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Forecasting the Future of Iran

Implications for U.S. Strategy and Policy

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Abstract

Diplomatic relations between the US and Iran have been frozen since the 1979 Islamic Revolution. The current overlaps in US and Iranian interests make the ongoing bilateral impasse ripe for reassessment, but while the potential to advance relations exists, progress will be measured by the development of several key political, economic, civil society, foreign policy, and national security issues in Iran. This study employs an expected utility model to predict how Iranian policy is developing on several of these key issues and explores US strategy and policy options for influencing their development.

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Executive Summary

Strained relations between the US and Iran have persisted for more than three decades. Iran's potential influence on US interests in Afghanistan and Iraq, and stability in the broader Middle East, make informed US strategy vis-à-vis Iran critical. This study looked at 12 issues that will shape US-Iran relations: three political issues, four economic and civil society issues, and five foreign policy and national security issues, and forecast how each issue was likely to develop in the next three to five years. The study used sensitivity analysis to explore the effects that changes in US policy, the Supreme Leader, Iran's President, and the Islamic Revolutionary Guard Corps (IRGC) could have on Iran's policy development. With this knowledge, the range of US policy responses were reviewed, and it was concluded that additional US effort would be best employed seeking to expand diplomatic communication over Afghanistan and Iraq.

The issue forecasts were produced using an Agent Based Rational Choice (ABRC) model guided by Expected Utility (EU) theory, with data collected in January 2011. By using a general model the analysis reduces the introduction of biases and error by focusing on expert input, ignoring the unique or special features of the Iranian situation. This strength of the modeling approach will be the flaw some may point to as this study's major shortcoming; however, the model class used here, when applied to situations exactly like this, according to both CIA and independent studies, is accurate at upwards of 90 percent, and twice as accurate as area expert forecasts (Feder 1987; Mesquita 2009). Below are summaries of the 12 issue forecasts:

Political Issues

- President Ahmadinejad will remain influential in Iran and will see only a slight reduction in power prior until his second Presidential term ends naturally in 2013.
- Iran's next Supreme Leader is likely to be only slightly more moderate than Supreme Leader Khamenei. Ayatollahs Rafsanjani and Shahroudi are currently the stongest candidates, with Shahroudi being favored over Rafsanjani.
- The current system of *velayat-e faqih* appears stable, and further conservative shifts in the system as seen in the aftermath of the 2009 presidential election are unlikely.

Economic and Civil Society Issues

- There is substantial pressure for economic reform in Iran, which has only been partially met by the reforms introduced in January 2011 (which occurred after data collection for this study ended).
- The IRGC's influence appears unlikely to grow significantly in the next few years, and may even diminish.
- The influence of Iran's *bonyads* will likely hold constant or grow slightly in the coming years.
- Recent setbacks experienced by the women's movement in Iran are likely to be short-lived and completely reversed within the next few years.

Foreign Policy and National Security Issues

- US-Iran relations will continue to remain primarily informal and halting.

- Iran will not submit to full IAEA compliance, but is unlikely to restart its nuclear weapons program unless there are significant changes to Iran's internal calculus.
- Iran will develop a strategic relationship with Iraq that will not be destabilizing to or compromise the new Iraq government. Domestic and international pressure will prevent the nations from developing the closer alliance sought by Iran's leaders.
- In Afghanistan, Iran's relations will be less influential than in Iraq, and will be focused on stability and economic opportunities.
- Iran's relations towards Israel are unlikely to change. Iran will continue its calculated rhetoric, antagonizing Israel and supporting the Palestinians while avoiding direct confrontation.

The conclusions from the sensitivity analysis that explored the influence of the US, the Supreme Leader, Iran's President, and the IRGC are:

- Waiting for a turnover in leadership is a game both the US and Iran are playing to lose. Both nations need to realize and accept that national outlooks are evolving gradually and are not dictated solely by the personalities of their incumbent leaders. Neither nation benefits from maintaining strained relations, nor remaining staunchly entrenched in its own position vis-à-vis the other.
- A new Supreme Leader coming to power probably will be a fortuitous event for the US, likely leading to modest improvements across a broad range of issues, but the differences between Iran's next Supreme Leader and Khamenei are likely to be subtle. However, the fate of Iran's nuclear program lies with the Supreme Leader, and a new Supreme Leader, even if he half as influential as Khamenei, could restart Iran's weapons program.
- Ahmadinejad's rhetoric colors Iran's foreign relations, but his influence does not weigh heavily on the course of Iran's foreign policy. A new president with a more pragmatic outlook could lead to slight improvements on many issues, but the biggest benefit would be the opportunity to engage with a less strident personality.
- The IRGC is not dominating Iranian policy decisions. Even significant growth in the organization's power and conservatism would do little to affect the current character of Iran. Thus, US fears of a radicalizing religious and militant Iran are likely misplaced. Moreover, the IRGC is a key element of the conservative block, and if the IRGC's influence diminished, it could enable Iran's more progressive elements to begin making inroads.

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Terminology Guide

Persons	Source
Ruhollah Khomeini (Grand Ayatollah Sayyid)	Buchta 2000
Ali Khamenei (Ali Khamene'i)	http://www.leader.ir/langs/en/
Mahmoud Ahmadinejad	http://www.president.ir/en/
Hashemi Rafsanjani	http://www.hashemirafsanjani.ir/?lang=2
Mesbah Yazdi	http://www.mesbahyazdi.org/english/index.asp
Mohammad Khatami	Rakel 2009
Mohammad Reza Mahdavi Kani	PressTV
Mojtaba Khamenei	PressTV
Mahmoud Hashemi Shahroudi	PressTV
Hossein Ali Montazeri	PressTV
Yousef Sanei	PressTV
Ali al-Sistani	http://www.sistani.org/

Iranian Political Factions

Principle-ists	Jones and Steinfeld 2009
Principalists	Katzman 2011
Principlist	Thaler 2009
Conservative	Rakel 2009
Pragmatists	Rakel 2009
Pragmatic (Conservative)	Thaler 2009
Reformists	Rakel 2009

Terminology

Artesh	Buchta 2000
basij	Buchta 2000
bazaaris	Rakel 2009
bonyad	Buchta 2000
HAMAS	Rakel 2009
Haqqani	Rakel 2009
Hezbollah	Rakel 2009
IRGC (*Pasdaran*)	Buchta 2000
khums	Rakel 2009
Majles	Rakel 2009
shari'a	Rakel 2009
Shi'i (Shia)	Buchta 2000
Sunni	Buchta 2000
velayat-e faqih	Buchta 2000
zakat	Rakel 2009

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CHAPTER ONE

Introduction

Diplomatic relations between the US and Iran have been frozen since shortly after the seizure of the US embassy in Tehran on 4 November 1979 and the subsequent withdrawals of both nations' ambassadors. Recent US efforts to influence Iranian policy have been economically focused, imposing sanctions unilaterally – freezing over $10 billion in assets and stopping almost all US trade – and multilaterally – ratifying United Nations Security Council Resolutions 1737, 1747, 1803, and 1929. The current overlaps in US and Iranian interests make the ongoing bilateral impasse ripe for reassessment. The current environment holds equal opportunities for relations to advance or deteriorate. The future shape of relations will be measured by the development of several key political, economic, civil society, foreign policy, and national security issues in Iran. This study employs an expected utility model to predict how Iranian policy is developing on several of these key issues and explores US strategy and policy options for influencing their development.

US President Barack Obama expressed a desire to engage in "direct diplomacy" with Iran at the start of his presidency. In a 26 January 2009 interview with al-Arabiya, a Saudi satellite channel, President Obama acknowledged the nations' past difficulties, stating, "We can have legitimate disagreements but still be respectful," and expressed a desire to move forward: "If countries like Iran are willing to unclench their fist, they will find an extended hand from us."

The recent impetus for a deeper dialogue between the US and Iran stems from the expansion of US regional interests – concerns which, following the fundamentalist attacks on the World Trade Center and Pentagon on 11 September 2001, extend beyond energy security. US-led military operations in the Middle East have now surrounded Iran for almost a decade. Operation Enduring Freedom in Afghanistan began on 7 October 2001, and the first tactical movements of Operation Iraqi Freedom launched on 20 March 2003.[1] International concerns have heightened with the election of Principle-ists President Mohammad Ahmadinejad in 2005 and 2009. Ahmadinejad's calculated inflammatory remarks and aggressive foreign policy worry much of the international community. Iran is one of the most populous nations in the Middle East, making its economy a significant international market. Furthermore, Iran has significant influence on world energy markets. Iran has the world's third largest proven petroleum reserves and its considerable naval forces have the ability to close the Strait of Hormuz, a strategic gateway through which much of the global petroleum supply from the Arabian Gulf must pass, making Europe and Asia fear for their economic security. In the Middle East, the predominantly *Sunni* Arab nations fear the "rise of the *Shi'i*." With the replacement of Saddam Hussein's *Sunni* regime by a *Shi'i* dominated democracy in Iraq, the *Sunni* Arab states lost a significant security buffer. The new government in Iraq is developing close ties with Iran, and its establishment has shifted the Middle East power balance in Iran's favor, a disconcerting event to the nations fearful of Iranian hegemony. Of concern to the entire world is Iran's nuclear program. Iran's acquisition of a

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[1] Operation Iraqi Freedom officially ended on 31 August 2010, but US military presence persists in Iraq under Operation New Dawn.

nuclear weapon would have dramatic impacts on regional and global nuclear proliferation, Middle East stability, and international energy markets.

Motivation, General Aims, Objectives, and Policy Relevance

The formulation of US strategy vis-à-vis Iran could benefit from knowledge of the likely outcomes of several key issues, and an understanding of the probable effects of different strategies to influence these issues' outcomes. Effects-based operation planning has repeatedly been successfully applied in the designing of strategy, and in the case of Iran, could help the formulation of US diplomatic strategy.

This study analyzes Iran focusing on the defining political, economic, civil society, foreign policy and national security issues that will shape US-Iranian relations. The organization of the issues parallels the traditional lenses of effects-based operations, DIME (Diplomatic, Information, Military, and Economic) and PMESII (Political, Military, Economic, Social, Infrastructure, and Information). Politically, questions about the development of power amongst the regime's leadership and its orientation towards the West are crucial to American doctrine. Likewise, the development of Iran's economy and civil society influences the options for the US employment of economic influence and soft power. Finally, the outcomes of Iran's foreign policy, reflective of its national security interests, are of paramount concern to the US. The likely development of Iran's nuclear program, its relationship with Iraq, involvement in Afghanistan, and relations with Israel all are forefront US concerns.

Accurately forecasting the outcomes of political, economic, civil society, foreign policy, and national security issues can be accomplished using agent-based rational choice models. In 1984 Bruce Bueno de Mesquita introduced and applied an agent-based rational choice expected utility model to study Iran, predicting the rise of Khamenei to Supreme Leader. This class of model has since been employed to analyze thousands of issues in hundreds of countries. The CIA and independent academic analyses have found that the expected utility model accurately forecasts the outcomes of political issues at upwards of 90 percent, double the rate of regional experts employing alternative techniques (Feder 1987; Mesquita 1994). Recently, the Department of Defense has used the expected utility model to analyze the development of Iran's nuclear portfolio and Ahmadinejad's influence in Iran (Mesquita 2009). The model's data requirements are parsimonious, and political experts typically agree on input values. The model, beyond forecasting the likely issue outcome, can be rerun to analyze the effects on the outcome of different strategies. In addition to analyzing Iran, this analysis presents the full formulation of an expected utility model and proposes a potential advance to the model class by presenting a means to incorporate the existence of networks, neither of which has been previously done.[2]

There study explores areas where there may be potential for the US to protect or advance its national interests through broader engagement with Iran. This study presents and employs an agent-based rational choice expected utility model to forecast the outcome of key political, economic, civil society, and foreign policy issues in Iran. The model is then used to assess the impacts of different US

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[2] The expected utility model literature presents most elements of the model in different studies. The model has evolved and advanced with time, though, and the need for a condensed document of a single model could improve model understanding and credibility amongst policy analysts and policy makers.

strategies upon the studied issue outcomes, and the effects a new Supreme Leader, new Iranian President, and growth in the IRGC's power would have. Understanding how Iran is developing and the likely impact of different strategies on these issues' outcomes, US policy makers can select strategies that best advance US interests. In short, this analysis aims to inform US strategy and policy deliberation on Iran.

A Brief Modern History of Iran

The modern history of Iran typically begins with the Safavid dynasty (1501-1722) of Persia, during whose reign two events which define modern Iran occurred. The first was the Safavid's establishment of Shi'ism as the state religion, and the second was the introduction of Western influence in the region by the British. Following the Safavids was the Qajar dynasty (1794-1925). The Qajar dynasty saw the dawn of the age of colonialism in the Middle East, during which British regional undertakings dramatically rose and drew notice and competition from Russia.

The Constitutional Revolution of 1906 produced Iran's first parliamentary government, and occurred in protest to the Shah's caving to Western demands. Two catalyzing events to the Constitutional Revolution were the 1872 Reuter's concession, which granted control of Iran's natural resources to Great Britain, and the 1901 D'Arcy concession, which gave William Knox D'Arcy the oil rights in Central and Southern Iran for the next sixty years. Iran's first parliamentary government was short-lived, meeting its demise at the hands of The Cossack Brigade in 1925.

The Cossack Brigade established their commander, Brigadier Reza Kahn, as Reza Shah Pahlavi. Reza Shah Pahlavi established firm control over Iran and began modernizing the state. In 1941, under Allied pressure at the onset of the Second World War, Reza Shah Pahlavi abdicated the throne, replaced by his son, Mohmamad-Reza Pahlavi, "the Shah." With the abdication of the throne power returned to the *Majles*, Iran's parliament (Gheissari 2006).

The allied powers jointly invaded Iran in 1941 to secure transportation routes to the Soviets during the Second World War. The British and US jointly occupied the South, where British oil interests were concentrated, while the Soviets controlled the North. The allies agreed to withdraw from Iran six months after the end of hostilities, but following the war, the Iran crisis ensued when in early 1946 the Soviets, under Joseph Stalin, refused to relinquish occupied Iranian territory. Local, pro-Soviet Iranians proclaimed a separatist People's Republic of Azerbaijan. Negotiations, led by Iranian premier Ahmad Qavam, coupled with diplomatic pressure from the US eventually led to Soviet withdrawal. The Iran Crisis of 1946 was seen as one of the early conflicts in the developing Cold War.

The US alliance with the British and Iran's frontier with the USSR made Iran a US national security interest. When the *Majles* ratified a bill nationalizing the predominantly British owned oil assets their action galvanized Western communist fears, leading the US CIA and British MI6 to assist the 1953 military coup. The coup led to the overthrow of the National Front parliamentary government of Prime Minister Mohammad Mosaddegh and removal of constitutional limits from Mohammad-Reza Shah Pahlavi. Following the coup, the US shouldered the mantle of Western influence in the region, providing substantial economic support to the state and training to the military. The Shah's pro-American secular policies and predominantly urban-focused economic reforms met with mixed responses amongst the largely rural Iranian public. The economic growth of the 1960s primarily impacted the urban areas of a rural nation, increasing wage disparities and further aggravating large segments of the population. A

resurgent anti-Pahlavi National Front and attempted military coups led to the brutal suppression of anti-Shah organizations, and purges amongst the higher military ranks by the regime's US-trained secret police, the SAVAK.

The Shah, in an effort to appease Iran's aggravated populace, initiated a series of sweeping reforms known as the White Revolution. The White Revolution aimed to placate Iran's angered populace and counter the democratic and communist Left's popular appeal for a red revolution. The White Revolution enfranchised women, led to land reform, and established labor rights. It aimed to diminish the allure and support for communism amongst the poor, peasantry, and industrial laborers. The principal losers of the new reforms, the oligarchy and religious establishment, were the traditional bastions of support to the monarchy. The White Revolution alienated the regime's support base while unifying an oppositional alliance comprised of the still-unappeased democratic and communist coalition and an infuriated religious establishment (Gheissari 2006).

In the late 1970s the Carter administration supported reform in Iran, a situation that oppositional forces, aligned behind Khomeini's charisma and leadership, found advantageous to action. On 8 January 1978, seminary students in Qom began a protest over a major newspaper's article critiquing Khomeini. The military's brutal suppression of the demonstration initiated protests that spread throughout Tehran, and from Tehran to urban areas across the country. The Shah's indecisiveness rapidly disillusioned the military, and in January 1979 units loyal to the monarchy and mutineers clashed outside of the capital. The routing of the Shah's loyal units marked the collapse of the regime's last pillar of power.

The Shah initially attempted conciliation by opening the political system and appointing Jafar Sharif-Emami to Prime Minister, but the unrest continued. The Shah next declared martial law, appointing a loyal but weak general, Gholam-Reza Azhari. The general was unable to form an effective government, and it collapsed almost immediately. An emboldened Khomeini insisted on the Shah's removal, and the Shah, after appointing Shapur Bakhtiar prime minister in January 1979, fled the country. The ministry of Shapur Bakhtiar lasted slightly less than a month before revolutionary forces again collapsed the government (Gheissari 2006).

Khomeni's charismatic leadership had propelled him to the head of the revolutionary forces, and his fundamentalist credentials as a cleric made him the choice representative for the *ulama* faction of the revolution; yet the revolutionary forces consisted of a broad coalition, not just the religious establishment. As a conciliatory measure to the democratic and communist Left, the National Front appointed Mehdi Bazargan, a religiously devout Islamic modernist as the first Prime Minister, a man capable of bridging the gaps between the communist, democratic, and Islamic factions of the revolution. As the revolutionaries rebuilt the government the many splintered groups of the Left lacked a coherent ideology; meanwhile, the fundamentalists, under Khomeini's leadership, unified behind his theory of *velayat-e faqih* (Guardianship of the Jurist).

The US's past support to the failed regime of the Shah made America a target of revolutionary fervor, and on 4 November 1979 pro-Khomeini students, led by militant clerics, occupied the American Embassy in Tehran, taking its personnel hostage. The resulting 444 day crisis enabled the fundamentalists to push the Left further from power. The occupation of the embassy followed the much publicized admittance of the Shah into the US for cancer treatment, and a meeting in Algiers between Iranian Prime Minister Mehdi Bazargan and American national security advisor Zbigniew Brzezinski, events militants in Iran interpreted as the hatching of an American plot to restore the Shah

and reverse the accomplishments of the revolution. Khomeini and his supporters portrayed Bazargan as a traitor of the revolution, forcing his resignation in late November. With Bazargan's removal the fundamentalists moved quickly, purging the government of communist and democratic supporters by means of intimidation and arrests. Then on 22 September 1980 Iraq invaded Iran's oil-rich province of Khouzestan, starting the Iran-Iraq War. The war, which lasted until 1988, made strong leadership a necessity, further assisting Khomeini's development of a strong totalitarian government defined by revolutionary zeal and anti-Americanism (Gheissari 2006; Rakel 2009).

The government of Khomeini differed subtly from the current government of Khamenei. Khomeini's government was arguably totalitarian, dominated singularly by Khomeini through his charisma and leadership. Since Khomeini's death in 1989 Iran has been led by Khamenei. Khamenei's government is more authoritarian. While Khamenei wields ultimate power, he must control and appease different powerful institutions as well as the conservative, pragmatic, and progressive factions (Rakel 2009).

The current government of Iran is headed by the Supreme Leader. The Supreme Leader is elected for life by the Assembly of Experts. The Supreme Leader is not directly elected, however; when the post of Supreme Leader is vacant the Guardian Council nominates candidates from which the Assembly of Experts selects the next Supreme Leader.

Khamenei, as Supreme Leader, exerts final control in an indirect manner, not necessarily establishing policy directly, but without his approval policy cannot move forward. Khamenei controls almost all aspects of the Iranian government, appointing the commanders of Iran's armed forces, both the *Artesh* (regular army) and Islamic Revolutionary Guard Corps (IRGC). He appoints the Expediency Council in its entirety. The Expediency Council mediates conflicts between the *Majles* and Guardian Council. The Supreme Leader also directly appoints six of the 12 members of the Guardian Council, the other six being appointed by the *Majles*. The Guardian Council approves all candidates for President and the *Majles*, as well as all bills that pass onto the *Majles* floor.

The Iranian populace has a limited say in government. The Iranian electorate votes amongst the Guardian Council-approved candidates when selecting the President, *Majles*, and Assembly of Experts. The electorate voted into position progressive presidential candidates in the persons of Rafsanjani in 1989 and 1993, and Khatami in 1997 and 2001. The presidencies of Rafsanjani and Khatami found the executive office ineffectual at bringing about changes counter to the desires of Khamenei. The ineffectiveness of progressive presidents from the position supposedly directing the Iranian economy highlights the fact politics in Iran only loosely follows form. The strength of an office in Iran is dictated more often by the power and personality of the individual holding the position than the formal power of the position itself (Buchta 2000; Rakel 2009; Thaler 2009).

US contact with the Islamic Republic of Iran has been severely limited since the revolutionaries' occupation of the US Embassy in 1979, at which time the US withdrew its ambassador to Iran and broke formal diplomatic relations. Today US communications with the Iranian government are channeled through the Swedish Embassy in Tehran, the only Western embassy to remain open in Iran following the 1979 hostage crisis. Prior to the 11 September 2001 attacks by Islamic fundamentalists on the World Trade Center and the Pentagon, the US had few overlapping interests with Iran. With the launch of Overseas Contingency Operations in Afghanistan (formerly the Global War on Terror), the US began engaging with Iran, having new areas of common interest. In Afghanistan US airpower led to the success

of the Northern Alliance's ousting the Taliban, a coalition that had been supported by India, Russia, and Iran for the previous decade.

In Afghanistan the Khatami administration offered assistance to the US, but the US administration shied from aligning with a state it shortly thereafter declared a member of the "Axis of Evil" (Bush 2002; Green 2009). Almost a year later the Khatami administration again offered the US a nuclear concession package in conjunction with an offer to help US forces in Iraq through basing and logistics, an offer to which the administration did not reply (BBC News 2007). Iran's purported proposal of a "grand bargain," outlined in a two page document never officially claimed or acknowledged by either government, offered a solution to bilateral relations which spanned from counter terrorism measures against the MKO and al-Qaeda to Iran's nuclear program (Kristof 2007).

The 2005 presidential election in Iran occurred at a time when America's world stature appeared to be sinking. The wars in Afghanistan and Iraq appeared to be stretching American military capabilities, and US operations were growing increasingly unpopular, both domestically and abroad. Ahmadinejad, a conservative with an IRGC background, appealing to the rural and lower classes, beat progressive candidate Rafsanjani in the second round of elections, becoming Iran's sixth president. Ahmadinejad's bombastic speeches and calculated inflammatory remarks have brought US-Iranian relations, or the lack thereof, into the media limelight. Under the presidency of Ahmadinejad, Iranian identity and nationalism have found an even stronger base in their opposition to the West.

No issue symbolizes Iran's Western defiance more than the nuclear issue. Iran's nuclear program started in the 1950s with US support. Following the revolution the program was briefly terminated, but was restarted in 1981 with substantially less international support. Iran is a signatory of the 1970 Treaty on the Non-Proliferation of Nuclear Weapons (NPT). As a NPT signatory Iran can peacefully pursue nuclear energy in accordance with international safeguards. On 14 August 2002 the issue of a nuclear Iran erupted globally when the International Atomic Energy Agency (IAEA) learned through an announcement by Alireza Jafarzadeh, the spokesman for the Council of Resistance, that Iran had failed to declare the development of new sensitive enrichment and reprocessing activities (Pan 2005).

The administration of US President Barack Obama has expressed the desire to reshape relations with Iran and explore the potential for mutually advantageous cooperation across a range of potential topics, from preventing a nuclear arms race in the Middle East to stabilizing Afghanistan and Iraq and developing a resolution of the Israeli Palestinian conflict (Obama 2009). President Obama has supported direct diplomacy with Iran without the previous administration's precondition that Iran suspend its nuclear enrichment program (Borger 2009). The Iranian government of President Ahmadinejad likewise expressed interest in engaging the US on areas of mutual interests (PressTV 2009).

The two nations seemed poised to engage until Obama's "open hand" appeared brushed aside. Negotiations between the P5+1 group, the five permanent members of the UN Security Council plus Germany, were being staged for November 2010 when Ahmadinejad's media aide, Javanfeky announced, "We (Iran) will not be talking with the Western party about the nuclear energy issue in this round of the negotiations." President Ahmadinejad followed this announcement in a televised interview in Qazvim stating, "We have repeatedly said that our (nuclear) rights are not negotiable ... We only hold talks to resolve international problems ... to help the establishment of peace" (Hafezi and Mostafavi

2010). Ahmadinejad's refusal led to denouncement by the US, and shortly thereafter, the international community's imposition of further sanctions against Iran (Holland 2010).

Research Questions

The Obama administration's initial "open hand" to Iran indicates recognition by US policy makers of the broad potential benefits of engagement between the nations (Obama 2009). Similarly, the Iranian political elite have regularly expressed willingness to talk and work with the US on topics of mutual interests (Kristof 2007; PressTV 2009; Hafezi and Mostafavi 2010). In anticipation of a potential dialogue with Iran, an understanding of how Iran is developing on key political, economic, civil society, foreign policy, and national security issues could benefit the US. Understanding how Iranian positions are likely to evolve on specific issues, and how different US strategies can influence these issues, could help the development of US strategy and policy.

Political Issues to be Addressed

This study looks at 12 questions pertinent to US-Iranian relations, which are divided into three dimensions – politics, economics and civil society, and foreign policy and national security. The three political questions explored will be:

- What is Ahmadinejad's likely potential future (ascendant, descendant or status quo)?
- What will be the likely political outlook of the next supreme leader, and who are the leading candidates?
- Will a liberal or conservative interpretation of *Velayat-e faqih* guide Iran in the future?

Whether and how the US approaches the Iranian executive should be informed by an understanding of the development of Ahmadinejad's political influence in the years ahead. Politically, US-Iran relations have been strained by President Ahmadinejad's anti-western tirades and holocaust denials. Ahmadinejad's successful re-election bid in 2009 ensures he will be a significant political player through 2013, and while Khamenei disapproves of Ahmadinejad's confrontational approach to foreign policy, it appears extremely unlikely Khamenei would remove a conservative president. The US will likely need to work with Ahmadinejad in the years ahead, and further checks on Ahmadinejad's power, such as the 2005 creation of the Strategic Council on Foreign Relations, which limits the president's influence on foreign policy, are possible but improbable (Rakel 2009).

Were a new supreme leader elected, the US approach to Iran could alter significantly. Supreme Leader Khamenei, now a septuagenarian, has led Iran for over two decades. In the event of his passing, the Rafsanjani-chaired Assembly of Experts will elect a new Supreme Leader. The election of Khamenei following Khomeini's death resulted in vast changes to the Iranian government. Thus, knowing the probable predisposition of the next supreme leader and most likely successors could help to shape the US approach to Iran.

Velayat-e Faqih (Guardianship of the Jurist), Khomeini's theory of Islamic governance, guides the Iranian government. A recurring debate in Iranian society occurs over how liberal or conservative an

interpretation of Islamic law should be implemented by the government, and the division of power between Iran's religious and democratic elements. Understanding the direction in which this debate is heading, whether a return to the more liberal interpretations of Rafsanjani and Khatami, or stricter interpretations as under Ahmadinejad, could alter the approach of US policy.

Economic and Civil Society Issues to be Addressed

Iran's civil society is rapidly changing. The growth of an urban middle class, a large young educated populace, high unemployment, the rapid spread of media technology, and the recent removal of many price controls are just some of the dynamic events transforming civil society. A fundamental piece of civil society is the economy, and Iran's economy is struggling. Every Iranian president since the conclusion of the Iraq war, Rasfanjani and Khatami as well as Ahmadinejad, made improving Iran's economy a primary tenet of their campaign platform. Understanding the direction of Iran's civil society should aid the formulation of US policy. Some of the key issues likely to shape the development of Iran's civil society in the coming years are:

- What degree of economic liberalization can be expected in Iran over the next few years?
- How is the power of the *bonyads* changing?
- Will the power of IRGC continue to grow?
- How will the women's movement progress?

Following the 1979 revolution the Iranian government took firm control of the economy. The government acquired numerous businesses and massive tracts of land when confiscating the firms and properties of the Shah's former supporters. The revolutionary government also undid the Shah's land reforms, putting into question the ownership of much of the land in Iran. Direct state intervention into the Iranian economy has crippled productivity through mis-management and investor uncertainty (Rakel 2009). International trade, a cornerstone to most multi- and bilateral relations, has been stymied by legal opacity and suffocating government policies, a situation further aggravated by economic sanctions. The Iranian economy is looking to resolve its trade and production imbalances. Faced with double digit inflation and high unemployment, Iran needs additional foreign investment (CIA World Factbook 2010). Understanding the course of economic liberalization could provide certain advantages in working with Iran, especially when discussing sanctions.

Many of the business confiscated after the Shah's removal came under the control of the *bonyads*, public service religious foundations. The three largest *bonyads* – the Foundation of the Oppressed and Disabled (*Bonyad-e Mostazafan va Janbazan*), the Martyrs Foundation (*Bonyad-e Shahid*), and the Imam Reza Foundation (*Bonyad-e Astan-e Quds*) control a huge portion of the Iranian economy. By some estimates the *bonyads* produce 35% of Iran's gross domestic product (Rakel 2009). The Supreme Leader appoints the heads of the *bonyads,* which is the limit of their government oversight. The political power of the *bonyads* is significant. The *bonyads'* influence peaked in the decade following the Iraq war and has since seen a slow decline (Rakel 2009; Thaler 2009). US policy formulation could benefit from understanding how the influence of these powerful non-governmental bodies will evolve in the coming decade.

The Iranian government's more recent efforts to improve the economy through privatization led to growth in the power of the IRGC. The IRGC now rivals the *bonyads* in some sectors, controlling numerous businesses and properties. IRGC businesses recently secured an estimated US $5 billion in no-bid government contracts (Green et al. 2009). The IRGC's power has been increasing over the past decade, and with their economic clout, the conservative organization has developed political interests. Understanding how the power of the IRGC is likely to develop could be helpful to US policymakers.

The final aspect of Iran's Civil Society explored is the women's movement. The women's movement in Iran was fundamentally altered by the revolution. While support from the women's movement was critical to the revolution's success, following the overthrow of the Shah, women faced restrictions from entering some segments of the workforce, were barred from certain jobs, and were banned from visiting various institutions (Rakel 2009). Women have slowly been regaining rights held prior to the revolution, and the progress of the women's movement in Iran will be the final aspect of Iran's civil society analyzed.

Foreign Policy and National Security Issues to be Addressed

Iran's foreign policy is focused on national security. National Security has played a pivotal role in Iran's history and continues to play a significant role in Iran, both internally and externally. Iran's foreign policy is focused on five key issues: its relations with the West, its nuclear program, Iraq, Afghanistan, and Israel. Understanding the probable outcomes of these issues and the influence of different US strategy options upon these outcomes could assist US policy formulation.

- What is Iran's sustainable level of interaction with the United States?
- What type of nuclear program is Iran likely to develop?
- What will be the level of Iranian intervention in Afghanistan?
- What will be the level of Iranian intervention in Iraq?
- What stance toward Israel will Iran take?

Iran's image, both internally and regionally, is based upon resistance to Western, especially US "imperialism." Iran's ability to interact with the US can only be sustained at a level tolerable to its constituents (Thaler 2009). Iran's populace has an ingrained distrust of Western governments, so understanding the sustainable level of engagement between the nations could facilitate the development of realistic bilateral expectations and shape how the US engages Iran on other issues.

US policy toward Iran is focused on Iran's nuclear program. Iran's acquisition of a nuclear weapon could dramatically impact regional and global nuclear proliferation and destabilize the Middle East. A destabilized Middle East could significantly impact world energy markets and the global economy. Four sets of UNSC sanctions have been imposed on Iran due to the clandestine nature of its nuclear program. Iran's frequent non-cooperation with IAEA oversight causes many nations to worry about the peaceful nature of Iran's nuclear program, so understanding the type of nuclear program Iran is likely to pursue could help the formation of US policy toward Iran.

Since 2001 the US military has been actively operating on Iranian borders. The first US operation was in Afghanistan, where US airpower enabled the Iranian-supported Northern Alliance to topple the

Taliban government. In Afghanistan US operations have encountered a lasting insurgency. The US has repeatedly accused Iran of supporting the actors fomenting the unrest (Beehner 2008; 2009). Knowing Iran's probable foreign policy approach to Afghanistan over the next few years could assist US policy formation.

In 2003 the US military removed Iran's regional rival, Saddam Hussein. The Overseas Contingency Operation, formerly known as Operation Iraqi Freedom, has met with limited success. As in Afghanistan, the US has accused Iran of supporting actors attempting to destabilize the newly established government (Beehner 2008; 2009). US policy could benefit from knowing what Iran's short term policy approach towards Iraq will likely be.

Iran's regional interests extend beyond bordering nations. The country's confrontational stance towards Israel garners Iran considerable support amongst the Arab world, though Iran has appeared ready to enter a modus vivendi with Israel in the past. Israel, a historically close US ally, is a subject which could shape US-Iran relations, so understanding Iran's likely stance towards Israel in the years ahead is the final policy question analyzed.

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Expected Utility Model

Introduction

The typical policy issue involves multiple stakeholders promoting their preferred outcome. The compilation of stakeholders' different positions on the issue creates a spectrum of possible outcomes, a spectrum from which only one outcome will become the final solution. Stakeholders engage one another in an effort to move the final outcome as close to their preferred solution as possible. The number of stakeholders, the complexity and range of potential interactions, and the seemingly improbable unforeseen events that could influence preferences and outcomes provide significant challenges to accurately predicting the outcome of political issues.

Policy analysts often evaluate the likely outcome of political issues based on intuition. These forecasts suffer from numerous potential biases and are often impossible to replicate. Still, understanding how a policy issue is likely to develop provides the knowledgeable stakeholder significant advantages over other groups in their efforts to influence the final outcome. The informed stakeholder can influence the development of an issue by blocking critical bargains between stakeholders, or exerting extra effort to convince a key stakeholder to shift stances. A stakeholder could also support a more extreme position then actually desired, or make the issue a higher priority on their political agenda. In some cases the stakeholder might be able to simply invest more resources, or devote more effort, and advance their objective. A stakeholder that understands how an issue is evolving can select from amongst a host of options by which to alter the direction in which a policy is moving.

In 1984 Bruce Bueno de Mesquita introduced an Agent-Based Rational Choice (ABRC) model guided by Expected Utility (EU) theory to evaluate political issues. Using limited data inputs, the model produced forecasts which were incredibly accurate. POLICON, an early commercial version of the model, and FACTIONS, a similar model used by the CIA, have been cited as predicting the outcome of political issues with over 90 percent accuracy (Feder 1987). The exact formulation of these models is proprietary, though the academic creators have set forth many of POLICON's formulations, outlining the basic framework in several academic works (Mesquita 1984; Mesquita 1985). The models have evolved since their first presentation, and the academic literature provides details to some of the changes that have occurred. Researchers have improved the models by making elements of the model agree with spatial voting, bargain, conflict, and prospect theory (Mesquita 1994; Mesquita 1997).

The model is praised for its parsimonious inputs, and the simplicity of inputs limits the introduction of potential biases. In its simplest form the model requires only three inputs – stakeholder capability, position, and salience values. A stakeholder is defined to be a cohesive entity – it can be an individual, an organization, or an entire nation. A stakeholder is any block that shares the same resources and goals to achieve its ends. A stakeholder's position is where it is promoting the end outcome of the issue to be, and the stakeholder's position is assessed using a policy spectrum. A policy spectrum is created by taking the range of different stakeholder positions and ordering them between extremes. This policy spectrum then provides a means to measure the different positions of the stakeholders, defining the stakeholders' potential bargaining space. Capabilities, also frequently referred to as capital, wealth, or resources, is a measure of a stakeholder's means to effect its desired ends – how much clout does it

have at its disposal to push its desired position? The salience measure reflects the competing interests of stakeholders. Stakeholders are faced with numerous different issues at any given time, and the salience value captures the importance of a given issue relative to a stakeholder's other interests.

