamist groups such as Hamas, clandestine operations in Egypt by Iranian-backed groups such as Hezbollah, Iran's role in Iraq and the ongoing development of Tehran's nuclear program.

Egypt under Mubarak also seemed to be a source of stability, predictability and relative moderation as far as US interests were concerned. However, there are now deep questions about what role a post-Mubarak Egypt will play both in the context of US-Iranian strategic competition, and more broadly in the realm of inter-Arab and regional politics.

### *US Policy Towards Egypt*

US policy towards Egypt over the past three decades has been predicated upon maintaining regional stability, promoting strong bilateral relations, deepening military cooperation and promoting strong bilateral adherence to the 1979 Egyptian-Israeli peace treaty. Egypt is traditionally considered by the US as a moderating influence in the Middle East with regards to Arab-Israeli peace efforts and supporting US efforts against Iranian hegemonic interests.

However, strong support for the Mubarak government was mixed with repeated calls for Egypt to take increasing steps towards reform. US policymakers also found it increasingly difficult to maintain the US-Egyptian strategic partnership while simultaneously promoting human rights and representative government. These tensions were further aggravated by growing calls by Egyptian opposition figures to address issues of state corruption, economic inequality and the question of leadership succession. The Mubarak government resisted all US calls for reform, dismissing them as American intervention in Egyptian internal affairs.

The US relied heavily on Egypt to mediate between warring Palestinian factions, chiefly Fatah and Hamas. While Egypt repeatedly delivered on cease-fire arrangements, the Mubarak regime's contentious relations with Islamist movements – such as the Egyptian

Muslim Brotherhood or Palestinian Hamas – meant that there were inherent limits to how far Egyptian good offices could go when it came to promoting Palestinian reconciliation and a resumption of Palestinian-Israeli peace talks.

What is not clear is whether the US can achieve the same security relations with a new Egypt. On December 29, 2011, Egyptian police raided the offices of US-based international non-government organizations working on democratic reforms, including the International Republican Institute (IRI) and the National Democratic Institute (NDI) under the auspices of a criminal investigation into foreign funding of NGOs in Egypt.<sup>190</sup> While Egyptian officials signaled on February 29, 2012 that it would lift a travel ban barring seven Americans affiliated with US democracy groups, the experience served to further sour US-Egyptian relations, raising the prospect that US economic and military aid to Egypt could come under review.<sup>191</sup>

Regardless of what is sure to be years of uncertainty in a difficult transition in Egypt, the US will certainly seek to actively promote and reinforce its past strategic partnership with Cairo, support military aid funding and seek to strengthen Egyptian-Israeli peace. The US must also reconsider civil and economic aid programs that have been diminishing over time, both in quantity and real world impact on the ground as the US faces serious economic problems of its own.

### *Iran's Response*

While the US still counts Egypt as a regional ally in its strategic contest with Iran, the Islamic Republic perceives Egypt as both an obstacle to its regional ambitions and as a possible future opportunity – even if this means an Egypt that distances itself from the US without growing closer to Iran. Iran's approach to relations with Egypt has always been difficult in the wake of the Islamic Revolution and the Camp David Peace Accords. The two countries severed diplomatic relations in 1980 in no small part thanks to Iran's opposition to Egypt's peace with Israel, but also as a result of Cairo's decision to host the deposed Shah and support for Iraq during the Iran-Iraq war from 1980 to 1988. This hostility, though varying in scope and scale, would carry over to the post-Cold War era and the first decade of the twentieth century.

There was a bilateral attempt to thaw stalled Egyptian-Iranian relations between 2007 and 2008, Egypt had hoped such an initiative would illicit attention in Washington and bolster US support for Cairo. Iran in turn hoped that its push to smooth relations would allow it to bolster greater support among Sunni Arab states and downplay fears of Iranian regional ambitions. The effort ultimately failed with neither player willing to take meaningful steps to reconcile their decades-old differences.<sup>192</sup>

In 2009, relations between Iran and Egypt deteriorated further as Egypt sought to check Iran's increasing role in the region and what Egypt considered Iranian meddling in Arab affairs. In April 2009, Egyptian authorities accused the Lebanese militant group Hezbollah of operating a 49-member military cell in the country. Egyptian officials reported at the time that the cell was monitoring sea traffic at the Suez Canal in addition to planning attacks against Sinai tourist resorts, especially those favored by Israelis. The Mubarak government also accused the militant group of smuggling weapons to Hamas along the Egypt-Gaza border and of proselytizing Shi'a Islam and ideology in the country. The Egyptian police arrested 25 suspects and charged 13 of them with espionage

and illegals arms possession. Hezbollah's Secretary General Sayyed Hassan Nassrallah later acknowledged that the group had personnel in Egypt, reportedly conducting "reconnaissance" for the group.<sup>193</sup>

It is unclear whether the political upheavals in Egypt will change this situation in substance, although they may change it in tone. There have always been limits to how much influence Iran could garner in Egypt. Beyond geographic distance, Egypt is ultimately a Sunni power in the Middle East and Shi'a Iran's political-religious ideology has limited clout or credibility. Furthermore, Iran has little to offer Egypt, either as a political model, or as an example of socio-economic success in the Middle East. Even in a post-Mubarak Egypt, it is highly unlikely that Iran can influence the course of Egyptian foreign policy. Most cases where Iranian and Egyptian policies have the potential to converge – for example on supporting or building up ties with Hamas or taking stronger stands in favor of the Palestinians in general – are more a reflection of foreign policy assertiveness in Cairo meant to cater to Egyptian public opinion, and less an indicator of Tehran's influence.

### ***Seeking to Preserve the Uncertain US-Egyptian Military & Security Partnership***

Egypt and Iran do not have military ties or security cooperation, given the antagonistic dynamic between the two countries. In contrast, military aid is a pillar of US policy towards Egypt and levels of FMF worth some \$1.3 billion a year are essential to ensuring that Egypt remains firmly planted within the US and pro-Western camp in the Middle East. FMF aid to Egypt is generally divided along three lines: acquisition, upgrades to existing systems and follow-on support/maintenance contracts.

In recent years, US military aid was also intended to foster a stronger Egyptian response to Hamas' and other Palestinian militant groups' smuggling efforts in Sinai and along the Egypt-Israel border. In late 2007, the Bush Administration put aside \$23 million of Egypt's FY2009 FMF toward procuring advanced detection equipment including sensors, surveillance gear and the means to identify and process seismic-acoustic data.<sup>194</sup> The US Congress also provided Egypt with \$50 million in Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) funds to help better secure the Rafah border crossing.

While some in the US and abroad have questioned the resilience of the US-Egyptian military partnership in a post-Mubarak Egypt (especially in the wake of Egyptian authorities' targeting US democracy-focused NGOs), it is likely that it would have been far more difficult for the US to gain insight into events as they unfolded were it not for the US's ability to reach out to the Egyptian military at multiple levels.

The use of both formal and informal channels of communications proved crucial as the US sought to recalibrate its policy to changing realities on the ground. In a sign that the US-Egyptian military partnership has yet to be affected by the exit of Mubarak, the protests or US concerns over Islamists in Egyptian politics, the US DSCA notified Congress on July 5, 2011 of a potential sale of military equipment worth \$1.3 billion to Egypt. The sale supports M1A1 Abrams co-production: a pillar of the US-Egyptian military partnership.<sup>195</sup>

### ***Managing the Impact of Instability in Egypt***

Popular protests in Egypt starting in late January, 2011 caught both the US government and the US public policy community by surprise. By February 11, 2011, Egypt's longtime leader, Hosni Mubarak, resigned from his office as President of Egypt. A Supreme Council of the Egyptian Armed Forces (SCAF) – a 20-member council of senior officers – has stepped in to fill the political and leadership vacuum left by Mubarak's exit. The SCAF now rules largely by decree in consultation with Egypt dominant political forces, and the Council has indicated that it has no intention of retaining power indefinitely and that it will take the steps Egyptians expect to carry out elections.<sup>196</sup>

Instability in Egypt, the Arab world's most populous nation and an integral component of existing Arab-Israeli peace efforts – has already had deeply destabilizing effects across the region. It could also undermine Washington's regional standing and access in the future, while presenting Iran with further opportunities to consolidate its own interests in the context of US-Iranian strategic competition. For these reasons as well as many others, the focusing of US policy on managing Egypt's transition is central to the future of US and Iranian competition as well as central to US regional policy.

