



DEFENSE DOSSIER

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**American Foreign
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FROM THE EDITORS

Welcome to the March 2016 edition of AFPC's Defense Dossier. In this issue, we explore the complex dynamics of today's Middle East, with its deepening sectarian strife and shifting geopolitical alliances. From the unintended consequences of the Iranian nuclear deal to the multi-faceted threat posed by the Islamic State terrorist group, the region boasts an array of new strategic challenges for the United States and its allies. The pages that follow provide key insights into this changing landscape. As always, we hope you find them useful and thought-provoking.

Sincerely,
Ilan Berman
Chief Editor

Richard Harrison
Managing Editor

The ISIS Convergence

Celina Realuyo

Over the past year-and-a-half, the precipitous rise of the Islamic State has dramatically destabilized the Middle East and made counterterrorism the top national security issue. ISIS emerged from the Syrian civil war to occupy large swathes of Syria and Iraq, declare itself a caliphate, and become the wealthiest terrorist group in history. Its success can be attributed largely to the convergence of terrorism and crime in its occupied territories, which provide the resources necessary for the group to thrive.

The tragic terrorist attacks in Paris on November 13, 2015, and the downing of a Russian plane over the Sinai Peninsula just weeks earlier, demonstrate that the Islamic State's aspirations are global in nature, and extend far beyond Syria and Iraq. Simply put, ISIS is thinking beyond the Middle East—and, increasingly, it is demonstrating capabilities to act beyond the region as well. To counter ISIS effectively, the terror-crime convergence that boosts its military, financial, and ideological power must be understood, undermined and destroyed.

CRIMINALIZED CALIPHATE

The Islamic State exemplifies a “criminalized state” engaged in a broad spectrum of illicit activities, such as extortion, robbery, oil smuggling, human trafficking, kidnap for ransom, and antiquities looting, to sustain its caliphate. It is a state with a governing structure taxing and providing social programs, a military and police force, and even its own currency. In contrast to al-Qaeda, which under the leadership of Osama Bin Laden enjoyed ample donor support and feared that engaging in crime might draw undue attention from law enforcement, ISIS instead relies on criminal endeavors to generate the

revenues necessary to bankroll its government, recruit foreign fighters, and promote its propaganda.

It is certainly not the first to do so. With the decline in state sponsorship of terrorism since the end of the Cold War, terrorist groups have become increasingly dependent on crime to sustain their networks and ambitions. The Haqqani Network in Afghanistan and the FARC in Colombia, both of which are heavily dependent on narcotics trafficking as a revenue source, are illustrative of the convergence of terrorism and crime. But the Islamic State provides the most extensive and compelling case of hybrid terror-crime behavior—and of how this convergence is helping to undermine security in the Middle East.

Extortion. The Islamic State plunders the territories and populations it occupies, and much of its income is derived from extortion and taxation rackets. Each successful military campaign in Syria and Iraq has allowed ISIS to enrich itself with access to new resources and new subjects. In turn, the group systematically uses violence and terrorism to impose its will on those territories. The Islamic State has demonstrated its brutality against the non-believers through mass executions of those unwilling to convert to their form of Islam.

The results have been striking. Iraqi officials estimate the group's net worth at some \$2 billion. An estimated \$450 million of that sum was allegedly looted from Mosul's central bank during the group's takeover of that city in June 2014. It is now believed to be extorting businesses in Mosul and netting upward of \$8 million a month as a result. The Islamic State controls key supply routes across Syria and Iraq that facilitate its military and criminal

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operations, especially between its proclaimed capital, Raqqa, and Mosul. As long as the Islamic State rules these territories and their inhabitants, it will continue to extort and terrorize the local populations.

Oil Smuggling. Another notable source of income for the Islamic State comes from illegal oil sales. According to U.S and Iraqi intelligence officials, ISIS is making \$40-50 million per month from crude oil sales from the oil fields under its control. The group is extracting about 30,000 barrels per day in Syria and some 10,000-20,000 per day in Iraq. That oil is sold on the black market, mostly via trucks that smuggle it over the border to Turkey—a route first established by former Iraqi dictator Saddam Hussein, who used the black market to circumvent international sanctions on oil sales.

The group has set up its own oil company, recruiting trained engineers and managers through a human resources department, and is offering competitive salaries. U.S. Central Command, via its “Operation

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Inherent Resolve,” is targeting ISIS-controlled oilfields, refinery infrastructure, and smuggling convoys in hopes of disrupting the group’s oil production and cut off an important source of cash.

Kidnap for Ransom and Human Trafficking. The Islamic State likewise derives power and revenue from kidnap for ransom schemes and human trafficking. The Financial Action Task Force estimates that ISIS raised over \$45 million in 2014 as a result of kidnappings. The more prominent cases involved large ransom payments for captured European journalists and other captives, according to the U.S. Treasury Department. The kidnapping and gruesome beheadings of American journalists James Foley and Steven Sotloff, broadcast around the globe, demonstrated the brutality of ISIS, its stance against the West, and its cunning ability to use social media for propaganda purposes. But they represented just the most public examples of what has become a pervasive tactic for the group.

The Islamic State likewise uses violence, fear and oppression to intimidate populations and devastate communities. Women and children are sold and enslaved, distributed to ISIS fighters as spoils of war, forced into marriage and domestic servitude, or subjected to unimaginable physical and sexual abuse. ISIS has established “markets” where

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women and children are sold with price tags attached, and has published a list of rules for its members detailing how to treat female slaves once captured. It has specifically targeted the Yezidi and other minority groups for this treatment; a total of 5,270 Yazidis were abducted last year, and at least 3,144 are still being held, according to community leaders. To handle them, the Islamic State has developed a detailed bureaucracy of sex slavery, including sales contracts notarized by the ISIS-run Islamic courts. Many of the horrific human rights abuses that ISIS has engaged in also amount to human trafficking. Due to a lack of data, it is impossible to calculate the group’s annual income from human trafficking. But its effects are easier to quantify; the United Nations estimates that 2.8 million individuals in Iraq have been displaced and nearly four million Syrians have fled the country, mostly to Turkey, Jordan, Lebanon, and Iraq, and now Western Europe and beyond.