The input data describes the unique characteristics of the different stakeholders. The EU framework then ascribes decision processes to the stakeholders. The decision processes of the stakeholders are systematic and uniform, a necessity for simplifying real world interactions in an unbiased manner. Stakeholders assess different positions using an objective function, typically referred to as a utility function. A stakeholder's utility is maximized at the stakeholder's own position and decreases the further removed from the stakeholder's supported outcome a position is.

Based upon their utility assessments, the stakeholders cast varying levels of support amongst the different positions. The amount of support a stakeholder provides a position is a function of their total capabilities, issue salience, and utility. The aggregation of all the stakeholders' support by position can be considered an election, with the position that garners the most support being the winner, the predicted policy outcome.

A stakeholder's utility is also shaped by its risk character. A stakeholder's risk character can be heuristically estimated by looking at the proximity of the stakeholder's position to the current forecasted outcome. Stakeholders closer to the forecasted outcome are considered risk-averse, having located closest to the most supported and probable outcome, while those farther away are considered progressively more risk-seeking. Mathematically, stakeholder risk is computed by looking at position support. A stakeholder's position is a balance between ideology and security. A stakeholder that takes a position with less position support is more risk-seeking, trading security and risking potential conflict with other stakeholders in its effort to influence the issue outcome.

The EU framework incorporates bargaining, which is a pivotal process to the resolution of most political issues. Bargaining enables a stakeholder to alter its and other stakeholders' positions in its effort to influence the end outcome. EU calculations guide stakeholder interactions. The EU computation summarizes a stakeholder's decision with respect to another stakeholder, which is whether to engage and challenge the status quo with the stakeholder or to allow the status quo with the stakeholder to persist. A stakeholder with positive EU believes it will benefit from challenging the opposing stakeholder, while a stakeholder with EU of zero or less is indifferent toward, or expects to lose, if challenging the opposing stakeholder.

Stakeholders' assessments of EU are useful predictors of their probable interactions. When two stakeholders have positive EU it is unlikely the stakeholders will find agreeable terms of engagement, both stakeholders viewing conflict as a better alternative to compromise. When both stakeholders have negative EU, no benefits are anticipated from engagement, and so the stakeholders do not interact. Interactions between stakeholders are expected when one stakeholder has positive EU and the other negative EU. When the stakeholder with positive EU has more to gain than the opposing stakeholder with negative EU to lose, the stakeholder with negative EU will agree to make position concessions, moving partially toward the position of the stakeholder with positive EU. When the stakeholder with negative EU has more to lose than the opposing stakeholder stands to gain, the stakeholder with negative EU, if challenged, will move to toward the position demanded by the stakeholder with positive EU, moving rather than risking a costly conflict. In the event a stakeholder's EU evaluates to zero, the

stakeholder is indifferent between maintaining the status quo and action. In this event the stakeholder takes the path of minimal effort, maintaining the status quo.

At the end of a round a stakeholder may be faced with multiple proposals, but can adhere to only one. A stakeholder chooses from amongst the enforceable proposals in a manner that maximizes its utility, moving to the position that results in the smallest position change. After the proposals are selected, the positions of the stakeholders are updated, completing a bargaining round.

The model tracks the evolution of stakeholder positions and the forecasted outcome over multiple bargaining rounds. The change in stakeholder positions informs where potential alliances lie, and suggests which stakeholders can be persuaded to switch allegiances. The model also predicts how a stable end state will develop, if one exists. A stable outcome occurs when all stakeholders arrive peacefully at or near a single position without devolving into conflict. Implied by the previous, the model also predicts the collapse of diplomacy, when stakeholders may resort to hostile actions to further their ends.

The model presented here is similar to other EU models recently applied analyzing political issues. The static portion of this model exactly follows the documented published framework, and the dynamic portion of the model closely follows the verbal descriptions presented in the literature (Mesquita 1990, 1994, 2002). The dynamic formulation of the model is not as well documented as the static framework. The presented model follows published descriptive discussions while closely replicating previous studies' findings (See the *Model Validation* Section of this Chapter).

The model was initially validated by comparing it with 26 different published cases. The cases were selected because the input data was available, as well as an assessment of the actual outcome or the model prediction. The validation dataset allowed the forecasts of the model used here to be compared with either the published real world outcomes, or when not available, the published predicted outcomes. The presented model forecasts had about 90 percent correlation with previously published issue outcomes and forecasts. The mean absolute error (MAE or L1 Norm) between the model and published cases was around 0.1 and root mean squared error (RMSE or L2 Norm) was less than 0.025. The presented model thus compares very favorably, closely replicating the outcomes and predictions of numerous actual issues previously studied with expected utility models (See the *Model Validation* Section of this Chapter).

Model Theory, Selection, and Application

The accurate prediction of outcomes prior to their occurrence can create numerous advantages for the informed party. Conflict was one of the first areas where predicting the final outcome became an academic study. For hundreds of years military leaders have considered their troop numbers and equipment versus those of the enemy to estimate their prospects of victory when deciding whether to engage an enemy. A formal mathematical model to replace heuristic assessments was introduced in 1916 by Frederick Lanchester. Lanchester's model provided a series of differential equations projecting force attrition and thus the outcome of a conflict (Lanchester 1916). Lanchester equations were rapidly adopted by the military and became a practical tool for assessing operational plans.

The likely outcome of a battle is of course useful information, but a decision maker might need to know more. Before initiating a conflict, knowing its probable scope could be very useful. Lewis

Richardson, besides his work advancing the Lanchester equations, in 1960 fit a log curve to conflict data, providing a model to estimate the eventual size of an encounter. Richardson's models stepped beyond the dichotomous win or lose outcomes of the Lanchester models, entering into a continuous forecast spectrum (Richardson 1960).

Conflict models are useful tools when analyzing an event with two defined sides, but the models are poorly equipped to handle events with three or more competing parties. The addition of a third party to a conflict results in numerous potential stakeholder interactions, significantly complicating the determination of a winner. Some of the questions that must be considered are whether the parties engage simultaneously or in a tournament style, for example the first two parties engage and then the third challenges the victor; and whether alliances are formed and broken. The scope and range of potential interactions rapidly increases with each additional party. Predicting a single victor from amongst multiple competitors typically requires looking beyond conflict models.

The political elections of democracies have fostered a host of theories for determining a single winner from amongst multiple parties. Condorcet advanced the notion of a pareto optimal winner, a winner preferred to all others. This winner can beat all other alternatives in head to head competition and became known as the Condorcet winner (Condorcet 1785). Condorcet proved that with more than two outcomes it is possible for A to be preferred to B, B to be preferred to C, and C to be preferred to A, an event popularly known as Condorcet's paradox. Condorcet's paradox is why methods such as summing ranked ballots, can result in the selection of a winner that is a suboptimal. Searching for a Condorcet winner can require an enormous number of elections due to the quantity of bilateral contests which must be assessed, $n(n-1)/2$, and the existence of a Condorcet winner is not guaranteed. The difficulty and impracticality of running full Condorcet election processes resulted in numerous methods of approximating the Condorcet winner from the results of a single election. Charles Dodgson suggested a means of using ranked voting to determine an election's winner, where the winner is the candidate who requires the fewest number of votes to be changed in order to be a Condorcet winner (Dodgson 1876).

The works of Condorcet, Dodgson, and numerous other early voting theorists were relatively unknown before 1958, when Duncan Black published his *Theory of Committees and Elections*. Black analyzed and popularized the works of former theorists but also advanced election theory. Black introduced the median voter theorem, providing a means to predict an election's victor. The median voter theorem states that when voters with single peaked preferences choose between two alternatives located along a single spectrum, the alternative closest to the median voter will obtain the most votes (Black 1958). The median voter theorem does not hold under all conditions and is likely to fail when single peaked voter preferences cannot be verified.

Besides positing the median voter theorem, Black also promoted a new electoral system. The election process used ranked ballots, first going through a cycle looking for the Condorcet winner, and then, if in absence of a Condorcet winner, choosing the Borda winner, which is determined by assigning ranks to the ballot options and finding the consensus winner. A consensus winner is the candidate who most broadly appeals to the entire electorate. The consensus winner may not necessarily capture a majority of votes.

Since the conception of the Condorcet winner, it was understood that without restrictions a Condorcet winner's existence was not certain. Kenneth Arrow was the first to prove that a Condorcet

winner cannot be guaranteed to exist without making certain assumptions (Arrow 1951). In some cases the limitations necessary to guarantee the existence of a Condorcet winner are verifiable and not unreasonable. For example, provided a one dimensional position spectrum, single peaked voter preferences are all that is required for a Condorcet winner to exist (Mas-Colell et al. 1995).

Knowing how to find the optimal winner of an election given the election results, it is possible to predict an election's outcome, given a means to accurately assess how stakeholders would vote. Daniel Bernoulli introduced much of the modern concepts of utility, risk aversion, and expected utility (Bernoulli 1738). Bernoulli's work helped to explain why individuals do not assess infinite value to the outcome of the St. Petersburg paradox, which is a game with infinite expected value, but for which individuals are only willing to pay finite and generally small amounts to play. Rational individuals make decisions to maximize their expected utility, which is not the same as maximizing expected value. Due to diminishing marginal utility, it is possible that a game of infinite expected value is not of infinite expected utility, thus having finite worth. Diminishing marginal utility, a result of risk aversion, is how an individual can prefer a guaranteed payment of one dollar to a lottery with equal probability payoffs of 0 and 100 dollars, an expected value of 50 dollars.

The four axioms necessary for expected utility theory to hold for a rational individual were proven in 1944 by John von Neumann and others (Neuman et al. 1944). The four axioms are completeness, transitivity, continuity, and independence. Completeness states that an individual must either prefer A to B, B to A, or be indifferent between the two. Transitivity requires that if A defeats B and B defeats C then A defeats C. Continuity requires that if A defeats B and B defeats C then there exists a lottery of some probability between A and C, which would make an individual indifferent to B. The final axiom is Independence. Independence asserts that if A defeats B then when comparing two lotteries of equivalent non-zero probabilities between A and C and B and C, the lottery between A and C will always be preferred.

The axioms of expected utility theory may not always hold, though practically this does not negate the usefulness of the theory. Daniel Kahneman and Amos Tversky, studying the behavior of individual decision making under risk, found individuals systematically deviate from expected utility theory (Kahneman and Tversky 1979). Kahneman and Tversky proposed what can be considered an advance on expected utility theory, known more commonly as prospect theory. Prospect theory found that individuals assign greater value to prospective losses than gains, and overvalue small changes relative to larger ones. Since prospect theory is systematic, like its predecessor, expected utility theory, it can be modeled.

The median voter theorem and utility theory, when combined with the spatial theory of voting, provide a means to assess how individuals will vote. The spatial theory of voting asserts that when the dimensions of an issue can be set up to define a space (*id est* a line or plane) an individual will cast more votes for positions closer to its own preferred outcome (Downs 1957). Understanding how votes are likely to be cast, it becomes possible to predict an election's outcome without running the actual election. Numerous real world processes are either resolved by elections or can be notionally conceptualized as election processes. For example, the direction a publicly traded company moves is decided by the votes of its stock holders; the political direction of a country is decided by the votes of an electorate in a democracy and the power elections of the influential under other systems; wars can be

thought of as elections by force of military capabilities (Mesquita 2009). Many real world events can be described by an election process, and thus predicted by voting models.

The result of an election, notional or real, can be stymied by two stakeholders rationally engaging in a utility maximizing way and successfully conspiring to change the outcome. Banks' monotonicity theorem states that the greater the expected utility of a stakeholder, the more likely the stakeholder takes action (Banks 1990). John Nash determined how to compute the optimal utility maximizing bargain between stakeholders (Nash 1950). An agent-based rational choice model can incorporate stakeholder interactions as guided by expected utility theory with a voting model, eliminating one of the most likely means of potential forecast error.

Agent-Based Rational Choice (ABRC) models systematically assign evaluation and decision rules to individual stakeholders whose interactions result in the studied phenomenon of interest. Placing these stakeholders within a contextual environment and allowing the stakeholders to interact as guided by the decision rules enables the simulated development of a policy issue. The computational complexity of studying the interactions of individual units in order to understand the development of a larger phenomenon can make ABRC approaches time-intensive. The advent of computers and accompanying computational power has facilitated the more widespread use of ABRC models. By assigning the correct decision rules to the stakeholders and properly defining the environment, ABRC models have been found to very accurately explain the development of numerous real world phenomena. When the development of a macro issue can be explained by the properties of its comprising elements, it is possible to assess how changing the interactions of the defining elements influence the macro issue outcome (Axelrod 1997; Epstein 1999).

Agent-based rational choice models have been used to study numerous different social phenomena. Some notable studies using agent-based rational choice models have looked at right skewed wealth distributions (Epstein and Axtell 1996), the spatial distribution of unemployment (Topa 2001), explaining stock market prices and price shocks (Bak et al. 1997), the formation of trade networks (Tesfatsion 1995), predicting the formation and creation of alliances (Axelrod and Bennett 1993), conflict escalation (Mesquita 1981), voting behavior in a two party spatial election system (Kollman et al. 1992), and the development of political issues (Mesquita 1984).

In 1984 Bruce Bueno de Mesquita combined expected utility theory, voting theory and bargain theory, ascribing decision rules to individual stakeholders, creating an agent-based rational choice model to analyze the political issues. The model advanced Mesquita's earlier research studying conflict escalation to the political realm (Mesquita 1981). The 1984 study analyzed Iran and looked at three questions. The first question examined what the likely Iranian resolution to the Iran-Iraq war would be. The analysis found that then-President Khamenei would dominate decision making concerning the war. President Khamenei faced pressure from both the war hawks and more moderates, but the backing of the moderates was more influential. Mesquita concluded Iran would likely press the war but seek less than the overthrow of Saddam, most likely resorting to economic disruptions in an effort to force the Iraqis to yield. Mesquita posited that following the war, Iran's focus would turn to its ailing economy, the second question explored. The study predicted the emergence of a mixed economy in Iran, with substantial regulatory oversight. The third and final question addressed was the succession of the next Supreme Leader in a post-Khomeini Iran. The study found that the two most likely candidates were Rafsanjani and Khamenei, with Khamenei being slightly favored.

The results of the Iran study were extremely accurate and the model became widely applied by Data Resources Incorporated (DRI), the CIA, and the academic community (Feder 1987). To date, alternative models have been unable to exceed the prediction accuracy of expected utility models (Mesquita 1994). Expected utility models have been used to study the development of Iran (Mesquita 1984; Mesquita 2009), Hong Kong (Mesquita 1985), the Arab-Israeli dispute (Mesquita 1990), European Union decision making (Mesquita 1994), OPEC price setting (Mesquita 1997), the Chechnya crisis (Abdollahian et al. 2000), Iraq (Efird and Kugler 2002; Baranick et al. 2004; Abdollahian et al. 2006; Snider and Strakes 2006), and Afghanistan (Kugler et al. 2003), amongst numerous others (Mesquita 1985; Feder 1987).

The expected utility model's success at policy prediction, accurate at upwards of 90% and double the rate of area experts employing other prediction methods, makes the model an ideal tool for analyzing current political developments in Iran (Feder 1987; Mesquita 1994). A likely source of the model's predictive prowess is its grounding in voting and economic theory. As noted earlier, the model has been applied to Iran in the past, once assessing its economic development and next Supreme Leader (Mesquita 1984), and more recently to study Iran's nuclear program (Mesquita 2009). This study develops and applies an expected utility model to analyze the development of a broad range of key issues facing Iran, and US strategies for influencing these issues' outcomes. Understanding how Iran is developing and US abilities to influence Iran's development could help the US formulate more effective strategy and policy.

Expected Utility Decision Making

A stakeholder, when faced with a complex issue, must assess how other stakeholders support its position, and then decide whether to challenge the existing status quo. A stakeholder challenging the status quo must choose which stakeholders to engage with, and what, if any, proposals to make. A stakeholder decides to challenge a stakeholder if it perceives its expected utility (EU) from doing so is greater than the EU of taking no action. EU is the sum of the probability weighted utilities of all the potential outcomes of an event. In its simplest form, EU typically consists of two outcomes, the utility of success multiplied by the probability of success, plus the utility of failure multiplied by the probability of failure.

$$ExpectedUtility = p(success) * Utility(success) \\ + p(failure) * Utility(failure)$$

(1)

The probability of success for a stakeholder is a function of the capabilities it can bring to bear on the issue, traditionally measured by its political, economic, and military resources. Considering only two stakeholders, the utility of success can be measured as the prospective gains to the stakeholder if the other stakeholder's stance is changed to align with its position. The utility of failure is the stakeholder's utility in the event it is unsuccessful at changing the other stakeholder's stance. One method of estimating the probability of success or failure is by looking at the ratio of the two stakeholders' total capabilities.

The EU model simplifies a game theory decision tree, analyzing two stakeholders at a time, stakeholder i and stakeholder j (Figure 1). Stakeholder i makes a decision to accept or challenge the status quo. If stakeholder i accepts the status quo, then external to its decision not to act, the policy

may stay the same, or from its perspective, improve or worsen. If stakeholder i challenges the status quo, it makes a proposal to stakeholder j, and stakeholder j must choose to either accept or reject stakeholder i's offer. If the proposal is accepted, both stakeholders adopt the positions in accordance with the proposal, but, if rejected, stakeholder i and stakeholder j must decide whether to renegotiate or engage in hostilities. If either stakeholder chooses to engage in hostilities, the outcome would be decided by the stakeholders' relative influence, and backing amongst all the stakeholders involved with the issue.

Figure 1: Bilateral Decision Tree
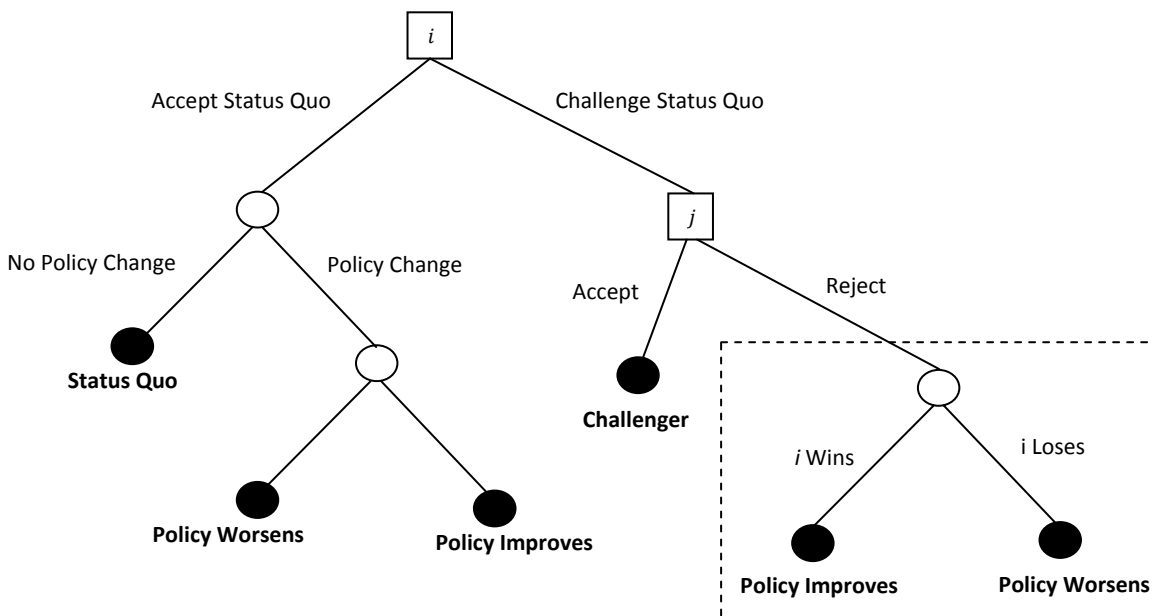
The two stakeholder decision tree becomes more complicated due to the involvement of additional stakeholders. If stakeholder j decides to reject stakeholder i's proposal, the other stakeholders, stakeholders k, must each decide whether to enter or abstain from the conflict (expanding the dashed box in Figure 1 into Figure 2). If stakeholder k enters the conflict, it must decide whether to support stakeholder i or stakeholder j. As additional stakeholders enter the conflict, the probabilities of winning or losing for stakeholder i and stakeholder j change with their support bases.

Figure 2: Stakeholder k's Decision Tree
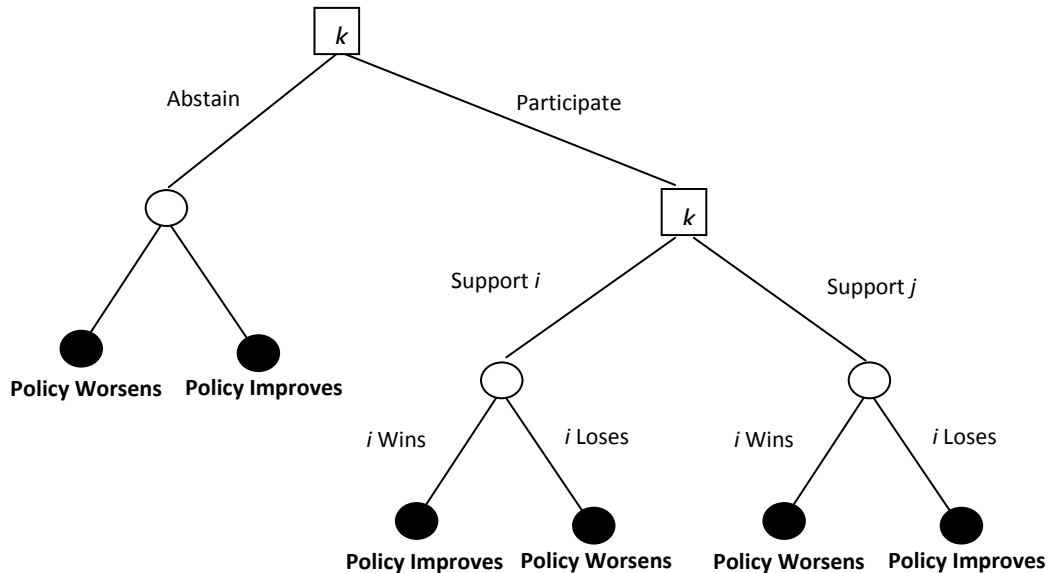
An EU value is a stakeholder's evaluation of the described game tree. The EU values of two stakeholders can be useful predictors of their likely interactions. A graphic mapping of the EU values to the Cartesian coordinate system provides a visual means to explore probable stakeholder interactions (Figure 3). Stakeholder i is the focal stakeholder in the below graph, and stakeholder j is the rival stakeholder. When both stakeholders have positive EU from challenging the status quo, they are in octants 1 and 2, and confrontation is expected. In octants 1 and 2 the stakeholder with greater EU is favored in the event of conflict, but if both sides have the same EU, neither stakeholder has the advantage. When the focal stakeholder has positive EU while the rival negative EU, the stakeholders lie in octants 7 or 8. In octants 7 or 8 the focal stakeholder's actions depend on the relative difference between the absolute value of the two stakeholders' EU values. When in octant 8 the focal has more to gain than the rival to lose, and the rival is able to bargain with the focal. In octant 7 the rival has more to lose than the focal to gain, so the rival capitulates to the focal stakeholder's demands. When the magnitudes of the focal, with positive EU, and rival, with negative EU, are equivalent, the rival's bargain stance is so weak it accepts a bargain that is equivalent to a capitulation. When both the stakeholders have negative EU, octants 5 and 6, the stakeholders will bluff, and there exists little risk of confrontation. The final possibility, that the rival stakeholder has positive EU while the focal negative EU, takes place in octants 3 and 4. Here the focal will likely bargain or capitulate, with the outcome depending on the relative difference between the rival stakeholder's expected losses and the focal stakeholder's expected gains, the reverse of octants 7 and 8.

Figure 3: Expected Utility Plot

Challenging Stakeholder

Expected Gains

Challenger
Offers Bargain

Confrontation
Expected Rival
Favored

Confrontation
Expected Focal
Favored

Focal
Capitulates

3 | 2

Focal Stakeholder

4 | 1

Expected Losses ———————————————— *Expected Gains*

5 | 8

Low Risk of
Confrontation
Rival Favored

6 | 7

Focal Offers
Bargain

Low Risk of
Confrontation
Focal Favored

Rival
Capitulates

Expected Losses

Inputs

In order to assess a policy issue using the Agent-Based Rational Choice (ABRC) framework of the EU model, certain inputs detailing the studied issue and the stakeholders bearing influence on the issue's outcome must be gathered. The inputs are simple enough regional or country experts can evaluate them to fairly precise levels and generally agree on their values (Mesquita 1994; 2002; 2009).[3]

1. Policy/Negotiation Continuum

The policy continuum arranges all of the policy options along a single, one-dimensional axis. The ends of the continuum are the most extreme positions held by or discussed amongst the stakeholders, with all other stances ranging between these extremes. The stakeholders' positions along this spectrum are normalized to take on values between zero and one, the two extremes. A single dimension is typically sufficient to represent all facets of a policy issue, though expressing issues in multiple dimensions and allowing tradeoffs amongst multiple issues have been explored (Abdollahian and Alsharabati 2003).

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[3] The model inputs are discussed in much greater detail and further depth in Chapter 3, Data Collection.

2. Stakeholders Influencing the Issue

Stakeholders have common objectives and resources to expend toward achieving their goals. A complete list of the stakeholders with influence on an issue must be compiled. It is important to include as many of the stakeholders that are going to influence the issue as possible in order to achieve the most accurate results. Exclusion of a stakeholder who will influence the outcome of the issue reduces the accuracy of the model's predictions.

3. Position Held by Each Stakeholder

Each stakeholder has a supported or inferred outcome to the debated issue. This position places the stakeholder somewhere on the policy continuum. A stakeholder's initial position is independent of other stakeholders' positions. A stakeholder's position is the major determinant of their utility in assessing policy outcomes.

4. Capabilities of Each Stakeholder

The capabilities measure assesses the resources available to a stakeholder, which it can use to influence issues of interest. The power of each stakeholder is relative to the other stakeholders in the scenario. Convention is to evaluate each stakeholder's capabilities on either zero to one or zero to one-hundred scales. A stakeholder with zero capabilities has no ability to influence a policy issue, while a stakeholder with capabilities of one on the first scale, or one-hundred on the second scale, has the greatest capability amongst all the stakeholders to influence an issue. Capabilities are considered additive: A stakeholder with a capability value of sixty has equivalent influence as two aligned stakeholders with capabilities of twenty and forty. The capabilities measure can be unique to each issue, but traditionally stakeholder capabilities are held constant across issues.

5. Salience of the Issue to Each Stakeholder

Salience measures the importance or priority of an issue to the stakeholder. Salience is valued on zero to one or zero to one-hundred scales. Zero means the issue is of no importance to the stakeholder, while one on the former scale, and one-hundred on the latter scale, imply the issue is the foremost policy concern for the stakeholder. Salience also expresses the proportion of a stakeholder's total capabilities it will exert influencing the studied issue.

Extensions
6. Multiple Issues

EU models have been adapted to look at tradeoffs over multiple issues. When this is done the above five inputs listed above must be collected for each issue considered. This paper briefly covers the notation generalized for multiple issues, but focuses on and applies the computational method used to analyze single issue spaces.

7. Networks

The stakeholders in a scenario often do not act in a manner truly independent of all other stakeholders. Pre-existing relationships between stakeholders influence their responses and actions on

many issues. Modeling networks enable the inclusion of critical linkages between stakeholders, influencing their decisions and actions, and thus weighing upon the development of the final outcome. The inclusion of networks as presented here requires three additional inputs: the number of relevant networks to be modeled, whether a stakeholder is a member of a given network, and how closely affiliated a stakeholder is to the network.

    A. Number of Networks

        The first input is the number of networks or groups relevant to the issue.

    B. Network Membership

        Every stakeholder involved with an issue does not necessarily belong to a relevant network. The affiliation of each stakeholder to the modeled network must be known. A stakeholder is either a member or not a member of a given network. Network membership can be expressed by a simple binary input, where one indicates inclusion in a network and zero indicates a non-member.

    C. Network Affiliation

        Stakeholders often attach different levels of importance to the networks they are members of. Network affiliation for each stakeholder captures the value the stakeholder places on being in alignment with the position of the group. Zero to one, or zero to one-hundred scales can capture stakeholders' affiliations with a network. Zero indicates a stakeholder places no weight on being in alignment with the group, while a one on the former scale, or one-hundred on the latter scale, indicates the stakeholder wishes to act in a manner that exactly aligns with the group.

Static Model

Stakeholders seek to maximize utility, and their actions are shaped by this pursuit. A position will be denoted *x*, with the affiliated subscript referencing the stakeholder holding the position. Thus, x_i denotes stakeholder i's position. In the event the analysis pertains to multiple issues, a second subscript referencing the issue becomes necessary, thus making stakeholder i's position on issue a, x_{ai}.

Stakeholders estimate other stakeholders' decision values to anticipate their actions and decide how to approach the stakeholder and the issue. Utility is a value held internally by stakeholders, and as a result a stakeholder's estimate of another stakeholder's estimated utility may contain some error. Stakeholder i's estimate of his own utility for a position may be markedly different from what stakeholder j believes stakeholder i's utility for that position should be. When a computation value is subjective to the estimating stakeholder's perspective, a superscript will be used to denote the stakeholder from whose perspective the estimation was made.

The model assesses the interactions between stakeholders two at a time. Consider two stakeholders, stakeholder i and stakeholder j. How stakeholder i interacts with stakeholder j is shaped by its EU estimation with respect to stakeholder j, and its estimate of stakeholder j's EU with regard to itself. Similarly, stakeholder j's actions toward stakeholder i would be based upon its EU with regard to

stakeholder i, and its estimate of stakeholder i's EU with respect to itself. Stakeholder i, when assessing the worth of challenging the status quo between it and stakeholder j, first assesses its own EU and the EU of the stakeholder it is facing, while the stakeholder being faced, stakeholder j, makes the identical calculations. The resulting four different EU calculations from two different perspectives determine the interaction between the two stakeholders. The four EU calculations are:

    1. i's expected utility vis-à-vis j
    2. i's perception of j's expected utility vis-à-vis i
    3. j's expected utility vis-à-vis i
    4. j's perception of i's expected utility vis-à-vis j

    Stakeholder i's EU estimate with respect to other stakeholders is the stakeholder's true expected value of engaging the stakeholder. Stakeholder i's perception of stakeholder j's EU is an estimate. Stakeholder i's initial actions towards stakeholder j are guided by its subjective view, based on its true EU value and estimate of stakeholder j's EU value (1 and 2). Likewise, j's initial actions are guided by its subjective view (3 and 4).

    In some cases, when stakeholders decide to engage one another, their expectations of the interaction do not align; in these instances, as the stakeholders resolve their differing views the stakeholders learn each other's true EU values, and their interaction is then based on the objective view (1 and 3). The computation of the four different EU values is identical with the exception of perspective. Instead of presenting four equations, identical except for perspective, the superscripted * will be used for perspective, and the developing equations presented once. In the event of no private information (as in some model versions), when only the objective perspective exists, stakeholders' assessments are identical, and the superscript can be dropped.

    Stakeholder utility for a position is driven by the distance of that position from the stakeholder's stated position. Stakeholder i's current position on issue a, x_{ai}, is its ideal outcome, which can be compared to an alternative position x_{aj}. A stakeholder's utility is highest at its own position and diminishes as it has to move farther away from its current position.[4] The distance function is also shaped by a risk parameter. Each stakeholder has a different tolerance for risk, its risk character. The risk character of a stakeholder is not public, so a stakeholder's estimate of the risk character of another stakeholder could be incorrect. A stakeholder's risk character is specific to issue, stakeholder, and perspective, denoted r_{ai}^*. The risk factor shapes stakeholder utility assessments, like risk, which will be unique to issue, stakeholder, and perspective. Stakeholder i's utility value of position x_j on issue a is expressed $u_{ai}^*(x_{aj})$, and computed by equation 1. In the single issue space the issue subscripts, a, can be dropped (equation 1.1), and with shared perspectives, no private information, the perspective superscripts, *, can be dropped (equation 1.2).

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[4] Earlier versions of the model compared positions using alternative distance measures than described here. The most prevalent of which were correlation matrices (Mesquita 1985).

$$u^*_{ai}(x_{aj}) = 1 - |x_{ai} - x_{aj}|^{r^*_{ai}} \qquad (1)$$
$$u^*_i(x_j) = 1 - |x_i - x_j|^{r^*_i} \qquad (1.1)$$
$$u_i(x_j) = 1 - |x_i - x_j|^{r_i} \qquad (1.2)$$

For notational simplicity the model description from here forward presents the equations for a single issue but maintains stakeholder perspectives (equation 1.1).

The risk factor, r^*_i, describes stakeholder i's risk character. A stakeholder's position can be seen as a balance between its desired outcome and its wish to avoid conflict and see the issue resolved. The position with maximum support is the model's projected outcome and refers to the central position. [5] If a stakeholder's position is thought to represent a balance between its ideal solution and desire to avoid conflict, then a stakeholder's position relative to the position with maximum support, the central position, reveals information about the stakeholder's risk acceptance.

A stakeholder at the central position has adopted a position from which it is least likely to be attacked, but compromised its ability to see the issue resolved closer to its ideal solution, assuming its ideal outcome differed from the central position. Thus, a stakeholder located closer to the central position is likely more risk averse than a stakeholder located farther away. [6] The risk term shapes stakeholder utility, utility determines stakeholder support for different positions, stakeholder support establishes the central position, and the central position is used in the determination of the risk term. The result is an inescapable circular dependency between utility and risk estimation. To break the dependency each stakeholder is initially considered to be risk neutral, and the risk term for all stakeholders set to one. [7]

There exists a continuum of positions across which an issue can potentially resolve. Stakeholders assess a utility value to each potential outcome as defined above (equation 1.1). For an issue stakeholders place their support behind different positions based on their preferences amongst the potential outcomes. The amount of support a stakeholder provides one position versus another depends on the relative difference between the stakeholder's utilities of the positions. A stakeholder is unlikely to exert much effort or resources to influence a policy issue between two nearly identical positions. As positions become increasingly distinct, stakeholders become much more likely to be preferential toward one position or another, because with greater differences between positions, stakeholders become much keener to invest their resources in support of one outcome over another.

The total support behind a position determines whether one position prevails over another. A position with more support defeats a position with less support. When analyzing a single issue space with single-peaked stakeholder preferences, one policy option will dominate all others in a pair-wise

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[5] The literature commonly refers to the position with maximum support, the forecasted outcome, as the median. The use of the term median is somewhat misleading since the winning position of a Condorcet election using proportional voting is not necessarily the median as conventionally defined in mathematics. To prevent confusion the terms central position or maximum support are used in lieu of the median (Wise 2010).
[6] Risk is heuristically linked to the central position, not formulaically, as will become apparent later. There are instances where the central position can be held by a stakeholder who will be found to be risk seeking.
[7] Stakeholders who prefer the central position initially may not necessarily be risk averse, but their position reveals little about their risk character.

election process (Black 1958; Mas-Colell et al. 1995). This position, preferred to all other positions, is the Condorcet winner and the central position.

The central position can be found by finding the position which obtains the most support (Wise 2010). The support a stakeholder lends a position can be thought of as vote. Stakeholder i's vote for alternative j when in competition with alternative k is described by equation 2.

$$v_i^*(x_j, x_k) = (c_i)(s_i)(u_i^*(x_j) - u_i^*(x_k)) \qquad (2)$$

Capability, c_i, measures stakeholder i's total resources that can be brought to bear on its political agenda. A stakeholder is unlikely to invest all its available capital on a single issue. Salience captures the importance of the issue to stakeholder i, s_i, and scales the capabilities the stakeholder invests influencing the issue outcome. Stakeholder capabilities, when scaled by issue salience, are known as effective capabilities. Effective capabilities are the political clout a stakeholder will expend influencing an issue. The votes stakeholder i casts for an issue thus equal the amount of capabilities it is willing to exert on the issue, $c_i * s_i$, scaled by the relative difference in utility between the alternative positions, $u_i^*(x_j) - u_i^*(x_k)$. In the event a stakeholder receives greater utility from position x_k than position x_j, the stakeholder lends support to position x_k. When a stakeholder provides support to position x_k the stakeholder provides no support to position x_j; this is equivalent to lending negative support to position x_j.