#### **The US Response**

Between February and May of 2011, the core of the US policy impetus in managing change in Egypt was concerned with bolstering ties to leading and emerging post-Mubarak political forces in Egypt. This has included working closely with the SCAF to press the US position that the military is the only force with the resources and structure to safeguard a political and security space conducive to emerging political parties. On the other hand, the US is also keen to eventually see the Egyptian military relinquish political power.<sup>197</sup>

The Egyptian military was crucial to eliminating or managing much of the uncertainty of a post-Mubarak Egyptian landscape, and it is likely that currently and future administrations will continue to seek close ties with the military. It is also likely, however, that the US will try to foster greater civilian control over the military, should the opportunity present itself to do so.

There are other security challenges to US and Egyptian interests. Egyptian gas pipelines have been repeatedly attacked since the start of protests, undermining energy exports to Jordan and Israel. Security in the Sinai has eroded considerably since the start of protests, with Sinai Bedouins and Palestinian militants from Gaza emboldened by the Egyptian military's focus on security elsewhere in the country.

On August 18, 2011, while chasing suspected members of the Palestinian Popular Resistance Committee (PRC) militants into the Sinai, Israeli security forces killed five Egyptian police officers.<sup>198</sup> The incident inflamed Egyptian public opinion, which remains both strongly anti-Israel and hostile to what some saw as a fruitless exercise under Mubarak of over-accommodating Israel at the Palestinians' expense. On September 9, 2011, thousands of Egyptian protesters besieged the Israeli embassy in Cairo, prompting the airlifting of the Israeli ambassador back to Israel.<sup>199</sup> The incident was a test of the Egyptian-Israeli peace deal that both countries continue to support. It also

presented a challenge to the US policy by association, and presented the real risk that further instability in Egypt-Israel relations could not be ruled out.

### **The Iranian Response**

While the US response to change in Egypt was proactive and marked by a sense of urgency, Iran's response was both less direct and less tangible. As mass protests in Egypt approached critical mass in early 2011, Iran was presented with the prospect that the regional balance of power may tip in its favor.

The destabilization of Egypt's position as a pillar of US policy in the Middle East came at a time when Turkish-Israeli relations appeared to reach a new low and the US's key allies in the Southern Gulf were pre-occupied with protests in Bahrain, the need to ensure stability in Oman and to contain spillover effects of instability from Yemen. Iran worked hard in the early days of the Egyptian protest to portray the uprising as a repeat of its own 1979 Islamic Revolution,<sup>200</sup> with official Iranian Foreign Ministry statements citing Egypt as evidence of an "Islamic renaissance" in the Middle East.<sup>201</sup>

However, Iranian government support for the Egyptian opposition had its limits and drawbacks. In February 2011, Iran's State Prosecutor, Gholam Hossien Mohseni Ejeji, warned the Iranian opposition not to stage an independent rally in support of the Egyptian protests against the Mubarak regime. He added that those who wanted to show solidarity for Egyptian uprising should take part in government-led protests instead.<sup>202</sup> It is very difficult – and potentially reckless from a regime security standpoint – for a country that crushes dissent and political opposition at home and supports a crackdown in Syria to actively promote political change abroad.

### **Moving Towards an Unpredictable Future**

Whatever happens in Egypt, it will remain critical to US-Iranian strategic competition. A more politically representative Egypt translates into increased national authenticity at home and greater credibility in inter-Arab politics. The first indicator of this is Egypt's ability to bring Hamas and Fatah together in mid-2011. The move angered some in Washington; however it remains significant that a more authentic Egyptian role in the region, coupled with continued strong bilateral ties with the US, is to the detriment of Iran. However, an Egypt where radical political forces play a more prominent role – Islamist, Salafist or otherwise – could be detrimental to players on either side of the US-Iranian contest.

Whether Egypt emerges from its difficult transition period with a viable and legitimate political system, a stable socio-economic landscape, and continued positive relations with the US and Israel remains uncertain. While Iran cannot interfere in Egypt without further galvanizing already growing anti-Iranian Arab sentiment, Egypt ultimately remains the West's to lose – a risk that is compounded by a period of increasing austerity in US public finances with potential ramifications for how the US can support allies such as Egypt.

While the US's response to stabilizing Egypt economically has been somewhat limited, US allies in the Southern Gulf, as well as key international financial institutions have and are likely to continue playing a crucial role in cushioning the impact of instability in Egypt's transition. In June 2011, the IMF indicated that it would provide Egypt with a \$3

billion 12-month standby arrangement. Meanwhile, the World Bank pledged up to \$1 billion a year in aid in 2012 and 2013 if the government in Cairo can meet key economic reform targets. The Bank was also reported to have provided \$2.5 billion in development loans. Saudi Arabia deposited \$1 billion in the Egyptian Central Bank, going on pledge a further \$ 3 billion in future funding. Qatar for its part promised to inject \$5-10 billion into the Egyptian economy. Lastly, the G8 countries assured Egypt that it would be provided with \$5 billion in loans through 2013.<sup>203</sup> There is currently no Iranian aid equivalent to US, Western and Southern Gulf aid to Egypt.



## Competition Over Jordan

The Hashemite Kingdom of Jordan shares borders with Iraq, Israel, the occupied Palestinian Territories, Saudi Arabia, and Syria. This alone ensures that the country remains critical to regional stability. It also informs, at least in part, where the Kingdom fits in the broader context of US-Iranian strategic competition.

Jordan's choices in engaging the US, Iran and other countries are driven largely by domestic factors and the pressures they pose to national decision-making.<sup>204</sup> One of the most critical ones is Jordan's plural society and the societal divisions therein. In the wake of the 1948 and 1967 Arab-Israeli wars, the Hashemite Kingdom absorbed hundreds of thousands of Palestinians. What had been a country dominated by East Bank Jordanians<sup>205</sup> soon saw the emergence of a Palestinian majority.<sup>206</sup>

Economics have been another core determinant of Jordanian regional behavior: the country's limited natural resources and status as a land-locked state in a troubled region have made the Kingdom's national security dependent upon good ties with neighboring states. This has led to some difficult choices for Jordan over time, including with Egypt under Nasr, Syria during the 1970s and Saddam Hussein's Iraq during the 1980s and 1990s.<sup>207</sup>

These domestic pressures have remained persistent sources of instability. Countries such as Egypt and Syria have, in the past, sought to exploit these cleavages to shape events in Jordan, and there is no guarantee that these divisions will not be a source of instability in the future.

In response, the Kingdom espoused foreign policy options that did not antagonize Palestinian public opinion. Meanwhile, East Bankers received patronage from the Monarchy in exchange for their loyalty and continue to be over-represented within state and security institutions as a reliable source of stability and a counterweight to potential domestic pressures. International and regional alliances, especially with the US and the Gulf states, serve as a check on regional sources of instability, most recently from continued instability in Iraq, the impact of Arab protests in the broader region, and the continued strategic contest between the US and its allies on the one hand and Iran and its allies on the other.<sup>208</sup>

### *US Policy Towards Jordan*

Jordan has been a key regional ally of the US for decades, and successive US administrations have had an interest in maintaining Jordan's stability as a means of limiting any negative spillover effects of Iranian influence in Iraq, Lebanon, Syria and the Palestinian Territories. This includes supporting Jordan's economy through trade and economic support, building up the Jordanian military – especially its growing SOF capabilities and fostering strong ties between the US and the Kingdom on regional counterterrorism efforts. US political, economic, and military support are also linked to Jordan's adherence to peace with Israel despite continued popular resentment of Israel at home.<sup>209</sup>

The US-Jordanian partnership was further strengthened after the terror attacks of September 11, 2001. The Kingdom backed Coalition efforts in Afghanistan, providing

troops to participate in peacekeeping operations. Jordan also played a key role in helping the US foil Al-Qa'eda and affiliated groups' efforts to destabilize the region, with reports that Jordanian intelligence even uncovered plots to assassinate members of the Jordanian royal family.<sup>210</sup> In response to Jordan's continued support, the US Congress doubled military and economic assistance levels to the Kingdom and approved the creation of the US-Jordanian Free Trade Agreement – the first of its kind between the US and an Arab state.<sup>211</sup>

Jordan's strong support of the US has not left it immune to continued pressure from the aftermath of the Iraq invasion and the Arab-Israeli conflict. High numbers of Iraqi refugees in Jordan are a byproduct of instability in Iraq and fears of a unilateral Israeli mass expulsion of Palestinians from the West Bank across the Jordan River continue to be a source of great concern for Jordanian officials.