Antiquities Looting. The looting and razing of archeological sites in Iraq and Syria serve a two-fold purpose for the Islamic State—ideologically, as a reinforcement of the faith through the destruction of ancient pagan sites and false idols, and financially, as a lucrative revenue generator. UNESCO head Irina Bokova has said that the widespread looting, trafficking and destruction of antiquities from Syria and other parts of the Middle East by terrorist groups is not just a cultural crime but is also a “security threat” because of its role in financing terrorism. The Islamic State’s pillage and destruction of archaeological material is considered “cultural cleansing,” an attempt to erase history and other religions that clears the way for the establishment of its new, murderous ideology.

According to Mohamed Ali Alhakim, Iraq's ambassador to the United Nations, ISIS earns up to \$100 million a year from selling and trafficking antiquities. The State Department is more conservative in its estimates, stating in September the group has probably earned several millions of dollars from the trade. "In a surprisingly small number of steps, you can go from the looter in ISIL-controlled territory to the smuggler who gets it out of the country to a gallery owner who provides forged documentation, and ultimately getting a buyer making its way to the four destination points of New York, London, Paris and Tokyo," U.S. assistant district attorney Matthew Bogdanos explained to CBS News that month.

COUNTERING THE CONVERGENCE

The contemporary threat posed by the Islamic State to global security has been empowered by a dangerous convergence of terrorism and crime that generates significant revenue. The systematic practice of extortion, oil smuggling, kidnapping for ransom, human trafficking,

ISIS earns up to \$100 million a year from selling and trafficking antiquities.

and antiquities looting across its occupied territories provide vital support for the group's military, financial, recruitment, and propaganda campaigns. Continued supply and demand for illicit goods and services, and ISIS control of the supply chains in these criminal markets, provide it with an ideal operating environment its illicit activities.

Neutralizing this synergy requires a global coalition that encompasses the public, private and civic sectors on a transnational level. While raising awareness of the Islamic State's heinous crimes (such as sexual slavery and antiquities trafficking) can reduce demand, the most effective manner to counter them remains the military, financial, and ideological defeat of the Islamic State and a reinstatement of control of the territories in Iraq and Syria now occupied by the group. ■

ENDNOTES

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The Return of the Bear

Ely Karmon

In a surprisingly quick move, for the first time since its intervention in Afghanistan in 1979, Russia has engaged in a conflict outside the former Soviet Union, in Syria. The immediate goal of Russia's campaign, which began in September 2015 and which some have dubbed "Operation Alawistan," is to safeguard the survival of Bashar al-Assad's regime in Damascus, its only ally in the Arab world. Moscow appears to have decided to build an Alawite mini-state under Russian patronage on the model of Georgia's semi-autonomous republic of Abkhazia, the Moldovan enclave of Transdniestria, or the "Donetsk People's Republic" in eastern Ukraine.

NICK OF TIME

Russia's intervention was timely. The Syrian army has faced a series of battlefield setbacks since March in important areas of the southern border region. The occupation of the strategic Idlib Province at the beginning of June by a Syrian Islamist rebel coalition threatened Latakia and the coastal Alawite strongholds. In a televised speech on July 26th, Bashar al-Assad acknowledged for the first time that his troops are struggling to maintain control over territory amid lack of manpower and "due to military priorities."²

Russia's entry into the conflict, moreover, bolstered Iran's hand. In the months preceding, and in spite of an extensive deployment of Iranian Revolutionary Guard Corps (IRGC) "advisers," Hezbollah elite forces and Iraqi and Afghan Shi'a battalions, Tehran had not succeeded in stopping the advance of the opposition forces in the South, North and East of Syria. This prompted the Iranian regime to reach out to Moscow for assistance; On July 24th, Iranian Quds Force commander Qassem Soleimani arrived in the Russian capital for meetings with Defense Minister Sergei Shoigu and President Vladimir Putin. His entreaties for assistance fell on receptive ears.

But Russia's intervention was not unprecedented. As Hez-

bollah Secretary General Hassan Nasrallah pointed out in a September speech, Russia had been calling "for months for a new coalition to fight against Islamic State which would include Syria, Iraq and Iran."³ Ibrahim Amin, the editor-in-chief of the pro-Hezbollah Beirut daily *Al-Akhabar*, had described the resulting "counter-terror alliance" between Russia, Iran, Syria, Iraq and Hezbollah as "the most important in the region and the world for many years."⁴

It seems, therefore, that the Russian intervention in Syria was planned months before the signing of the P5+1 nuclear deal with Iran, to which Russia was a partner, and Soleimani's visit to Moscow was simply intended to coordinate the final details of the Russian operation.

THE SUNNIS PUSH BACK

Russia's aggressive moves in Syria have met with both local and regional resistance. The most immediate of them has been the bombing of a Russian Metrojet flight by the Islamic State's "Sinai Province" in late October—an attack that claimed the lives of 224 people. But far more significant and long-lasting have been the strategic consequences of Russia's intervention on the balance of power in the Middle East.

Namely, Russia's involvement in Syria, and its coordination with Iran in its efforts to stabilize the Assad regime, has been viewed as something approaching a *casus belli* by the Sunni states of the Persian Gulf. As seen from Riyadh (among other places), Russia's targeting of the armed opposition to Assad's rule is a distinctly political move—one that limits the strategic options of Turkey and the Gulf states, and forces them to grudgingly support the regime in Damascus as the entity most capable of fighting the Islamic State. This, in the words of one observer, will end up serving "the interests of Iran, which by then will have seized Iraq, Syria, and Lebanon, next setting its sights on

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the Gulf States.”⁵

As a result, Russia’s military intervention has been met by growing opposition from—and coordination among—Sunni states. To this end, in early December, Saudi Arabia organized a conference in Riyadh that brought together an array of Syrian opposition groups to form “a new and more inclusive body to guide the diverse and divided opponents of President Bashar al-Assad in a new round of planned talks aimed at ending the Syrian civil war.”⁶ By mid-December, the Kingdom’s Defense Minister, Mohammed bin Salman, had announced the formation of a 34-state “Islamic military coalition,” to fight global terrorism, excluding Shi’a nations, in an attempt to challenge the Russian-Iranian alliance.⁷