Total position support is the sum of votes for position x_j when facing x_k across all stakeholders (equation 3).

$$v^*(x_j, x_k) = \sum_{i=1}^{n} v_i^*(x_j, x_k) \qquad (3)$$

If the total position support for position *j* in competition against position *k* is greater than zero, $v(x_j, x_k) > 0$, then alternative j beats alternative k, while if the reverse is true, $v(x_j, x_k) < 0$, alternative j loses to alternative k. In the event total position support equals zero, $v(x_j, x_k) = 0$, then the coalitions supporting the two alternatives are evenly matched, with the result being a draw.

A Condorcet winner exists if a position defeats all other positions in a series of pair wise elections. There exist an infinite number of positions on the position continuum. Policy makers do not generally consider an infinite number of positions. Instead, stakeholders focus on the positions currently supported and defined by other stakeholders – considering only positions currently occupied (Mesquita 1992; 1997; 2002).[8] The Condorcet winner is the position supported by at least one stakeholder that is preferred to all other currently occupied positions (equation 4). The central position in this case is also a Condorcet winner, implying there are no potential pareto improvements.

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[8] The model can be adapted to scan across the entire position continuum. It has been suggested that scanning across all positions acts as a simple means to emulate bargaining (Mesquita 1990).

$$\exists j \ s.t. \ \forall \ k \neq j \ \ v(x_j, x_k) > 0 \qquad (4)$$

The Condorcet election is done using the objective perspective when generating the model forecasts. When the initial risk-neutral stakeholder values are used, the winning position is called the risk-neutral static forecast. Forecasts that include stakeholder's risk character are referred to as risk-adjusted forecasts.

The entire Condorcet election process does not need to be accomplished to find the central position. Expanding the condition for the winner of the Condorcet election to include its principal parts enables the following rearrangements (equations 4.1 and 4.2).

$$\exists j \ s.t. \ \forall \ k \neq j \ \sum_{i=1}^{n} (c_i)(s_i)(u_i(x_j) - u_i(x_k)) > 0 \qquad (4.1)$$

$$\exists j \ s.t. \ \forall \ k \neq j \ \sum_{i=1}^{n} (c_i)(s_i)(u_i(x_j)) > \sum_{i=1}^{n} (c_i)(s_i)(u_i(x_k)) \qquad (4.2)$$

The total amount of support provided to a position by all stakeholders is termed net support. The net support for position j is expressed η_j (equation 5).

$$\eta_j = \sum_{i=1}^{n} (c_i)(s_i)(u_i(x_j)) \qquad (5)$$

Using the definition of net support allows the expression for the Condorcet winner to be simplified and rewritten (equation 6).

$$\exists j \ s.t. \ \forall \ k \neq j \ \ \eta_j > \eta_k \qquad (6)$$

The central position is the position with the maximum net support (Wise 2010). Computing net support, and finding the position with maximum net support, is a much simpler method of determining the central position than the full Condorcet election.

The stakeholder voting determines the central position, and it is also the tool by which stakeholders assess their probability of success when challenging other stakeholders. In the event two stakeholders of different positions enter into conflict, each stakeholder expects support from other stakeholders in proportion to the votes cast by other stakeholders for its position. The probability of position i beating position j can then be expressed by the total votes cast for i over j divided by the total votes cast between i and j (equation 7).

$$p_{ij}^* = \frac{\sum_{k|u_k^*(x_i) > u_k^*(x_j)} v_k^*(x_i, x_j)}{\sum_k |v_k^*(x_i, x_j)|} \qquad (7)$$

An alternative way to conceptualize the probability of position i beating position j begins by defining the strength of a coalition. The strength of the coalition backing a position is proportional to the votes cast in favor of one position over another, stakeholder i's estimation of his support in conflict with

stakeholder j being expressed as C_{ij}^{i+} (equation 8), and his estimate of stakeholder j's support being C_{ij}^{i-} (equation 9).

$$C_{ij}^{*+} = \sum_{k|u_k^*(x_i)>u_k^*(x_j)} v_k^*(x_i, x_j) \tag{8}$$

$$C_{ij}^{*-} = -\sum_{k|u_k^*(x_i)<u_k^*(x_j)} v_k^*(x_i, x_j) \tag{9}$$

The probability of success in conflict is then the ratio of the relative strength of the focal stakeholder's coalition over the sum of both coalitions' strengths (equation 10).

$$p_{ij}^* = \frac{C_{ij}^{*+}}{C_{ij}^{*+} + C_{ij}^{*-}} \tag{10}$$

A stakeholder uses EU values to determine whether or not to engage an opposing stakeholder, EU_{ij}^*. Consider stakeholder i's evaluation of whether or not to approach stakeholder j. Stakeholder i will only consider taking action against stakeholder j if he or she foresees positive EU gains from doing so. In order for stakeholder i to get positive EU from stakeholder j, the EU of taking action, $EU_{ij}^i|a$, must be greater than the EU of taking no action, $EU_{ij}^i|\bar{a}$.[9]

$$EU_{ij}^* = EU_{ij}^*|a - EU_{ij}^*|\bar{a} \tag{11}$$

Determining the expected utility of no action is the first step in determining a stakeholder's expected utility (equation 12). Even when stakeholder i takes no action, there exists some chance stakeholder j's position changes. Let Q_j^* be the probability stakeholder j changes positions without provocation from stakeholder i, then $1 - Q_j^*$ describes the probability stakeholder j's position remains the same. Stakeholders assume other stakeholders change position without provocation with a fifty-fifty probability, $Q_j^* = 0.5$ (equation 12.1) (Lalman and Mesquita 1986). In the event stakeholder j does not shift positions, stakeholder i's utility from the status quo is expressed, Usq_{ij}^*. The utility of the status quo is the utility stakeholder i receives from both stakeholders maintaining their current positions (equation 12.2). In the event stakeholder j shifts positions, there is some probability, T_j^*, stakeholder j's new position is closer to stakeholder i, making stakeholder i better off, Ub_{ij}^*, but there also exists some probability, $1 - T_j^*$, stakeholder j's new position is farther from stakeholder i's position, making stakeholder i worse off, Uw_{ij}^*. Evaluating the utility of a position shift not initiated by the stakeholder is typically simplified by assuming the utility stakeholder i derives from a shift by player j will be equivalent

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[9] Expected utility as presented here is whole state utility, encompassing both stakeholders involved. It is conceptually more complete, while still equivalent to the more common one-sided difference in state formulation presented elsewhere. For proof of equivalency see Wise 2010.

to player j moving to the central position, $u_i(x_{CP})$, without any corresponding movement from stakeholder i (equation 12.3). The common presentation of the EU of no action in the literature (equation 12) is computed by rearranging and substituting equations 12.1, 12.2, and 12.3 back into equation 12. This expression can be simplified and expressed as equation 13.[10]

$$EU_{ij}^*|\bar{a} = (Q_j^*)\left((T_j^*)Ub_{ij}^* + (1 - T_j^*)Uw_{ij}^*\right) + (1 - Q_j^*)Usq_{ij}^* \qquad (12)$$
$$Q_j^* = 0.5 \qquad (12.1)$$
$$Usq_{ij}^* = u_i(x_i) + u_i(x_j) \qquad (12.2)$$
$$(T_j^*)Ub_{ij}^* + (1 - T_j^*)Uw_{ij}^* = u_i(x_i) + u_i(x_{CP}) \qquad (12.3)$$
$$EU_{ij}^*|\bar{a} = u_i(x_i) + 0.5(u_i(x_{CP}) + u_i(x_j)) \qquad (13)$$

Stakeholder i considers taking action against another stakeholder, stakeholder j, because of the positive expected benefits derived from taking action and changing stakeholder j's position, $EU_{ij}^i|a$ (equation 14). In the event stakeholder i attempts to force stakeholder j to take on its position there is some probability stakeholder j acquiesces without a fight, if this occurs stakeholder i derives the utility of defeating stakeholder j, the utility of success, $U^*(i \succ j)$ (equation 14.1). The probability of such an occurrence equals one minus the salience of the issue to stakeholder j, $1 - s_j$. The more important the issue is to stakeholder j the higher the probability stakeholder i and stakeholder j enter into conflict, s_j. In the event stakeholder i and stakeholder j enter into conflict, the outcome is uncertain. There is some probability that stakeholder i prevails, p_{ij}^*, in which case stakeholder i derives utility of success, $U^*(i \succ j)$, but there is also a probability stakeholder i fails, $1 - p_{ij}^*$. If stakeholder i fails in conflict with stakeholder j, stakeholder i receives utility of failure, $U^*(i \prec j)$ (equation 14.2). The utility of success $U^*(i \succ j)$ equals the utility to stakeholder i of having stakeholder j shift to its position while maintaining its own position. The utility of failure, $U^*(i \succ j)$, is the utility of stakeholder i shifting to stakeholder j's position while stakeholder j maintains its position.

$$EU_{ij}^*|a = s_j\left(p_{ij}^*U^*(i \succ j) + (1 - p_{ij}^*)U^*(i \prec j)\right) + (1 - s_j)U^*(i \succ j) \qquad (14)$$
$$U^*(i \succ j) = u_i^*(x_i) + u_i^*(x_i) \qquad (14.1)$$
$$U^*(i \prec j) = u_i^*(x_j) + u_i^*(x_j) \qquad (14.2)$$

Stakeholder i, knowing the EU of action and inaction against stakeholder j, can effectively assess its state EU, vis-à-vis stakeholder j, EU_{ij}^i, and estimate stakeholder j's EU vis-à-vis itself, EU_{ji}^i using equation 11. Likewise, stakeholder j follows the identical process to assess its EU vis-à-vis stakeholder i, EU_{ji}^j and stakeholder i's EU vis-à-vis itself, EU_{ij}^j. The stakeholders then use their EU value and estimate of the opposing stakeholder's EU to decide how to approach each other.

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[10]Earlier versions of the model assumed the expected utility of no action to be zero (Mesquita 1985). Alternative forms of the EU of no action have also been explored (Mesquita 1986).

The initial EU calculations are imprecise first order estimates, because the stakeholders' risk terms were initialized to one.[11] All stakeholders were originally assumed to be risk-neutral, and their risk term set to one, breaking the circular dependency between utility and risk. Stakeholders likely have different risk tolerances, with some stakeholders being risk-averse and others risk-seeking. Risk-seeking stakeholders are likely to anticipate larger expected utility gains from challenging the status quo than risk-averse stakeholders.

A stakeholder's position provides information about the stakeholder's risk character. The adopted position of a stakeholder in most instances can be seen as a balance between its desired issue outcome and the potential of being in conflict with other stakeholders. This balance between the stakeholder's supported position for the issue and reducing the risk of conflict provides a means to characterize a stakeholder's risk attribute. A stakeholder willing to be farther from its safest position is at greater risk of conflict, suggesting it is more risk-tolerant or risk-seeking. A stakeholder whose position is closer to its safest position is minimizing its potential for conflict, indicative of its more risk-averse character.

Holding any position on an issue exposes a stakeholder to some probability of conflict. For a given issue there is a position which makes a stakeholder most susceptible to conflict with other stakeholders. This is the position which maximizes the sum of the other stakeholder's EU with respect to the stakeholder (equation 15).

$$\underset{x_i}{max} \sum_{j \neq i} EU_{ji}^* \tag{15}$$

Similarly, there exists a position which minimizes the stakeholder's likelihood of entering into conflict. This position minimizes the EU for other stakeholders of entering into conflict with the stakeholder (equation 16).

$$\underset{x_i}{min} \sum_{j \neq i} EU_{ji}^* \tag{16}$$

The values which minimize and maximize and stakeholder's exposure to conflict are found by scanning across the position spectrum from one policy extreme to the other.[12]

A stakeholder closer to the position which minimizes its likelihood of conflict is risk-averse, while a stakeholder closer to the position which maximizes its likelihood of conflict is risk-seeking. The scaling

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[11] Practically, the expected utility values and anticipated stakeholder interactions typically do not change drastically with the incorporation of the computed risk coefficients.

[12] The full model scan looks at the position spectrum from 0 to 1 in segments of 0.01, checking 101 positions for each stakeholder. It also examines all occupied positions and any positions at the halfway point between two occupied positions. For larger model runs this time-intensive scan should be limited to simply the occupied positions or the 101 point scan. Experimentation showed that the scan can be limited to either search type with minimal changes to the estimated risk values.

below characterizes where an individual lies between its riskiest and safest possible positions (equation 17).

$$R_i^* = \frac{2\sum_{j\neq i} EU_{ji}^* - \underset{x_i}{max}\sum_{j\neq i} EU_{ji}^* - \underset{x_i}{min}\sum_{j\neq i} EU_{ji}^*}{\underset{x_i}{max}\sum_{j\neq i} EU_{ji}^* - \underset{x_i}{min}\sum_{j\neq i} EU_{ji}^*} \tag{17}$$

A stakeholder located at its riskiest possible position will receive a risk value, R_i^*, of one by the following scale, while an individual who located at its safest possible location, negative one. The risk term used in the utility formula is conventionally bounded between 0.5 and 2. An individual with a risk term of one as defined in the utility equation is risk-neutral. Individuals with risk terms greater than one are risk-averse, while those with values less than one are risk-seeking. The risk term from equation 17, R_i^*, needs to be rescaled before it can be incorporated into the utility equation (equation 1). Scaling risk between 0.5 and 2 can be easily accomplished via the following transformation, producing r_i^* (equation 18).

$$r_i^* = \frac{3 - R_i^*}{3 + R_i^*} \tag{18}$$

Stepping through the algorithm once, as presented, leads to the first order assessments of risk. The first order risk estimates are publicly known to all the stakeholders and referred to as the shared risk estimates. Knowing the shared risk estimates, the described process can be stepped through a second time by the individual stakeholders, enabling each stakeholder to more precisely assess its own risk value. This second order risk estimate is the stakeholder's privately known risk factor, and is considered to be the true risk factor. Going beyond the second order estimate for risk is not beneficial for a stakeholder, because without the introduction of new information, no better estimates of other stakeholders' risk attributes can be acquired.

The practical result of the risk term is to shape stakeholder utility functions (Figure 4). The association of risk character with the stakeholders causes shifts in each stakeholder's utility assessments. Risk-seeking stakeholders have convex utility curves, their utility rapidly decreasing as they move away from their ideal position. Risk-averse stakeholders have concave utility curves, their utility decreasing slowly with moves away from their preferred position.

Figure 4: Effects of Risk Character on Utility Curve Shape for a Stakeholder at a Position of 0.4
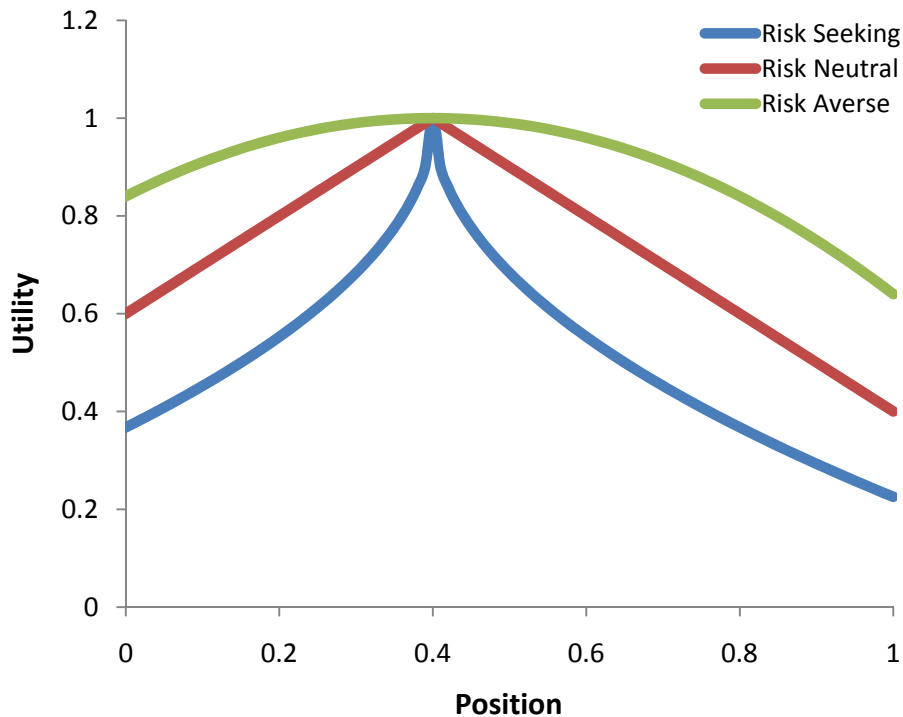
The assessment of risk facilitates better estimation of stakeholder utility. Stakeholder utility is used to compute the expected utility of interactions amongst stakeholders and the policy forecasts. Re-computing the central position using the privately held risk attributes of the stakeholder generates the risk-adjusted policy forecast. The updated risk attributes also allow better computation of stakeholder EU values, which are predictive of likely stakeholder interactions. EU values govern how stakeholders interact in the dynamic portion of the model, which suggests how an issue is likely to evolve.

The above process is static, because while it suggests likely interactions between the stakeholders, it does not consider the subsequent effects of those interactions, and the resultant changes in stakeholder positions. The forecasts generated from the static model are extremely accurate. Earlier versions of the model consisted only of the static framework, and evaluation of past studies shows the static forecasts are almost always close to and often exactly duplicate real world outcomes and previous studies' forecasts (Mesquita 1994; see the Validation Section in the Expected Utility Model Chapter).

Dynamic Model

The dynamic model projects how the static model's risk-adjusted forecast is most likely to evolve with time due to stakeholder interactions. The dynamic model can be divided into three distinct components – generation of initial proposals, proposal resolution, and proposal selection. Interactions between stakeholders are governed by their expected utility (EU) calculations. A stakeholder first considers its EU with respect to each stakeholder involved with the issue, one stakeholder at a time. Then the stakeholder decides what, if any, advances to make toward the other stakeholders. A stakeholder approaches another stakeholder by tendering an initial proposal. When a stakeholder

receives a proposal, it may disagree with the terms of the initial offer. If stakeholders disagree on the terms of the initial proposal, the two stakeholders must ameliorate their differences, the result being a revised proposal. At the end of a round, after all the proposals have been tendered and revised, each stakeholder faces a portfolio of proposals. The stakeholder can adopt only one position with which to enter the next round, so it can strictly adhere to only one proposal. A stakeholder, seeking to maximize its own utility, selects from amongst its current position, the proposals it received, and the proposals it made.

In the academic literature reviewed, the dynamic model and proposal formation were never completely defined in terms of their logic or mathematical formulations. As a result, numerous model variations were developed and tested. The model presented here follows the descriptive logic presented elsewhere, producing accurate results and closely reproducing past studies' findings (See *Model Validation* Section of this Chapter).

Initial Proposals

The EU graph, as broken down into 8 octants, provides a means to evaluate stakeholders' proposal expectations (Figure 5). The focal stakeholder is in a position of strength whenever it has an EU value larger than its rival. When the focal believes it has positive EU while the rival has negative EU, the focal stakeholder will initiate a proposal with the rival. The relative magnitudes of the two stakeholders' EU values determine whether a focal stakeholder makes a one-sided proposal, a capitulation (octant 7), or a two-sided proposal, a bargain (octant 8). Bargaining occurs when the rival's EU is smaller in magnitude than the focal stakeholder's EU. A bargain involves the focal stakeholder making position concessions in return for more desirable position concessions from the rival. Capitulation occurs if the rival's EU is greater in magnitude than the focal stakeholder's EU. A capitulation involves the rival making concessions on its position without the focal stakeholder shifting its position. When the focal believes both it and the rival stakeholder have positive EU (octants 1 & 2), the stakeholders are in a state of conflict, and neither stakeholder believes a beneficial interaction between the stakeholders exists (Mesquita 2002: 59).

Figure 5: Expected Utility Chart
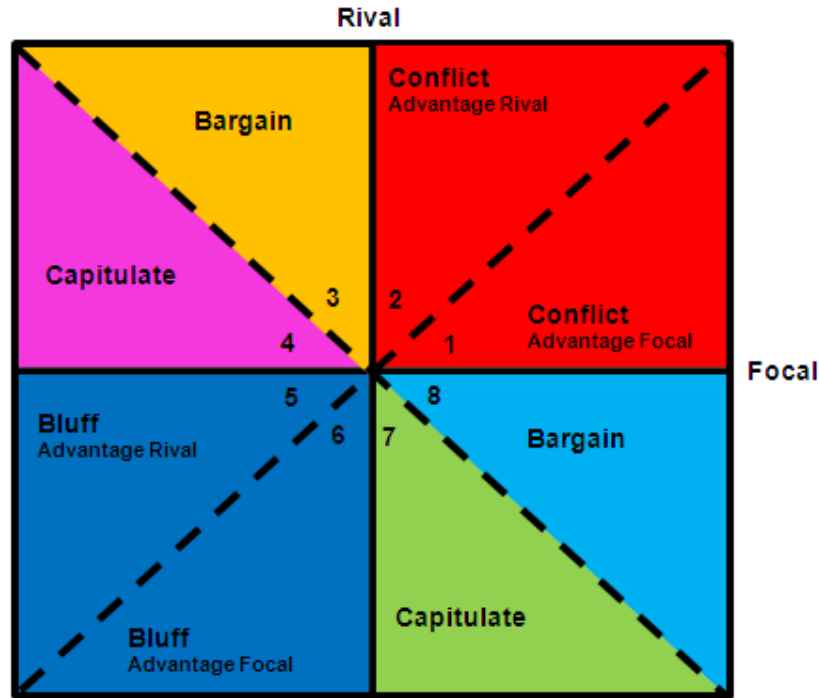
When the focal stakeholder believes it has a negative EU against a rival stakeholder, it does not send proposals to the rival. If the focal stakeholder believes that the rival stakeholder also has negative EU (octants 5 and 6), it expects both stakeholders stand to lose in conflict with one another, and so no beneficial interaction exists. In the event that the focal stakeholder believes it has negative EU and the rival stakeholder positive EU, the focal stakeholder is in a position of weakness (octants 3 and 4). The focal stakeholder expects the rival stakeholder will make a proposal from its position of strength, and that the rival stakeholder's proposal would lead the focal stakeholder to either a capitulation or disadvantaged bargain. Being in a weak position (octants 3 and 4), the focal stakeholder does not instigate an interaction that it views as detrimental to its interests (Baranick et al. 2004).

A focal stakeholder makes its initial proposal to a rival stakeholder based upon its best estimation of how the rival stakeholder will respond. The focal stakeholder wishes to extract the maximum concessionary movement from the rival, while minimizing its own movement and avoiding a potentially costly conflict. The focal does not necessarily seek the maximum possible concession from a rival, because it does not want its proposal to be ignored or renegotiated. The focal wants its proposal to be competitive with other stakeholders' proposals. A focal stakeholder whose EU is positive, but smaller in magnitude than the rival's negative EU, demands the rival make concessions without making any compromises on its half ($EU_{ij}^i > 0$, $EU_{ji}^i < 0$ and $EU_{ij}^i < |EU_{ji}^i|$, octant 7). The rival scales its one-sided proposal to ensure the cost of conceding to the demands of the proposal is less than the cost of resistance (equation 1).

$$InitialProposali_{ij}^i = x_i$$
$$InitialProposalj_{ij}^i = x_j + Magnitude_{ij}^i$$

(1)

$Initial\ Proposali_{ij}^i$ is the proposal of where focal stakeholder i (subscript i) offers to move when dealing with rival stakeholder j (subscript j) according to focal stakeholder i's perspective (superscript i). In octant 7 the focal does not offer to make any concessions and maintains its current position (equation 1). $Initial\ Proposalj_{ij}^i$ is the proposal of where focal stakeholder i (subscript i) believes rival stakeholder j (subscript j) should move according to focal stakeholder i's perspective (superscript i). In octant 7 rival stakeholder j moves partially, if not completely, to stakeholder i's position (equation 1). The $Magnitude_{ij}^i$ term is the total bargain concessions between focal stakeholder i (subscript i) and rival stakeholder j (subscript j), as estimated by the focal (superscript i).

The need for stakeholders to scale the magnitude of the compromise space is well illustrated by the following example, where the focal stakeholder has an EU of 0.1 against a rival whose EU is -0.2, and an EU of 0.01 against a different rival whose EU is -0.02. With smaller EU values there is less at stake, and the limit approaches zero. A stakeholder with an EU of zero should be indifferent between a fair proposal and conflict. Thus the two rivals mentioned above are not expected to accept identical proposals. A much larger concession can be demanded of the first rival stakeholder than the second, because the first rival stakeholder has more to lose. Focal stakeholders do not expect challenged rival stakeholders with small EU values to be willing to make large concessions (Wise 2010).

The total potential proposal space, the difference between the two stakeholders' positions, is scaled by the importance of the interaction to the two stakeholders. EU values provide a measure by which to compute the magnitude of a proposal. The greater the magnitude of the focal's EU with the rival, relative to its max EU magnitude amongst all the stakeholders, the larger the exchange between the two stakeholders, and, similarly, the greater the magnitude of the EU of the rival with the focal, relative to its max EU magnitude amongst all the stakeholders, the larger the magnitude of the exchange. (equation 1.1).

$$Magnitude_{ij}^i = \left(\frac{|EU_{ij}^i|}{\max\limits_{k}\left(|EU_{ik}^i|\right)} \right)\left(\frac{|EU_{ji}^i|}{\max\limits_{l}\left(|EU_{jl}^i|\right)} \right)(x_i - x_j) \tag{1.1}$$

The focal stakeholder proposes a bargain when its EU is positive, the rival's negative, and the magnitude of its EU is greater than that of the rival's ($EU_{ij}^i > 0$, $EU_{ji}^i < 0$ and $EU_{ij}^i > |EU_{ji}^i|$, octant 8). When in octant 8, the focal still expects the rival stakeholder to make concessions on its position, but must trade relatively minor moves on its own position in order to entice desirable, larger shifts from the rival (equation 2). The initial proposal in this case still depends on the focal stakeholder's estimates of the total bargain magnitude (equation 1.1), but now also depends on the proportion of the shift undertaken by each stakeholder, $Shift_{ij}^i$.

$$\begin{aligned} InitialProposali_{ij}^i &= x_i - Magnitude_{ij}^i\left(Shift_{ij}^i\right) \\ InitialProposalj_{ij}^i &= x_j + Magnitude_{ij}^i\left(1 - Shift_{ij}^i\right) \end{aligned} \tag{2}$$

John Nash formally showed that the optimal bargain between two self interested agents maximizes the utility product of the differences between their ideal stances and the bargain (Nash 1950). Bargains between stakeholders do not necessarily result in both stakeholders moving to the same position; rather, the stakeholders each move partially toward one another, conforming with Nash's proof (Mesquita 1994; Wise 2010). The formulation implemented in this study closely approximates the actual John Nash optimization (Appendix A: Stakeholder Interactions (Bargaining)).

A bargain consists of two essential parts, the total amount of the issue space the two stakeholders concede as they move towards each other's position, and the proportion of this shift undertaken by each stakeholder (equation 2). EU is the basis for determining what, if any, proposals occur, and it is also the instrument for determining the positions of the bargain proposal. The EU values for the rival and focal stakeholders provide a means to determine the importance of the bargain to each stakeholder, establishing the magnitude of the bargain. The larger the focal stakeholder's EU against a rival, relative to the focal stakeholder's other EU values, the larger the concessions sought by the focal (Figure 6: horizontal blue arrow). Similarly, the weaker the rival stakeholder's EU against the focal, relative to the rival's other EU values, the larger the concessions sought by the focal (Figure 6: vertical blue arrow).

In a bargain the focal makes minor position concessions, in terms of utility, in its effort to entice the rival to shift positions. The rival and focal stakeholders' EU values serve as a means to determine how much of the concessions are undertaken by each stakeholder. The smaller the ratio of the focal stakeholder's EU to the sum of the magnitudes of the focal and rival stakeholder's EU values, the less of the shift undertaken by the focal stakeholder, and the more the rival stakeholder shifts (Figure 6: red arrow).

Figure 6: The Bargaining Space
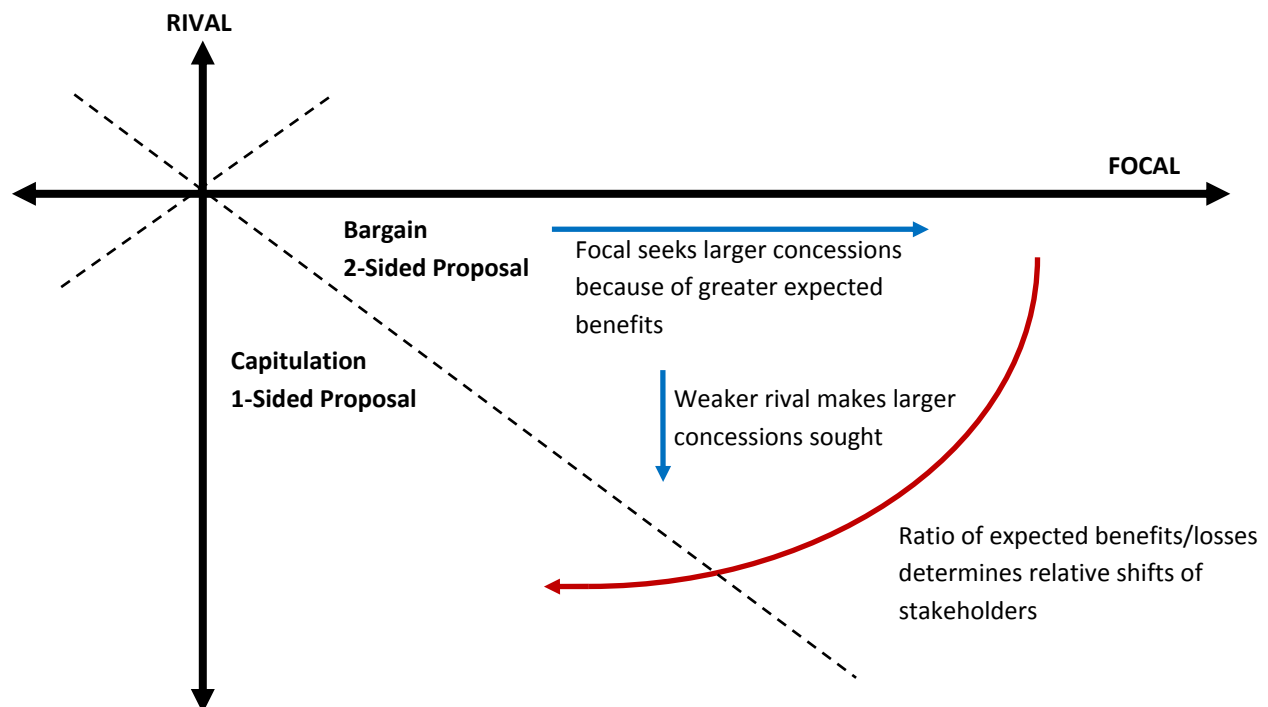
The position shift required of the focal stakeholder in order to entice a shift from the rival is determined by the ratio of the focal stakeholder's EU to the sum of the magnitudes of both stakeholders' EU values. When the stakeholders' relationship is closer to the conflict region (octants 1 and 2) the focal must concede almost an equal amount as the rival, approaching fifty-fifty in the limit. This occurs because the closer the stakeholders' relationship lies to the conflict region the more indifferent the rival stakeholder becomes between a proposal and conflict. Thus, the rival stakeholder credibly demands more equal concessions from the focal. As the magnitudes of the EU values of the focal and rival become closer, the focal stakeholder's position strengthens, which results in the focal giving increasingly less to the rival, while the rival must yield more. At the limit, as the stakeholders' relationship approaches capitulation, the bargain results in the rival stakeholder undertaking all the proposed movement, a capitulation, per equation 1.

The shift term is bounded between 0.5 and 0; the closer to the conflict region the stakeholders' relationship is the more equal the concessions between focal and rival stakeholders, while the closer to the capitulation region the stakeholders' relationship, the more unequal the concessions in favor of the focal stakeholder.

$$Shift_{ij}^i = \frac{EU_{ij}^i}{EU_{ij}^i - EU_{ji}^i} - 0.5 \tag{2.1}$$

The above formulation conforms to previous model analyses where bargains only move stakeholders partially toward one another (Mesquita 2002). In this model class stakeholders appear to only share the same positions either at initiation or as a result of capitulation (Snider and Strakes 2006: 225). Several alternatives to the above approach exist, and several are discussed in the Validation Section.

Proposal Resolution

EU calculations determine the initial proposals stakeholders make. Focal stakeholder i knows its EU of challenging rival stakeholder j, EU_{ij}^i, but estimates rival stakeholder j's EU of challenging itself, EU_{ji}^i. The combination of EU_{ij}^i and EU_{ji}^i create the focal stakeholder's subjective view of how interactions between itself and rival j will unfold. Likewise, rival stakeholder j knows its EU of challenging stakeholder i, EU_{ji}^j, but can only estimate stakeholder i's EU of challenging itself, EU_{ij}^j. This creates rival stakeholder j's subjective view of how interactions between focal stakeholder i and itself will unfold, EU_{ji}^j and EU_{ij}^j. The subjective views of the stakeholders do not necessarily align. One result of the differing outlooks is conflicting proposal expectations, and these differences in expectations must be resolved in some cases. The differing perspectives of the stakeholders can lead to stakeholders agreeing with proposals far more severe than justified, or simply not enforceable. Stakeholders may also miss opportunities, having misread the situation, passing on an opportunity to beneficially engage a stakeholder. In the event the focal and rival stakeholders cannot settle their differing outlooks, the enforceable proposal is determined by the true EU values, EU_{ij}^i and EU_{ji}^j, the objective perspective.

Table 1 provides an adaptation of a table from "Multilateral Negotiations: A Spatial Analysis of the Arab-Israeli Dispute" that defines how stakeholders' initial subjective EU perspectives develop into enforceable final proposals (Mesquita 1990). Table 1 consists of five possible forms of agent interaction that can be linked back to the eight octants of the earlier EU graph (Figure 5); clash (conflict), status quo (bluff), negotiate (bargain or capitulate), x defeats y (capitulate) and x bullies y (bargain or capitulate).