### *Iran's Response*

Jordan and Iran maintained friendly relations under the rule of the Shah. However, with the advent of the Islamic Revolution in Iran, bilateral ties quickly deteriorated with an official severing of ties between the two countries in 1981. With a predominantly Sunni population, Jordan has been hostile to the spread of Iranian revolutionary politics and Shi'a influence in the Middle East. King Hussein supported Saddam Hussein during the 1980-1989 Iran-Iraq War, providing economic and military support in addition to granting Baghdad access to the strategic Red Sea port of Aqaba.<sup>212</sup>

After the war, the two countries resumed diplomatic ties in 1991, but there has been only limited improvement in bilateral ties. Iran's influence was on the ascendant in the wake of the 2003 invasion of Iraq, and Jordan became a key Sunni ally of US efforts to confront or contain Iranian hegemonic interests. It was Jordan's King Abdullah II that warned against dangers of a "Shi'a Crescent" in 2004, further staining bilateral relations. In 2006, Jordan's speaker of parliament, Abdel Hadi Majali, accused Iran of undermining Jordanian security and seeking to destabilize the Kingdom, in part through smuggling and stockpiling of weapons by the Palestinian militant group Hamas. Reports went on to add that some 20 Hamas members were rounded up amid concerns the group was planning to target Jordanian officials and key installations.<sup>213</sup>

### *The US-Jordanian Military & Security Partnership*

The US has been providing military aid to Jordan since 1957. Supporting the Jordanian military – the main bulwark of support of the Monarchy – enables the US to enhance the Kingdom's stability. While reducing instability and gaining influence with the regime have traditionally informed US policy towards Jordan, military aid has taken on increased urgency, given Jordan's increased counter-terrorism partnership with the US, its role as a key ally in limiting and countering the spread of Iranian influence in the Levant and, more recently, the need to minimize the impact of recent popular unrest.

US assistance to Jordan has been largely stable since the country signed peace with Israel in 1994 and has increased in the wake of continued US-Jordanian counter-terrorism cooperation. In September, 2008, the US and Jordan agreed on a memorandum of understanding that would see the Kingdom receive annual aid worth \$660 million over

the FY2010-FY2014 period. Of this annual amount, approximately \$300 million is allocated to FMF and security assistance.<sup>214</sup>

This boost in the US “peace dividend” will be essential to Jordan’s national recapitalization efforts, with FMF worth \$385 million for FY2009 and \$350 million for FY2010 representing the spending equivalent of 16.5% and 13.8% respectively of the Jordanian defense budget. US FMF is expected to remain focused on upgrading Jordan’s air force, supporting purchases and upgrades to US-made F-16 fighter aircraft, and to allow Jordan to acquire Blackhawk helicopters in support of border management and counter-terrorism operations.<sup>215</sup>

Beyond conventional security assistance, Jordan has been instrumental to US efforts to train Palestinian security forces loyal to Fatah. The initiative is driven largely by the hope that more capable official Palestinian security institution could be a bulwark against Palestinian militants allied to Syria and Iran.

Since 2007, 1,000 Presidential Guards and 3,700 National Security Forces (NSF) troops loyal to the Fatah-led Palestinian Authority have been trained at the International Policy Training Center near Amman, Jordan. The US Security Coordinator (USSC) for Israel and the Palestinian Authority planned to organize and train some 6,000 troops, including 10 500-man NSF battalions, and this effort would be far more difficult were it not for Jordan’s continued support and cooperation.<sup>216</sup>

### *Managing Instability*

Protests across the Arab world are driven by legitimate grievances, however, instability in Jordan, a key US regional ally, could allow Iran to recalibrate and balance against continued instability in its main regional ally Syria.

2011 saw unprecedented criticism of King Abdullah II, Queen Rania and the core pillars of the monarchy. Opposition from youth groups and Islamist movements was not surprising given Jordan’s high level of youth unemployment, high underemployment, the growing perception of institutionalized corruption and limited avenues for socio-economic advancement. What is significant is that elements within the kingdom’s core of support, including rural East Bank tribesmen and military veterans, have also been critical. This was driven by shrinking government patronage in rural areas and concerns in some quarters that the monarchy – especially the Queen – was advancing the interests of Jordanian Palestinians over East Bankers.<sup>217</sup>

Despite these pressures, King Abdullah II continued to maintain broad control of both security and political life in Jordan in 2011. This is in no small part thanks to the continued support of the country’s military and security forces, which remain overwhelmingly dominated by personnel from East Bank tribes loyal to the Hashemite dynasty. The monarchy has taken steps to appease the grievances of its citizens, including the establishment of a Royal Committee on Constitutional Review which has proposed some 42 constitutional amendments.<sup>218</sup>

Parts of the Jordanian opposition have dismissed planned reforms as falling short of popular expectations with few moves to curb the King’s power. The political challenge is further hampered by the impact on public financing of appeasing popular unrest. These measures include the granting of 100 Jordanian Dinars<sup>219</sup> (JD) to all active and former

civil and military employees during the Islamic holy month of Ramadan and the allocation of additional funding to the Jordanian public school system. Subsidization continue to pose a lasting challenge, including subsidies on bread worth JD 350 million and JD 700 million-worth in fuel subsidies annually.<sup>220</sup>

As is the case with Egypt, this presents major challenges to the US. Iran has little influence in the kingdom, but Jordan is too vital to the US and its Gulf allies to allow these socio-economic pressures to trigger critical instability. In May 2011, the GCC announced that Jordan was welcomed to apply for membership to the Council,<sup>221</sup> while a month later, Saudi Arabia provided Jordan with a cash grant of \$400 million to stabilize public finances. The country's Finance Minister reported in August that grants for the year had reached JD 1 billion.<sup>222</sup>

Meanwhile the US continued to provide wheat grants to alleviate the impact of local subsidies. Disruptions in energy supplies from Egypt continue to be a cause for concern in Amman; however Iraq and Jordan signed an agreement in June 2011 for the kingdom to receive 15,000 barrels of oil per day at a discount of \$18 per barrel.<sup>223</sup>

The path to political and economic reform in Jordan remains uncertain and will continue to be complicated by the lingering Arab-Israeli conflict and may yet develop into a source of instability that Iran could potentially exploit. Israeli-Jordanian relations have come under increasing criticism in 2011, with reports of pressure on Jordanian businesses that interact with Israel and suggestions that there has been a 25 to 30 percent reduction in agricultural exports to Israel since the beginning of the year.<sup>224</sup>

On September 15, 2011, some 200 protesters demanded the expulsion of Israel's ambassador to Jordan.<sup>225</sup> In the wake of the storming of the Israeli mission to Cairo, the Israeli government recalled its Ambassador and staff from Amman the previous day as a precautionary measure.<sup>226</sup> Ultimately, the protests were small in size and countered by robust Jordanian security measures. However, questions remain about how anti-Israel sentiment will be managed in the future. The abrogation of the 1994 Israeli-Jordanian peace treaty is a long-standing demand of Jordan opposition groups. Meanwhile, allegations made by the whistleblower Wikileaks that US and Israeli officials mulled promoting the status of Palestinians in Jordan may have been a driver for the mid-September protest.<sup>227</sup>

Syria's mainly Sunni opposition to the Alawite-dominated regime of President Bashar Al-Asad has emerged as the latest platform for Jordanian Islamist opposition forces in their bid to mobilize greater pressure for reform on the Hashemite Monarchy. On February 12, 2012, Jordan's Muslim Brotherhood called for "jihad" against the Asad regime and articulated strong support for the armed insurgency in Syria. The group also called on Jordan to recognize the opposition Syrian National Council as a representative of the Syrian people.<sup>228</sup>

While calls for greater Jordanian involvement in Syria go against the monarchy's desire to keep Jordan as far as possible from its neighbor's potential spillover effects, Jordan can do little to ignore the growing push from Islamist political forces. Islamist parties and movements have either seized power, done well in elections or are contesting long-held centers of power across the Middle East and North Africa. In addition to openly

discussing options for political reform, the Hashemite Kingdom has also sought to strengthen ties with Palestinian Hamas, an offshoot of the Muslim Brotherhood.<sup>229</sup>

Societal and economic cleavages, corruption, growing opposition from Islamist forces, tensions over the fate of Palestinians in Jordan and the continued insecurity of Jordan's East Banker population mean that the path to political economic reform in Jordan will remain uncertain. Today, Iran has no direct influence in Jordan in the context of strategic competition with US. However, it is clear that a destabilized Jordan could present Iran and its allies with opportunities to foil the interests of the US and its allies in the region.