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Saudi Arabia’s involvement, moreover, is becoming more direct. Worried by the recent success of regime forces in encircling opposition elements in the strategically significant northern area of Aleppo, the kingdom has decided to deploy some 25 F-15s and possibly ground troops “to fight IS in Syria.” To that end, Riyadh—in coordination with the government of Turkish president Recep Tayyip Erdogan—has now begun the deployment of troops and military materiel to the Syrian battlefield.⁸

THE VIEW FROM JERUSALEM

During his visit to Moscow in September, Israeli Prime Minister Benjamin Netanyahu attempted to arrive at an understanding with President Putin over the Russia’s new presence on Israel’s doorstep. Most immediately, Netanyahu sought to ensure “deconfliction”—the prevention of military operations that might bring the two countries into conflict. On that score, he was successful. As Israeli Defense Minister Moshe Ya’alon has since outlined, the condominium achieved by Putin and Netanyahu last fall has allowed Russian fighters to occasionally violate Israeli airspace during the course of their combat runs, without

incurring Israeli fire. At the same time, based upon the Israeli government’s understandings with the Russians, Israel retains freedom of action in its attempts to prevent the transfer of weapons from Iran to Hezbollah, either in Syria or elsewhere.⁹

Further afield, however, Israeli officials are not so sanguine. For them, the operative question is whether Russia’s alliance with Alawite Syria, Iran and Hezbollah and Shi’ite militias in Iraq signifies a short-term pact of convenience aimed at ensuring Assad’s survival and the smothering of ISIS, or if it is liable to become a long-term partnership that injects a Christian dimension into the existing Sunni-Shi’ite divide and thereby restructures the geopolitical relationships of some of the world’s major players?

Here, time is not on their side. The longer the Russian military campaign in the region lasts, the stronger Moscow’s alliance with Iran, Hezbollah and possibly even the Shi’a regime in Baghdad will become. This alliance puts Israel’s strategic interests concerning Iran and Hezbollah at stake, and the Iranians will probably test its validity sooner or later, either in the northern Golan Heights or in the Lebanese arena.

Russia’s interest in Syria goes beyond simply saving the Assad regime. The Kremlin’s actions are driven by the desire to reinstate its Middle Eastern presence and influence after an absence of three decades, and the great power status.

Moscow, meanwhile, is thinking long-term. Russia’s interest in Syria goes beyond simply saving the Assad regime. The Kremlin’s actions are driven by the desire to reinstate its Middle Eastern presence and influence after an absence of three decades, and the great power status. This suggests that Russia’s current regional presence isn’t simply a short-term affair.

Against this backdrop, it remains to be seen whether President Putin’s promise—given to Prime Minister Netanyahu last Fall—that Russia “will always be very responsible” is an empty one.¹⁰ For Russia, the temptation to both defend and empower its new friends in the region is only

likely to grow over time.

Even before it does, however, it is already clear that Russia's military involvement in Syria is leading to a restructuring of regional alliances in a way that puts U.S. and Western influence in the Middle East and beyond at risk.

President Putin's surprising announcement on March 14 that "the main part" of Russian armed forces in Syria would withdraw was seen as a significant diplomatic and political success in the international arena. It can be argued that Russia achieved at least the initial goal of its direct military intervention in Syria: saving Bashar al-Assad's regime and transforming "Alawistan" into a client statelet on the model of Donetsk and Abkhazia. Meanwhile it has recovered its status of great power and power-broker in the future of Syria and in the Middle East at large. ■

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The Nuclear Deal and Iranian Cyber

Samantha Ravich

Compartmentalization is defined as the “physiological behavior of a person in response to harm caused by frustrating conditions derived from the surrounding external environment.” It is usually a “subconscious sudden act of the mind and body to prevent oneself from excessive mental and physical stress and arrogating discomfort due to a person’s contradicting action against beliefs, perspectives and values.”¹ When it comes to U.S. diplomacy, this definition goes a long way toward explaining how Secretary of State John Kerry and his team of advisors could negotiate a nuclear agreement with Iran while ignoring the latter’s increasingly capable and hostile actions against the U.S. and its allies in cyberspace.

On March 1, 2015, the *New York Times* reported that Secretary Kerry was making significant progress in pushing for the Iran nuclear deal.² Following several years of on-and-off preliminary negotiations, those spring meetings were the last big diplomatic push before the April 2nd announcement that Iran and the world powers had reached a framework deal to restrict Iran’s nuclear program.

At the very same time, however, back in Washington, Director of National Intelligence James Clapper was testifying before Congress that Iran was behind a major cyber attack against the Las Vegas Sands Corporation.³ The actual attack against the world’s largest gambling company occurred in February 2014, and had crippled the computer systems of the \$14 billion corporation, destroying hard drives, shutting down corporate websites for a week, and disrupting operations.⁴ Given that Sands Chairman and CEO Sheldon Adelson is a well-known supporter of the GOP and of Israel, the hack appeared to fall squarely within the definition of cyber-enabled economic warfare—a hostile strategy involving non-kinetic attacks upon a nation’s economic targets via cyber technology with the intent to degrade the target nation’s security capability or, in

this case, influence the country’s foreign policy.⁵

ESCALATING CYBER ACTIVITIES

The attack on the Sands was only one of numerous high profile and injurious attacks perpetrated by the Islamic Republic against the U.S. and its allies over the past few years. Just a few of the more prominent examples include:

- 2012: Iranian hackers carry out attacks on Saudi Arabia’s Aramco oil refinery (the world’s largest oil and gas company) and on the Qatari RasGas natural gas company (a joint venture between Qatar Petroleum and ExxonMobil) using “Shamoon,” an indigenously developed malware.
- 2012-2013: Iranian entities conduct massive DDoS attacks on more than a dozen major U.S. financial services companies, including JPMorganChase, Bank of America, Citigroup, and Wells Fargo.
- 2013: The unclassified internal network of the U.S. Navy and Marine Corps is hacked by Iranian attackers.
- 2014: Iran carries out global cyber espionage and infiltration operations targeting U.S. defense contractors, energy firms, utilities, airlines and airports, chemical companies, educational institutions, and governments, as well as similar organizations in at least 15 other countries.
- 2014-2015: Iran conducts cyber espionage attacks on Israeli security companies and academics.
- 2015: A cyber attack, suspected to be of Iranian origin, takes place on Turkish power infrastructure, causing a 12-hour electricity blackout for more than half the nation.
- 2015: A surge in Iranian cyber espionage hacks is documented by the U.S. State Department.⁶