Table 1: Stakeholder Interaction Mapping

Stakeholder i's Perspective (rows) / Stakeholder j's Perspective (columns)

Stakeholder i's Perspective \ Stakeholder j's Perspective	Octants 1&2 Fight $(EU_{ji}^j, EU_{ij}^j)=(+,+)$	Octant 3 Stakeholder j Compromises (+,-)	Octant 8 Stakeholder i Compromises (-,+)	Octant 4 Stakeholder j Capitulates (+,-)	Octant 7 Stakeholder i Capitulates (-,+)	Octants 5&6 Mutual Deterrence (-,-)
Octants 1&2 Fight $(EU_{ij}^i, EU_{ji}^i)=(+,+)$	Clash $(EU_{ij}^i, EU_{ji}^j)=(+,+)$	Negotiate (+,-)	Clash (+,+)	i Defeats j (+,-)	Clash (+,+)	i Bullies j (+,-)
Octant 8 Stakeholder j Compromises (+,-)	Clash (+,+)	Negotiate (+,-)	Clash (+,+)	i Defeats j (+,-)	Clash (+,+)	i Bullies j (+,-)
Octant 3 Stakeholder i Compromises (-,+)	Negotiate (-,+)	Status Quo (-,-)	Negotiate (-,+)	Status Quo (-,-)	Negotiate or j Defeats i (-,+)	Status Quo (-,-)
Octant 7 Stakeholder j Capitulates (+,-)	Clash (+,+)	Negotiate or i Defeats j (+,-)	Clash (+,+)	i Defeats j (+,-)	Clash (+,+)	i Bullies j or i Defeats j (+,-)
Octant 4 Stakeholder i Capitulates (-,+)	j Defeats i (-,+)	Status Quo (-,-)	j Defeats i (-,+)	Status Quo (-,-)	j Defeats i (-,+)	Status Quo (-,-)
Octants 5&6 Mutual Deterrence (-,-)	j Bullies i (-,+)	Status Quo (-,-)	j Bullies i (-,+)	Status Quo (-,-)	j Bullies i or j Defeats i (-,+)	Status Quo (-,-)

LEGEND

Green: Stakeholder i's initial proposal adopted
Red: Stakeholder j's initial proposal adopted
Purple: Objective values determine adopted proposal
Blue: Missed opportunity
White: No proposal enforceable or agreed on, no proposal considered

Table 1 illustrates that the final proposal considered by the stakeholders is not necessarily the initial proposal. $Proposali_{ij}$ is focal stakeholder i's agreed-on move when dealing with rival stakeholder j. Similarly, $Proposalj_{ij}$ is rival stakeholder j's agreed-on move when dealing with focal stakeholder i. When the two stakeholders agree to the terms of the initial proposal, the final proposal agreed on by the stakeholders is the initial proposal (equation 3). The initial proposal and final proposal will be the same when the stakeholder receiving the proposal believes it will have to capitulate; its relationship with the proposing stakeholder lies in octant 4.

$$Proposali_{ij} = InitialProposali_{ij}^{i}$$
$$Proposalj_{ij} = InitialProposalj_{ij}^{i}$$
(3)

More often the focal and rival will disagree on the terms of the initial proposal. When this occurs, the objective perspective determines the terms of the final proposal. The objective perspective first determines whether the initiating focal stakeholder correctly perceived the existence of a proposal opportunity that the true relationship between the stakeholders lies in octants 7 or 8. If not, then the initial proposal, and bullying, of the focal stakeholder does not result in a considered final proposal. If the objective perspective finds the true relationship between the stakeholders lies in the capitulation region, octant 7, then the focal stakeholder keeps its current position, while the rival stakeholder makes position concessions per equation 4.

$$Proposali_{ij} = x_i$$
$$Proposalj_{ij} = x_j + Magnitude_{ij}$$
(4)

$$Magnitude_{ij} = \left(\frac{EU_{ij}^{i}}{\max\limits_{k}\left(|EU_{ik}^{i}|\right)} \right) \left(\frac{-EU_{ji}^{j}}{\max\limits_{l}\left(|EU_{jl}^{j}|\right)} \right) (x_i - x_j)$$
(4.1)

The magnitude of the shift undertaken by rival stakeholder j is computed almost identically as in equation 1.1, but now the true objective values are used. Stakeholder i's estimates of stakeholder j's EU values are replaced with stakeholder j's true EU values. $Magnitude_{ij}$ is the total position movement undertaken in the proposal between focal stakeholder i (subscript i) and rival stakeholder j (subscript j); because the difference in perspectives between the stakeholders no longer exists, the superscript used previously has been dropped.

When the objective perspective finds two stakeholders lie in the bargain region, the stakeholders agree on a proposal in which both stakeholders make concessions on their position (equation 5, octant 8).

$$Proposali_{ij} = x_i - Magnitude_{ij}(Shift_{ij})$$
$$Proposalj_{ij} = x_j - Magnitude_{ij}(1 - Shift_{ij})$$
(5)

$$Shift_{ij} = \frac{EU_{ij}^{i}}{EU_{ij}^{i} - EU_{ji}^{j}} - 0.5$$
(5.1)

The position concessions of the stakeholder are computed in an almost identical manner to the initial proposals (equation 2), but the objective perspective as opposed to the subjective perspective is used (equation 5). The total magnitude of the bargain space is also computed, as it was for the initial proposal (equation 2.1), but for the final proposal uses the objective perspective (equation 5.1).

Proposal Selection

Stakeholders may receive multiple proposals in a bargaining round, but can only adopt one position with which to enter the next round. Not all proposals benefit a stakeholder equally. Some proposals the stakeholder must consider because the alternative is a costly conflict, which the stakeholder expects to lose. Other proposals benefit the stakeholder, and upholding its half of the bargain should result in desirable position concessions from rival stakeholders. In the event a stakeholder does not have any proposal to consider, the stakeholder simply maintains its current position into the next round.

When a stakeholder considers multiple proposals, it accepts the proposal that results in it moving the smallest distance from its current position (Mesquita 2002; Baranick 2004). The stakeholder's approach may appear somewhat myopic, focusing on the least decrease in its own utility, but the stakeholder does not know how the other stakeholders will move. Under this uncertainty the stakeholder prefers acting in its own best interest, biding its time. By yielding and moving the least possible amount, the stakeholder reduces the risk of conflict with stakeholders demanding concessions, buying the stakeholder time while waiting for its position to strengthen.

The position spectrum loses relevance at some level of refinement. Without a limitation on proposal refinement, indiscernibly minute moves over multiple rounds can lead to a stakeholder's sudden position change, a behavior not found in the literature (Kugler 2000; Mesquita 2002; Snider and Strakes 2006). Therefore, a stakeholder ignores proposals it considers indiscernible from its current position (changes of less than a tenth of a percent of the position spectrum), and selects the position with which to enter the next round from amongst the remaining proposals.

Implementation

The EU model framework was implemented using R, a freeware program adept at statistical analysis and capable of efficiently handling large data sets. The program has the ability to deal efficiently with vectors, matrices, and arrays - critical for the implemented EU algorithm. R enables looped evaluation over the different stakeholders, and implementation of comparative statements in an expedient fashion. Many programs are capable of performing the operations necessary to evaluate a scenario using the EU model. Using R enables the presented model and research to be easily accessed by reviewers and future users. Using R also allows results to be easily verified, and provides a base from which the model can be readily adapted.

Algorithm

The algorithm of the static model and its dynamic adaptation are presented below. The model initialization can be either A through D, if using the standard expected utility model, or A through F, if incorporating networks. The model itself consists of steps 1 through 6, and these steps are repeated for a desired number of iterations, or until all stakeholders occupy the same position (Figure 7).

Initialize (A-D or A-G)

    A. Provide Number of Agents

    B. Input Agent Capabilities (Weight/Resources)

    C. Input Agent Issue Positions

    D. Input Agent Issue Saliency

    E. Provide Number of Groups

    F. Input Agent Group Membership(s)

    G. Input Agent Group Saliency

Model (1-6)

    1. Compute Position Utility

    2. Determine Position Support

        a. Find Central Position

    3. Calculate Expected Utility

    4. Calculate Stakeholder Shared Risk Attributes

    {Repeat steps 1 through 3}

    5. Calculate Stakeholder Private Risk Attributes

    {Repeat steps 1 through 3}

    6. Analyze Agent Interactions

        a. Initial Proposals

        b. Proposal Resolution

        c. Proposal Selection

    {Stop if iterations limit reached, otherwise return to 1}

Figure 7: Model Computation Depiction
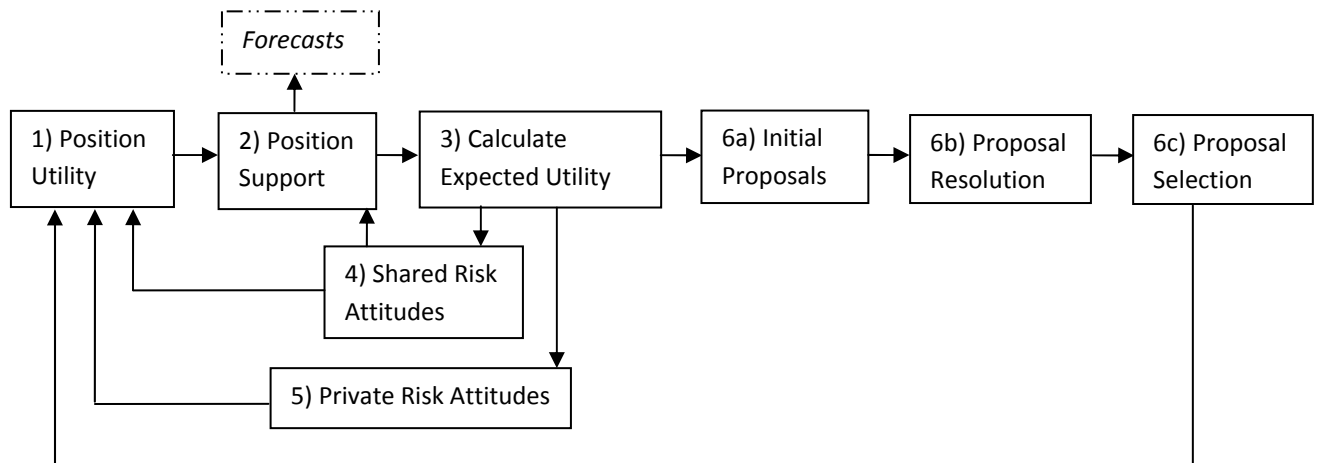
Validation

Ideally the replication of published equations exactly reproduces published results. For the expected utility model validation can take place on several levels. For the top level of validation, the model replicates past event outcomes and study forecasts when using the same data inputs. Validation can also occur at many of the model sublevels, seeking to perfectly recreate intermediate values like stakeholder EU or proposal selection. It was found that the exact replication of published static equations did not result in the perfect replication of published static results. This made the dynamic portion of the expected utility model, where no equations are published and the forecasts rely on the outputs of the static model, even more challenging to produce and validate. The presented model is the result of a lengthy development process, and is one of numerous developed models. The model used in the analysis is that which closest replicates findings across a range of previous published studies.

The CIA's assessment of expected utility models found that in over 90 percent of the studied political issues, the model accurately forecasted the outcomes (Feder 1987). Mesquita attempted to independently replicate the CIA's findings and found the static portion of the expected utility model accurately forecasted policy outcomes in over 70 percent of the studied cases, while the full model closely replicated the CIA's previously published 90 percent figure (Mesquita 1994). Having a model that closely replicates the published outcomes, and findings of previous studies, is necessary to assert the presented model fits within this group of models.

The complete model was compared to 26 different published cases. The cases were selected because the initial data was available in addition to either an assessment of the actual outcome or the model prediction. This allowed the forecasts of the model presented here to be compared with either the published real world outcome, or when not available, the published predicted outcome. The presented model forecasts had about 90 percent correlation with previously published issue outcomes and forecasts. The mean absolute error (MAE, L1 Norm) between the model and published cases was around 0.1 and root mean squared error (RMSE, L2 Norm) was about 0.025. The presented model thus compares very favorably, closely replicating the outcomes and predictions of actual issues previously studied with expected utility models.[13]

Approach to Validation

When the immediate reproduction of static model forecasts was not obtained by replicating the published equations, it began an inquiry into the model's mechanics. One of the potential reasons for the discrepancies was found to be the calculation of risk. Computing risk, which differs between stakeholders, appeared to be one of the most probable sources of deviation between models. Risk is found through an updating process that scans across the position space, and risk values are reported for several studies.

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[13] After the conclusion of the model development for this effort an additional 9 validation cases were extracted from the *Conflict Forecasting Project* (Mesquita 1985). The reported forecasts for these 9 cases are exactly replicated by the risk-neutral static forecasts of the presented model, and the addition of these cases results in only slight changes to the correlation, MAE, and RMSE values reported in this section.

Earlier versions of the model (versions prior to 1994) measured risk using the same equation as the current model. Early versions of the model computed stakeholder utility in a different process than presented, and the computation of utility is necessary to evaluate risk. Utility in earlier models was calculated in two steps. The first step created a value matrix, and the second step scaled the value matrix using the stakeholders' risk characters, thus obtaining a utility matrix (Mesquita 1985).

The value matrix is simply a correlation matrix of stakeholder positions. Correlation is measured commonly by several different measures. Some common methods of measuring correlation are Pearson, Kendall, and Spearman. The exact correlation measure not being specified, different correlation measures needed to be tested before the correct measurement method was uncovered. Once able to assess utility, it was then possible to test the evaluation of the risk equation, but the published results could not be consistently replicated using the published equations. In some cases, altering the calculation of EU, which appears to have been subject to revision and alteration within the literature, improved the estimation of reported risk values (Mesquita 1985; 1994; Mesquita and Lalman 1986; Wise 2010).

Knowing the risk equation is inconsistent between the literature and applied applications, a decision about the form of the risk equation to use was made. Limiting the search space seems a necessity to the evaluation of the risk equation, enabling the model to run in a timely fashion. Variations of the risk equation were also tested, but exactly implementing the static model equations as presented in the literature was shown to perform as well, or almost as well, as other explored variants.[14]

When other possible outputs of the static model were compared to previous studies, examples include the computation of utility and expected utility. The model's static equations were tested and modified to determine in what form they best matched reported results. Typically, modifying the evaluation of the expected utility of no challenge proved the best means of reducing differences between model outputs and reported results. The presented static equations are those that performed best across these tests.

The larger development and validation challenge faced was not the static portion of the model, but in recreating the model's dynamic elements. The dynamic equations were searched for, and while descriptions are rendered, equations were not found in the literature (Mesquita 1990; 1994). The dynamic model can be conceptually divided into three separate processes: initial proposal generation, proposal resolution, and proposal selection. Initial proposal generation is how stakeholders interpret their expected utility values with respect to other stakeholders and decide on a course of action. The stakeholder decision includes whether to engage a stakeholder, and if yes, the type of initial proposal to make. A proposal resolution process is necessary when stakeholders disagree on the terms of the initial proposal. During the proposal resolution process the stakeholders' proposal expectation differences are resolved, and the proposal will be either discarded or reformed to agreeable terms. The proposal

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[14] Practically, significant changes in stakeholders' risk characters do not appear to cause large changes in the forecasted outcome, so slight changes to stakeholders' risk characters between different model versions would likely not substantially change resultant analyses. This assertion can be justified by the minimal variation between the initial risk-neutral and initial risk-adjusted forecasts in the analyses sections.

selection process determines which proposal the stakeholder accepts. Accepting a proposal determines the stakeholder's starting position entering into the next model iteration. The combination of the three proposal processes (initial proposal generation, proposal resolution, and proposal selection) comprises the dynamic model.

The three processes of the dynamic model can be logically conceived of in several forms. This study implemented six methods of generating initial proposals, three methods of resolving the proposals, and three methods of selecting proposals, creating 54 different models. The 54 different models were run on 26 cases from the published academic literature, and the results compared with either published forecast results or real world outcomes. The models were judged based upon correlation, mean absolute difference (MAE, L1 norm), and root mean squared error (RMSE, L2 norm). A further decision criterion was whether the dynamic model correctly forecasted the direction in which a policy was evolving from the initial forecast, and additional weight was given to models that accurately predicted how an issue was moving. The selected model, presented here, performed best across the multifaceted selection criteria.

The development of the dynamic model code sought to follow previous model descriptions and underlying model theory, though the two did not always work in harmony. For the initial proposal generation, six variants were explored. These variants explored in what quadrants stakeholders decided to generate proposals, and the different types of proposals generated in the each region. The variants also explored the formulation of the proposals. Capitulations and bargains presented in the selected model can occur conceptually in a variety of forms. The chosen process generates capitulations and bargains whose total size is determined by the relative importance of the two involved stakeholders' relationship (Banks 1990). The perceived relative advantage or disadvantage of the generating stakeholder, as determined by a ratio of expected utility, decides the amount of the proposal undertaken by each side (Mesquita 1994).

The final model employs one of several alternative means of developing initial proposals (Mesquita 1994; Wise 2010). In some cases the literature suggests stakeholders with positive expected utility might simply request all, or a subset of opposing stakeholders, move to the proposing stakeholder's position (Mesquita 1985; 1990; 1994). This cannot be the only implementation, because elsewhere in the literature, bargains in which both stakeholders only cover part of the intermediate space exist (Mesquita 1994; Kugler 2003; Snyder and Strakes 2006). A variety of potential methods of deciding the portion of a proposal undertaken by each stakeholder can be conceived. The most common is to take the ratio of the relevant stakeholder's expected utility over the sum of the absolute value of both stakeholders' expected utilities (Mesquita 1994; Wise 2010).

The proposal resolution process starts with stakeholders reviewing the initial proposals they received. A stakeholder that receives an initial proposal considers its perception of its relationship with the proposing stakeholders, and decides whether to accept, renegotiate, or discard the initial proposal. Again, numerous means of determining when the initial proposal is accepted, renegotiated, or discarded exist, and the formation of a renegotiated proposal, just as it was for the initial proposals, can be accurately described in a variety of ways. Of additional consideration during the proposal resolution process is what perspective is used: the objective perspective, one stakeholder's subjective perspective, or a weighting of the stakeholders' subjective perspectives. Three variants of the proposal resolution process were developed and tested. The literature was followed as best possible, but less is said about

the resolution of proposals (Mesquita 1990). Most studies either do not discuss proposal resolution, or if they do, only allude to its necessity (Mesquita 1985; 1994).

Stakeholders facing a set of proposals can strictly adhere to only one proposal, deciding the position with which the stakeholder enters the next round. Three means of proposal selection were explored. For the first, stakeholders select amongst proposals by choosing the proposal which decreases its utility the least. This is the proposal that moves a stakeholder the shortest distance from its current position.

The second selection process categorizes the relative strength of stakeholder positions. Stakeholders in weak positions split proposals into two groups. The first group contains all proposals where the stakeholder's position is weakest. This group contains all proposals where the receiver is moving without any corresponding concessions from the proposer, capitulations. The second proposal group contains the proposals where both parties adopt new positions. Stakeholders with proposals in the first group adhere to the proposal from this group that moves it the least. The stakeholder ignores the less severe proposals of group two, fearing a potentially costly conflict. Stakeholders for which all their proposals fall in the second group select the proposal that moves it the shortest distance, minimizing utility loss.

The third proposal selection method looked at proposals based on the change in effective utility. The stakeholder considered the utility change of its position, and its utility of the change in the opposing stakeholder's position. The stakeholder sums the two resultant values, weighting them by the relevant stakeholder's capability and salience value, and computing the proposal's effective utility. The proposal of greatest effective utility is the selected proposal. Under this selection process stakeholders are less myopic, considering its utility improvements from both stakeholders involved in the proposal. This process assumes stakeholders value moving the proposal toward a final outcome quickly.

Validation Summary

A set of 26 cases were assembled to validate the 54 models. Cases which could be used for validation provided the initial data, and presented either the outcome of the policy issue or the model forecast. The goal of the model is to replicate the development of real world issues. In consideration of this, whenever possible, model performance was assessed in comparison with the actual issue outcome. Table 2 summarizes the 26 cases and the presented model's static risk-neutral forecast, static risk-adjusted forecast, and the dynamic risk-adjusted forecast after four bargaining rounds.

Table 2: Summary of Validation Results

Paper	Figure	Case	Published Outcome* or Forecast	Model Forecasts		
				Neutral	Adjusted	Round 4
Mesquita 1985	5.2	Sovereignty	0.4*	0	0	0
Mesquita 1985	5.2b	Links	0.364*	0	0	0.09
Mesquita 1985	5.7	Free Market	0.89*	0.72	1	0.97
Mesquita 1985	5.10	Liberties	0.7*	0.7	0.7	0.668
Mesquita 1985	5.11	Courts	0.71*	1	1	0.935
Mesquita 1985	5.14	Currency	1.0*	1	1	1
Mesquita 1985	5.15	Leases	0.81*	1	1	1
Mesquita 1985	6.1	Free Market	1.0	1	1	0.968
Mesquita 1985	6.2	Tax	1.0	1	1	0.994
Mesquita 1985	6.3	Local	0.35	0.35	0.35	0.391
Mesquita 1985	6.4	Labor	0.8	0.7	0.5	0.536
Mesquita 1985	6.5	Welfare	0.8	0.85	0.85	0.687
Mesquita 1985	6.6	Free Market	0.48	0.36	0.72	0.646
Mesquita 1985	6.9	Civil	0.6	0.6	0.6	0.436
Mesquita 1985	6.10	Courts	0.85	0.85	0.85	0.774
Mesquita 1985	6.11	Currency	0.25	0	0	0.027
Mesquita 1985	6.14	Foreign	0.8	0.8	0.8	0.639
Mesquita 1995	4.1	Emissions	0.805*	0.5	0.5	0.927
Efird and Kugler 2002	A2	RT, Dec 2001	0.6	0.4	0.4	0.41
Efird and Kugler 2002	A2	RT, Apr 2002	0.6	0.6	0.6	0.597
Efird and Kugler 2002	A2	RT, Jan 2003	0.6	0.6	0.6	0.581
Efird and Kugler 2002	A3	S, Apr 2002	0.9	1	0.9	0.873
Efird and Kugler 2002	A3	S, Jan 2003	1.0	1	0.9	0.9
Snider and Strakes 2006	4.1	Turn 1	0.6*	0.75	0.75	0.75
Snider and Strakes 2006	5.1	Turn 1	0.6*	0.75	0.75	0.75
Snider and Strakes 2006	6.1	Turn 1	0.7*	0.75	0.75	0.75

*Asterisks indicate cases with a real world outcome. Observations with no identifying mark are model forecasts.

The presented model performs well looking across all 26 cases and achieves a positive correlation of almost 0.9. The mean absolute error (MAE or L1 Norm) for the forecasts is about 0.1. The low MAE implies that the interpretation of model estimates would be close, if not identical, to the actual issue outcome, or previous findings. The root mean square error (RMSE) is small at less than 0.025. The low RMSE suggests the results are rarely significantly divergent (Table 3).

Table 3: Model performance summary looking across all 27 cases

	Neutral	Risk Adjusted	Round 4
Correlation	0.877	0.832	0.866
MAE	0.1111	0.1211	0.1253
RMSE	0.02117	0.02117	0.01218

A large number of the cases were taken from a single text because it provided input data, and typically, the final resolution of the issue (Mesquita 1985). Looking only at the later cases, models which

should better compare with the presented model, correlation, which is a measure of accuracy, is positive, but the correlation figure is lower than it is for the full case set. This is not disconcerting because the other measures of error, MAE and RMSE, both decrease. The model predicts the later cases with greater accuracy than the earlier cases. The change in the summary figures is likely due to the diminished sample size (Table 4).

Table 4: Model performance summary looking over 9 cases since 1985

	Neutral	Risk Adjusted	Round 4
Correlation	0.666	0.572	0.748
MAE	0.1061	0.1061	0.0901
RMSE	0.02117	0.02117	0.01218

The presented model closely replicates the outcomes of real world issues and previous study findings using similar models, models that were acclaimed for their incredible accuracy in forecasting political events.

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Data Collection

One of the strengths of expected utility (EU) models is the parsimony of the inputs from which consistently accurate forecasts are generated. In order to collect the EU model data, a list of the stakeholders influencing the policy must be compiled, and the policy issue spectrum must be identified. The model takes as inputs the capabilities of each stakeholder, their position on the policy spectrum, and their salience for the issue (Kugler et al. 2000;.14-16; Mesquita 2002; 67-69; Snider and Strakes 2006: 215-219).

Research Questions

Data collection begins with determining what the key questions are that will inform and drive decision making. An understanding of the problem and issues at hand is necessary to select the research questions to produce results that best assist decision makers. Area experts can often help identify and provide the texture and nuance to the research questions that will later help produce better refined results.

The Stakeholder List

An individual or group with common resources and shared outlooks constitutes a stakeholder. The EU model's forecasts are most accurate when all the stakeholders that will influence a policy issue are included. Determining the full list of stakeholders usually requires an intimacy with current and historical events related to the area of interest. An initial stakeholder list can typically be constructed by listing all the key individuals, organizations, demographic groups, and nations that might attempt to influence an issue. Vetting the constructed stakeholder list with regional experts rapidly leads to a comprehensive list of stakeholders, and concurrence as to who the critical stakeholders are (Mesquita 1994).

Some issues cannot be resolved without the agreement of one or more stakeholders, these stakeholders are considered veto stakeholders. It is important to identifying veto stakeholders, because the model forecast must be interpreted considering these stakeholders' positions (Mesquita 2009).

Capabilities

The capabilities measure gauges the total resources available to a stakeholder when influencing the political agenda. It is necessary to note that a stakeholder will likely choose to exert less than their full capabilities on any particular issue. Stakeholders typically exert less than their full capabilities on a given issue because they have multiple simultaneous interests, all of which compete for their resources. The capabilities measure is generally computed on a scale of either zero-to-one or zero-to-one-hundred. The capabilities measure should be thought of as a weighted sum of each stakeholder's military, economic, and political powers.

Military power can essentially be thought of as effective manpower. The number of individuals a stakeholder commands is crucial to military power. Troop numbers alone is overly simplistic; the quality of a stakeholder's troops for the given task greatly influences their contributions, and the organization of a stakeholder's manpower is also relevant: If members are widely dispersed, slow to mobilize, and

hard to organize for collective action, their aggregate clout diminishes (Tellis 2000). Military power is generally leveraged, and not directly applied to achieve political ends. Thus, the contribution of military power in a political context must be decremented by the perception of its credible use.

The economic element of capabilities can be expressed largely by available finances. The capital available to a stakeholder can be used to influence the outcomes of key issues of interest. Capital can be traditional liquid capital, such as cash, stocks, or bonds, or it can be physical capital. In certain settings a stakeholder's physical capital might lead to far greater capabilities than implied by an accountant's assessment (Salamon and Siegfried 1977). For example, if a stakeholder controlled the nuclear capabilities of a nation, the stakeholder would likely have significantly more influence than another stakeholder with equivalently valued monetary assets dispersed throughout the domestic sector.

The final aspect of capabilities is the political dimension. The political power of a stakeholder encapsulates the actor's influence within the issue environment. One facet critical to political capability is the centrality of a stakeholder to decision making (Dahl 1958). For example, in Iran, Khameini currently holds ultimate decision making power, so an individual's proximity and ties to Khameini provide a good means of estimating their centrality to decision making. Agenda setting capability is another key piece of a stakeholder's political capability (Bachrach & Baratz 1962). Friday prayers in Iran provide the Ayatollahs substantial power in dictating the current agenda. Similarly, President Ahmadinejad's role as head executive and his influence over the state media enable him to influence and steer the political discourse. A final aspect of political capabilities is the ability to shape, influence, or determine others' beliefs and secure their compliance (Lukes 1974; 2005). This type of political power in Iran is wielded by the Guardian Council when it selects who can run for political offices and the Supreme Court as it interprets the *shari'a*.

As data improves, numeric figures become more available to help quantify a stakeholder's military, economic, and political power – empirically backing the assessment of stakeholder capabilities. Military power can be assessed largely by troop level reports. Estimates of economic components are informed by taxes and market power. Political capabilities can be understood by looking at a stakeholder's formal position and ties within a decision framework. In democracies and free societies, election polls and the number of individuals who attend rallies provide further means of gauging political capabilities. Unfortunately, in most instances the available data are not robust enough to fit an empirical model quantifying a stakeholder's military, economic, and political power. Instead, an understanding of the different facets of stakeholders' powers enables the researcher or area expert to rank each stakeholder's capabilities relative to the other stakeholders (Mesquita 2002). The relative rankings can then be transferred to a zero-to-one scale, where the most powerful stakeholder(s) is assigned a capability value of one, and the remaining actors receive capability values determined by their strength relative to the most powerful stakeholder(s) (Mesquita 1997)(Figure 8). Consistency checks are then performed to help ensure the accuracy of the assigned stakeholder capability values. For example, if stakeholder A was assigned a capability value of 0.6 and stakeholders B and C were assigned capability values of 0.4 and 0.2 respectively, if stakeholders B and C took on stakeholder A together they would be a perfect match against stakeholder A, but if either stakeholder B or C took on stakeholder A alone, they would lose.

Figure 8: Capabilities Scale
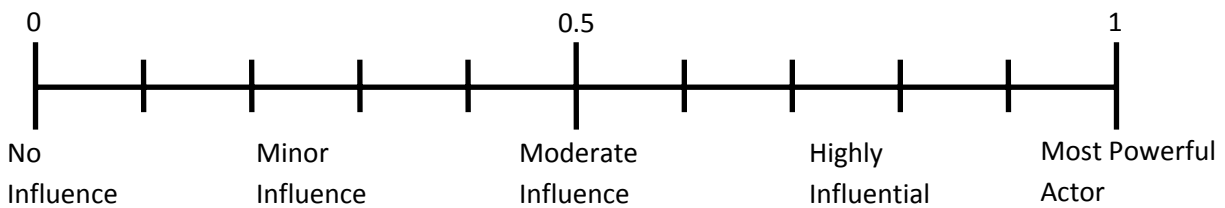
Collecting data using a relative as opposed to an absolute scale makes data collected by separate expert teams difficult to compare. Data values collected using relative scales do not necessarily hold meaning outside of the specific context of the measurement framework. An absolute scale for measuring data, a conceptual construction of which was described above, would generate replicable and verifiable numbers, with implications easily transferable into contexts beyond the immediate analysis. Still, the relative framework used to collect data for EU models has proven viable. With different experts applying the relative data collection scale, the unique datasets, when provided to the EU model, have been shown to repeatedly converge on correct predictions of the scenario outcome (Mesquita 2002).

Position and Position Spectrum

Stakeholders hold different views on their ideal solution of an issue. If all stakeholders agreed on what the outcome of an issue should be, the EU model would not be much of an aid because common sense would suffice to accurately predict the outcome. A stakeholder's position on an issue must be publicly expressed by nature of the political environment. A stakeholder cannot expect others to adopt their position if it is unknown. Similarly, stakeholders cannot barter position exchanges without knowing one another's stances. The necessity of stakeholders publicizing their stances on issues of interest makes estimating stakeholder positions tractable and relatively simple.

Knowing the range of positions supported on an issue, a position spectrum can be formed. This spectrum arranges the array of policy positions between the two most radically opposite positions discussed in the media or supported by stakeholders. While some issues are more difficult to make one-dimensional, almost all political issues can be teased into a one-dimensional policy spectrum. Those issues which cannot be conceptualized as a single dimension are beyond the scope of simpler EU models, but adaptations, allowing for tradeoffs between dimensions of a single issue and amongst multiple issues, have been explored (Abdollahian and Alsharabati 2003; Wise 2010).

The ends of the position spectrum are the two opposite extremes on an issue. Determining the two endpoints establishes the scale of the position spectrum. Finding the location of benchmark positions, positions about which stakeholders are clustered, further divides the position spectrum. Placing benchmark positions onto the position spectrum reduces the error in locating stakeholder positions, and later eases the interpolation of the model forecast to an outcome prediction. Having defined the policy spectrum and the location of benchmark positions, the stakeholders' stances on the issue can be evaluated using the position spectrum.

For an example of creating a position spectrum, consider the Iran nuclear issue. On one extreme, hard-line conservatives support a tested full military weapons capability, while on the other extreme,

many international stakeholders and a few Iranian progressives and reformists support Iran's complete abandonment of the nuclear program. Having defined the end points of the policy spectrum, intermediate positions dividing the space can be used to separate the position space. For the nuclear issue, some candidate positions would be an International Atomic Energy Agency (IAEA) monitored civilian nuclear program, an unmonitored civilian nuclear program, and producing enough high-enriched uranium to be capable of building a nuclear weapon. Identifying these benchmarks in the position spectrum establishes logical markers dividing the issue space. The reference markers in turn facilitate the assignment of stakeholders to positions. Stakeholder positions can be determined by considering their proximity to the defining benchmarks, and their location relative to other stakeholders sharing or close to their supported stance on an issue (Figure 9).

Figure 9: Position Spectrum of Possible Outcomes for Iran's Nuclear Program

0					0.5					1

Abandon program | IAEA regulated program, outsourced enrichment | IAEA regulated domestically self-sufficient | | Unregulated peaceful nuclear program | Nuclear Weapon Capable | Tested Nuclear Weapon
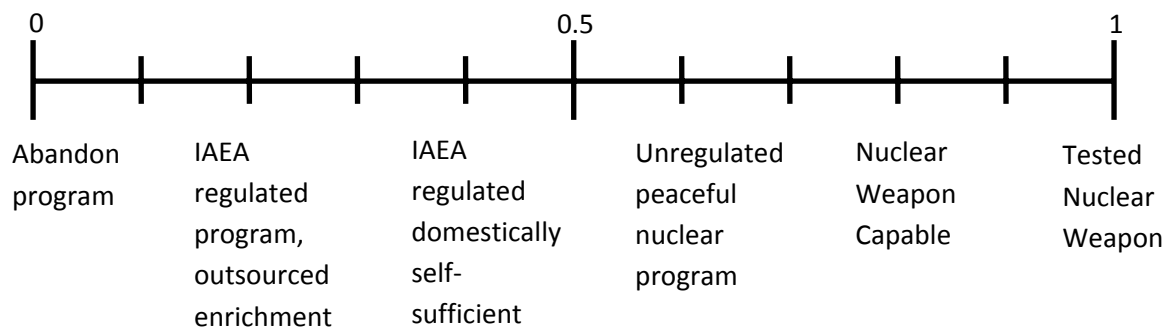
Some policy issues may be best defined in terms of the status quo. In cases best defined in terms of the status quo, the two extreme alternative outcomes define the endpoints of the policy spectrum, while the status quo defines the midpoint. Stakeholders have varying inclinations toward changing the current state of an issue, leaning in favor of one extreme or another. The degree of support for an alternative to the status quo determines the stakeholder's distance from the midpoint, and the stakeholder's placement on the position spectrum. The IRGC's future influence in Iran is an example of an issue best defined in terms of the status quo (Figure 10).

Figure 10: Position Spectrum of IRGC's Future Influence in Iran

0					0.5					1

Dissolution | | | | | Status Quo | | | | | Control Iran
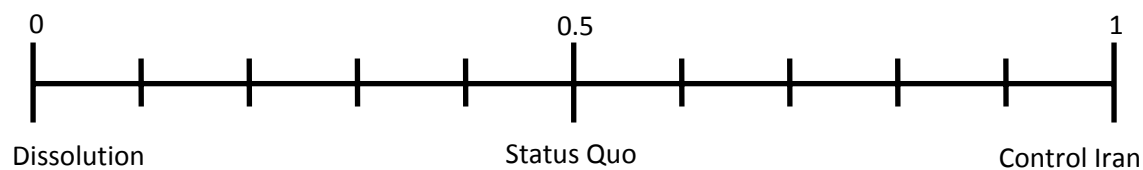
Having established the policy issue spectrum, each stakeholder's position on the issue can be assigned a value. Before placing the stakeholders onto the position spectrum, it is often helpful to order the stakeholders based upon their positions on the issue from one extreme and the other. Ordering the

stakeholders by position reduces the error in assessing position values when transferring them onto the policy issue spectrum, and can reduce error in the relative distance between different stakeholders' positions. Placing the stakeholders onto the position spectrum quantifies their positions.

Salience

Salience measures the importance of an issue to a stakeholder relative to its other priorities. A stakeholder can only consider so many issues at a given point in time. When an issue completely dominates a stakeholder's interests, its salience score for the issue is one. If a stakeholder receives a salience score of one, the issue can be thought of as consuming one-hundred percent of the stakeholder's attention. The less important the issue is to the stakeholder, the lower the salience score. An issue of high importance receives a salience score of about zero-point-seven-five, while an issue of moderate importance achieves a salience score of zero-point-five. If an issue is not being considered by a stakeholder, it is of no concern to the stakeholder, so its salience score is zero. The below scale was used to determine stakeholder salience values (Figure 11).

Figure 11: General Salience Spectrum
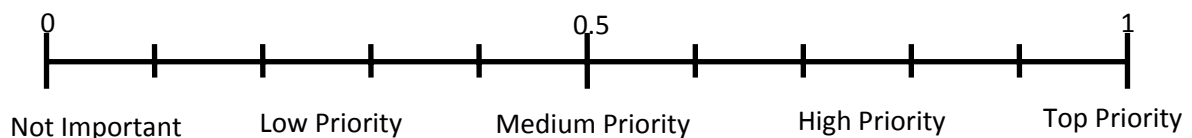
Salience, like the capabilities spectrum, can be ranked from either zero-to-one or zero-to-one-hundred. The above-presented scale used in this study is meant as an equivalent, albeit terser, version for scoring salience to that presented elsewhere in the literature and shown below (Kugler 2000 et al.; Snider and Strakes 2006).

90–100: This issue is my top priority when it comes up. I would drop whatever I am doing and turn immediately to this issue as soon as it arises.
70–80: This issue is among my most important concerns. I would try very hard to reschedule my time and commitments to address this issue when it comes up.
50–60: This is one of several important issues, some of which have a higher priority than this one. I would have to drop this issue if another of my important issues arose.
30–40: This is an issue that I care about but it is not critical. I have many more important issues to deal with that I would commit to first, so I would not drop what I am doing to deal with this one.
10–20: This is a minor issue and I pay little attention or rarely make an effort to deal with it.
0–9: I am aware of this issue but do not care enough to get involved.