## **Persistent & Emerging Challenges**

In a year marked by upheaval and regional uncertainty, there are many other questions that remain about what direction US-Iranian competition in the Levant will take. The future will be shaped by both persistent and emerging challenges alike. Some do not directly affect US and Iranian competition, but would have important indirect effects. Others, like those involving Syria, could play a critical and more direct role.

### **The Teetering Balance Along the Blue Line**

Almost any deterioration along the UN Blue Line of demarcation between Lebanon and Israel could benefit Iran: given regional public opinion, it would be easy for conflict between the IDF, Hezbollah or the LAF to help justify Hezbollah's continued armed status. More importantly, however, there is no guarantee that instability could not escalate into a war involving Israel, Syria and their respective regional allies.

Iran (and Syria) can potentially exploit the continued risk of conflict between Israel and Hezbollah. Both have learned important lessons from the last round of open confrontation in 2006 and there are few changes of an internationally backed consortium, like the now defunct Israel Lebanon Monitoring group, in no small part because key players such as Syria are increasingly unstable. Even if Syria were not mired by protests, there is little appetite in Washington or Tel Aviv to resurrect the old monitoring structure.

Both Israel and Hezbollah have continued to upgrade their tactics and capabilities over the course of the past 5 years, and both sides are confident that their strategy in a future war will succeed, and both sides feel confident they can predict the operational, tactical and strategic choices of the other in a future conflict. However, despite this high level of confidence, there is strong evidence to suggest that neither side wants to start a war, and both sides continue to rely on the other to sustain the militarization of both Jews and Shi'a across the UN Blue Line.

One might argue in favor of stability based on the prediction that both Israel and Hezbollah are fundamentally rational and have too much to lose and too little to gain from another round of conflict. However, asymmetric balances, let alone other forms of brinkmanship where few channels of communication exist, are inherently unstable. One major example of this includes a confrontation between the IDF and the LAF in August, 2010 that could have degenerated in a major conflict. More recently, Palestinian and Lebanese protestors' efforts to cross the Blue Line in May and June 2011 could have also escalated into a major cross-border incident.

If Hezbollah (and Iran and/or Syria) do not actively exploit this issue, an important tool has emerged as a critical component in managing the risks associated with an uncertain asymmetric balance since 2006: regular meetings between the LAF and the IDF as part of a tripartite framework under the auspices of UNIFIL at its Naqoura headquarters just north of the Blue Line of demarcation between Israel and Lebanon. The "Naqoura framework" is not in and of itself decisive. What does give it an ability to manage security politics along the Blue Line is that Hezbollah and other leading political forces have given the LAF their tacit support in the framework. In short, the LAF has the support of all the country's major communities when it comes to ensuring that stability reigns in the South. The IDF was also reported to favor the framework.<sup>230</sup>

The Naqoura Framework bolsters the role of the LAF in Lebanese security politics and is an important source of stability and predictability for a US that is increasingly focusing on managing expectations rather than shaping outcomes in the Middle East. In contrast it is at least partially detrimental to Iran's aspirations to inflame Blue Line security politics in support of its regional prerogatives.

## Energy Security & the Risk of War

While potential energy reserves in the Levant remain an unknown quantity, they have already become a source of tension and conflict between Israel and Lebanon – as well as with the Palestinians where another set of offshore gas resources has not been developed because of Israeli and Palestinian tensions over Gaza.

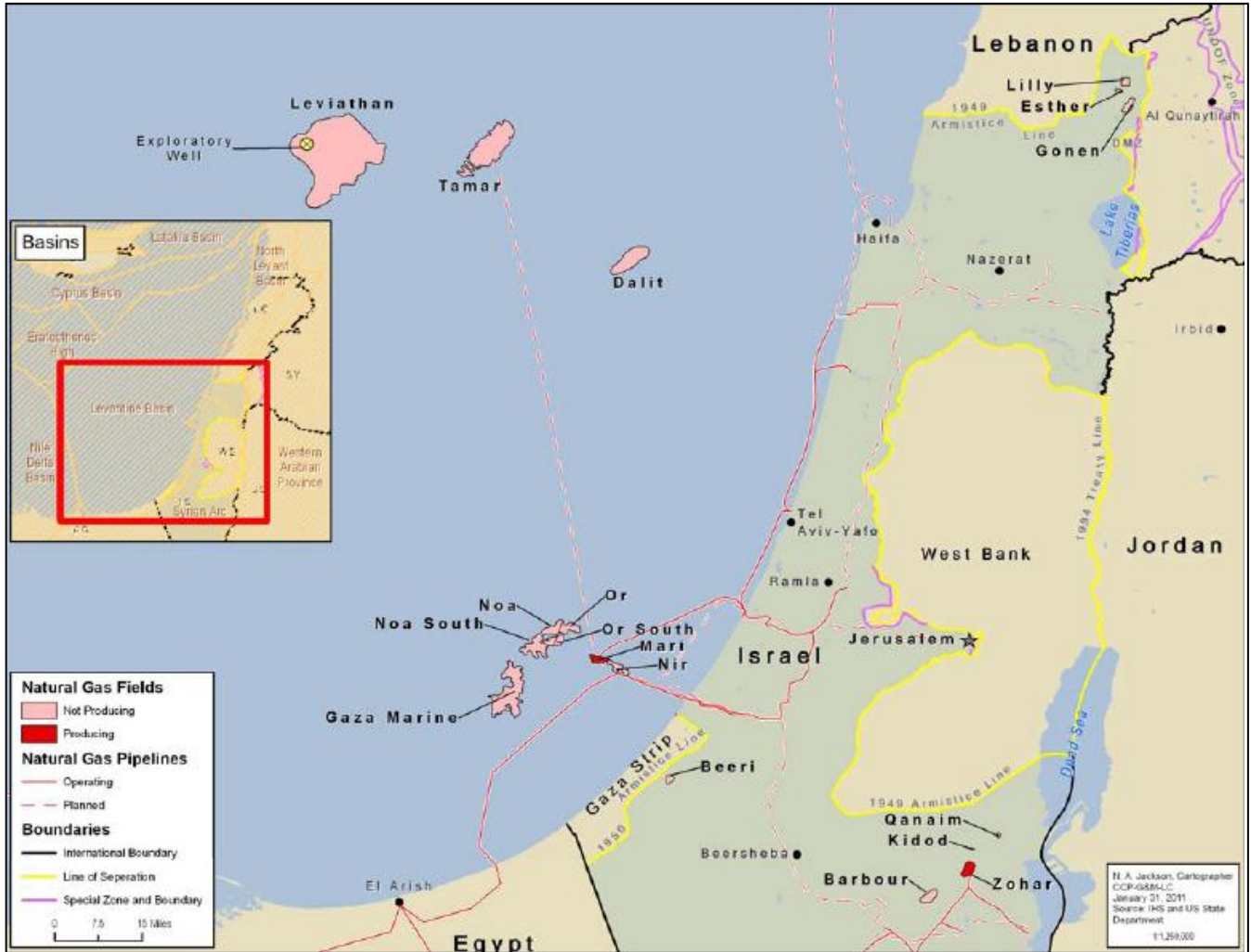
Recent Israeli tenders for offshore exploration have led to heightening rhetoric on managing access to potential regional energy reserves. Both Israel and Lebanon have submitted competing maritime borders to the UN and the issue has the potential to become the “new Sheb’a Farms” insofar as it will drive and justify the militarization of society and politics on both sides of the Blue Line.