Simultaneously, Iran is expending significant resources

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to create a world-class cyber army. In July 2011, Tehran announced a \$1 billion governmental cyber program, aimed at developing or acquiring new technologies and talent. The new cyber warriors would be overseen by both the country's Ministry of Interior, which houses the cyber-police unit as well as the Iranian military's Cyber Defense Command.⁷ These official forces are augmented by unofficial ones, including a large number of "nominally independent... 'hacktivists' [including the] hacker collective... Ashiyane, a political-criminal group identified by experts as being closely aligned with the IRGC."⁸

Iran is expending significant resources to create a world-class cyber army. In July 2011, Tehran announced a \$1 billion governmental cyber program, aimed at developing or acquiring new technologies and talent.

An in-depth study released by a leading cybersecurity firm in late 2014 concluded:

Since at least 2012, Iranian actors have directly attacked, established persistence in, and extracted highly sensitive materials from the networks of government agencies and major critical infrastructure companies in the following countries: Canada, China, England, France, Germany, India, Israel, Kuwait, Mexico, Pakistan, Qatar, Saudi Arabia, South Korea, Turkey, United Arab Emirates, and the United States. Iran is the new China.⁹

IRAN'S CYBER WARFARE AND JCPOA IMPLEMENTATION

The foregoing matters a great deal in the context of the new nuclear agreement concluded between Iran and the West, because it underscores a growing capability on the part of the Islamic Republic—one that could be used to thwart oversight and implementation of the agreement.

Much has been made of the so-called "snapback" of sanctions that will take place if Iran violates the terms of the JCPOA. Indeed, the agreement states that "If any of the E3/EU+3 believed that Iran was not meeting its commitments under this JCPOA, any of the E3/EU+3 ... *could treat the unresolved issue as grounds to cease performing its*

*commitments under this JCPOA in whole or in part [emphasis added]."*¹⁰

Proponents of the deal have cited this clause extensively to bolster their claims that penalties will be re-imposed promptly in the event of Iranian noncompliance. Critics of the agreement, on the other hand, have pointed out that non-U.S. parties to the JCPOA will be loathe to re-impose economic sanctions on Iran and curtail the economic benefits they are hoping to receive now that Iran (with its oil wealth and pent-up demand for everything from consumer appliances to luxury goods) is open for business. But there is another reason to be skeptical of the feasibility of "snapback"—namely, that Iran has the technical means to punish those that might move against it. Personal information could be leaked; bank accounts could dry up; operations could be disrupted; critical infrastructure could be sabotaged; and so forth. Western diplomats understand these realities all too well, and as a result are far more likely to move timidly against Iran than to do so boldly.

Another area of concern is the potential for Iran to obfuscate and otherwise manipulate the nuclear inspections called for under the JCPOA. Using the latest Volkswagen scandal as a guide, it is not a stretch of the imagination to think that the Iranians could deploy similar "defeat devices." Volkswagen developed and implemented software that allows cars to cheat emissions testers, making them appear compliant with clean air standards. According to press reports:

Volkswagen's software allowed it to beat the tests in a lab, but when on the road with emissions controls switched off, cars would pump out nitrogen oxide (NOx) - a pollutant - at up to 40 times the legal limit... Crucially, the software 'knew' when it was being tested, allowing it to switch emissions controls on and off. It knew this thanks to the software's algorithm, which used information about steering patterns, engine use and even atmospheric pressure to tell whether it was under scrutiny.¹¹

Could an analogous situation pertain to Iranian inspections? David Kay, the former chief weapons inspector

of the United Nations, has stated that “better technology really has helped the inspection process.” “In the old days,” according to Kay, “inspectors had to paper seals on containers and then go back and “physically look [at them] to see if they had been broken.” By contrast, “new seals can digitally transmit in real time back to Vienna.” Likewise, technology has enabled live-video feeds, mass spectrometry, and other portable inspection capabilities such as multi-channel analyzers—which, unlike low-tech radiation detectors, “can be used to search for and locate an unknown source of radiation, determine the relative dose rate, and isotopically identify the source.”¹²

This new technology sounds impressive and, if international inspectors were actually allowed to come and go unannounced and have the proper freedom of movement within the Islamic Republic, these devices could clearly be a boon. Unfortunately, inspectors will be watched closely by Iran’s internal security forces and, most likely, by members of Iran’s cyber espionage forces—the same entities who have masterminded and operationalized many of the cyber attacks listed above. With the Iranian nuclear initiative arguably being the regime’s most important program, it seems likely that Iranian authorities will be very interested in using their rapidly advancing cyber prowess to protect their nuclear ambitions in every way they believe is likely to be effective.

According to Olli Heinonen, the International Atomic Energy Agency’s former Deputy Director General, the biggest challenges for inspectors are in getting complete, unfettered, and untampered-with data regarding the design, development, acquisition, and the use of “computer models to simulate nuclear explosive devices and designing, developing, fabricating, acquiring, or using multi-point explosive detonation systems suitable for a nuclear explosive device.”¹³ The ability of Iran potentially to pull a Volkswagen-like bait-and-switch further complicates these compliance verification problems.