Critical to determining stakeholder salience is considering the importance of an issue for a stakeholder relative to the other concerned stakeholders. Assigning a salience value to the most concerned stakeholder on an issue first enables all other stakeholders to be assigned salience values

based upon their relative concern with regard to the issue. Of further consideration when evaluating salience is a stakeholder's other priorities. The capabilities and time of a stakeholder are limited. A stakeholder can only have one top priority, though several issues may be of high importance, and many more of moderate importance.

A stakeholder's salience scores across multiple issues can sum to more than one. This occurs because issues are often linked. Expending resources on one policy issue simultaneously advances a stakeholder's outlook on another issue. Some resources can be fully employed on an issue but non-depleted. For example, a stakeholder may use all of its pertinent contacts on a given issue and still have relevant contacts important to another issue, or a stakeholder can control media outlets which, employed to the fullest, can advance the stakeholder's position on two or three distinct issues simultaneously.

Of potential further consideration when assigning stakeholder salience is that in the model framework, salience serves as a proxy for the fraction of a stakeholder's available resources it will expend influencing an issue. The more important an issue is to a stakeholder, the more of the stakeholder's available resources it will employ attempting to influence the issue outcome. If a stakeholder's capabilities were poorly suited to influence an issue, it would be possible to account for this by lowering the stakeholder's salience score.

Collecting Data on Iran

Past studies have analyzed Iran using EU models, and the CIA currently assesses numerous countries and issues, including Iran, utilizing the EU framework (Mesquita 1984; 2003; 2009). One of Bueno de Mesquita's original applications of the EU model predicted Khamenei's ascension to Supreme Leader following the death of Khomeini (Mesquita 1984). Past EU studies on Iran created lists categorizing and detailing the stakeholders influencing policy within the Islamic Republic. These past studies' stakeholder lists served as a starting point for determining the stakeholders in this analysis. Since the first study in 1984, for which the entire stakeholder list was published, many of the influential actors in Iran have changed. Some stakeholders have dropped out of the political arena, while others have emerged or evolved. The world has become much more interconnected in recent years, a result of which is that many more international stakeholders now have interests in the development of Iran. Reviewing past Iran studies, reading through academic materials, and conducting interviews with experts, 25 domestic and 12 international stakeholders were identified.

The stakeholders are presented in two broad categories, those actors internal to Iran and those actors external to Iran. The internal stakeholders are presented to align with the organization and exertion of power in the Islamic Republic, and capture independent power centers. Constitutionally established political entities are presented first, followed by organizations with direct influence in government, and finally different populace groups. Political offices in Iran are often held for long periods, resulting in extended periods of power stability. Political offices in Iran make decisions independently, though they typically act in coalitions. Different offices are typically represented separately unless completely controlled by another stakeholder. The Ministry of Intelligence and Security (MOIS) is an example of such an exception. The MOIS, an instrument of the Supreme Leader's power, is a formal institution not uniquely represented. Following the constitutionally established political bodies are organizations with direct influence in government. Several of these groups exert

more influence on Iranian policies than some of the constitutionally established political entities. The organizations with direct influence in government are critical to capturing the private power networks that drive many of Iran's political decisions. These organizations, outside of Iran's direct political government, have separate agendas from the political stakeholders and support and align on issues based upon their unique interests. Populace groups conclude the list of Iran's internal stakeholders. The populace groups were separated based on their differing outlooks on Iran's future as influenced by socio-economic status and ethnicity. The research identified a total of 25 domestic stakeholders listed below. For more on the organization of power in the Islamic Republic see Appendix D: Understanding Power in Iran.

1) Supreme Leader Ayatollah Ali Hoseyni Khamenei
2) Council of Guardians (Ahmad Jannati Massah)
3) Expediency Council
4) Supreme Judiciary Council
5) Assembly of Experts
6) *Majles*
7) President Mahmoud Ahmadinejad (Established Principle-ists/Traditionalists)
8) Un-established Principle-ists/Traditionalists (Ali Larijani and Mohammad-Bagher Qalibaf)
9) Pragmatists (Akbar Hashemi Rafsanjani and Hassan Rowhani)
10) Reformists (Mohammad Khatami, Mir Hossein Mousavi and Mehdi Karroubi)
11) Iranian Revolutionary Guard Corps (IRGC) or *Pasdaran*
12) *Basij*
13) *Artesh*
14) *Bonyads*
15) Unaligned Clergy (Qom and Najaf)
16) *Haqqani* School (Mesbah Yazdi)
17) Provincials
18) Urban Working Class
19) Urban Middle Class
20) *Bazaaris*
21) Kurds
22) Baluchis
23) Arabs
24) Afghan Refugees
25) Iraq Refugees

Many nations are concerned with influencing developments in Iran. For some nations, their concern focuses on regional stability, others on securing reliable energy markets, and still others on investment and trade. Twelve external power groups with unique interests in Iran's development were identified and included in this study. Almost all of the indentified stakeholders are individual nations, with the exception of the Middle East not openly for Iran, the pro-Iran Middle East, and the European Union.

1) United States (US)
2) Russia
3) China
4) European Union (EU)
5) Japan
6) India
7) Middle East not for Iran (Saudi Arabia, Egypt, and Allies)
8) Pro-Iran Middle East (Syria, *HAMAS*, and *Hezbollah*)
9) Iraq
10) Turkey
11) Pakistan
12) Israel

A total of 37 stakeholders were identified as influencing the Iranian political discourse: 25 domestic stakeholders and 12 foreign stakeholders. The domestic stakeholders were identified from amongst official political government entities, established institutions, and the populace. The 12 international stakeholders captured regional and national interests with influence in Iran. For more information on each stakeholder see Appendix E: Stakeholder Identification and Descriptions, sections 1 through 4, and for demographic information about the nations of the Middle East see Appendix E: Stakeholder Identification and Descriptions, section 5.

 Having a set of stakeholders, model input data could be collected. Capabilities values were the first input data collected for each of the stakeholders. Initial estimates of stakeholder capabilities were generated by looking through academic works and media studies. Whenever possible, data on military, economic, and political capabilities was collected. The collected information was synthesized into a capabilities estimate for each stakeholder. The initial capabilities estimates, along with the initial salience and position estimates, were repeatedly reviewed by various regional experts, their iterative feedback allowing for continued refinement of the data.

Position data for an issue cannot be collected without first creating a position spectrum. For each issue, a position spectrum was created by reviewing previous studies relating to the issue, academic discussions on Iran, and the media discourse. Discussions and feedback with EU model experts and area experts produced the final policy spectrums.

Having determined each issues position spectrum and using the established salience scale, each stakeholder was assigned position and salience values. Initial estimates of each stakeholder's issue-specific data values were made, and, like the capabilities data, these estimates were reviewed by regional experts, with their feedback helping improve and leading to the final study dataset.

The data collection process employed was a hybrid iterative process. Researching past studies, media articles, and related academic works led to very precise initial data estimates. Repeatedly engaging and interacting with regional experts at multiple stages in the data collection process (identifying the stakeholders, creating the position spectrums, and collecting the model input data) led to refinements and improvents throughout the process. The hybrid approach, blending research with expert review and feedback, led to a high degree of confidence about the quality and accuracy of the final dataset.

The study dataset was finalized in January 2011, at which point no further revisions were made. The final data set is presented in Appendix F: Input Data, and the position spectrums associated with each policy issue are available in their respective analyses sections.

The study dataset replicates findings of recent past studies that examined identical issues, and a separate dataset, generated independently by a member of the US intelligence community, also produces forecasts that concur with those of the study dataset (See National Security Chapter under Iran's Nuclear Program in the Further Considerations Section, or Appendix G: US Intelligence Community Assessment of Iran's Nuclear Program). The US intelligence community expert was provided the instructions presented in Appendix H: Example of Data Elicitation Instructions Provided to Area Experts, which is a good example of how to conduct the data collection process and is presented. The instructions introduce and motivate the study as well as the importance of the expert's contribution, then step through the data collection and generation processes and provide a means to record the data. The data elicitation instructions presented in the appendix notably do not address the earlier stages of the data collection process, during which the research questions were determined and the stakeholders in the study established. These processes were accomplished with assistance from area experts, but in this instance, in order to ensure the dataset produced was closely comparable with the finalized study dataset and to minimize the burden of the request, the results of the earlier stages of the data collection processes were provided.

Resources

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Political Analyses

Stakeholder Capabilities

A stakeholder's capability measure consists of its economic, political, and military power. How a stakeholder decides to use its capabilities depends on its political interests and priorities. Knowing the capabilities of the stakeholders within a political environment is crucial to understanding their abilities and actions. Four stakeholders are of consistent interest when shaping US policy interests vis-à-vis Iran: the US, Supreme Leader Ayatollah Ali Khamenei, President Mahmoud Ahmadinejad and the Islamic Revolutionary Guard Corps (IRGC).

The US remains a moderate influence in Iran's political discourse despite its prolonged estrangement with Iran's government (Figure 12). While Iran disdains the US, viewing the US as the source of many of Iran's ailments and considers it to be blocking Iran from its rightful place in the regional and global order, the US retains political clout because of its wide-reaching global influence. The US is capable of alleviating many of Iran's longstanding economic problems, normalizing its international relations, and rectifying its place amongst the world and regional powers.

Supreme Leader Khamenei is the most powerful individual in Iran. He influences almost all aspects of Iranian society. Khamenei can veto or block any issue from moving too far from his desired outcome. The broader nature of Khamenei's concerns, both in scope and time horizon, limit his ability to focus his vast resources on any single issue.

President Mahmoud Ahmadinejad heads Iran's executive and is the leader of the established Principle-ists. He is currently the second strongest individual in Iran. His position makes him a major influence in the political discourse. The smaller scope of Ahmadinejad's responsibilities and the shorter term of his office increase the importance to him of affecting change and allow him to target his resources on key issues.

The IRGC is currently a moderate influence in Iran, though its power is growing. Politics is not the IRGC's primary responsibility, and it does not dominate the political discourse.   Its leadership, while like-minded, is not homogeneous, and the bureaucratic nature of the organization can prevent it from acting quickly or in a unified manner on more political issues. The IRGC's current interests are largely focused on National Security and the strengthening of its own role in Iranian society.

Figure 12: Capabilities Scale and Select Stakeholders
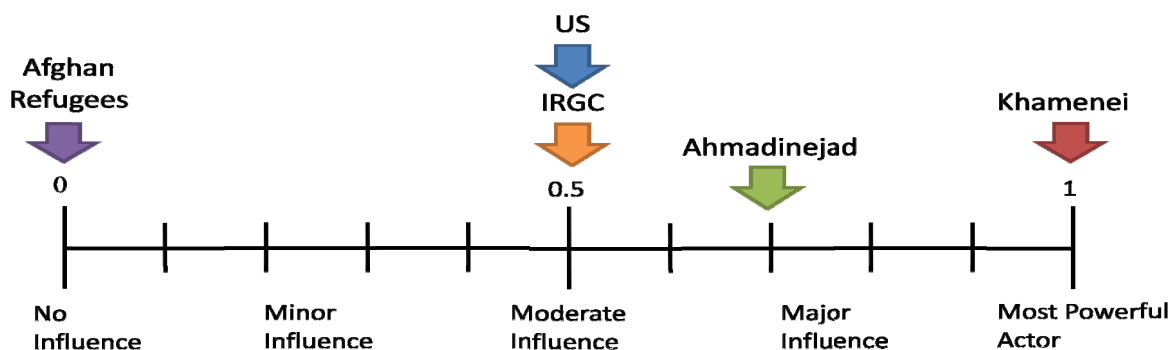
The remaining 33 of the 37 stakeholders have capabilities that fall below the level of influence held by Ahmadinejad. A few of the unlisted stakeholders exert major to moderate influence, and there are many more minor actors. The limited number of actors with major influence in Iran is a product of Khamenei's efforts to divide and weaken any potential opposition. The major and moderate stakeholders tend to be official government organizations or semi-official groups with direct influence in the government. Population stakeholder groups, whether defined by ethnicity or worker demographics, tend to be relatively minor influences. The bottom of the capabilities scale is occupied by the two weakest stakeholders, the Afghan and Iraqi refugee groups. Few foreign stakeholders have more than minor influence in Iran, with four notable exceptions exercising moderate influence – the US, Russia, China and the EU.

Policy Issue: The Future Influence of Ahmadinejad

President Mohammad Ahmadinejad's influence within Iran's political discourse is strongly tied to the executive office. Ahmadinejad's political tack has alienated many stakeholders both inside and outside Iran. Still, numerous stakeholders support Ahmadinejad, a result of his populist measures at home and militant approach abroad. Much of Ahmadinejad's influence is derived from his office, a post elected by and accountable to the people. The electoral framework makes Ahmadinejad's future influence uncertain, and the future influence of Ahmadinejad is of significant interest to many Western nations, nations that have found their foreign relations stymied by Ahmadinejad's confrontational approach to politics. Understanding how Ahmadinejad's influence is likely to evolve in the coming years could help shape US policy and strategy vis-à-vis Iran.

Policy Positions

The four key stakeholders (the US, Khamenei, Ahmadinejad and the IRGC) have different ideal visions of Ahmadinejad's future influence. The US wishes to see Ahmadinejad with minimal influence in Iran's national security decisions. It views Ahmadinejad as one of the major roadblocks to many of the US's concerns, ranging from Iran's nuclear program to its involvement in the Middle East (Figure 13).

Khamenei, despite occasional difficulties in working with Ahmadinejad, prefers a conservative president to more liberal alternatives. Khamenei wants to keep Ahmadinejad in office but temper some of Ahmadinejad's more incendiary moves.

Ahmadinejad is his own top priority. He has a dedicated vision of where Iran should be heading and what Iran should be, and believes he is the man to take it there. Ahmadinejad feels that the more authority and power he has, the faster Iran will reach his vision.

The IRGC largely supports growth in Ahmadinejad's power because it has benefited from his terms in office. Many of Ahamdinejad's visions for Iran align closely with the IRGC's, and many of his policies have served to strengthen the IRGC's domestic role. Ahmadinejad's economic and social visions have enhanced and expanded the IRGC's presence in civil society. Furthermore, if Iran developed a nuclear weapons capability, which Ahmadinejad asserts is Iran's right, it would fall under the IRGC's purview.

Figure 13: Position Spectrum of Ahmadinejad's Future Influence
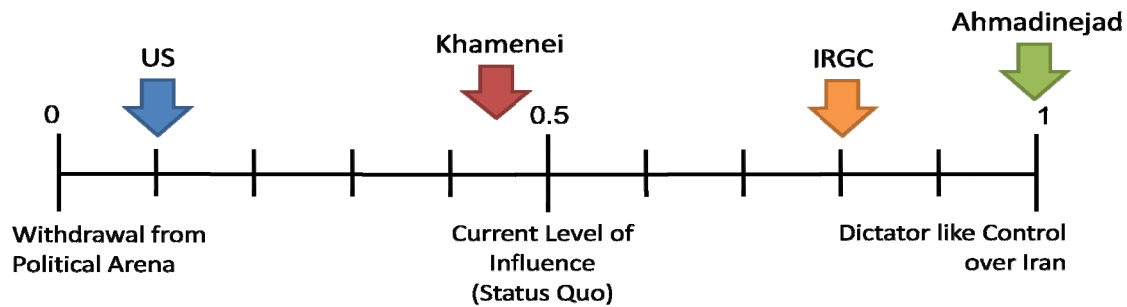
Salience

Reducing Ahamdinejad's influence in the Iranian political discourse is a high priority for the US, because the US fears the direction in which Ahmadinejad is leading Iran (Figure 14). Khamenei's concern about Ahmadinejad's future influence is moderate. He does not want to see Ahmadinejad's status change significantly and knows that without his approval, little on this matter is likely to occur. Of all the stakeholders, Ahmadinejad is the most concerned with the growth and perpetuation of his own power. There is little Ahmadinejad would not do to remain influential in Iran. The IRGC would like to see Ahmadinejad's influence grow, so long as Ahmadinejad's policies continue to benefit the IRGC. The IRGC would place a fairly high priority on helping facilitate the expansion of Ahmadinejad's power.

Figure 14: Salience Scale for Ahmadinejad's Future Influence
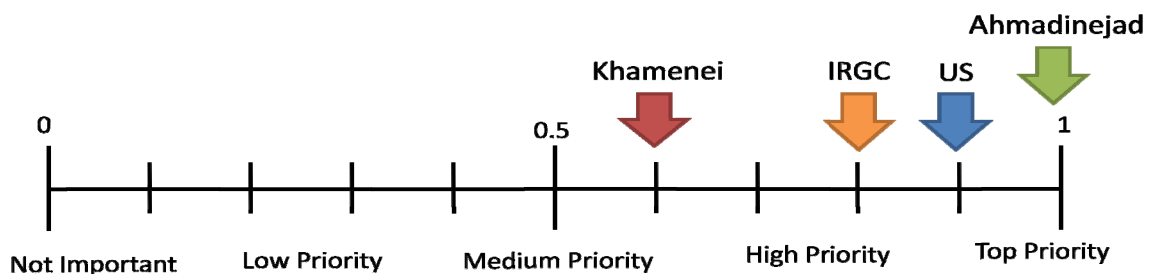
Initial Static Forecasts

The total resources a stakeholder will actually expend on an issue can be estimated by multiplying their capabilities by their issue salience. We call this the stakeholder's effective capabilities. A histogram of the effective capabilities of the stakeholders binned by their positions displays the power balance of an issue, and provides insight into how the issue is likely to unfold (Figure 15). In the case of Ahmadinejad's future influence, the majority of the stakeholders want to preserve the status quo. The large coalition about the status quo is skewed slightly left, suggesting a majority of stakeholders wish to slightly temper Ahmadinejad's influence. A few powerful actors are located at positions significantly away from the status quo. Significant power blocks to the right of the status quo, seeking increases in Ahmadinejad's power, are Ahmadinejad and the IRGC, while to the left of the status quo, all hoping to substantially reduce Ahmadienjad's sway, are the US, Reformists, and Pragmatists.

Figure 15: Distribution of Effective Capabilities about Ahmadinejad's Future Political Power
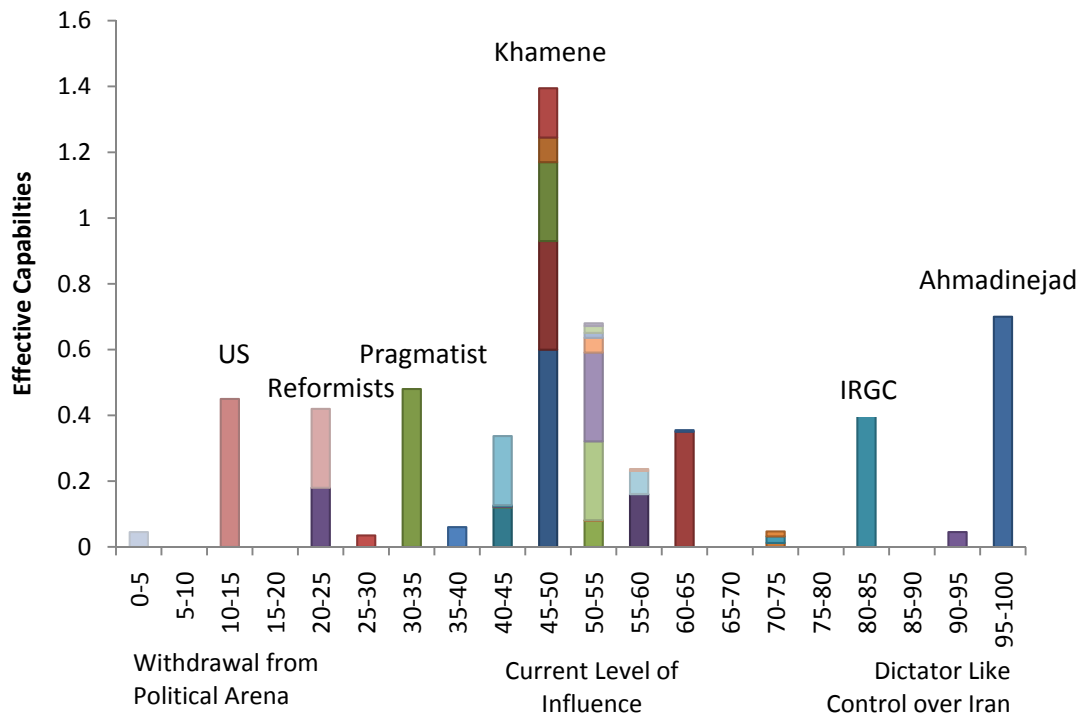
How stakeholders support one position over another ultimately decides most issue outcomes. A stakeholder's support to a specific position is a function of its effective capabilities and utility. A stakeholder supports one position over another based on its difference in utility between the two positions. The amount of support the stakeholder provides one position over another is the difference in the utility between the alternatives, multiplied by the stakeholder's effective capabilities. The greater the difference in utility between two positions, the more support the stakeholder provides to one position over the other, and the greater a stakeholder's effective capabilities, the more support it provides a position. If a stakeholder derives the same utility from two positions, it is indifferent between the two positions and does not use its effective capabilities supporting either position. Position support is the sum of all the stakeholders' support for a position, summed over all possible position pairs, that includes the given position. The position with the most position support is the model forecast.

The initial static forecasts project that Ahmadinejad's power remains relatively constant, and possibly decreases slightly during his second presidential term (Figure 16). The risk-neutral forecast and risk-adjusted forecasts do differ slightly. The risk-neutral forecast projects a slight decrease in Ahmadinejad's power (0.45), but allowing for stakeholder risk character, the status quo becomes the forecast (0.5). The risk-adjusted forecast suggests that the smaller yet more aggressive coalition of Ahmadinejad's supporters is able to fully counteract the slightly larger opposition group wishing to reduce his power.

Figure 16: Initial Static Forecasts and Position Support of Ahmadinejad's Future Influence
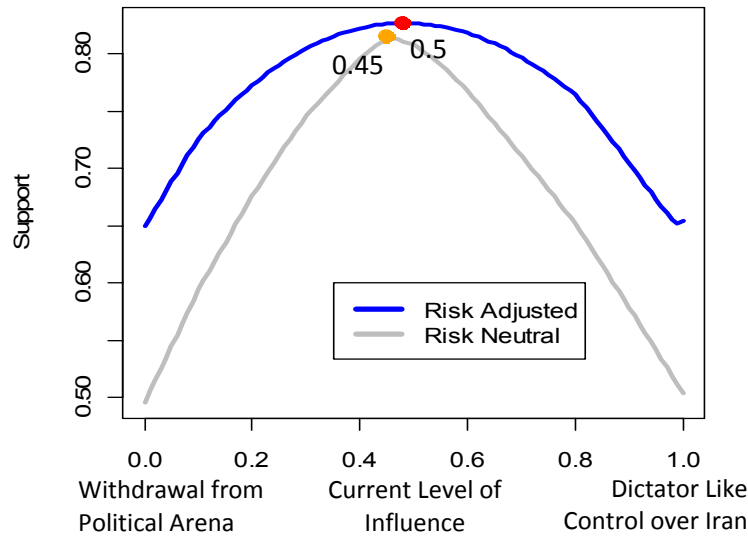
Perceptual Analyses

Understanding stakeholder risk character is crucial to understanding stakeholder decisions and responses. The model identifies the US as being risk-neutral, having a risk value near 1.0, meaning the US is unwilling to take risks to reduce Ahmadinejad's influence (Figure 17). Interestingly, the IRGC, which benefits from Ahmadinejad's policies, is also risk-neutral. The IRGC is not prepared to take risks in order to improve Ahmadinejad's influence. Close to the IRGC in both position and disposition are the *Haqqani*-School Clerics, led by Ahmadinejad's spiritual mentor Ayatollah Mesbah Yazdi. Ahmadinejad and Israel are the only two stakeholders identified by the model as being risk-seeking, willing to take risks to change Ahmadinejad's current influence. Khamenei and the remaining stakeholders are risk-averse, not wishing to see any sweeping changes to the current power balance of Iran.

Figure 17: Risk Character of Stakeholders seeking to influence Ahmadinejad's Future Power
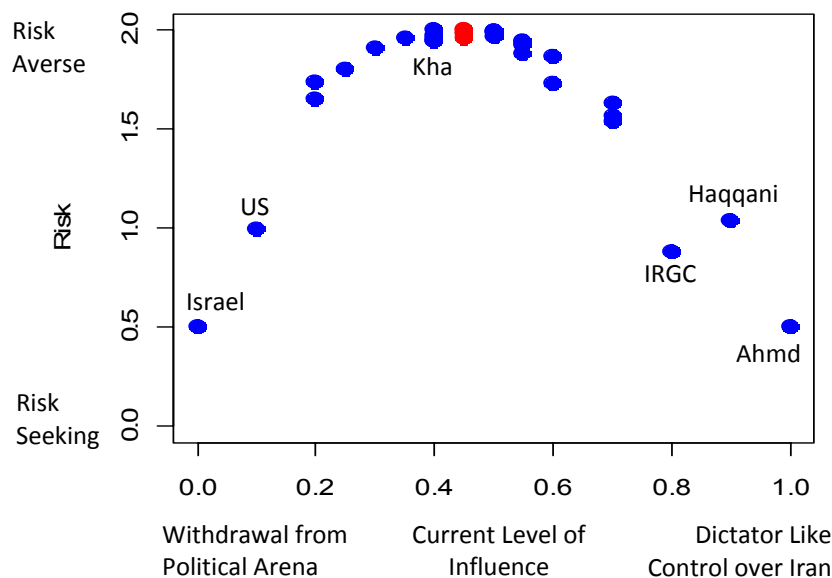
Knowing stakeholder risk character can help in the selection of strategy, but so does knowing which stakeholders the US has leverage over. Stakeholder interactions are guided by their expected utility (EU) calculations vis-à-vis each other stakeholder. The EU plot is a tool that predicts the probable interactions between the focal stakeholder and rival stakeholders. The EU plot can be used to identify where the focal stakeholder's advantages are (Figure 18).

The EU graph is broken into 8 octants. Each octant predicts a different form of stakeholder interaction. The focal stakeholder is in a stronger position than the rival whenever it has an EU value larger than the rival. When the focal has positive EU and the rival negative EU, the focal stakeholder is predicted to be able to get the rival to shift its position. The relative magnitudes of the two stakeholders' EU values determine whether the focal stakeholder achieves a capitulation, a one-sided concession from the rival (octant 7), or a bargain, when both stakeholders alter their positions (octant 8). A bargain is likely to occur when the rival's EU is smaller in magnitude than the focal stakeholder's EU, while a capitulation is likely if the rival's EU is greater in magnitude than the focal stakeholder's EU. A capitulation is a result of the rival determining the expected cost of holding its position is greater than the cost of accepting a change in position. The focal is in a weak position and expects it will have to change its position when its EU is negative while the rivals are positive. When this occurs the focal will likely accept a bargain or capitulation (octants 3 & 4). When both stakeholders have positive EU values (octants 1 & 2), both stakeholders believe directly confronting the other stakeholder is beneficial, and the stakeholders are unlikely to agree on a mutually beneficial agreement. When both stakeholders have negative EU values (octants 6 & 7), neither sees benefits to engagement, and the stakeholders are again unlikely to find or even search for a mutually beneficial agreement.

Figure 18: Stakeholder Interactions as predicted by Expected Utility
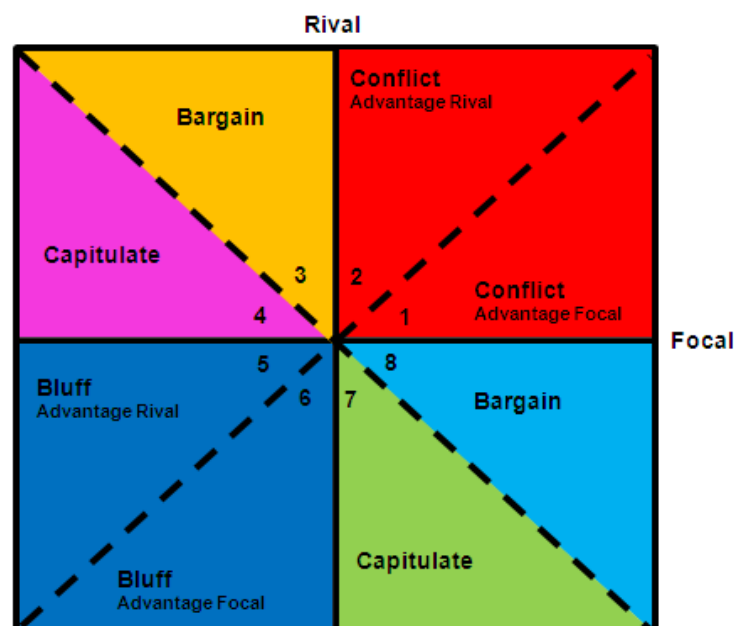
The US currently is only in a strong position against relatively minor actors (Figure 19). The US and Khamenei see no benefit from engagement, and the US expects losses were it to directly confront

Ahmadinejad or the IRGC. The US is in an advantageous position with respect to a relatively large number of smaller stakeholders that are not immediately consequential to the outcome. These stakeholders could present the US a potential opportunity to affect Ahmadinejad's influence. Numerous small bargains aimed at Iran's populace and various foreign stakeholders, with time, could slowly diminish Ahmadinejad's power base.

Figure 19: US Opportunities to Influence Ahmadinejad's Power (US Objective EU Plot)
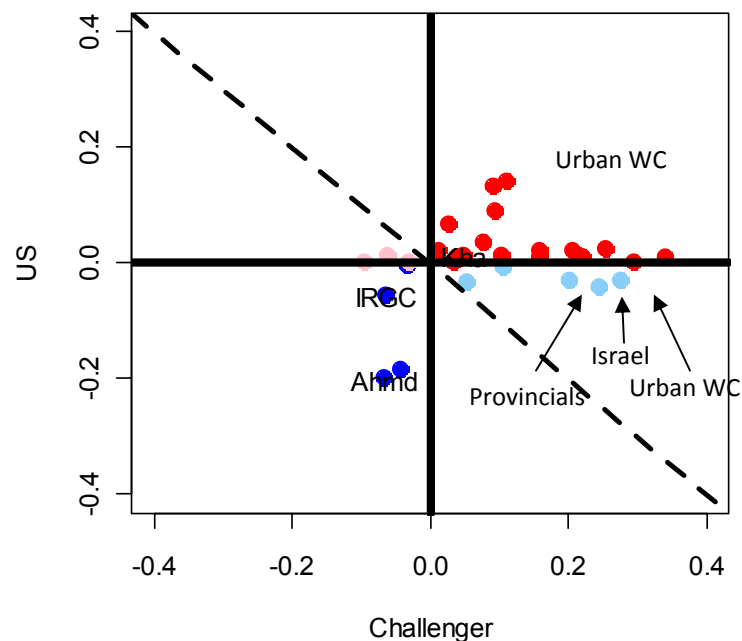
Dynamic Forecasts

The static model suggests how an issue is likely to resolve in the current environment. The dynamic model provides insight into how the issue is likely to evolve from the initial forecast. Allowing the model to iterate, stepping forward through time, it becomes apparent that Ahmadinejad's power will likely see a very slight, gradual decline (Figure 20). The risk-adjusted model forecast is the thicker black line, while individual stakeholders are the thinner grey lines. Key stakeholders – the US (blue), Khamenei (red), Ahmadinejad (green) and the IRGC (orange) – are the colored thinner lines. The color key for these characters is the same as earlier (Figure 12-Figure 14) and is consistent throughout the study.

Figure 20: Development of Stakeholder Positions about Ahmadinejad's Future Political Influence
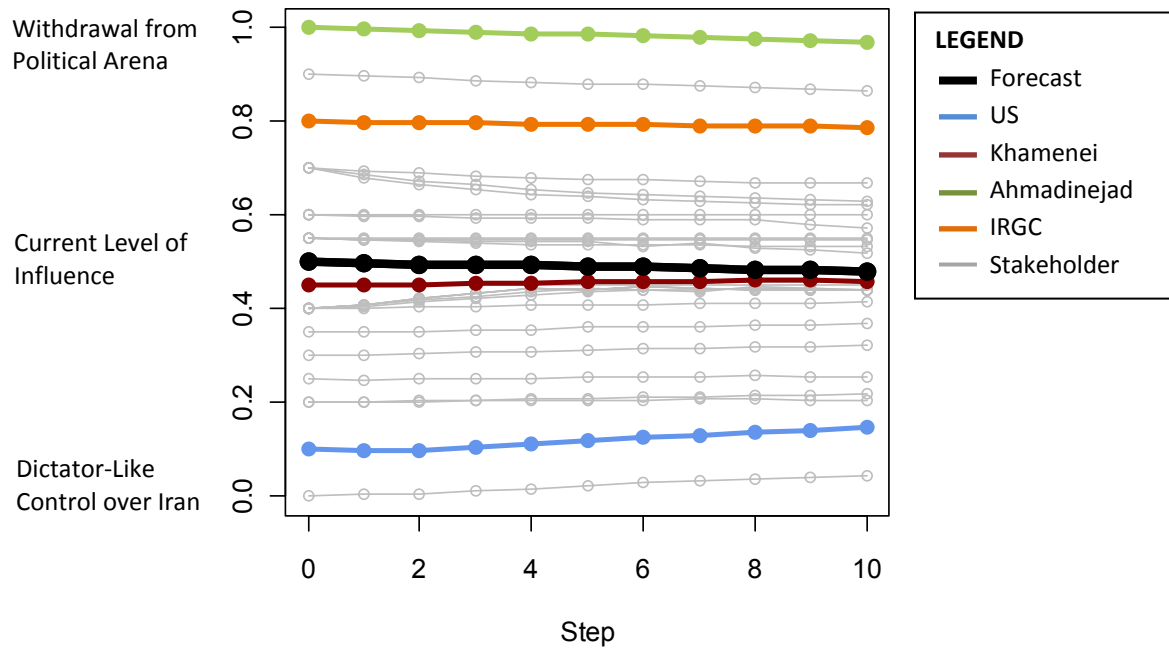
Sensitivity Analysis

The earlier projections that Ahmadinejad's power will remain relatively constant and possibly decrease slightly appear as robust to significant changes to the data. Changes in the data could occur either due to estimation error or moderate changes in the political environment. A means to visualize the stability of a forecast is to rerun the model a set number of times (twenty), while allowing all input factors to vary (plus or minus 10 percent of their scale space). To highlight the initial base forecast, a **F*** is placed above the bin where the collected data's forecast would fall. The initial risk-neutral projection is fairly stable about a slight decrease in Ahmadinejad's influence from the status quo (Figure 21). The risk-adjusted forecast continues to project that Ahmadinejad's supporters, in almost all instances, successfully defend against changes to Ahmadinejad's influence.

Figure 21: Forecast Sensitivity of Ahmadinejad's Future Political Power

Risk-neutral

Risk-adjusted

LEGEND
F*-Initial Base
Forecast
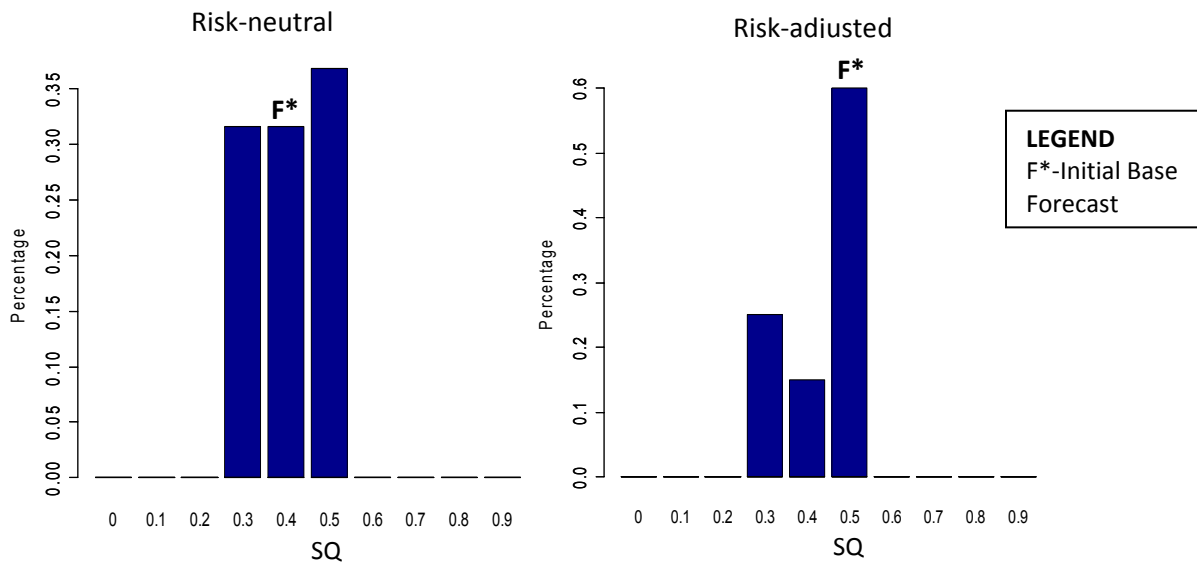
Many international stakeholders seek stability in Iran. These stakeholders see a stable government as consistent with their own interests, whether focused on regional security, stable energy markets, or business. If the influence of foreign stakeholders is removed, the initial static forecasts do not change, but the risk-adjusted position support becomes nearly equivalent across a broad section of the position spectrum (0.3 to 0.8), suggesting instability in the forecast (Figure 22). The forecast is the position with the most position support. Peaked position support is suggestive of a more stable outcome, while flatter position support suggests greater uncertainty about the outcome. Without the influence of foreign stakeholders, position support becomes much flatter, and it becomes much more likely Ahmadinejad's control over Iran could increase substantially.