- **Figure VIII.31** shows recently discovered Israeli natural gas fields – Tamar, Dalit and Leviathan – which are projected to begin development at the end of 2012 with extraction and transmission infrastructure to be operational by the end of the decade.<sup>231</sup> Both Israel and Hezbollah have made their positions clear: each considers it its right to protect potential offshore resources and to use lethal force should the need arise.
- **Figure VIII.32**, meanwhile, shows a Lebanese map of the maritime border between Israel and Lebanon wherein the countries differ about where the maritime frontier is or should be.
- To the north-east of the Nile Delta, preliminary USGS findings seem to indicate similarly significant energy reserves in the Levant Basin. Covering a smaller area of some 83,000 square kilometers, the Levant Basin is expected to have a mean volume of 1,MMBO, with a range spanning from 483 MMBO to 3759 MMBO depending on the confidence intervals. With regards to LNG, the Basin is expected to have a mean volume of 122,378 bcf of gas with a range from 50,087 to 227,430 bcf of gas.<sup>232</sup>
- **Figure VIII.33** shows a map of the Levant Basin survey area and details of the resource assessment.

It is possible that energy insecurity could lead to conflict in the Levant. Arguably, Iran would benefit from yet another arena wherein it can antagonize or harass Israeli interests, be it through Hezbollah or other regional players. Energy reserves do not have to automatically lead to conflict. Managing the maritime border region and trying to find a compromise is a valid alternative.

If pragmatists are given the opportunity, there is no reason why Israel and Lebanon cannot have their cakes and eat them too. How Israel and Lebanon manage the maritime issue could be an important confidence building measure and regional stabilizer. The opposite, defined crisis and open military confrontation, is no less of a plausible outcome.

**Figure VIII.31: Israel's Growing Natural Gas Sector**




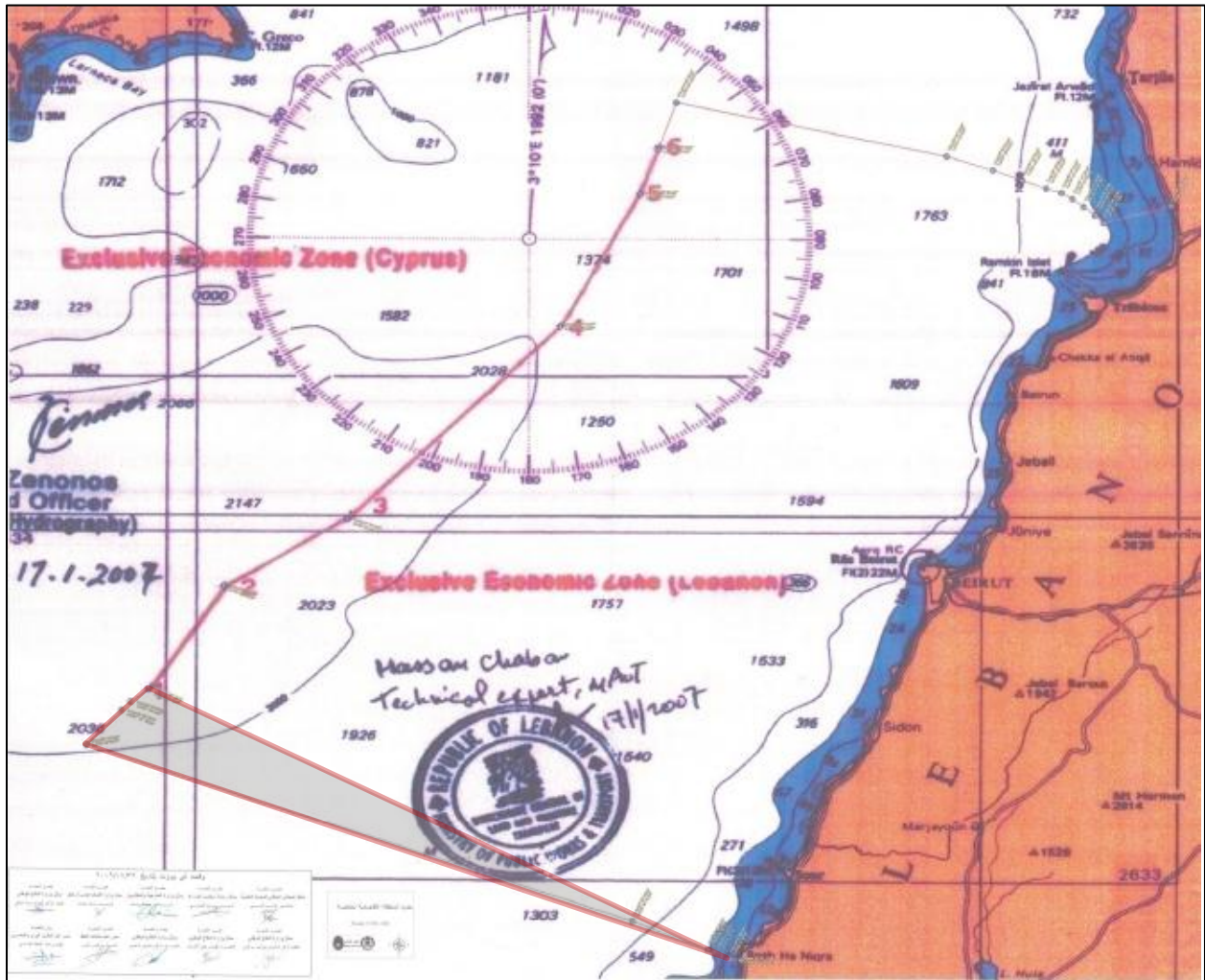
Note: Depicts regional geologic basins.

Source: Adapted from Michael Ratner, "Israel's Offshore Natural Gas Discoveries Enhance Its Economic and Energy Outlook," *Congressional Research Service*, RL41617, January 31, 2011, p. 2, Library of Congress Cartography.



**Figure VIII.32: The Israeli-Lebanese Maritime Frontier: A conflict in the Making?**

 : Area of contention between Lebanon and Israel



Source: Adapted by Aram Nerguizian from Wissam Zahabi, “Hydrocarbon Exploration Offshore Lebanon: Current Status and Way Forward,” presented at the Levant Energy Forum 2011, June 23, 2011, available at:

<http://www.thegulfintelligence.com/uploads/Oil%20and%20gas%20presentation%20Lebanon.pdf>

**Figure VIII.33: U.S. Geological Survey in the Levant Basin Province, 2010**

**Location of Four Assessment Units in the Nile Delta Province**



**Levant Basin Province Results**

Total Petroleum Systems (TPS) and Assessment Units (AU)	Field type	Largest expected mean field size	Total undiscovered resources											
			Oil (MMBO)				Gas (BCFG)				NGL (MMBNGL)			
			F95	F50	F5	Mean	F95	F50	F5	Mean	F95	F50	F5	Mean
Levant Basin Province, Mesozoic-Cenozoic Composite TPS														
Levant Margin Reservoirs AU	Oil	177	278	763	1,765	857	340	944	2,202	1,062	7	19	45	22
	Gas	1,074					1,678	4,559	10,594	5,135	51	142	333	160
Levant Sub-Salt Reservoirs AU	Oil	184	148	460	1,242	548	179	569	1,559	679	4	12	32	14
	Gas	12,238					32,462	74,210	150,573	80,758	1,006	2,309	4,721	2,519
Plio-Pleistocene Reservoirs AU	Oil	130	57	217	752	284	68	265	933	351	1	5	19	7
	Gas	4,756					15,360	32,066	61,569	34,393	157	328	633	353
Total Conventional Resources			483	1,440	3,759	1,689	50,087	112,613	227,430	122,378	1,226	2,815	5,783	3,075

Source: The United States Geological Survey.