Finally, Iran’s internal repression of the Internet should distress those in charge of implementing the JCPOA, because it means the outside world is deprived of crowd-sourced information that could be valuable in monitoring the Iranian nuclear program. The potential benefits of

the Internet for tracking Iran’s nuclear efforts are severely compromised if those Iranians who could serve as on-the-ground eyes and ears are prevented from sharing their wisdom (and their Instagram accounts). And, as with the repressive regimes of North Korea, China, and Russia, Iran’s cyber army has targeted not only foreign governments and individuals seen as hostile adversaries, but also its own citizens in a broad campaign of cyber repression.¹⁴

COPING WITH THE RISKS OF THE JCPOA

Where, then, do we go from here? Admiral James Stavridis, USN (Ret.), formerly the Supreme Allied Commander of NATO, recently provided a succinct outline of essential steps for safeguarding against Iranian cheating on the agreement. In his article, he discusses the importance of using U.S. cyber capabilities in order to “monitor, disrupt and—at the far end of the spectrum—kinetically impact Iranian nuclear activities.”¹⁵ Stavridis asserts that,

In terms of monitoring, our actions are obvious. Given the porous verification regime, we cannot allow the International Atomic Energy Agency (IAEA) alone to be the bulwark against Iranian cheating. In addition to both open-source and U.S. clandestine intelligence gathering—to include dangerous but necessary human intelligence (HUMINT), or spies on the ground—we need a robust cyber surveillance campaign directed against every aspect of potential Iranian cheating.¹⁶

He also describes some of the capabilities the U.S. will need in order to deter and disrupt Iranian cheating. “This type of action,” he writes:

...could run the gamut from erasing or blocking the electronic movement of cash to extremist organizations or regimes to rendering equipment inoperable. The third and potentially most controversial activity would be kinetic destruction of Iranian capabilities, either in the nuclear space—attacking their facilities—or in the military infrastructure that could be used to deliver a nuclear weapon. This action is tantamount to an act of war and should be explored by the president only in the event of provable Iranian cheating or unacceptable Iranian behavior toward the

United States or its allies.¹⁷

Admiral Stavridis is absolutely correct to highlight these options. Nonetheless, three major roadblocks currently stand in the way of the U.S. successfully implementing such a strategy.

The first is America's current lack of a reliable, comprehensive understanding of Iran's cyber strategy. While it is clear that Iran has greatly increased its spending on cyber warfare, and is in fact making alarmingly rapid progress in this regard, it is far less clear what the Iranian regime's strategy entails. In particular, the U.S. has been conspicuously slow at developing a proper understanding of the cyber-enabled economic warfare dimensions of Iran's cyber strategy.¹⁸

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Second, America currently lacks capabilities for analyzing and overcoming the types of cyber-enabled economic warfare strategies that hostile adversaries such as Iran, China, and Russia are pursuing. The primary deficiencies lie in (a) Organization, and (b) Staffing and Training.¹⁹

In terms of organization, the U.S. government currently does not have good answers to two basic questions. First, who in the government bears primary responsibility for identifying, assessing and formulating responses to existing threats (such as the one from Iran Second, who is conducting such analyses? Ultimately, the government needs to ensure that responsibility for addressing cyber-enabled economic warfare threats gets formally tasked to an agency capable of performing it.

In terms of staffing and training, many experts have expressed concerns about the shortage of qualified cybersecurity professionals in U.S. government and industry.²⁰ Experts on cyber-enabled economic warfare are undoubtedly rarer. Such individuals need a good understanding of not only the technical dimensions of cy-

bersecurity, but also its economic, geopolitical, cultural, and strategic dimensions.

The Department of Defense, with the help of DARPA, the Defense Advanced Research Projects Agency, is thinking through the very difficult questions surrounding how to select, train, and assess successful cyber operators and how to optimize cyber teams. But that work has only just begun.

The third obstacle confronting the United States a lack of clarity regarding what the U.S. is, or is not, willing to do to prevent Iranian cheating on the JCPOA and its development or acquisition of a nuclear weapon. While the U.S. military has been making progress in recent years in developing doctrine for conducting defensive and offensive cyber warfare, that process is still unfinished and not well coordinated with other parts of the U.S. government. This means, for example, that the U.S. does not yet have clear established guidance for determining what constitutes, in Admiral Stavridis' words, "unacceptable Iranian behavior toward the United States or its allies." Without such doctrinal clarity, the U.S. has great difficulty in creating credible deterrence to Iranian cheating on the JCPOA or related Iranian cyber aggression against U.S. interests. So this question of doctrine is also one the U.S. must address—and soon.

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THE ROAD AHEAD

If, as seems likely, the Iranian regime holds to its long-term strategic ambition to obtain a nuclear weapon capability, implementation of the JCPOA will almost certainly prove to be a contentious process that will pose difficult, and at times perilous, choices for U.S. policymakers. President Obama has contended that the JCPOA will be effective in tamping down Iranian regional aggression and frustrating its nuclear ambitions. But there is substantial risk of a considerably different outcome—one that will be shaped not simply by attempts to enforce Iranian compliance with the terms of the JCPOA, but also by the parallel cyber warfare that

Iran and its proxies are expanding.²¹ This is because the JCPOA will provide substantial economic benefits to Iran, a considerable portion of which will undoubtedly go to expanding and upgrading its already large and dangerous cyber warfare program.

If the U.S. does not effectively navigate the joint challenges posed by Iran's nuclear and cyber strategies, it may end up in a worst case scenario ten years hence, with Iran using the resources from the JCPOA to become a formidable, advanced practitioner of cyber-enabled economic warfare, and in possession of a nuclear weapons capability capable to deter anyone from substantially punishing its cyber aggression. The stark reality is that this outcome could occur as the unintended consequence of President Obama's gamble on the JCPOA. If it is to be avoided, the U.S. has a lot of serious work to do, and not a lot of time in which to do it. ■

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Saudi Arabia at the Crossroads

Andrew L. Peek

The Iran nuclear deal was not a very good deal. No deal would have been better than a bad deal, and in some cases no deal would have been better than a good deal. Because the great failing of the agreement didn't really have to do with the enrichment minutiae or the inspection schedule, which were admittedly not great. The real problem was that the deal didn't happen in a vacuum: it had strategic consequences that were never adequately addressed by the Obama administration.

To be sure, there was some happy talk about a new relationship between the U.S. and Iran. Obama's first Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, even quietly endorsed a "rebalancing" in the region.¹ But never did the President fully level with the American people about what such a rebalancing might mean: that his agreement would remove the United States as protector of the Sunni-led order in the Middle East, a role it had played since at least the Gulf War and arguably since the last Arab-Israeli war in 1973.