Figure 22: Forecast of Ahmadinejad's Influence without International Stakeholders
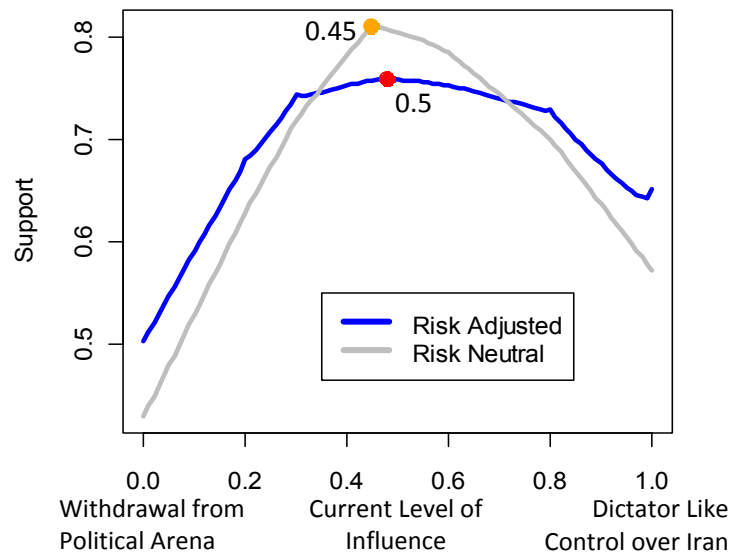
Understanding the effects of different US policies can be a helpful tool to policy makers. One method available to the US to affect an issue is to increase its effective capabilities (Figure 23). Our sensitivity analysis suggests that the US would have to increase its effective capabilities by 50 percent before it could unilaterally cause a slight decrease in Ahmadinejad's influence (risk-adjusted forecast of 0.45) and would have to triple its influence before it achieved a slightly more significant decrease in Ahmadinejad's influence (risk-adjusted forecast of 0.4). The ability of the US to boost its effective capabilities to 50 percent or beyond is dubious; the US political agenda is currently spread broadly, economically Iran is already heavily sanctioned, and a US military strike or the heightened threat of an attack on Iran at present are improbable.[15]

If Ahmadinejad's influence were diminished, the projected outcome does not change. Entirely removing Ahmadinejad's influence over his future power does not change the static forecasts, and this remains true even when the US significantly increases its own effective capabilities (Figure 23). The US is relatively ineffectual at reducing Ahmadinejad's influence because of the strong number of stakeholders whose primary goal is regime stability. Keeping Ahmadinejad, a conservative, as president is viewed by many stakeholders as the best guarantee of the Islamic Republic's security. The strength and size of the group clustered about the status quo is an almost insurmountable obstacle to US efforts to significantly reduce Ahmadinejad's sway in Iranian affairs.

Figure 23: Sensitivity of Ahmadinejad's Influence to Changes in US and Ahmadinejad's Effective Capabilities

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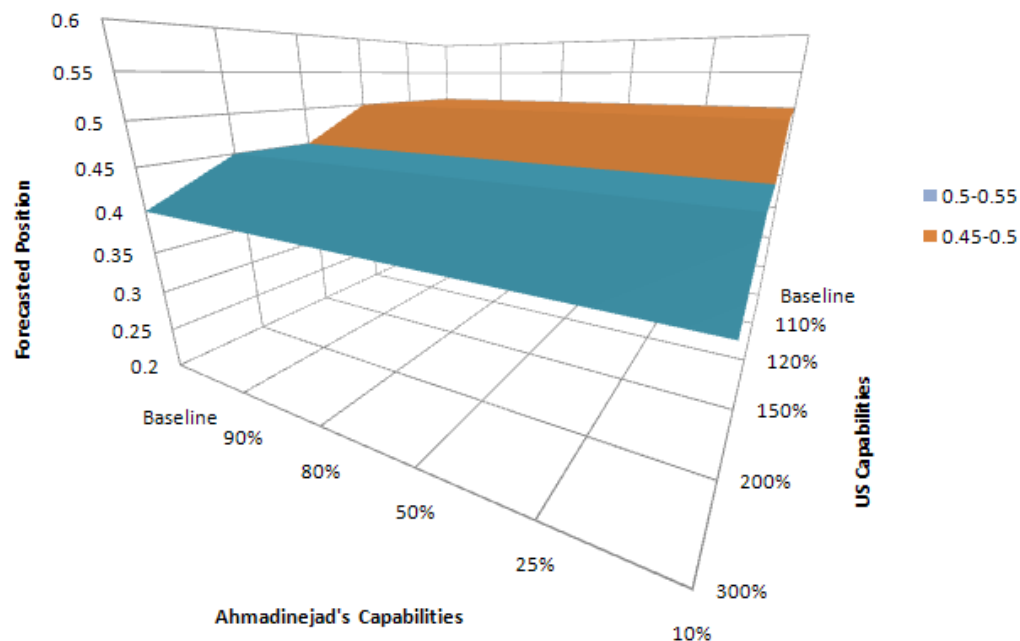
[15] Following the release of the Stuxnet virus, which damaged Iran's centrifuges and ability to enrich uranium, the Chief of Israel's Mossad intelligence agency, Meir Dagan, and US Secretary of State Hillary Rodham Clinton, separately, announced that Iran's nuclear program had been set back by several years (Broad, Markoff and Sanger 2011).

The risk-neutral forecast is of Khamenei's position (0.45), and the risk-adjusted forecast is only slightly off Khamenei's position at 0.5. Khamenei's influence can be significantly increased, or completely withdrawn, with almost no changes to the static forecasts. Khamenei completely withdrawing his influence does not change the risk-neutral forecast and only slightly decreases the risk-adjusted forecast to 0.45. Khamenei could also potentially withdraw his support of Ahmadinejad. Khamenei moving to a position of 0 causes the static forecasts to fall to 0.45, but the withdrawal of Khamenei's support causes the dynamic forecasts to decrease rapidly.

Currently, the IRGC supports growth in Ahmadinejad's influence, though its backing of Ahmadinejad is based largely on improving its own standing in Iran. As shown earlier, the IRGC is not willing to take risks to increase Ahmadinejad's influence (Figure 17). Were the IRGC convinced to support the status quo (0.5), the static model projects a decline in Ahmadinejad's influence. The risk-adjusted and risk-neutral forecasts both become 0.45 and the dynamic forecasts drops faster than under the current conditions. The IRGC might moderate its position due to domestic disagreements with Ahmadinejad, or as the IRGC moves to support its preferred future presidential candidate.

Special Considerations

The model forecasts are short term, looking two to five years out. For this reason I caution extending the presented forecasts beyond Iran's 2013 presidential elections. The 2013 presidential elections will mark a significant transition point for Iranian politics, because under the current constitution Ahmadinejad cannot run for a third consecutive presidential term. Once out of office Ahmadinejad must develop a means to retain the political support and influence currently provided by his position. This rebalancing of power in Iran will likely significantly alter the data collected here, and thus, the accuracy of the model forecasts.

The difficulties of retaining influence after leaving the Presidency, and the challenges of getting re-elected for a third term as President are possibly best illustrated by looking at Ayatollah Rafsanjani. Since the founding of the Islamic Republic, Rafsanjani has maintained a constant and significant political presence. Rafsanjani's patronage networks, sustained by his vast family wealth, have enabled his enduring influence within Iran. Still, Rafsanjani, president from 1989 to 1997, has not been able to recapture the presidency since his departure. After his presidential term, the perpetuation of Rafsanjani's influence was facilitated to a degree by Supreme Leader Khamenei's appointment of Rafsanjani to important posts, such as chairmen of the Expediency Council. Rafsanjani's political networks have also helped him retain influence, and he currently sits on the Assembly of Experts, a committee he once chaired.

Ahmadinejad lacks many of Rafsanjani's personal resources and has a less developed private political network. To maintain his political influence after leaving office in 2013, Ahmadinejad will likely be reliant on Khamenei appointing him to an office that magnifies his influence, or alternatively, the Principle-ists could again appoint Ahmadinejad to a powerful post, such as his 2003 appointment to Mayor of Tehran. Ahmadinejad is also likely to run for the *Majles*, and if elected, he would likely challenge Larijani as speaker.

Summary

Significant changes in Ahmadinejad's influence do not appear likely to occur before the natural end of his second presidential term in 2013. Ahmadinejad's influence is likely to remain relatively constant due to the large number of stakeholders seeking to maintain the stability of the regime by preserving the current status quo. Completely removing Ahmadinejad's influence on the issue does not change the model's projected outcome.

The US has limited opportunities to significantly alter Ahmadinejad's future influence. US advantages working with segments of Iran's populace and various international stakeholders were identified, but these advantages do not lead to immediate changes in Ahmadinejad's influence. If the US finds a means to significantly increase its effective capabilities, the US might be able to unilaterally erode Ahmadinejad's influence, and if the IRGC's support for Ahmadinejad decreases, Ahmadinejad's influence begins to decline.

Policy Issue: The Next Supreme Leader

The Supreme Leader can influence every facet of Iran, from its society and economy to foreign relations and national security strategy. Supreme Leader Khamenei's health and longevity has been questioned intermittently and with increasing frequency over the past decade, fueled by long periods during which Khamenei makes no public appearances. Iran's first Supreme Leader, Ruhollah Khomeini, indicated who his successor should be during his life, but to date, Khamenei has not designated a favored successor. Were Khamenei to pass suddenly, the Assembly of Experts would be free to elect the next Supreme Leader without his guidance. The position being held for life, and with influence over almost all aspects of Iran, understanding the disposition of the next Supreme Leader, and who the likely successor could be, would critically inform forward-looking policy. In 1984, using an Expected Utility Model framework similar to that presented here, Bueno de Mesquita successfully predicted Khamenei's ascension to Supreme Leader following Khomeini's passing in 1989 (Mesquita 1984).

Policy Positions

Of the four stakeholders highlighted consistently throughout this study (the US, Khamenei, Ahmadinejad and the IRGC), only the US has a significantly different preferred ideological outlook for Iran's next Supreme Leader. The US wants to see change in Iran, and understands that the Supreme Leader must approve all decisions Iran makes. The US met with some success working with the Pragmatists presidency of Rafsanjani and Reformists presidency of Khatami, leading to a perception that even greater progress could be made were Iran to have a less conservative Supreme Leader. This study judges that, in light of the US preference for liberalization of Iran's society and economy, the US would support the strongest candidate identifying with the Green movement (Figure 24).

Supreme Leader Khamenei identifies with the traditional conservatives, whose influence seemed to be waning prior to the election of President Ahmadinejad. Ahmadinejad's presidency symbolized the rebirth of the traditional conservatives' ideology under the aegis of the Principle-ists. The Principle-ists, like the traditional conservatives before them, champion strict interpretation of the *shari'a*, Islamic

socialism, and expansive state control. Khamenei would likely support a Principle-ists candidate that would remain willing to occasionally temper his views when necessary to preserve the Islamic Republic.

Ahmadinejad, as a Principle-ists and follower of hardline Ayatollah Mesbah Yazdi, would support his mentor, or the strongest similar candidate for Supreme Leader. Ahmadinejad would like to see a Supreme Leader with a vision for Iran similar to his own.

The IRGC identifies strongly with the Principle-ists. The organization is concerned with the preservation of the regime and so believes a conservative candidate willing to accept practical compromises would be best. The IRGC would probably push for a Supreme Leader with an outlook very similar to that desired by Khamenei – conservative but willing to compromise when it is in the state's best interest.

The next Supreme Leader will ultimately be voted for by the Assembly of Experts. The Assembly of Experts was chaired by Ayatollah Rafsanjani and dominated by Pragmatists until March 2011. In 2011 Ayatollah Mohammad Reza Mahdavi Kani ran for speaker in an election uncontested by Rafsanjani. Kani's election to speaker has been interpreted as a conservative shift within the assembly. The Assembly of Experts will likely push for a conservative candidate for Supreme Leader that it thinks is capable of upholding the principles of the revolution, while still allowing Iran to transform, adapting to social changes, allowing the economy to grow, and managing technological advancement.   The Assembly of Experts as presented and analyzed is a unified body, but in reality it is a diverse organization, containing a few Reformists, a wide range of Pragmatists and a sizeable block of Principle-ists. The study data was collected in 2010, so the baseline data and forecasts do not reflect a conservative shift in the Assembly of Experts, but the potential impacts of the recent changes are explored in the sensitivity analyses.

Figure 24: Position Spectrum for the Political Disposition of Iran's Next Supreme Leader
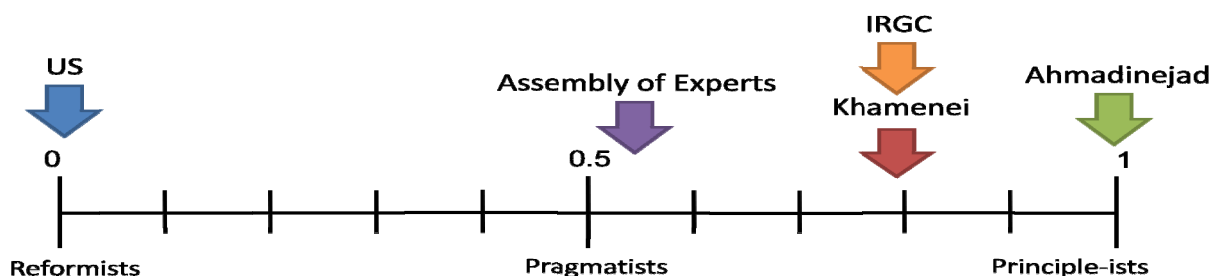
Salience

The Supreme Leader's dominant control over Iran makes the determination of the next Supreme Leader a top or high priority for almost all of the stakeholders. The issue would be a very high priority for the US, and it would be the top priority of Khamenei. Both Ahmadinejad and the IRGC would consider the issue a high priority and dedicate significant portions of their resources to backing their preferred candidates. The Assembly of Experts' (A of E) primary purpose is the oversight and election of the Supreme Leader, and the election would be the sole focus of the organization when it occurs (Figure 25).

Figure 25: Stakeholder Salience about Iran's Next Supreme Leader
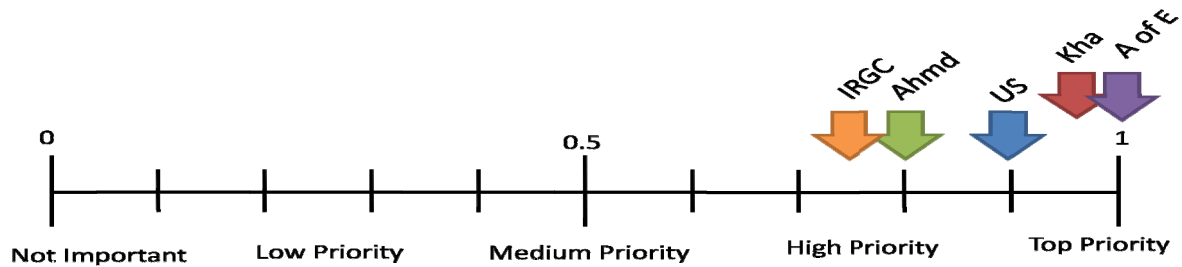
Initial Static Forecasts

Looking at the dispersion of effective capabilities suggests a strong preference amongst the stakeholders for conservative candidates (Figure 26). The dispersal of effective capabilities is broad but generally to the right of the center point, with numerous stakeholders supporting more hardline Pragmatists or Principle-ists. The Pragmatists sit at the center of the position scale but do not appear to be the balance point. Many of the stakeholders wishing to see a more reform-oriented Supreme Leader are international. The biggest supporters to the Reformists' position at the far left are the US, EU, and Israel. Noteworthy stakeholders supporting conservative candidates to the far right of the ideological spectrum are the IRGC, Khamenei, and Ahmadinejad.

Figure 26: Effective Capabilities Plot for Next Supreme Leader's Disposition
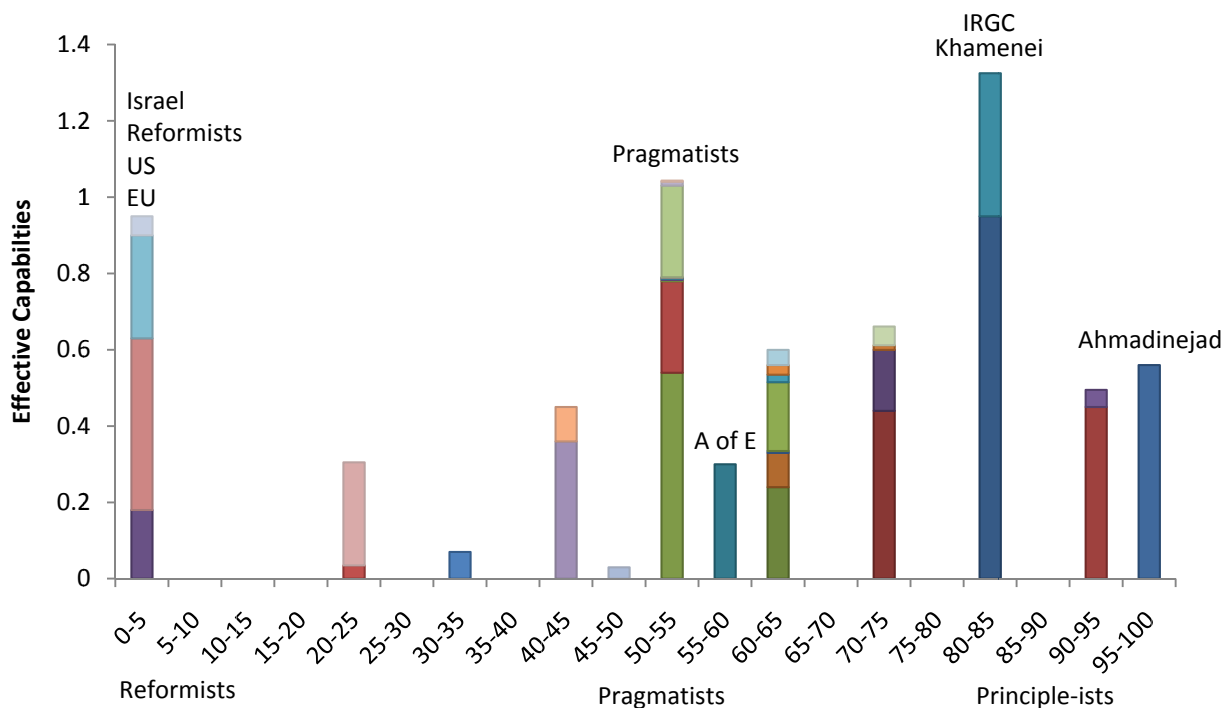
The skew of the effective capabilities manifests in the issue forecasts but less so than could be expected. The static risk-neutral and risk-adjusted forecasts of 0.6 suggest a more conservative figure from amongst the Pragmatists will likely become the next Supreme Leader (Figure 27). The static forecasts are only slightly to the right of the Assembly of Experts' estimated position. There being a

limited number of potential candidates for Supreme Leader, and the distinction between factions being somewhat ambiguous, the possibility of a more pragmatic Principle-ists being elected remains. The forecasted outcomes appear relatively stable, with peaked position support about the forecasts.

Figure 27: Initial Static Forecasts and Position Support of the Disposition of Iran's Next Supreme Leader
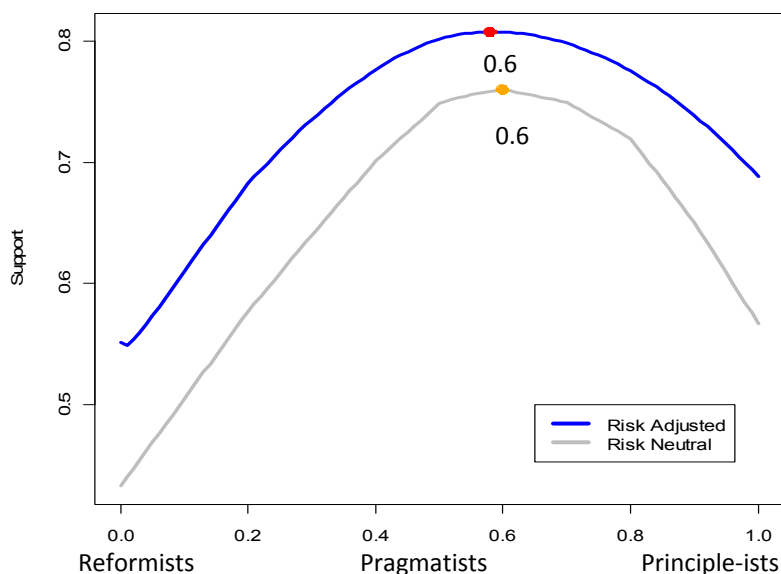
Perceptual Analyses

US opportunities to influence the ideological outlook of the next Supreme Leader are limited (Figure 28). Stakeholders near the US's preferred position (the Reformists, Israel, and EU) have high expected utilities of challenging the US, reflective of the value attached to keeping their ideological allies close.[16] A conflict amongst these stakeholders would be relatively evenly matched. The US is also in conflict with most of Iran's minority populous groups, whether the Afghan Refugees, Baluchis or Provincials, but the US would be expected to easily prevail over these groups (top right quadrant, octant 1). The US is expected to accept a bargain with the Middle Eastern Countries opposed to Iran, realigning the US's position closer to their preferred outlook (octant 3), and the US is expected to capitulate in conflict with many of Iran's stronger domestic stakeholders (octant 4). The US's position is weakest against Khamenei, but is also weak against most other conservative stakeholders, including both Ahmadinejad and the IRGC. The Pragmatists also have an advantage over the US, and in conflict the US is projected to be forced to accept the Pragmatists' position.

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[16] The model will almost always find stakeholders whose positions are identical, or nearly identical, to have positive EU and be in conflict (octants 1 and 2). EU is found by subtracting the EU of action from the EU of no action. When stakeholders' positions are close, the utility of success and failure are equal or nearly so, which results in the EU of action almost always being greater than the EU of no action (For more see Chapter on the Expected Utility Model).

Figure 28: US Opportunities to influence the Selection of Iran's Next Supreme Leader (US Objective EU Plot)
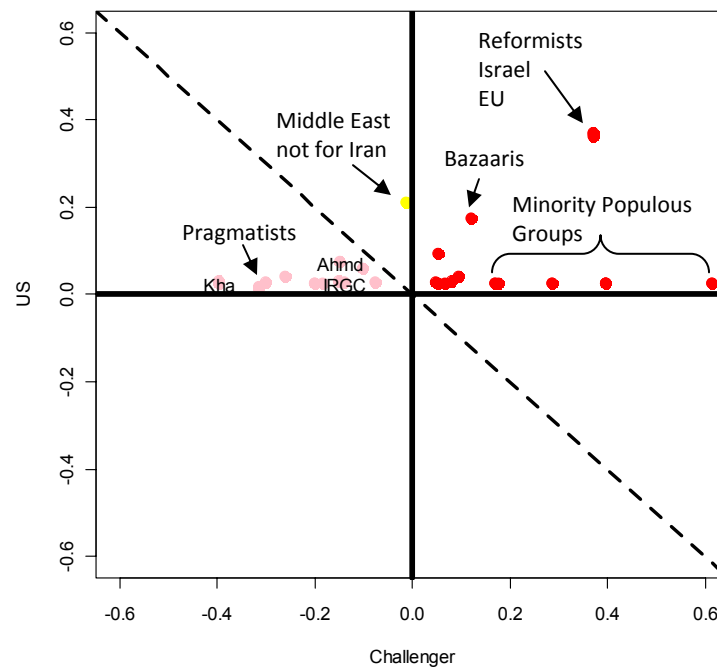
Dynamic Forecasts

The dynamic forecasts confirm the conclusions drawn from the static model, and also highlight the Assembly of Experts' centrality in the selection of the next Supreme Leader (Figure 29). The Assembly of Experts (purple) is one of the only stakeholders that the model predicts will not alter its position on the issue, and after a few rounds the dynamic forecasts settle on the position of the Assembly of Experts (0.55). Ahmadinejad (green) moderates his initially staunchly Principle-ists position on the issue as it becomes obvious his ideal candidate will not be selected. The US (blue) is also projected to moderate its position when it realizes a Reformists Supreme Leader will not be elected. The IRGC (orange) and Khamenei (red) make small concessions, but do not rapidly move to support a less conservative candidate than their ideal.

Figure 29: Development of Stakeholder Positions about Iran's Next Supreme Leader
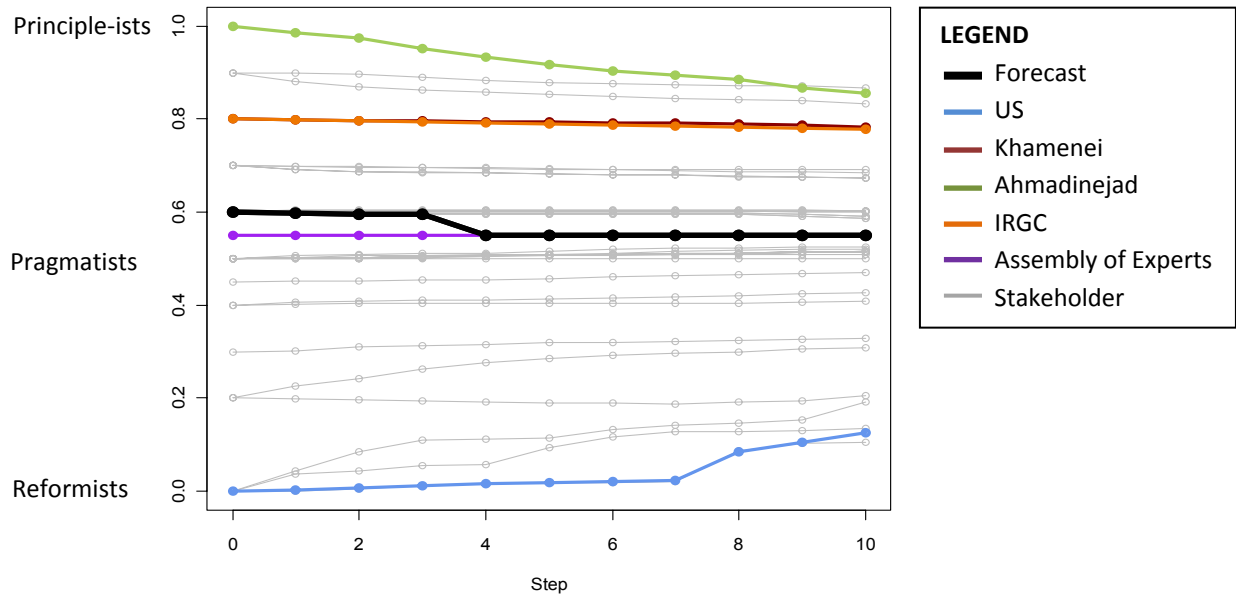
Sensitivity Analysis

Data variation, whether due to estimation error or moderate changes in the political environment, does not appear to significantly alter the forecasted outcome. By allowing the three measured data inputs to vary by plus or minus 10 percent of their respective scale space and rerunning the model, it is possible to test the stability of the forecasts. In the twenty variant cases run, none produced forecasts significantly away from the initial base forecasts (Figure 30). The base forecast, that a Pragmatists will succeed Khamenei, appears robust.

Figure 30: Forecast Sensitivity of Iran's next Supreme Leader
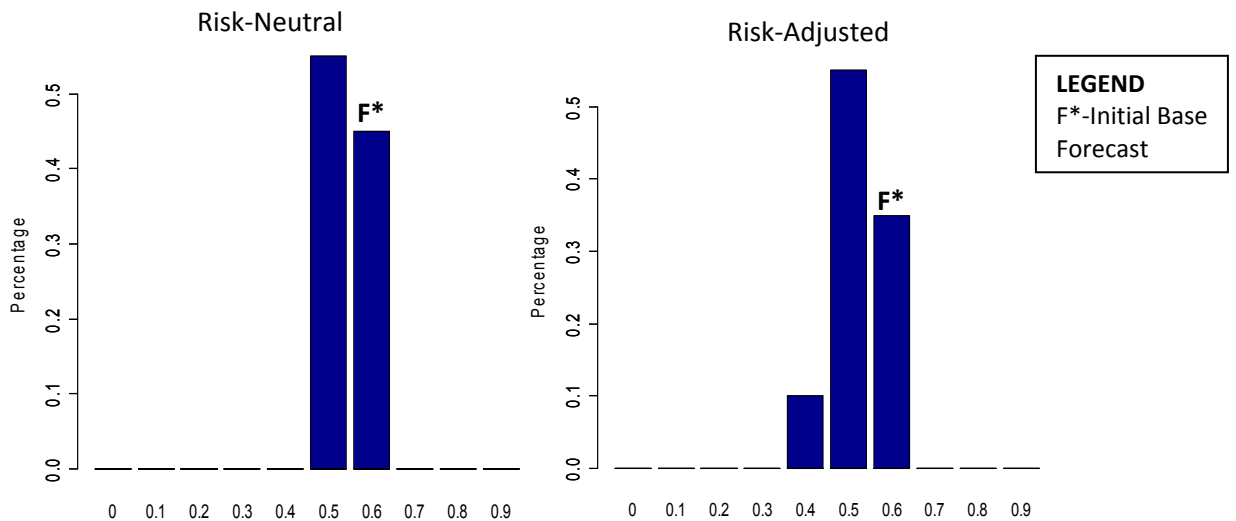
Increasing US effective capabilities on the issue would be challenging. Direct US support to Reformists candidates would be unlikely to be accepted, and if US support were accepted by the Reformists, conservatives would use it as an example of Reformists' disloyalty to Khomeini and the Revolution. Even if the US were able to increase its effective capabilities to double their current level, there is no change in the static forecasts – the US lacks the ability to directly influence the outcome.

Khamenei's choice not to designate a successor could have significant impacts on the selection of the next Supreme Leader. If Khamenei does not or is unable to influence the selection of the next Supreme Leader, the forecasts shift in favor of the Pragmatists. Entirely removing Khamenei's influence, the risk-neutral forecast becomes 0.55 and risk-adjusted forecast drops to 0.5. By not designating a successor, Khamenei avoids potentially reducing or sharing his current control over Iran, and if his second son, Mojtaba Khamenei, is his preferred candidate, delaying provides time for Mojtaba Khamenei to acquire the necessary religious qualifications. Still, by not indicating a preferred candidate, Khamenei risks having the issue shift away from his desired outcome. Khamenei could also move to support a more moderate candidate (position of 0.5). In the event Khamenei moderates his position, the static and risk-adjusted forecasts shift to following his preference (0.5).

Slight changes in the forecasts could occur were key stakeholders such as Ahmadinejad or the IRGC to moderate their positions. Ahmadinejad and the IRGC could conceivably moderate their positions in support of a more pragmatic candidate. If Ahmadinejad shifted his position in favor of a more moderate candidate (0.5), the static risk-neutral and risk-adjusted forecasts decrease slightly to 0.5 and 0.55, respectively. Similar changes to the static forecasts occur (0.55) if the IRGC moderates its position (0.5).

The Assembly of Experts might be becoming more conservative. Were the position of the Assembly of Experts to become more conservative (0.8), as potentially indicated by Ayatollah Mohammad Reza Mahdavi Kani's replacement of Ayatollah Rafsanjani as chair, the static forecasts of Iran's next Supreme Leader do not change (0.6). The Assembly of Experts deliberations are predicted to still nominate the same candidate.

The ability of international stakeholders to exert the same level of influence on the selection of Iran's next Supreme Leader as on other political issues is doubtful. The selection of Supreme Leader is such an important issue within the Islamic Republic that the nation will likely block out and ignore most foreign influences. Completely removing the influence of foreign stakeholders causes the static forecasts to shift towards the Principle-ists (0.7), demonstrating the important role foreign stakeholders play in counterbalancing Iran's domestic conservatives.

Linking Forecasts with Candidates for Supreme Leader

As head of an Islamic state, candidates for Supreme Leader must have certain religious qualifications. To be considered for Supreme Leader an individual must be a Shi'i Ayatollah approved by the Guardian Council. There are only approximately one hundred Ayatollahs, and of these, a much smaller percentage have political inclinations (Alhabaib 2010). The top candidates currently discussed for Supreme Leader are Ayatollah Ali Hashemi Rafsanjani and Ayatollah Mahmoud Hashemi Shahroudi, of which Rafsanjani is the more moderate. The most ideologically hard-line candidate discussed is Ayatollah Mesbah Yazdi.

The Reformists Ayatollahs are generally quietist, tacitly disapproving of Iran's government, a result of which is that there are no frontrunner Reformists candidates. Since Ayatollah Hossein Ali Montazeri's

death on 19 December 2009 Ayatollah Yousef Sanei has assumed the mantle of the spiritual leadership of the Reformists. Sanei held several government posts in the decade following the revolution before retiring from his last post in the Guardian Council in 1983. He is the most likely Reformists candidate for Supreme Leader.

The most renowned quietist cleric is Ayatollah Ali al-Sistani. Sistani was born in Iran but resides in the traditional center of Shi'i religious studies, Najaf, Iraq. Sistani frequents Qom, Iran where he maintains an office, but would be unlikely to seek a role in Iran's government. Of further consideration, any Ayatollah identifying with the Reformists would have difficulty gaining approval from the conservative Guardian Council, the approval of which is necessary to be considered for Supreme Leader by the Assembly of Experts.

Ayatollah Mesbah Yazdi is considered President Ahmadinejad's spiritual adviser. He sits on the Assembly of Experts and leads Iran's hardline fundamentalists within the Principle-ists. Yazdi believes Iran has strayed from the values of the 1979 revolution and strongly opposes the Green Movement. He has also insisted on Iran's need to acquire a nuclear weapon (Yazdi 2011).

Currently, Rafsanjani and Shahroudi are the candidates that identify closest with the model's projected political disposition of Iran's next Supreme Leader (Figure 31). In head to head competition with Rafsanjani, Shahroudi would benefit from considerations of his relative youth (he is 14 years younger than Rafsanjani) and untarnished reputation (Rafsanjani and his family have been repeatedly implicated in charges of corruption). Sharoudi would also benefit from the ties he established as Iran's Chief Justice and his position on the Guardian Council. Ideologically, Shahroudi is closer to Khamenei's ideological outlook, and he would likely receive Khamenei's blessing shortly before the election. Still, Rafsanjani has a more extensive political network than Shahroudi and heads the Expediency Council. As a member of the Assembly of Experts and its former chair, he likely has developed a strong network within the organization. Rafsanjani has also long been viewed throughout Iran as the countering force to Khamenei. Recently, Rafsanjani's political influence appears to be under continual attack by the Principle-ists and on the decline. Assuming no drastic changes to the political environment, Shahroudi would likely edge out Rafsanjani to become Iran's next Supreme Leader.