## **Wildcards of Syrian Instability**

The most critical wildcard affecting US-Iranian competition is undoubtedly Syria's year-long crackdown against public protests and opposition forces. This has led a number of countries – including US NATO allies such as France and Turkey – increasingly entertain the prospect of creating a “humanitarian corridor” in Syria, potentially along the border with Turkey, to provide relief to both the Syrian population and dissident groups opposed to the Asad regime. These calls are echoed by Syrian opposition forces both in and outside Syria, including the so-called Free Syrian Army (FSA) and the Istanbul-based Syrian National Council (SNC).

These calls do not address the real world challenges of creating such a “humanitarian corridor”: joint and combined military operations to suppress Syria's air defense network, the need to neutralize the country's air force, and eliminating Syria's asymmetric deterrence by containing unconventional threats from long range missiles (potentially armed with chemical or biological agents) and instability along the Golan Heights. They also do not address the risk of eventually having to engage loyal Syrian ground forces (including large concentrations of Alawites) that see few prospects in a post-Asad Syria.

As has been discussed earlier, any Western or regional military intervention in Syria must deal with Syria's air defenses, tackle the country's air force and contain risks from unconventional and asymmetric threats. The US was indispensable to any NATO or UN-led military effort in Libya and the same applies to Syria. Only the US has the mix of capabilities and capacity to support and sustain such a military effort should it every come to pass.

### **Syria is not Libya**

However, Syria is not Libya. Libya is geographically far larger and mostly empty with a smaller population and very limited military capacity overall. In contrast, Syria's population is more than three times larger than Libya's, has almost 30 times the latter's population density and a much larger and far more capable military overall. Libya has persistent tribal and ethnic divisions. However, Syria's sectarian and ethnic divisions run far deeper and resonate far more with regional tension along Sunni and Shi'a lines.

Unlike in Libya, Syrian opposition forces do not control strategic territory, nor do they currently have military resources at their disposal to mount more than hit-and-run attacks. The Asad regime enjoys a far greater degree of control over the country than did the Gadhafi regime. While Syria's state structure is not robust by any measure and has shown signs of deep stagnation and decay for decades, 40 years under Gadhafi utterly decimated Libya's state structure and any semblance of state-society relations.

Meanwhile, the Asad regime has shown it can rely far more on praetorian military units and a significant cross-segment of the Syrian population, including most minority groups (either out of fear or by choice) to either defend its interests or not to undermine the regime further. The bulk of the security forces remain largely loyal in no small part thanks to decades of over-recruiting from the mainly rural Alawite community, which has resulted in a strong corporatist military culture.

While Libya's opposition forces were divided, Syria's are far more so, with little unity or agreement on the use of violence as a means to an end, and discord about the potential

role of foreign intervention. Unlike Libya, Syria complicates the calculus of external actors by virtue of its sectarian and ethnic divisions. By some estimates, Syria's population includes 74 percent Sunni Muslims, 10 percent various Christian groups, and the Alawite community and the Druze account for the remaining 16 percent. Meanwhile, Arabs account for some 90.3 percent of the population while Kurds, Armenians and other minorities account for the remaining 9.7 percent.<sup>233</sup>

### **The Risk of Destabilization & Civil War**

External military intervention of any kind could accelerate what many fear has already become an escalating path to civil war in Syria. The hardening of sectarian rhetoric and the increase in tit-for-tat sectarian violence across the country also mean that any large-scale internal conflict is likely to be sectarian.

There is little doubt that the regime did its utmost to ensure the re-emergence of sectarian fault lines, chiefly between the country's Sunnis on the one hand and the ruling Alawite minority and other Christians and the Druze on the other. By waving the prospect of destabilization and sectarian strife in Syria, the Asad regime hoped it could get its local, regional and international opponents to back down.

Ultimately, the law of unintended consequences is such that the Asad regime may have gotten far more than it bargained for. There is little to no certainty that sectarian tensions that have been under the surface for years can be reversed or undone even under the best of circumstances. In an effort to secure its own future, the Asad regime is risking a far broader sectarian civil war in Syria.

Assumptions that any civil war in Syria will be short-lived ignore the reality that wars are rarely expected to last longer or cost more than a fraction of what they actually do. They also ignore local and regional factors, including the disposition of the population, the scale of armed opposition, the corporatist nature of loyal military units, and the scale of external support on either side of any conflict. Given the many factors listed above, including internal communal divisions, the praetorian nature of elite units and the risk of internal displacement, external intervention is far more likely to further divide Syria – potentially geographically or along ethno-religious lines – than to avert a crisis.

### **Iran**

With the exception of Syria's fighting political forces, Iran has the most to lose should its key regional ally suffer further destabilization. Military intervention even on the most limited scale would be particularly troubling. Whenever Damascus has faced wholesale international pressure in the past, Iran has traditionally responded with high-stakes foreign policy choices that often complicated matters further rather than helped to secure and stabilize Syria's regional position.<sup>234</sup>

Iran has already signaled (unsuccessfully) its Palestinian allies, including Hamas, to escalate instability in Israel, while Hezbollah remains largely held in reserve (though the group is also constrained by growing Sunni-Shi'a tension in Lebanon). Iran also appears to have provided support to the Asad regime as it confronts both peaceful protesters and armed insurgents.

In the event of more direct international intervention, there is no reason to assume that Iran will not seek to support the Asad regime by deepening its own role in the country.

This could include mobilizing elements of the Iranian Revolutionary Guard Corp (IRGC)'s Quds Force to play a more heavy-handed role, turning to Shi'a allies in Iraq, and bolster clandestine operations and asymmetric competition with the US, the EU and their key (mainly Sunni) regional allies including Saudi Arabia and Turkey. Should the Asad regime truly destabilize, Syria will likely supplement if not outright replace Iraq as a key arena for regional competition between Iran on the one hand and the US and its allies on the other.

### **Hezbollah**

For Hezbollah itself, the potential loss of Syria – a key lifeline of support from its patron Iran – could prove critical to the group's long term local and regional posture. Hezbollah has worked hard to minimize its regional footprint, not the least of which in the wake of growing anti-Shi'a sentiment across the region. The group's relative quietism could be put to a serious test, however, should Iran and Syria require Hezbollah to escalate along the UN Blue Line as a response to intervention in Syria. This could also raise questions about proliferation risks should Damascus decide to transfer additional sensitive military hardware, such as advanced SSMs, major SAMs or ASCMs to the Shi'a group.

### **The Southern Gulf States**

A key factor affecting US and Iranian responses to instability in Syria are the Southern Gulf states, led by Saudi Arabia and more recently Qatar.

In the first half of 2011, most states in the Arab League feared spillover effects from instability and protests in Tunisia, Egypt, and Bahrain. The richer and more stable oil monarchies of the Gulf Cooperation Council (GCC) moved quickly to insulate themselves from the effects of regional unrest. This has included greater investment in job creation, more subsidization, and more energy focused on addressing some of their lingering socioeconomic grievances. In the latter half of 2011, the GCC states—led from the front by Qatar and, more critically, from the rear by Saudi Arabia—have grown increasingly critical of Syria as the cycle of violence went on unabated.

At the rhetorical level, the Gulf states (with a majority Sunni population) have grown increasingly critical of Assad's crackdown on his mainly Sunni political opponents. This comes at a time of growing negative public opinion toward Shi'a Iran. At the geopolitical level, Iran underestimated just how concerned the Gulf states are about the implications of unchecked Iranian hegemonic aspirations in the wake of the U.S. withdrawal from Iraq. Growing pressure on Syria from the Arab League, led by the GCC, is meant in part to influence the regional balance against Iran and to shape inter-Arab politics by seizing a rare opportunity to shape the internal balance of power in Syria.

### **Spillover Effects**

In the event of Syrian responses to international pressure, further deteriorates or if some form of military intervention takes place, it is highly unlikely that the regional spillover effects can be contained. Lebanon's Sunni-Shi'a tensions could escalate leading to miscalculation and potentially deeper communal violence. Israel, which has struggled to insulate itself from Syria, will face a broadening of instability in the Levant. Jordan, though largely stable now, will also have difficulty insulating itself and faces pressure from its own internal Islamist political forces. While Lebanon has already seen an

escalation in Sunni-Alawite tension in northern Lebanon, Iraq's Sunnis and Shiites are divided in their response to Syria; the former has shown a willingness to aid Syria's mainly Sunni opposition forces, while the latter has sought tighter controls of the Syria-Iraq border and has avoided real condemnation of the Assad regime.<sup>235</sup>

All four countries could also face difficulties in managing their large Palestinian refugee populations should Syria deteriorate further. Turkey's core focus remains the Kurdish question, which is likely to escalate both in Turkey and along the frontier with Syria should Damascus destabilize further. While sensitive to US and Saudi foreign policy concerns, Iraq remains a mainly Shi'a country on the border of a mainly Sunni Syria. Growing Sunni-Shi'a regional acrimony could inform how Iraq reacts to further instability in Syria.