That order, with its calcified political systems and leaking *jihadiism*, might well deserve to be changed. But the consequences will be severe, and nowhere more than in Saudi Arabia.

REVERSAL OF FORTUNE

Since its revolution in 1979, the Islamic Republic of Iran has been the main anti-*status quo* actor in the Middle East. It is the leading rejectionist of an Israeli-Palestinian peace deal, the primary international supporter of both the Hezbollah and Hamas militant groups, and a leading sponsor of terrorism abroad. It is the main supporter of rebels in Yemen and malcontents in Bahrain, not to mention Bashar Assad's Syria, a chemical weapon-happy government the United States has sworn to remove. And of course, in 2002, it was revealed to be covertly and massively in violation of the Nuclear Non-Proliferation Treaty, with its secret uranium enrichment facility at Natanz and heavy water reac-

tor at Arak. It is safe to say Iran is a fairly comprehensive challenger of the American-supported order in the Middle East.

It took decades, but by 2010 those challenges had resulted in heavy international sanctions on Iran, including four sanctions resolutions by the United Nations Security Council. Those measures, and non-UN sanctions levied by the United States and Europe, were focused on Iran's nuclear program, but their effects were nonetheless far-reaching. Cumulatively, they helped wreck Iran's economy and led to significant pressure on the regime. The United States, for perhaps the first time in its relationship with Iran, was in the driver's seat. It had leverage.

The nuclear deal, however, had the unhappy effect of removing all of the effective leverage on Iran without achieving a similarly comprehensive return. None of Iran's geopolitical transgressions were addressed in the agreement; indeed, Secretary of State John Kerry went out of his way to stress that the U.S. would continue to resist disruptive Iranian policy in the region.² Yet the main strategic tool for doing so had just been eliminated. Flush with an estimated windfall of more than \$100 billion, and with a revitalized energy industry, Iran would emerge from the deal much stronger, particularly relative to its rivals in the region. Worse, because the Obama administration prized the agreement more than it feared the geopolitical threat Iran represented, it could easily be pressured by Iranian non-compliance into dropping its potential opposition to Iran's regional transgressions.

Nothing happens in a vacuum, of course, especially in the Middle East. The direct result of making Iran stronger and removing the U.S. security guarantee from the region has been to make the prime beneficiary of that guarantee—Saudi Arabia—weaker. Much weaker. For the first time in its modern history, Saudi Arabia finds itself without a reliable great power ally. More than any other state, the

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Saudis have benefited from the current American-supported Sunni order in the Middle East. It has allowed them to resist Iranian geopolitical pressure, dictate the price of oil in safety, protect the regimes of like-minded monarchs and presidents from Morocco to Oman, and most importantly, preserve the integrity of their highly vulnerable, energy-rich state from all and sundry.

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That Sunni order certainly needed protecting. Iran is by far the strongest nation in the Persian Gulf, with a population roughly three times that of Saudi Arabia. Since the Iranian Revolution, Saudi Arabia had relied on both America for strategic support and (for a time) Saddam Hussein's Iraq to serve as a Sunni balancer. In 2003, of course, one of those pillars collapsed. Whatever else might be said about the U.S.-led invasion of Iraq, the basic strategic effect was to turn Iraq's leadership Shi'a, and to bring Baghdad into the emerging arc of Shi'a and Shi'a-aligned states that stretched from Lebanon to Iran.

ARABIA, ALONE

Post-Iraq, the remaining leg of Saudi security was the United States. Washington opposed nearly every one of Iran's geopolitical objectives, and had a seventy-year military history with the House of Saud. And then, in 2013, it all began to come apart. An initial nuclear deal was announced between America and Iran, and President Obama waffled on his commitment to punish Syrian President Bashar Assad for his use of chemical weapons. It was actually worse than that: by itself, the chemical weapons issue was only a question of upholding international rules and conventions. But President Obama had also promised the Sunni world in 2011 that Assad must go, and then had sat on his hands. He dismissed the Sunni Arab rebels in Syria as "former doctors, farmers, pharmacists, and so forth," unable to stand up to the professional army of Bashar Assad,³ arms shipments from the Americans were few, Iran and Hezbollah's involvement in the conflict increased, and Assad began to look like he might survive.

The Saudis were frantic.⁴ The Syrian war offered a rare chance to knock a state out of Iran's coalition. It was Iraq in reverse, this time with a Sunni majority ruled over by Alawites aligned with the Shi'a. If Syria went Sunni, then the Lebanese government might even be able to defang Hezbollah, suddenly shorn of its near abroad.

But Assad, of course, is hanging on, and America looks increasingly comfortable with that decision. Indeed, President Obama's commitment to remove Assad has clearly faded. In an agreement between Secretary Kerry and Russian Foreign Minister Sergei Lavrov a day after the November 2015 terrorist attacks in Paris, France, the U.S. tacitly conceded that Assad could stay on through a ceasefire and election—which, of course, in Ba'ath-ruled Syria, meant he would stay on.⁵ The Obama administration is now preoccupied with the fight against the Islamic State, and the removal of Assad has been relegated to the status of a secondary promise probably best forgotten. None of which is liable to be reassuring to the Saudis.

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SHIFTING SANDS

This is the choice, then, that faces the Kingdom. It is much weaker than Iran and the Shi'a. Its historic protector has gone wobbly. Is it better for Saudi Arabia to acquiesce to a new Middle Eastern order, one in which power is shared with Iran, or does the Kingdom try to balance the entire Shi'a world essentially by itself, relying on its local capabilities?

That was the very question that Bandar bin Sultan, the Kingdom's quintessential Washington man, posed in an op-ed over the summer.⁶ He warned that the proposed nuclear deal would achieve nothing fundamental, like the 1994 North Korean nuclear deal, and would have the result of cutting Saudi Arabia loose from the emerging Iranian-American condominium. In such a case, said Bandar, the Kingdom would be forced to rely on "local capabilities" and see to its own defense.

It has been widely assumed by critics of the Iran deal that countries opposed to Iran—Saudi Arabia and Turkey foremost among them—would develop their own nuclear capa-

bilities in response to any deal that sanctified Iran's. That seems plausible. More concerning, however, are the follow-on effects of a Saudi Arabia seeking to provide for its own security.