Figure 31: Linking Candidates for Model Forecasts

RN – Risk-neutral Static Forecast
RA – Risk-adjusted Static Forecast
D – Dynamic Forecast
NF – Forecasts with no Foreign influences
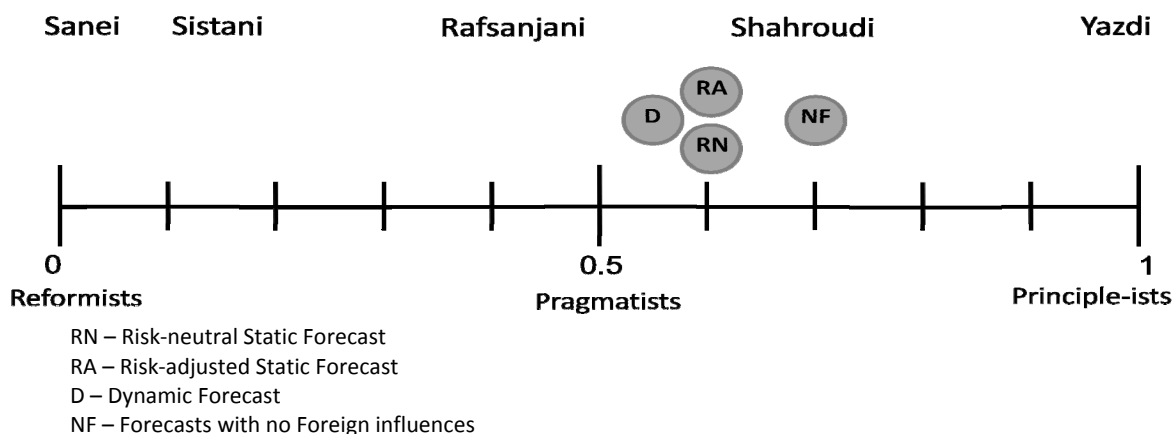
Alternate Theories about Iran's Post Khamenei Future

Some scholars have posited that upon Khamenei's death a new form of government will arise in Iran. Three alternatives dominate this discussion – a leadership council, an autocracy, and a democracy.

Following Khomeini's death and prior to the election of Khamenei, there was discussion of a leadership triumvirate. If a strong consensus about a candidate did not form readily, the idea of a Supreme Council would likely be revisited. The model, having fairly peaked position support about the forecasts, does not suggest a lack of consensus about a candidate, making the creation of a leadership council unlikely.

The IRGC's growing power, coupled with the domination of Iran's political discourse by key personalities, has led some to speculate total control of Iran could be seized by a single charismatic individual. This outcome seems very unlikely in the short term. The IRGC's political influence is growing, but it does not dominate the political discourse, and there is not a front-running charismatic individual outside or within the government with the popular following to seize control.

The third alternative commonly discussed is the overthrow of the current government by Iran's masses, a democratic revolution. In Iran, a velvet revolution seems unlikely, because the government is capable of providing its people with basic services, has a strong grasp of the economy, controls the channels of communication and, possibly of greatest importance, is firmly backed by the military. The structure of Iran's government may slowly evolve, but it seems unlikely that a dramatic transformation will occur.

Summary

Iran's next Supreme Leader will likely be drawn from amongst the conservative Ayatollahs. His disposition is likely to be slightly more moderate than that of Khamenei. Ayatollahs Rafsanjani and Shahroudi are currently the stongest candidates, with Shahroudi being favored over Rafsanjani.

Khamenei has significant opportunities to influence the selection of his successor. His support amongst the leading candidates would likely be the deciding factor. Khamenei has not yet nominated a successor; because of either fear of diluting his powers, or because his preferred candidate, his second son, Mojtaba Khamenei, currently lacks the necessary religious credentials. In absence of Khamenei moving to influence the issue, the Assembly of Experts holds the decisive leverage selecting the next Supreme Leader. In a close election the support of Ahmadinejad or the IRGC for a candidate could potentially determine the outcome.

The US has limited opportunities to influence Iran's choice of its next Supreme Leader. Still, even a new conservative Supreme Leader presents the US opportunities to favorably reshape relations with Iran. New leadership would create opportunities to reduce many past prejudices and could serve as the catalyst that enables both sides to undergo a shift in paradigm.

Policy Issue: Interpretation of *Velayat-e faqih*

Iran is guided by *velayat-e faqih*, Khomeini's theory of Islamic governance by a ruling jurisprudent. *Velayat-e faqih* is the belief that an Islamic jurist should provide guardianship for the populace. Khomeini ruled Iran, debatably, as a totalitarian – definitively crushing any opposition to the Islamic

Republican Party and receiving no contest from the republican institutions, including the *majles*, President, and Prime Minister. Khomeini was able to impose a strict interpretation of *shari'a* on society and enabled the government to dominate Iran's economy.   Khamenei's rule is more authoritarian, lacking Khomeini's charisma and unchallenged authority. Khamenei, while still dominant in Iran's decision making, is held accountable by the republican institutions and must appease the different factions that have arisen since Khomeini's passing. Since Khamenei's ascension to Supreme Leader, he has had to allow a liberalization of civil society and relaxed government control over Iran's economy (Rakel 2009).

The rise of the Principle-ists, the result of a resurgence of conservatism, has rekindled a recurring debate in Iran about the interpretation of *velayat-e faqih*, and its implementation by the government. A more conservative interpretation of *velayat-e faqih* would involve strict imposition of the *shari'a* and potentially huge setbacks for the women's movement, while more liberal interpretations would likely open the economy and advance human rights. Understanding the direction in which this debate is heading, whether a return to the more liberal interpretations of Rafsanjani and Khatami, or an even stricter interpretation, like that in the period immediately after the revolution, could influence the opportunities for US policy.

Policy Positions

The current implementation of *velayat-e faqih* contains a number of deviations from Khomeini's revolutionary government. The first pragmatic concessions were made following the Iraq war in an effort to boost Iran's struggling economy. Khamenei's ascension to Supreme Leader marked the beginning of the second period of changes. Khamenei lacked Khomeini's authority and Iran's economy was still struggling, conditions which made further social and economic reforms necessary to attract foreign investors and maintain popular support. Khamenei's initial changes were insufficient, and with the Reformists' rise to power, further concessions were made. The Principle-ists' defeat of the Pragmatists and Reformists in the 2005 presidential election ended the slow liberalization of *velayat-e faqih*. Under Ahmadinejad, Iran has returned to a stricter interpretation of *velayat-e faqih*.

The US would support more liberal interpretations of *velayat-e faqih* (Figure 32). It associates stricter interpretations of *velayat-e faqih* with human right violations and the suppression of women. Furthermore, liberal interpretations of *velayat-e faqih* would likely result in a more open society and economy, increasing US soft power in Iran, and thus, its influence on other issues.

Supreme Leader Khamenei has long championed stricter interpretations of *velayat-e faqih*, but has shown flexibility in the past. Following the Iraq war, Khamenei fought and limited the sought-after reforms of President Rafsanjani, and later, President Khatami. Khamenei's cultivation and support of conservative stakeholders has enabled their growth in number and strength and facilitated the Principle-ists' rise to power.

President Ahmadinejad ran on a platform that included returning to Islamic fundamentalism and revolutionary values. As a follower of Ayatollah Mesbah-Yazdi, Ahmadinejad supports a strict interpretation of *velayat-e faqih*. He pushes for traditional enforcement of the *shari'a* and high levels of government involvement throughout society.

The political disposition of the IRGC is not homogeneous. It has both liberal and conservative members, but the majority of its members are conservative, especially amongst the higher ranks. Its

conservatism is reflected in its preference for a strict interpretation of *velayat-e faqih*. The IRGC's stance is slightly less stringent than Ahmadinejad's, but it is still seeking a stricter interpretation of *velayat-e faqih* by Iran.

Figure 32: Stakeholder Preferred Positions of Iran's Interpretation of *Velayat-e faqih*
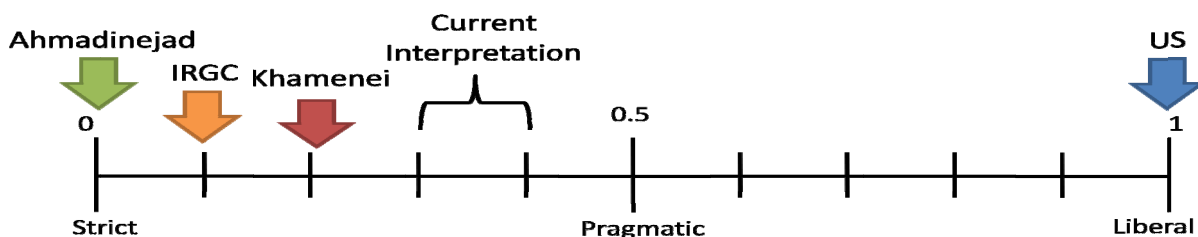
Salience

Iran's interpretation of velat-e-faqih is a relatively low priority for the US (Figure 33). The US sees little means to influence this issue, especially since the debate is largely contained within the community of Islamic scholars. Khamenei views the issue as a top priority, with conservative interpretations of *velayat-e faqih* helping cement, legitimize and consolidate his power. Ahmadinejad, having been elected on a platform pushing for a stricter interpretation of *velayat-e faqih*, considers achieving a more conservative interpretation of velyat-e faqih a top priority. Likewise, the IRGC, wishing to see a more conservative society, has recently made helping facilitate the implementation of a stricter interpretation of *velayat-e faqih* a high priority.

Figure 33: Salience of the Interpretation of *Velayat-e faqih*
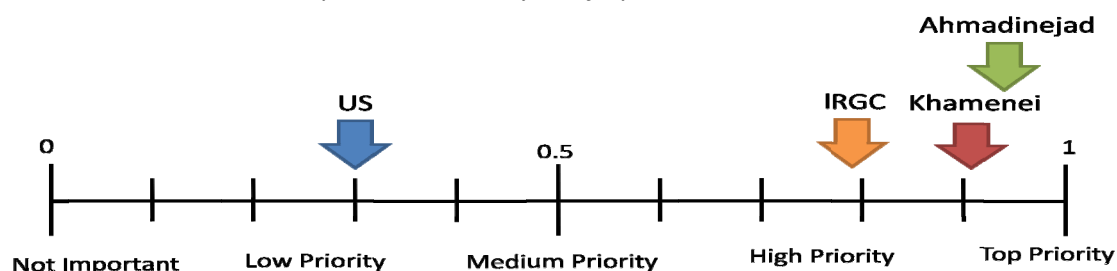
Initial Static Forecasts

A majority of the stakeholders capable of significantly influencing the implementation of *velayat-e faqih* favor stricter interpretations.   The effective capabilities plot shows a strong leftward skew (Figure 34). Influential stakeholders aligned in support of stricter interpretations include Khamenei, the majority of the quietist clerics, Ahmadinejad, the IRGC, and the Guardian Council. Domestically, more liberal interpretations of *velayat-e faqih* are supported by the Reformists, but their largest supporters are the EU and US, foreign stakeholders with limited interest in or ability to influence the direction of the debate.

Figure 34: Effective Capabilities Array about Iran's Interpretation of *Velayat-e faqih*
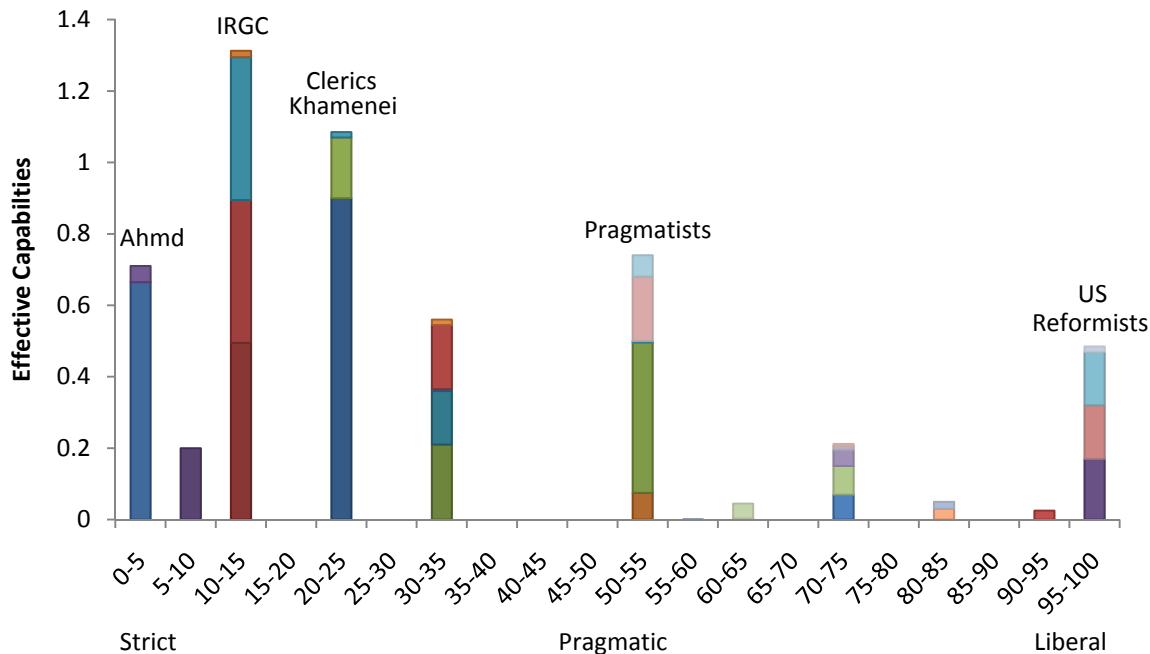
The distribution of effective capabilities is reflected strongly in the initial static forecasts (Figure 35). The risk-neutral forecast projects a stricter interpretation of *velayat-e faqih* will prevail (0.2). The risk-adjusted forecast predicts a strict interpretation of *velayat-e faqih* will prevail, but within the framework of the current implementations (0.3).

Figure 35: Initial Static Forecasts and Position Support of Iran's Interpretation of *Velayat-e faqih*
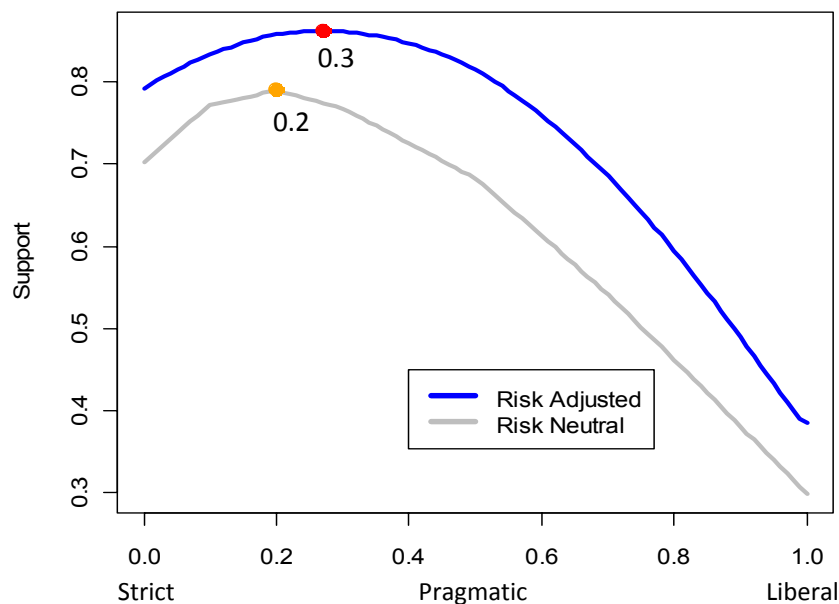
Perceptual Analysis

The US is not well situated to influence Iran's interpretation of *velayat-e faqih*. The US is in a weak position with respect to Iran's leading conservative stakeholders – Khamenei, Ahmadinejad and the IRGC (Figure 36). In a conflict with the conservative stakeholders on this issue, the US is projected to lose and be forced to make concessions on its position (octant 4). The Pragmatists, Expediency Council, and *bonyads* appear capable of pressuring the US into bargaining and shifting its position in support of more pragmatic, as opposed to liberal, interpretations. The US is in conflict with the remainder of the stakeholders. The conflict stakes are highest amongst those stakeholders holding similar positions to the US, notably the Reformists and EU, whose own positions would significantly weaken if the US's preferred position moved.

Figure 36: US Opportunities to Influence Iran's Interpretation of *Velayat-e faqih* (US Objective EU Plot)
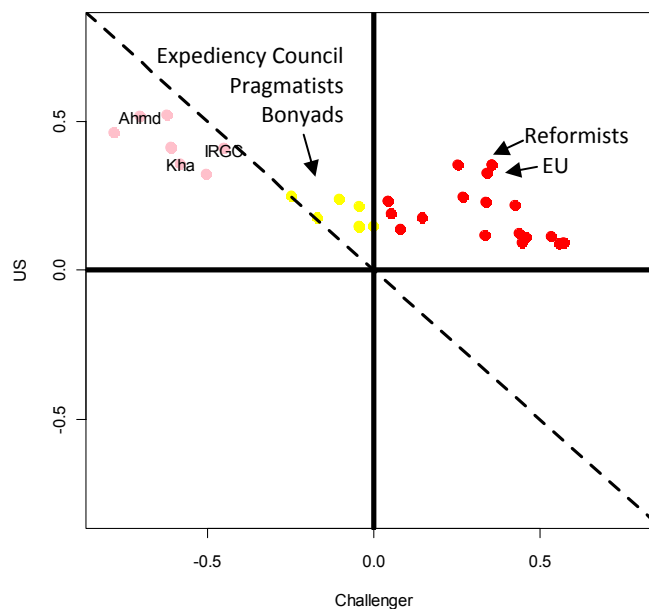
Dynamic Forecasts

The dynamic forecasts show no drift in the forecasted issue outcome (0.3), suggesting that while the debate over the interpretation of *velayat-e faqih* may have resurfaced, change is unlikely (Figure 37). The limited past changes, pushed for and won by the Pragmatists and Reformists, are unlikely to be completely reversed. Significantly stricter interpretations, such as those championed by Ayatollah Mesbah Yazdi and President Ahmadinejad, are unlikely to win out and reshape Iran's government and society. The US is projected to slowly moderate its position, becoming more pragmatic, and with time Khamenei, Ahmadinejad, and the IRGC will all reduce their support for significantly stricter interpretations of *velayat-e faqih*.

Figure 37: Dynamic Forecast of Interpretation of *Velayat-e faqih*
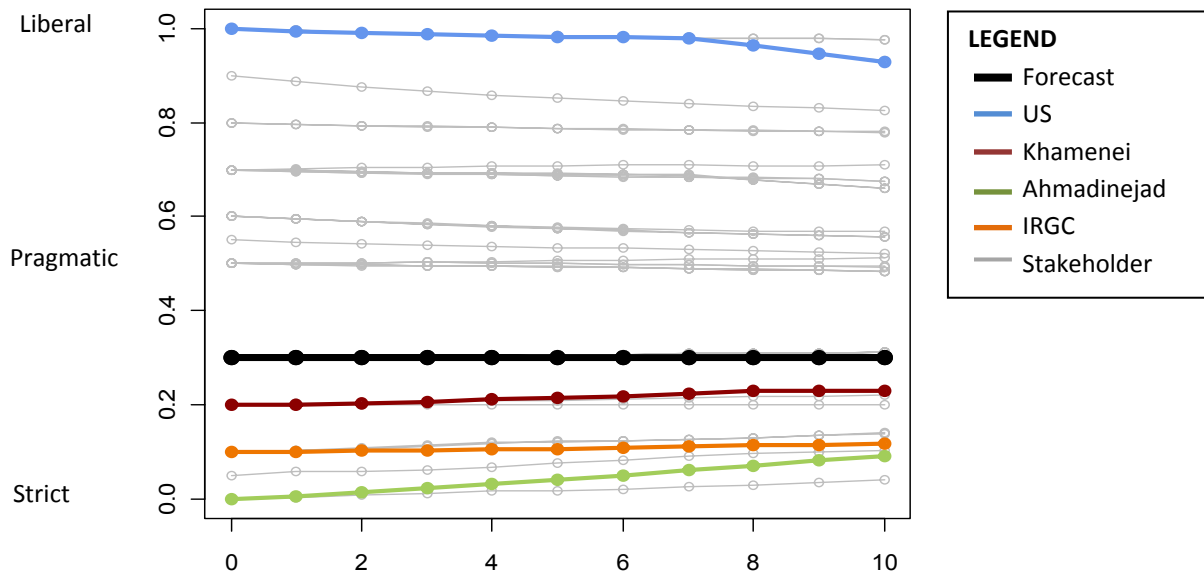
Sensitivity Analysis

   Sensitivity analyses show that if there are shocks to the political environment, or the data were misestimated, Iran's interpretation of *velayat-e faqih* is likely to become stricter (Figure 38). In all the variant cases the risk-neutral forecasts call for a stricter interpretation of *velayat-e faqih*. The risk-adjusted forecasts are split; in half the cases the more liberal elements are able to prevent significant changes from the current interpretation, but in the other half of the cases, the conservatives successfully implement interpretations of *velayat-e faqih* stricter than those currently prevailing.

Figure 38: Stability of Forecasted Interpretation of *Velayat-e faqih*
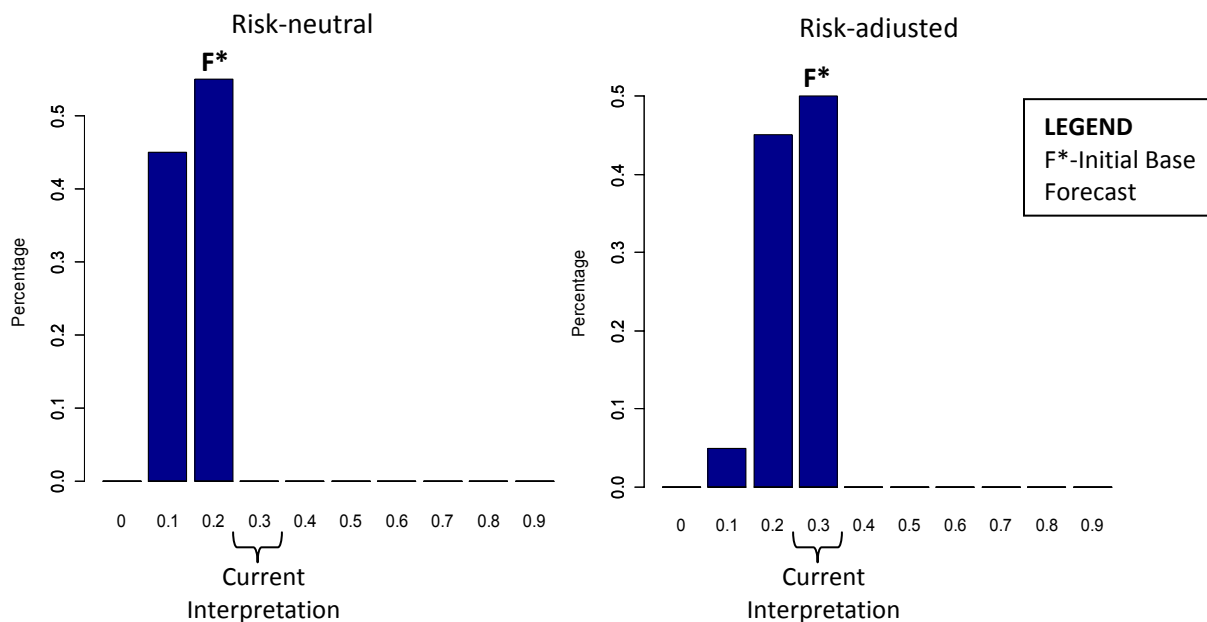
Even if the US increases its effective capabilities to double or triple their current level on the issue, there are no changes to the initial static or risk-adjusted forecasts. Increased US effective capabilities on the issue make position support more peaked, helping stabilize the forecasts and suggesting that moderate increases in conservative influence might potentially be countered by increased US pressure.

In the event Khamenei's effective capabilities diminish by half, ninety percent, or even are entirely removed, the initial forecasts remain the same. The initial forecasts also do not change if Ahmadinejad's or the IRGC's effective capabilities diminish or are entirely removed from the issue. The strong coalition of conservative stakeholders reduces the influence of any one stakeholder and makes it likely the current interpretation of *velayat-e faqih* will persevere.

Summary

Since Ahmadinejad's election, Iran's interpretation of *velayat-e faqih* has become stricter, moving back toward its original implementation by Khomenei. The model projects that the interpretation of *velayat-e faqih* is unlikely to change further in the near future. There is strong support for a stricter interpretation, but currently, the liberal and conservative elements are counterbalancing. The strong conservative coalition makes decreasing or removing the influence of any one stakeholder inconsequential to the projected outcome, and substantial increases in the effective capabilities of stakeholders supporting more liberal interpretations are insufficient to shift the forecasts. In the event Iran's political landscape changes, there is a high likelihood the government would move toward stricter interpretations of *velayat-e faqih*.

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Economic and Civil Society Analyses

Policy Issue: Economic Liberalization

Following the 1979 revolution Iran's new government took control over vast segments of the economy. Over the ensuing decades state mismanagement and investor uncertainty have crippled the economy and hurt the prosperity of the Iranian people. International trade, a cornerstone to most bilateral and multilateral relations, has been stymied by legal opacity. The UN's imposition of trade sanctions has further limited Iran's trade relations. Iran faces double digit inflation and high unemployment, making it necessary for Iran to grow its economy and resolve its trade and production imbalances. Crucial components to improving the state of the Iranian economy are additional foreign investment and integration into global markets, neither of which are likely to occur at adequate levels without economic liberalization. Understanding the probable course of Iran's economic liberalization could help shape policy formation.

Policy Positions

The US would like to see an open economy with low levels of government involvement in Iran. A more open economy would enhance US economic leverage, increasing its soft power (Figure 39). Business exchanges include more than just goods and service; they are also partially cultural, and the transfer of ideas could strengthen the push for greater public involvement in government and might lead to more moderate stances on many issues.

Khamenei's power and control is directly linked to the Iranian government's control over the economy. The paternal nature of the state, where the government uses petroleum profits to subsidize various staples, provides Khamenei tremendous influence over large portions of the populace. Opening the economy would involve the government privatizing various industries, or allowing domestic competition to government businesses. Khamenei wants to retain strong government control over the economy, knowing that opening the economy reduces his own influence. Khamenei does not desire complete government control, though; he acknowledges the benefits of having private sector businesses and entrepreneurship. Khamenei also benefits from being able to blame Iran's economic performance and high unemployment on sources outside the government.

Ahmadinejad's electoral platforms included promises to improve Iran's economy, placing oil wealth in the hands of the people. As head of the executive, Ahmadinejad is responsible for the economy, so he must take action, but he faces a quandary, because reducing government control diminishes the influence of his own office. In January 2011, Ahmadinejad was forced to take steps to reduce government economic involvement, ending generous fixed price subsidies on energy and food, replacing them with lump sum cash transfers to the poor. The change was necessary because the old fixed price subsidies were becoming unsustainable, encouraging overconsumption and consuming more than 10 percent of Iran's GDP. The move, while necessary, was unpopular amongst the populace that did not comprehend the necessity of the change. Ahmadinejad used Iran's media extensively to help educate the public and justify his economic reforms, highlighting their positive redistributive effects, and upon the implementation of the reforms, he mobilized the IRGC to limit protests (*The Economist* 2011).

The IRGC's position is similar to that of Ahmadinejad, but the organization's reasoning is subtly different. The IRGC believes that reducing government control is necessary to maintain internal stability and allow the economy to grow. Furthermore, the slow withdrawal of the government from different economic sectors creates voids that the IRGC can fill, increasing its own influence. The IRGC first became intertwined in the domestic economy following the Iraq war, arguing it needed to protect the defense base, but over the past decade its presence has expanded so that there is hardly a segment of the economy lacking an IRGC presence.

Figure 39: Stakeholder Positions on the Liberalization of Iran's Economy
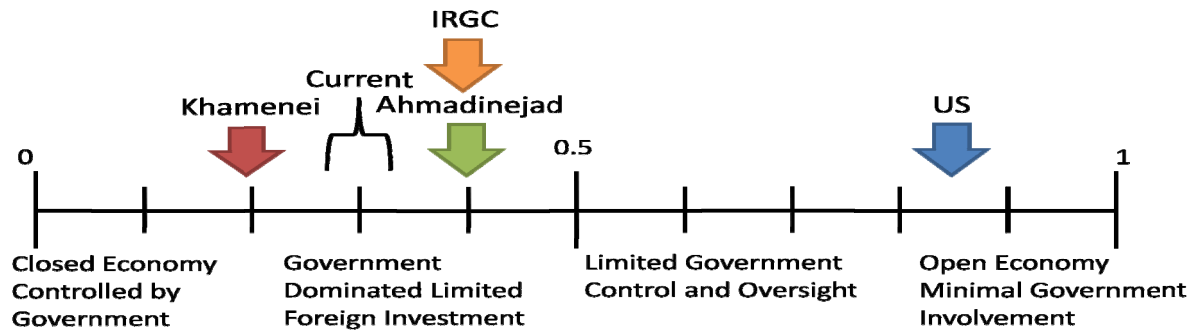
Salience

Relative to the other stakeholders, the US places a fairly high priority on Iran's economy (Figure 40). The US has found targeting the economy to be one of the few viable methods available to influence Iran's political aims. Furthermore, a more open Iranian economy makes US markets increasingly appealing. Increased international trade with Iran would also allow cross-cultural exchanges that would likely help to increase the number and power of those wishing to normalize Iran's foreign relations. Khamenei places moderate priority on Iran's economy. Currently, economic reform is necessary, but any implemented reform would be unlikely to dismantle the *bonyads* or reduce the oversight of government ministries, changes that would significantly affect Khamenei's power. Recently, Ahmadinejad has placed a higher priority on improving the efficiency of Iran's economy, the economy being a primary responsibility of the executive office (*The Economist* 2011). Still, Iran's economy, while a high priority, ranks below Ahamdinejad's national security concerns and social agenda, thus limiting the resources he is willing to dedicate to the issue. The IRGC places a relatively high priority on reducing the government's involvement in the economy, viewing reduced government oversight as an opportunity to expand its own domestic presence.

Figure 40: Stakeholder Salience on the Liberalization of Iran's Economy
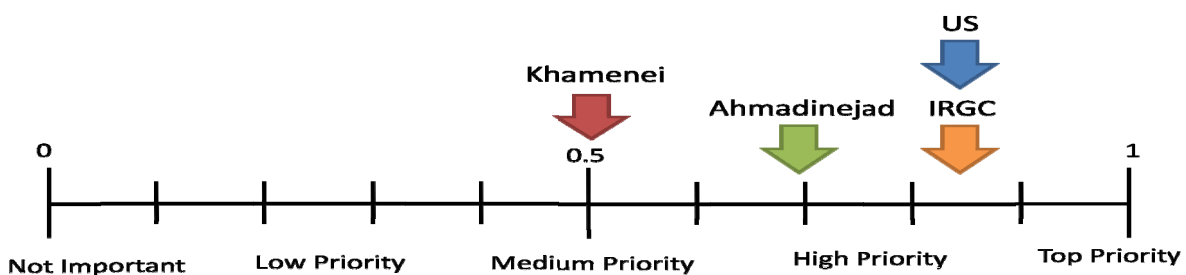
Initial Static Forecasts

When analyzing Iran's economy, the stakeholders can be divided into two broad categories. The first group consists of those that want to maintain the government's dominant economic role. Some segments of this group acknowledge the need for limited reform and a reduction in government involvement. This group includes Khamenei as one of its most conservative members, and Ahmadinejad and the IRGC amongst its more reform-tolerant elements. Almost all the stakeholders empowered within the current government are contained in this group (Figure 41). The second group is comprised of the stakeholders wishing to see significant reductions in the government's economic control. This group contains the Pragmatists and Reformists as well as most of the populace groups. It also contains almost all of the international stakeholders, including the US, Russia, EU, and China.

Figure 41: Distribution of Stakeholder Effective Capabilities Applied to Economic Reform
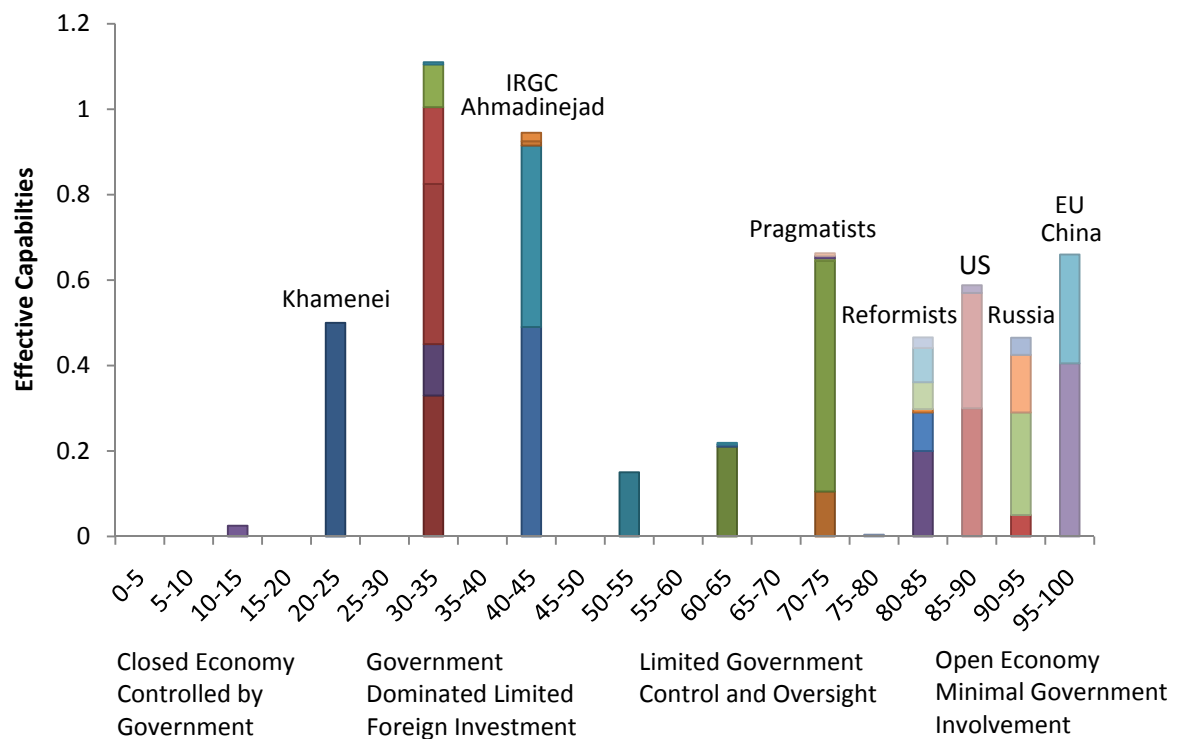
The static forecasts suggest Iran will move toward a more open economy, with moderate levels of government control and oversight (Figure 42).   The analysis data for this study was collected in 2010, and to a degree, the forecasts were at least partially observed in early 2011, with the ending of Iran's fixed price food and petroleum subsidies. The 2011 reforms are a big step in reshaping Iran's economy, but by themselves are unlikely to be sufficient. The model forecasts suggest further economic reforms will likely be necessary, but the speed at which the government reduces its economic control will likely be slow. Position support becomes fairly level after only moderate reductions in government involvement, suggesting that the government will not necessarily need to move quickly beyond its acquiescence to some select initial concessions.