## Implications for US Policy

The US faces a sustained level of instability in the Levant, and the rest of the Middle East and North Africa, that affects every aspect of its competition with Iran. At present, no one can predict the outcome in any given case. Even the short term impact of changes in regimes is not predictable, nor is how those changes will affect the underlying drivers of regional tensions. It is particularly dangerous to ignore the risk of replacing one form of failed governance with another one, and the prospect of years of further political instability or upheavals.

### Syria

While Syria has been a challenge for US policy-makers for decades, the current round of instability is unprecedented and the situation in Syria is not predictable enough for the US to be able to develop a sustainable strategy in the short term. Accordingly, unless the opposition becomes far more cohesive and its character is far more clear, and unless far more Syrian forces defect, the US should consider the following options.

- The increasing use of violence by elements within the opposition is likely to lead to incrementally harsher military and security responses from the regime on the basis that it is fighting a foreign-backed insurgency as opposed to peaceful democratic activists. There is no clear US response to this increasingly dangerous phase of instability in Syria. Providing material support to opposition forces will likely justify a harsher crackdown and the forces buttressing the regime will continue to close ranks. US or western covert and overt assistance could also trigger a negative response from Russia, China and other members of the UN Security Council who do not want to see a repeat of steps taken in Libya.
- The US cannot ignore the regional spillover effects should Syria destabilize further and it needs to adopt a strategy based on containing Syrian instability. How events do and do not play out in Syria will have deep and unforeseen consequences on the precarious sectarian balance in Lebanon, the security of Israel along its northern and eastern flanks, the stability of Jordan at a time of increased internal unrest, and pressure along Turkey's southern flank as Ankara tries to contain increasingly assertive Syrian and Iraqi Kurdish groups. A collapse in Syria – controlled or otherwise – may hold the promise of breaking Iran's umbilical cord to Levant, but it also promises to expose both budding and strategic US allies to waves of uncertainty for years to come. The US must work with these states to minimize these pressures should Syria deteriorate further.
- While the US may have reasons to support opposition forces that are democratic or more representative of popular forces in Syria, that may not translate into a more stable Syria at peace with its neighbors in either the short or long term. There is no real world basis on which to make the argument that a post-Asad Syria will make peace with Israel, renounce claims to the Golan

Heights or stop providing assistance to Palestinian elements operating in and outside the Occupied Palestinian Territories.

- The Russian and Chinese double veto is a message that the US cannot ignore and if it hopes to garner broader support in the international community, it must take into account the interests and priorities of other leading and emerging powers. It must work closely with its allies to reassure the so-called BRIC countries that Syria is not another Libya and that military intervention at heart of the Arab-Israeli conflict is not being considered.
- Some analysts have proposed prying Syria's security establishment and the Alawite community away from the Asad regime. While the approach is sound in principle, the US may need to accept that the chances of doing so are slim. The passage of time and the level of bloodshed have made it more difficult to conceive of a post-Asad Syria devoid of retaliatory measures against the Alawite community. While many Alawites may not like or support Asad, the potential loss of their political and economic autonomy is a key barrier to defections. Even in a scenario where a dominant opposition proved magnanimous in victory, there is little sign that Asad's base – and the other minorities that support the regime – is betting on such a favorable outcome.
- While events in Syria are challenging to the US and the West, they also complicate Iran's foreign policy and, as a result, how the US and Iran will compete in Syria in the future. Iran continues to support the Asad regime's efforts to crush popular dissent. However, it has increasingly done so with the acceptance that returning to the status quo ante in Syria is a fleeting hope rather than a likely outcome. As such, Iran's position is in flux in the Levant and could as easily lead to progress or confrontation with the US and the West in Syria, as well as Iraq, Lebanon and with the Palestinians.
- There now is only limited support in the US, Europe, and the Arab world for direct intervention in Syria. There are also reasons why the US might directly (or indirectly) take the lead in such efforts. The withdrawal of US troops from Iraq has left many questions about the future role and influence of the US, especially in the context of strategic competition with Iran. Instability in Syria presents Washington with the opportunity to undermine Iran's regional posture, weaken or change the leadership of one of its key regional allies and potentially downgrade the Islamic Republic's role in the Arab-Israeli conflict through Hezbollah.
- Syria is not Libya. Syria has a population that is more than three times larger than Libya's, has almost 30 times the latter's population density and a much larger and far more capable military overall. Syria also enjoys strong political, financial and military support from Iran and Russia. These factors complicate any calculus on military intervention in Syria, whether in terms of the level of potential military opposition, or with regards to the risk of high civilian casualties. Opposition forces in Syria do not control regime-critical territory, and most attacks, while potentially coordinated, seem to have limited tactical or strategic depth and have yet to present a serious challenge to units loyal to the regime.
- At best, the Assad regime would be replaced by a democratic Sunni-dominated leadership that is more favorable to the foreign policies of the United States and the Gulf states led by Saudi Arabia. This could include a degradation of ties to Iran with effects on the flow of Iranian weapons and support to Hezbollah. At worst, Syria would remain unstable and could deteriorate into a deeper sectarian civil war, a conflict that could in turn draw its neighbors—especially Saudi Arabia and Iran—into a cycle of regional proxy warfare. What is certain, however, is that in any scenario, Syria's regional role has been severely weakened by a year of unrest.

The exception to such restraint is the possibility that Syria's repression will become so violent that some form of humanitarian military intervention will be absolutely necessary. The US is planning for this option, but the risks are high, it could take weeks to make fully effective, and it might be seen as intervention from Israel's closest ally and as in support of Israel – an association that could discredit the Syrian opposition.



If at all possible, such an effort should be led by Arab states and Turkey, with US support. The goal is to legitimize an Arab and native Syrian approach to political change, not outside intervention.

Even with Arab and Turkish support, however, any US-led intervention would play out less in terms of humanitarian relief and more in terms of US and Gulf Arab efforts to compete with Iran and Syria and to bring stability to a region that is liable to remain unstable for years. Taking stock of the scale of Sunni-Shi'ite regional polarization and the level of acrimony between the Southern Gulf states and Iran is critical to determining the benefits and potentials costs of deeper US involvement in the Levant.

### **Lebanon**

While Lebanon has been relatively stable during the current period of upheaval, there are real risks of instability as well as opportunities to manage security politics in the Levant that the US should not ignore.

- While it is easy to get caught up in ideological pursuits in Lebanon, US policy should remain focused on a policy based on the fact that Lebanon will remain the problem child of US foreign policy. This entails a pragmatic policy that seeks to minimize Lebanon's geopolitical profile and contain the risks posed by Hezbollah and other forces hostile to US interests in the Levant. The US must continue to capitalize on the fact that Iran's relationship is with Hezbollah while its own relationships can be with a broader range of Lebanese institutions and political forces.
- The collapse of the March 14-led government of Saad Hariri in January 2011 has raised concerns in Washington of a Hezbollah-led constitutional coup and the growing strength of forces hostile to the US and close to Iran and Syria. The cycle of regional instability and prolonged unrest in Syria have done much to dampen the effects of these changes in Beirut. The US should not miss the current opportunity to build bridges with forces that, while enjoying ties to Syria and the Asad regime, are viewed with growing distrust by Hezbollah. Prime Minister Najib Mikati was never Hezbollah's choice for the post he now occupies. Meanwhile, his government continues to honor Lebanese international commitments and seems keen to nurture ties with the US to try and insulate Lebanon from the prospect of further Sunni-Shi'a sectarian escalation. The US does not need further instability in Lebanon and must work with existing allies and potential new ones to contain and manage Lebanese instability.
- The US should continue to support UNFIL and the LAF based on their real world impact on security politics along the Blue Line. This means accepting first that the UN force's role as a regional punching bag for both the Israelis and the Lebanese is conducive to stability along Israel's northern flank. It also means accepting that while the LAF is not the non-sectarian military force that many in the US hoped it would be, it remains critical to keeping a lid on Lebanese instability.
- Unlike the US with the LAF, Iran has had 25 years to build up Hezbollah. Given the weaknesses of Lebanese political allies and the limits of US policy in Lebanon, long term military diplomacy remains crucial to maintaining US influence in Lebanon and sustaining the US's place in security politics in the Levant. The US Congress should consider lifting a hold on the limited lethal military aid the LAF has requested. The State Department, with the support of Congress, should also release some \$100 million in approved FY2011 FMF for Lebanon to avoid the real prospect that US security assistance and cooperation programs will run out of unallocated funds before the end of 2011.
- The US should seek to support the UN Special Tribunal for Lebanon in ways that will not reinforce negative perceptions of the US as well. Given the depth of divisions in Lebanon, the US will not score points in its competition with Iran if the Tribunal cannot eject perceptions that it is a Western political tool meant solely to undermine Syria and Iran in the Levant.