The one option is to remain an American client. Saudi Arabia cannot stand on its own against the might of the Shi'a world, and its friends are all far away. Iraq is lost, Egypt is beyond the Nile and has troubles of its own with ISIS. America still pulls the military strings for the Saudis. Their planes are American planes, F-16s for the most part, and their rifles

fact, a clear opportunity for the Kingdom to make common cause with its homegrown militants.

It is an opportunity that Riyadh may well take up. Last Fall, dozens of Saudi clerics issued an open call for *jihad* against the Russians and Assad government in Syria, and the regime stayed quiet.⁷ Such a policy would have been anathema to the Americans, of course, and in the past, the Saudis might well have taken that to heart. But the opinion of the White House doesn't matter as much in Riyadh as it once did, and so we shouldn't be surprised if the Saudis go their own way.

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are American rifles. The marriage of the Kingdom with the States has been one of the longest alliances between a democracy and an autocracy in the modern world, and surely the impetus is to continue down that path.

The last time the Kingdom faced a major security choice was in 1990, after Iraq had invaded Kuwait and seemed poised to overrun a good chunk of eastern Saudi Arabia as well. Back then, the question for Riyadh was how to defend itself from the battle-hardened Iraqi Army. The Saudis turned to the United States, which began to deploy F-15 fighters to the Kingdom in Operation Desert Shield.

Today, however, that option is more speculative, while another—that of stepped-up support for Sunni radicalism—is increasingly enticing. Over the past several decades, despite all of its support for Wahhabi institutions, and despite the example of the Iranian Revolutionary Guard Corps across the Gulf, the Kingdom has not truly tried to weaponize such a capability. Partially, that has been due to the fact that many Sunni Islamic radicals hate the Saudi regime, and are actively committed to its overthrow. But it modern iterations of Sunni radicalism, unlike 1990s-era al-Qaeda, are far more focused on Assad, Iran, and the Shi'a than on the Hijaz. Thus, when the Islamic State has struck Saudi Arabia or its Gulf Cooperation Council allies, it has hit Shi'a targets. With the rise of the Houthis in Yemen, al-Qaeda in the Arabian Peninsula has gone mostly quiet. There is, in

DIVERGENT PATHS

This, then, is the real consequence of the Iran deal: a Saudi Arabia that must look to asymmetric weapons—perhaps even those that are frowned upon by America—to guarantee its own security if it does not want to live in an Iranian Gulf. Over the more than three and a half decades it has been in existence, Iran has developed a potent capability to interact with and radicalize Shi'a communities across the Middle East. Like Hezbollah and the Houthis, these communities have often become quite powerful, a classic asymmetric weapon of a weaker state challenging the American status quo. It is not stretching reality to suggest that when Saudi Arabia is the weaker state, it might well turn to the same. ■

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Sunni/Shi'ite Proxy War Heats Up

Jonathan Schanzer and Max Peck

Beneath the recent ferment of a highly volatile Middle East lies the region's deepest geopolitical fault line: the decades-long rivalry between Iran and Saudi Arabia. This modern-day contest, rooted in centuries of sectarian enmity, has been best described as the "new Middle East cold war." The U.S. invasion of Iraq in 2003 made that competition a defining feature of the region's geopolitics. It has since been spurred on by the so-called "Arab Spring" and the ensuing civil wars in Yemen and Syria. And as unrest has spread, both sides have supported their sectarian allies, elevating previously local conflicts to zero-sum grudge matches in a series of increasingly dangerous proxy wars.

The current enmity between these two geopolitical rivals is fueled in part by the vacuum left by the United States, which, under President Barack Obama, has pursued a policy of disengagement from the region. Over the past several years, the Administration's clear and unambiguous goal has been to unshackle the United States from what it views as costly and painful engagements in a region that offers little hope of reform or meaningful change.¹ This strategy can be seen in Washington's dithering in Syria, and in the collapse of America's negotiating positions in the nuclear accord signed with Iran last year. But the end result, much to the chagrin of Saudi Arabia and the other Gulf Arab states, has been an undeniable boost to Iranian power, both hard and soft.

Sunni Gulf states, have felt compelled to take a more assertive role in defending their interests. The result has been an inflammation of sectarian tensions across the Arab world.

A RISING IRAN...AND A SUNNI RESPONSE

Assessments, such as that of veteran Iranian diplomat Sadegh Kharrazi, neatly encapsulate the fears of Sunni governments across the region. As Kharrazi described the nuclear talks: "Iran is now at its peak of power in

centuries. Iran's sphere of influence stretches from the Mediterranean to the Indian peninsula, from Kazakhstan to Yemen. This is why the world superpowers have been negotiating with us for so long, that's why we were able to reach a deal which guarantees our interests."² This resonates among the Sunni Gulf states, which have since felt compelled to take a more assertive role in defending their interests. The result has been an inflammation of sectarian tensions across the Arab world.

Over the past year, the regional contest stemming from the rise of Iran has assumed new and dangerous dimensions. In what were once wars by proxy, Saudi and Iranian troops are now directly engaged in combat—albeit in separate theaters. Both parties have suffered mounting losses, attesting to the depth of their involvement and providing some truth to the charges that Saudi Arabia is "occupying" Yemen and Iran is "occupying Arab lands" in Syria.³

In the former case, Riyadh has long regarded the Houthi rebels, the Shi'a group waging an insurgency against the Yemeni government, as an Iranian proxy seeking to exploit the soft underbelly of the Saudi Kingdom. To support this assessment, the Saudis point to the spike in Iranian weapons entering the country, and to statements by Iran's Revolutionary Guard Corps (IRGC) comparing the Houthis to Iran's longtime client Hezbollah in Lebanon. Late in 2014, alarm in Riyadh reached new heights after the Houthis broke out of their strongholds in the northwest and seized the capital of Sana'a, eventually forcing the Saudi-backed president, Abd Rabbuh Mansur Hadi, into exile. This prompted Saudi Arabia to forge a coalition of nine Arab states and lead it into a war against the rebels. The resulting conflict has inflicted severe damage on the Houthis, but there have also been scores of painful combat losses on the Gulf states, including more than 50 soldiers killed on a single day.⁴

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Concurrently, Iran finds itself in an analogous position of defending a Shi'ite ally against an armed Sunni rebellion. Since the outbreak of the Syrian civil war in March 2011, Iran has been providing its longtime ally and proxy, the regime of President Bashar al-Assad, with financial and military assistance, including the deployment of Afghan, Pakistani, and Lebanese Shi'a militias to augment the depleted ranks of his army.⁵ Its most capable proxy, Hezbollah, has taken on a prominent role in fighting the Syrian opposition, sending an estimated 8,000 troops next door with some 1,000 (perhaps more) returning in body bags.⁶ Despite these losses, it remains committed to the end. As Sheikh Nabil Qawooq, the head of Hezbollah's Executive Committee, has underscored: "We insist on defeating the terrorists and gaining victory against the *takfiri* plots... because if Syria turns into a center or passage for [the Islamic State] and other terrorist groups, they will not show mercy to Lebanon either."⁷

This support has been countered in kind by the Sunni countries, which see a rare opportunity to go on the offensive and dislodge Iran's oldest ally in the Arab world. Accordingly, they have funded and armed the thousands of foreign fighters who have streamed across Turkey's southeastern frontier to join the fight. In turn, as Syria has descended deeper into a civil war, the Gulf states have taken this support to another level, providing rebel groups with lethal weaponry, such as the highly effective American-made TOW antitank missiles,⁸ and forged new powerful rebel coalitions.⁹

These efforts have proven relatively successful. By mid-2015, the Assad regime had lost control over 83 percent of its territory,¹⁰ retreating to its coastal enclave, which is surrounded on all sides by hostile forces. As was the case with Saudi Arabia after the Houthi offensive in Yemen, a sense of panic jolted Tehran to take more decisive action. In late July, with the ink barely dry on the nuclear deal, IRGC Qods Force Major General Qassem Soleimani flew to Moscow to coordinate a joint intervention to rescue Assad. Weeks later, hundreds of IRGC ground troops began arriving in the country.¹¹ Under the cover of Russian air support and backed by allied Shi'a militias, Iran helped the Syrian Arab Army launch a counter-offensive in rebel-held areas in Homs and Aleppo to the

north of Assad's stronghold.¹² Though Iran has insisted its troops are only "military advisers," the high rate of casualties—approaching one soldier killed per day—makes it clear that this is now Iran's war.¹³

Increasingly frustrated by Tehran's success on the battlefield, the Gulf Cooperation Council took the unprecedented step in February of designating Hezbollah a terrorist organization. This followed Saudi Arabia's decision to impose sanctions on several Hezbollah entities last November.¹⁴ For his part, Hezbollah Secretary General Hassan Nasrallah now lists the Saudi leadership alongside its traditional enemies of Israel and the United States. His supporters accordingly added the chant "Death to the Saud family" to their repertoire during the Shi'ite holiday of Ashura.¹⁵

In the latest indication that Saudi Arabia is losing ground in this regional contest, Riyadh appears to have walked away from the country that had long served as a battleground between the two powers. In 2005, Saudi Arabia had been an early supporter of the March 14 coalition and its Sunni political movement against Hezbollah and Syrian influence in Lebanon.¹⁶ But in February 2016, Saudi Arabia decided to punish Lebanon for not condemning the attack on the Saudi embassy in Tehran the previous month. Riyadh announced it was stopping payment on \$4 billion worth of military aid and other support to the Lebanese Armed Forces, effectively ceding the coastal state to Iranian influence. Referencing the many conflicts in which Saudi Arabia is now engaged, one diplomat explained that Lebanon was "just not a priority anymore."¹⁷

The escalating Sunni-Shi'ite proxy war has also destabilized the region in another way: by facilitating the rise of the Islamic State (IS) and fomenting an intra-Sunni war.

ADVANTAGE: IRAN

The escalating Sunni-Shi'ite proxy war has also destabilized the region in another way: by facilitating the rise of the Islamic State (IS) and fomenting an intra-Sunni war. Whereas various Shi'a groups have progressively united behind Iranian leadership, the Sunnis have splintered. Indeed, the *jihadi* groups spawned by the chaos generat-

ed by IS activity are at odds with the Saudi Kingdom, in part because of its overt alliance with the United States, even though the Saudis have in the recent past served as patrons to similar movements. In the last year, IS has made the kingdom a target of its terrorist activities (most conspicuously, by attacking Shi'ite mosques in Saudi Arabia as a means to enrage the population of the oil-rich eastern province to destabilize the Saudi monarchy). The Saudis thus find themselves in the unenviable position of simultaneously opposing their strategic foe, Iran, and confronting more immediate security threats from within their own sectarian camp.

Meanwhile, the meteoric rise of IS in Iraq and Syria has led to deeper Iranian entrenchment in those countries. As the Islamic State conquers swaths of Iraq, Baghdad has grown even more dependent on Tehran for its security, especially because the Obama administration has made clear that it will not commit extensive deployments in order to recover Iraqi territory. This has led Baghdad to lean on the Iranian-backed Shi'ite militias, which have filled the security void left by the retreating Iraqi army. Yet the abuses committed by these Shi'ite militias, organized under the "Popular Mobilization Forces," have the effect of further radicalizing the Sunni populations they encounter, thereby increasing the appeal of extremist Sunni groups that purport to fight for their interests.¹⁸ This vicious cycle thus strengthens both the Shi'a and radical Sunni enemies of the Sunni states, intensifying the violence across the region.

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MORE TO COME

Given the flagging American leadership, surging Iranian influence, and expanding Saudi engagements under King Salman, a protracted battle between Saudi Arabia and Iran seems inevitable. But the longer Iran and Saudi Arabia jostle for dominance in the region, the deeper they will be pulled into local conflicts, as they already

have in Syria and Yemen, and the more they will find sectarian violence visited upon them and their allies.

The events of the past year demonstrate that the Sunni-Shiite proxy war is not just escalating. It is entering a new phase, the dangers of which we are only beginning to understand. ■

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