## Israel

As this report shows, Israel is a key arena for US-Iranian competition and the recent cycle of instability will remain critical to how both countries develop their bilateral relationship and security ties.

- A ring of instability now exists around Israel. However, the long term implications remain uncertain. The US will continue to provide Israel with both political and military security guarantees to bolster the strategic partnership. Both countries will also continue to coordinate their efforts to minimize and curtail Iranian influence in the broader Levant.
- The current cycle of regional unrest has accelerated the US need to bring Israeli-Palestinian negotiations on a two-state solution to fruition. Given the level of popular sentiment across the Arab world, US preferences and the need for a lasting peace, and given the recent Palestinian UN bid for statehood, the US, Israel and the Palestinians must seize the initiative. Much mistrust remains between Israel and the Palestinians and there is no certainty that any process will succeed. However, not to work that much harder will serve to strengthen Iran's efforts to spoil peace efforts, undermine the US role in a changing the Arab world and to further radicalize the Palestinians at a time when rational minds should prevail.

## The Palestinians

The place and role of the Palestinians in US policy and competition with Iran are part and parcel of competition over Israel.

- Suspending aid to the Palestinians can do little to strengthen the US position in the Levant in general and in the Arab-Israeli conflict in particular. The UN bid for statehood did upset many in Washington. In the end, any alliance is only as strong as the sum of its parts, and the Palestinian bid provided a much needed boost to the ailing presidency of Mahmoud Abbas, a key regional ally. Censuring the Palestinian Authority will strengthen the hand of pro-Syrian and pro-Iranian Palestinian factions and undermine perceptions of the US in the Levant. The US should continue to nurture its relationship with the PA and make good on its aid commitments.
- As with Israel, the US needs to work hard to bring the PA back to negotiations on a two-state solution. The PA's UN bid has done much to buoy the position of President Abbas, however, this effect will degrade with time unless parties to negotiations can capitalize on it. The Quartet, led by the US, must push ahead with peace efforts. The alternative is a degeneration of the Palestinian position to a point that strengthens Palestinian opponents of the West and invigorates Iran's spoiler role in the Arab-Israeli conflict.
- The Palestinian Islamist wildcard has proven crucial to projecting Iranian influence in the Levant as a means of impacting the Arab-Israeli conflict. Relying on groups like Hamas was also an important means of shoring up much needed Sunni support for Iran in the region. A very public break between Syria and Hamas is a setback for Iran, but the Islamic Republic continues to cultivate ties with Palestinian Islamist groups. So far, Tehran has also rejected a deeper isolation of Hamas for siding against the Asad regime, going so far as to invite Prime Minister Haniya to Tehran in early February 2012 for consultations.<sup>236</sup>
- The US should work to capitalize on rifts between Syria and Hamas. US engagement with the Egyptian Muslim Brotherhood was relatively; in contrast, it will prove far more difficult for the US to build bridges with an Islamist group the US government considers to be a terrorist organization. Meanwhile, given Iran's unwavering support for the minority-led Asad regime in Syria, it is unclear how and for how long Iran can sustain its policy of supporting such groups. What is certain is that unlike the US, the Islamic Republic has shown it is flexible enough to at least try and recalibrate to shifts on the Palestinian political scene.

## Egypt and Jordan

Lastly, US policy towards Egypt and Jordan are driven by a number of common factors that have impacted whether or not these two key US allies become exposed to Iranian influence and interference.

- President Mubarak's exit from power means that Egypt will go through a prolonged cycle of instability as it reconciles itself with the role of the military in and out of politics, the role of the Muslim Brotherhood and other Islamist political forces and the other political and reform movements working to shape post-Mubarak Egypt. The US government and Congress must both remain flexible as it tries to sustain ties with the "new" Egypt – a move that is crucial to ensuring stability across the Levant and the broader Middle East and North Africa
- Military aid from the US, and financial assistance from the Gulf states, are crucial to stabilizing post-Mubarak Egypt. The US must continue to nurture its military-to-military relationship while recognizing that Egypt's economic needs must also be addressed. While funding from the Gulf can help sustain investment and macroeconomic indicators, only the US and other Western democracies can provide the sort of socio-economic aid that can bolster governance and state accountability in the long term.
- Uncertainty about bilateral ties with Israel is likely to increase as the Egyptian military comes to terms with the country's Islamic political forces. The threat of suspending military aid to Egypt is no more effective than proposed cuts to Lebanon and the Palestinians. If nothing else, the implications could be far more damaging to regional stability and Israeli security. That being said, the US must balance aid with Egypt's continued adherence to Egyptian-Israeli peace and more efforts to stabilize an increasingly unmanaged Sinai Peninsula.
- While Egypt will face challenges in the years ahead, a post-Mubarak Egypt has an opportunity to re-capture much of the authenticity and prestige it lost over the course of the past three decades. While this could lead to an Egypt that is less sensitive to US and Israeli national security and foreign policy prerogatives, it is also clear that a more important role for Egypt in Arab politics could come at the expense of Shi'a Iran.
- The ratcheting up of sectarian tensions between Egyptian Muslims and Coptic Christians presents a serious risk. The continued deterioration of communal ties will likely have an increasingly negative effect on the country's internal stability. While accounting for 10% of the Egyptian population, at some 10 million strong the Copts remains the largest Christian community in the Levant. With the rise of sectarian tensions in Syria, continued sectarian recrimination in Lebanon, and the depletion of Christians in Iraq and the Palestinian Territories, the US and Egypt must both do more to prevent the communal and primordial politics from becoming yet another source of instability in a region in a deep state of flux.
- As with Egypt, Jordan is too important to the US and its Gulf allies not to make every effort to help it avoid prolonged or even limited instability. Here too, the US needs to continue to support security and economic assistance programs to the Hashemite Kingdom, while supporting peaceful democratic reforms as well. It should also continue to support Gulf efforts to integrate Jordan into the Gulf Cooperation Council as one measure to limit regional instability and bolster the Kingdom's security.

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- <sup>5</sup> William L. Cleveland, *A History of the Modern Middle East*, 2<sup>nd</sup> ed, Westview Press: Boulder, 2000, p. 233-313.
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- <sup>14</sup> "bbl/d" means billions of barrels per day and is interchangeable with "bbpd".
- <sup>15</sup> Jeremy M. Sharp, "U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2011 Request," *Congressional Research Service*, RL32260, June 15, 2010, p. 25.
- <sup>16</sup> Jeremy M. Sharp, "U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2011 Request," *Congressional Research Service*, RL32260, June 15, 2010, p. 1.
- <sup>17</sup> Jeremy M. Sharp, "U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2011 Request," *Congressional Research Service*, RL32260, June 15, 2010, p. 2.
- <sup>18</sup> See the Foreign Assistance Act of 1961 (FAA), the Arms Export Control Act (AECA) and the Foreign Operations Appropriations Act (S/FOAA).
- <sup>19</sup> While Israel is the top recipient of aid in the region, Saudi Arabia remains the top cumulative purchaser of US military systems and equipment in the Middle East.
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