Figure 42: Initial Static Forecasts and Position Support for Iran's Economic Liberalization
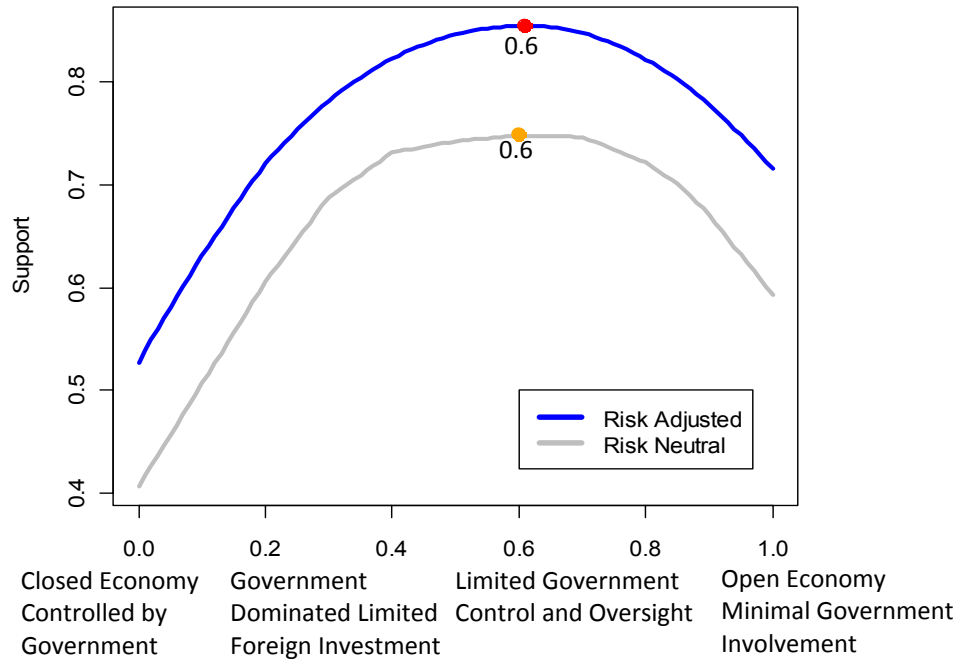
Perceptual Analysis

Very few stakeholders are identified as being willing to take risks to affect Iran's economic development (Figure 43). Khamenei is the second most risk-accepting stakeholder and is slightly risk-averse. The *Haqqani*-School Clerics, wishing to see an Islamist socialist state, are the only stakeholder willing to accept risk to increase the government's economic control, and *Haqqani*'s influence over the issue is fairly minimal. Other less risk-averse stakeholders are the EU and China, both of whom are significant trade partners of Iran, and well-positioned to benefit from a more open economy. Ahmadinejad and the IRGC are fairly risk-averse, not wishing to make any changes to the Iranian economy that are not absolutely necessary. Similarly, the US is unwilling to take risks to reduce government control of an economy it has had little contact with since 1979.

Figure 43: Risk Character of Stakeholders seeking to influence Iran's Economic Development
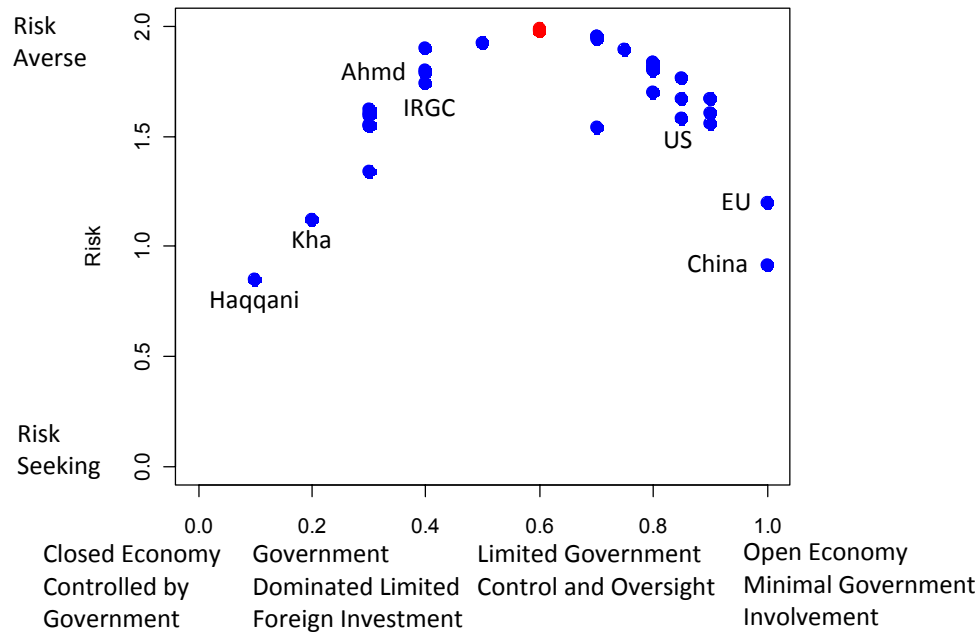
The model does not identify any advantageous bargain opportunities for the US (Figure 44). The model projects the US will accept any progressive changes Ahmadinejad implements, and projects the US will be forced to accept the IRGC's presence in Iran's economy (octant 4). The US is in conflict with the majority of other stakeholders on this issue, but has the advantage in conflict against almost all of them, including Khamenei, *Haqqani*-School Clerics, and the Provincials. The EU and China are two exceptions, heavily invested in Iran's economy as two of Iran's major trade partners; the EU and China would have an edge over the US in conflict on this issue.

Figure 44: US Opportunities to Effect Iran's Economic Development (US Objective EU Plot)
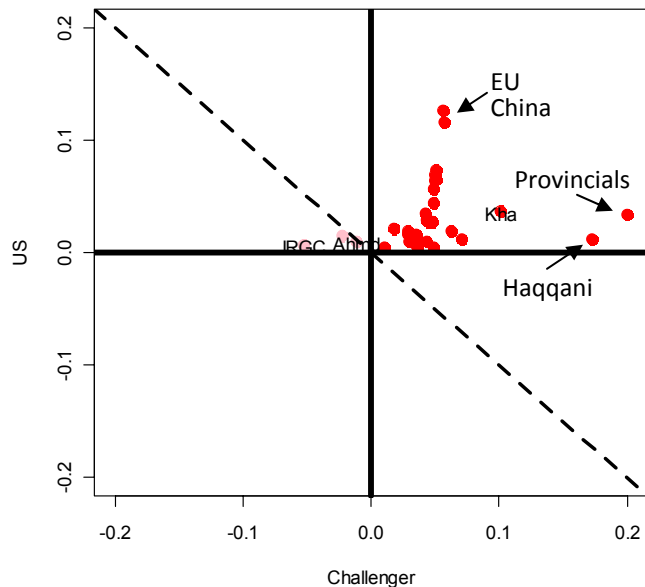
Dynamic Forecasts

The dynamic forecasts show that the stakeholders seeking reduced government oversight and control of the economy make minimal concessions on their positions (Figure 45). The stakeholders seeking to maintain government control slowly move toward accepting reduced government economic involvement. Khamenei is amongst those stakeholders wishing to maintain dominant government control, and with time his position is projected to shift markedly towards accepting reduced government economic involvement. While the stakeholders seeking to maintain government control and oversight make concessions on their positions, the model forecast remains constant, projecting Iran's economy must move toward reduced, moderate levels of government control and oversight (around a position of 0.6).

Figure 45: Dynamic Forecasts of Iran's Economic Development
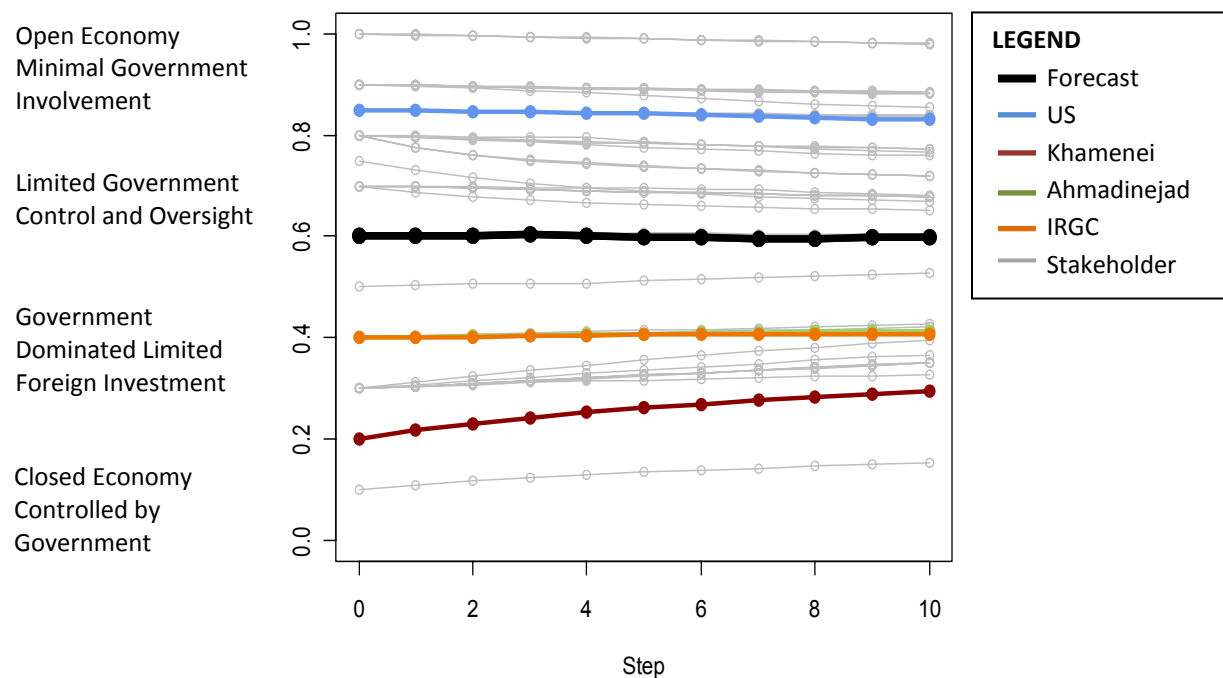
Sensitivity Analysis

Varying the data and rerunning the model shows that the projected outcomes can vary significantly due to new political developments or changes in stakeholder perspectives. Iran's economy clearly needs to grow: to do this the government will have to reduce its oversight and control, but to what level varies significantly (Figure 46).

Figure 46: Sensitivity Analysis of Iran's Economic Development
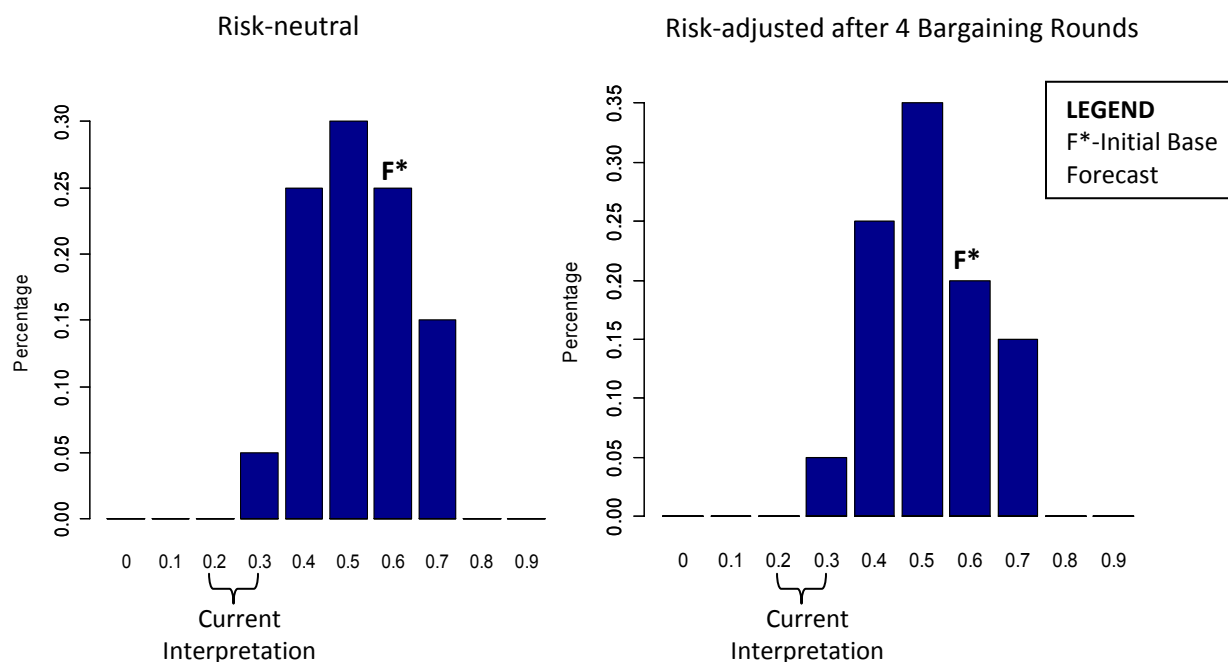
Iran's oil wealth is one factor enabling the government to forestall economic reform. Government revenue from Iran's vast petroleum and natural gas resources allows it to appease much of the populace and ignore international pressure. Reducing the influence of international stakeholders, the forecasts shift downward, enabling the sustainment of higher levels of government control. Completely removing international pressure, the risk-neutral forecast falls to 0.4 and risk-adjusted forecast falls to 0.5. Iran's oil wealth serves as a significant obstacle to quick economic reform.

There is little the US can do unilaterally to influence Iran's economic liberalization. Increasing US influence by 50 percent causes the risk-neutral forecast to rise to 0.7, but the risk-adjusted forecast does not change; and no further changes occur to the forecasts, even if the US doubles or triples its effective capabilities.

The conservative forces in Iran individually have minimal control over Iran's slow economic liberalization. If Khamenei moderates his position to 0.4 the static forecasts do not change. Khamenei must shift his position to 0.8 before the risk-neutral forecast becomes 0.7 and even then the risk-adjusted forecast does not change from 0.6. Reducing Khamenei's influence over the issue, or removing it entirely, the risk-neutral forecast rises slightly to 0.7, but the risk-adjusted forecast remains. Likewise, Ahmadinejad or the IRGC moving to support greater economic liberalization (position of 0.8) does not result in any changes to the initial static forecasts. Iran's economy out of necessity is slowly liberalizing, but the rate at which this progression occurs is not projected to be rapid.

Summary

Iran's economy appears most likely to continue its slow course of liberalization, and government ownership and oversight will continue to diminish. The model projects the need for some immediate rapid changes to the Iranian economy, but suggests progress slows long before the equilibrium state is reached. US opportunities to push Iran toward a freer economy are limited, yet domestic stakeholders,

wishing to maintain strong government control, have limited opportunities to alter or impede Iran's progress toward freer markets.

Policy Issue: Future Influence of the *Bonyads*

Many of the businesses and properties of the Shah and his supporters were confiscated following the revolution. Much of this wealth was entrusted to the *bonyads*, public service religious foundations. The three largest *bonyads* – the Foundation of the Oppressed and Disabled (*Bonyad-e Mostazafan va Janbazan*), the Martyrs Foundation (*Bonyad-e Shahid*) and the Imam Reza Foundation (*Bonyad-e Astan-e Quds*) -- control a huge portion of the Iran's economy: by some estimates, the *bonyads* produce 35% of Iran's gross domestic product (Rakel 2009). The Supreme Leader appoints the heads of the *bonyads*, but the organizations operate largely outside of government oversight. Following the Iraq war, the *bonyads* were some of the most powerful political actors in Iran, but the *bonyads'* influence seems to have peaked in the late 1980s and early 1990s. While the organizations are still powerful, their influence appears to be in slow decline.

Policy Positions

As religious organizations, the *bonyads* play a significant role shaping the outlooks and opinions of Iran's populace. Large portions of the population rely on the *bonyads* for food, clothing, stipends, or housing. The active presence of the *bonyads* in the community provides them ample opportunities to recruit and develop religious conservatives.   The US in its effort to combat Islamic fundamentalism would like to see a continuation in the decline of the *bonyads*, and services currently jointly provided by the *bonyads* and government ministries instead rendered entirely by the private sector (Figure 47).

Khamenei is not in conflict with the *bonyads*. His oversight of the *bonyads* and their assets is a significant portion of his power base, but he is not seeking to increase their influence. When the *bonyads'* power was greater, the organizations' support was instrumental to the success of Rafsanjani's and Khatami's presidential bids, candidates more liberal than Khamenei's ideal.

Ahmadinejad would like to see the power of the *bonyads* continue to decline relative to his own. The *bonyads* have opposed Ahmadinejad's policies and supported his political opponents. Additionally, many of the functions provided by the *bonyads* are duplicated by ministries within his office. By decreasing the *bonyads'* influence, Ahmadinejad can thus increase his own power.

The IRGC and the *bonyads* are both religious and conservative. The IRGC's expansion into the domestic economy has not yet brought the organizations into conflict, and the *bonyads*, in their current role within civil society, do not pose a challenge to IRGC aspirations. The IRGC is content to support the status quo.

The *bonyads* would like to have greater control of Iran. The organizations have been influential in Iran's elections and helped direct their outcomes. Growth is a priority to the chairs of the different *bonyads*, which direct large portions of their revenue to expansion. The leaders of the *bonyads* generally associate with the traditional conservatives, a group largely absorbed by the Principle-ists. Recently, the *bonyads'* support has been lent to Pragmatists' candidates, as opposed to Principle-ists and hardliners.

Figure 47: Stakeholder Positions on the Future Role of Iran's *Bonyads*
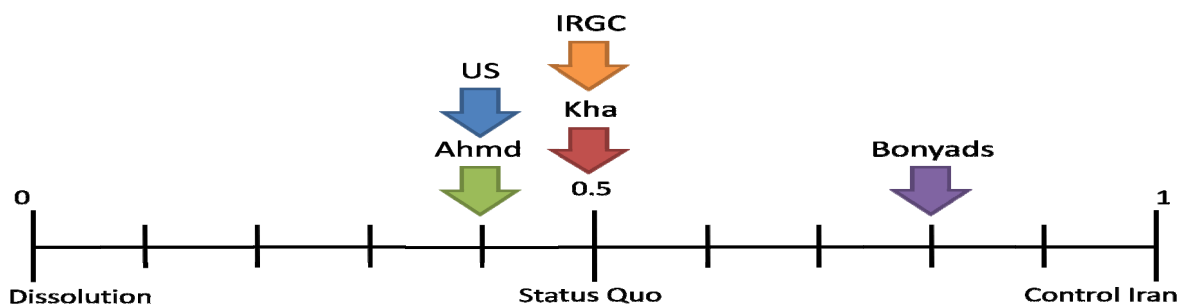
Salience

The US has little means to influence Iran's *bonyads* or their role within Iran. US policy makers are generally cognizant of the *bonyads'* importance within Iran, but not heavily vested in reducing their sway beyond a general preference for liberalization of the economy (Figure 48). Khamenei considers the issue of the future influence of the *bonyads* a low priority, with numerous other issues being of greater importance. Ahmadinejad would like to see the *bonyads'* influence wane, but the numerous other items on his agenda make reducing the *bonyads'* influence a lower priority. The IRGC sees the *bonyads* as providing crucial civil services to the population, and the organizations as instrumental to spreading conservative Islam. Thus, maintaining the *bonyads'* current societal role is a moderate priority to the IRGC. The *bonyads* wish to increase their influence and would place a high priority on expanding their control over Iranian economic and political affairs.

Figure 48: Stakeholder Salience on the Future Role of Iran's *Bonyads*
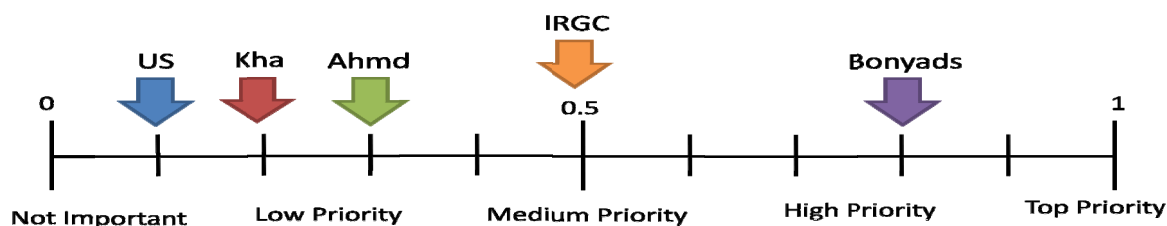
Initial Static Forecasts

Most stakeholders have limited immediate concerns pertaining to the *bonyads*. The *bonyads'* permanence is somewhat taken for granted and ensured to a degree by the *khums* (*zakat*), a required charitable donation that is one of the five pillars of Islam. The effective capabilities plot shows that most stakeholders support minimal change in the *bonyads'* current societal status (Figure 49). A few stakeholders would like to see the influence of the *bonyads* grow. These stakeholders – including the *bonyads* collectively, most *shi'a* clerics, and the Pragmatists – all derive influence from their ties with different *bonyads*. No stakeholder supports the dissolution of the *bonyads*.

Figure 49: Stakeholder Effective Capabilities Applied to Influencing the Future Role of Iran's *Bonyads*
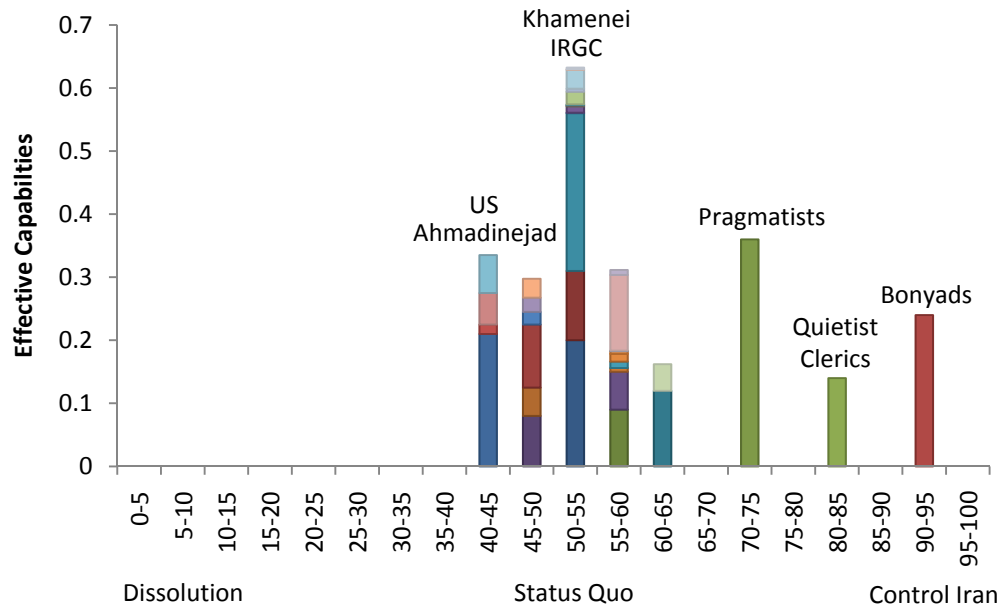
The rightward skew of the effective capabilities plot is not strongly reflected in the static forecasts. The risk-neutral forecast calls for no change in the status quo (0.5), and the risk-adjusted forecast of 0.6 only calls for a slight increase in the power of the *bonyads* (Figure 50). The initial static forecasts suggest that the *bonyads*' position in Iranian society is not likely to change much.

Figure 50: Initial Static Forecasts and Position Support of the Future Role of Iran's *Bonyads*
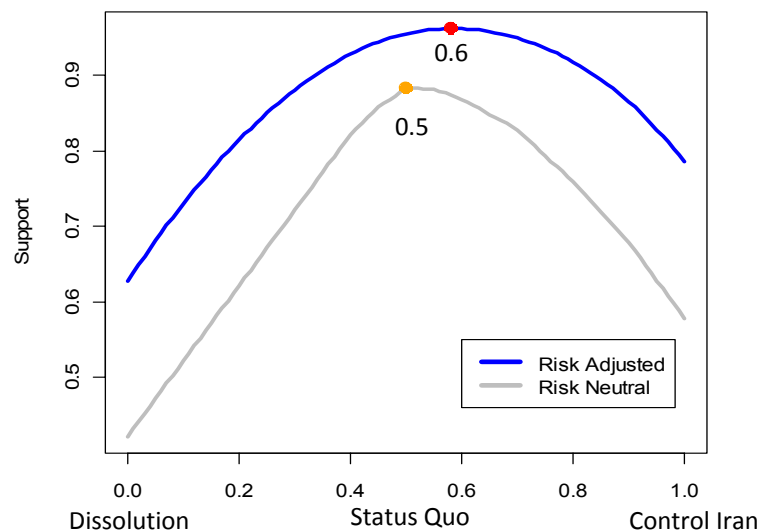
Perceptual Analysis

The US is at a disadvantage against the *bonyads*, Pragmatists, and clerics (Figure 51). Fortunately for the US, these stakeholders are not able to move, to capitalize on the opportunity to make the US accept a bargain when looking at their subjective or objective EU plots (Figure 52). Against all the other

stakeholders – Khamenei, Ahmadinejad, and the IRGC included – the model identifies no incentive for US engagement.

Figure 51: US Opportunities to Affect the Influence of Iran's *Bonyads* (US Objective EU Plot)
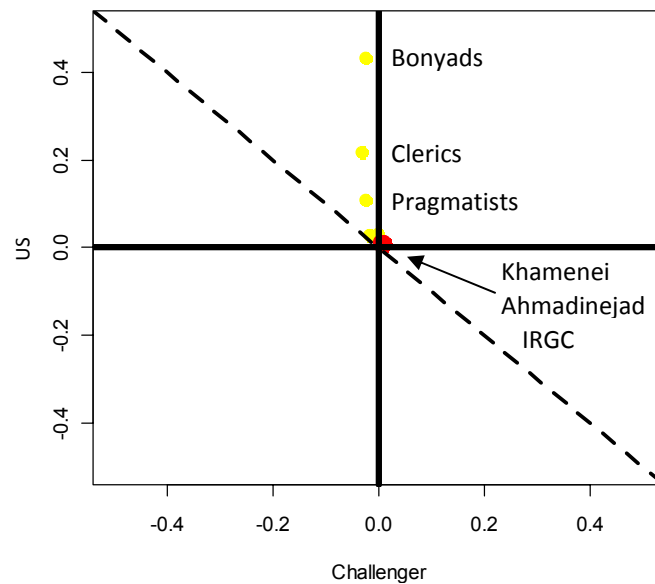
In addition, the status quo appears unlikely to change rapidly, because there are no opportunities for the *bonyads* to beneficially engage other stakeholders (Figure 52). The *bonyads* are in conflict with all other stakeholders, but have the advantage against almost all of them. The *bonyads* expect to benefit substantially from challenging the US, Khamenei, and Ahmadinejad. In conflict with the clerics or Pragmatists, the *bonyads* are more evenly matched.

Figure 52: Opportunities for *Bonyads* to Improve upon their Role in Iran (*Bonyads* Subjective EU Plot)
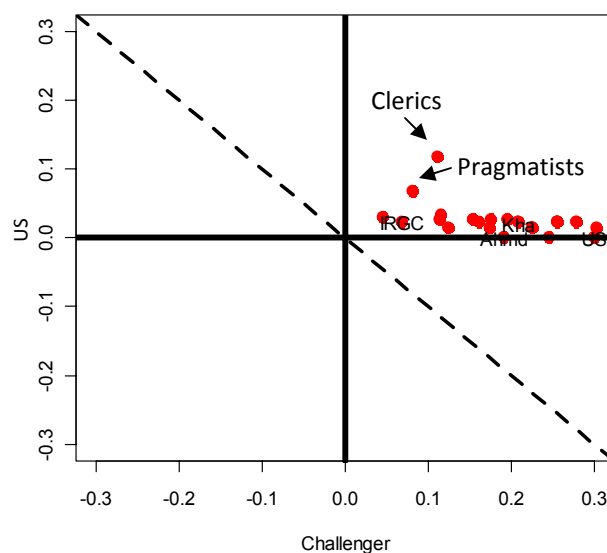
Dynamic Forecasts

The dynamic forecasts suggest the influence of the *bonyads* is unlikely to change (Figure 53). The dynamic model does not identify large stakeholder movements, and stakeholders' positions converge toward the forecasted outcome. The *bonyads*' position remains constant over time, and the forecasted outcome, over the course of ten bargaining rounds, never deviates by more than one percent of the position spectrum from the initial forecast.

Figure 53: Dynamic Forecasts of the *Bonyads*' Influence
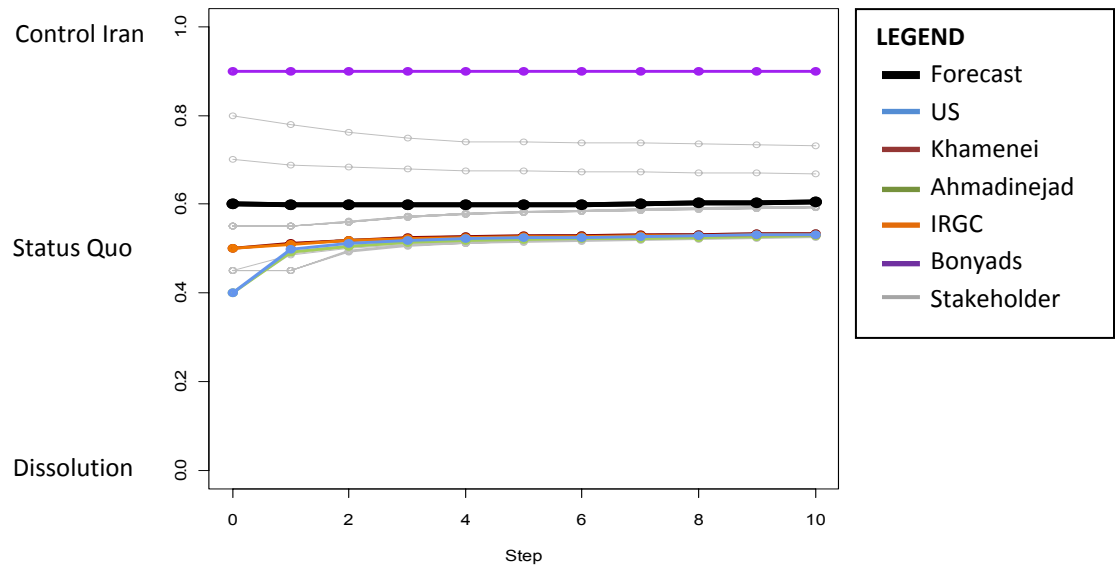
Sensitivity Analysis

Changes to the true values of the input data could occur due to moderate shifts in the political environment or data estimation error. A means of visualizing the stability of a forecast is to rerun the model a set number of times (twenty), while allowing all input factors to vary (plus or minus 10 percent of their scale space). The initial forecast, of a slight increase in the power of the *bonyads,* is not the dominant outcome, and it is very likely the *bonyads*' influence will remain the same, or possibly slightly decrease (Figure 54).

Figure 54: Sensitivity Analysis of the *Bonyads*' Influence
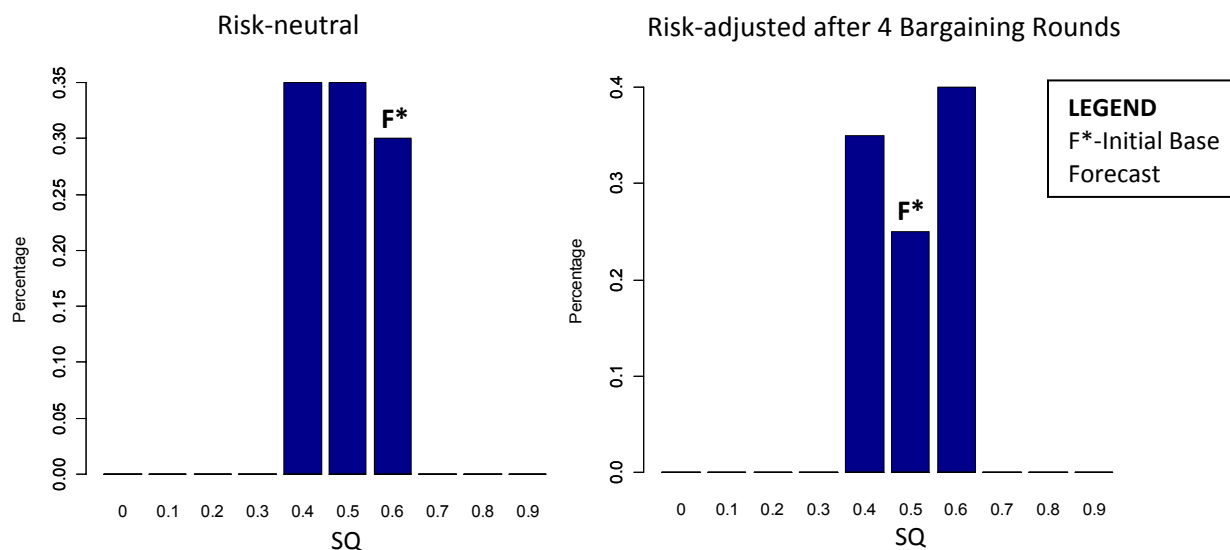
Further sensitivity analysis suggests that the US does not appear capable of affecting the *bonyads*' influence. The US can double, or even triple, its effective capabilities, and the static forecasts will not change.

Khamenei currently seeks to maintain the status quo (0.5). Were Khamenei to seek a reduction in the *bonyads'* influence (a position of 0.3), the risk-neutral forecast remains the same but the risk-adjusted forecast shifts downward (0.55). Alternatively, if Khamenei sought to increase the *bonyads*' power (a position of 0.7), the risk-neutral forecast increases to 0.55, while the risk-adjusted forecast does not change.

Like Khamenei, the IRGC has no issues with the *bonyads'* current position or role in Iran's civil society. Were the IRGC to shift positions in direct support of the *bonyads* (0.3), or against the *bonyads* (0.7), the forecasts shift exactly as they do were Khamenei's stance to change. The IRGC moving to oppose the *bonyads* reduces the risk-adjusted forecast to 0.55, while the IRGC moving in support of the *bonyads* causes the risk-neutral forecast to increase to 0.55. Still, Khamenei or the IRGC changing their position toward the *bonyads* leads to only minor changes in the model forecasts, reinforcing the conclusion that the role of the *bonyads* in Iran will not change rapidly.

Ahmadinejad, like the US, would like to see the influence of the *bonyads* diminish. Ahmadinejad's reasoning, though, is different from that of the US. The US seeks to reduce the spread of conservative Islam, while Ahmadinejad wants to increase the influence and power of his own ministries. For Ahmadinejad this issue is a low priority, but if Ahmadinejad's priorities were to change, and were he to expend double or triple his current resources, the projected issue outcome does not change.

Growth in the *bonyads*' influence will rely on other stakeholders divesting their own influence, for example, the government reducing its social programs, which compete with those conducted by the *bonyads*. The *bonyads*' practice of reinvesting a portion of their income (donations and asset revenues) also provides a long term means by which the *bonyads* can slowly grow their influence.

Summary

The *bonyads'* role in Iranian society does appear likely to change: the *bonyads* will most likely continue to provide numerous social services, while slowly growing their economic holdings. Their influence amongst the populace will enable the organizations to retain their substantial political leverage. No single stakeholder, including the US, is identified by the model as having the influence to markedly change the *bonyads'* position within Iran.

Policy Issue: Future Influence of the IRGC

With the end of the Iran-Iraq war in 1988, the IRGC became increasingly involved in Iran's economy. The principal justification for the expansion was a perceived need to preserve the military industrial base. The government's subsequent privatization of various industries enabled the IRGC's expansion into almost all sectors of the economy, enabling a commensurate expansion of the IRGC's power and influence. The IRGC now rivals the *bonyads'* economic presence, controlling numerous businesses and properties. The IRGC's economic growth has made this conservative organization increasingly capable and interested in influencing political issues (Wehrey et al. 2009). US policy formation could benefit from an understanding of how the IRGC's power is likely to develop.

Policy Positions

The IRGC's conservative orientation and growing influence make it a concern of the US. The US believes the IRGC – especially its more hardline elements, such as the Quds force – has trained insurgents in Afghanistan and Iraq and destabilized the Palestinian peace talks by supporting Syria, *Hezbollah*, and *HAMAS*. The US would support any measure that weakens or reduces the IRGC's influence in Iranian society, politics, or foreign policy (Figure 55).

Khamenei has a strong affinity for the IRGC. He supports the conservative organization's presence throughout society and considers the IRGC a crucial stabilizing force. Currently, the IRGC's influence and presence in society does not pose a threat to Khamenei's authority, so Khamenei has seen no need to check the organization's expanding economic growth. While Khamenei is not blocking the IRGC's growth, he is not actively facilitating the organization's expansion, seeking to maintain the status quo.

Ahmadinejad relies on the IRGC's support. Their social presence eased the implementation of Ahmadinejad's recent economic reforms. The IRGC has also repeatedly proved instrumental in suppressing demonstrations against Ahmadinejad and the Principle-ists. Ahmadinejad supports continued growth of the IRGC's influence in Iran.

The IRGC has continually sought opportunities to expand its power. The organization fought past efforts to incorporate it into the *Artesh* (Iran's conventional armed forces), reshaping itself as the defender of the revolution and transforming itself into a political, social, and economic force. The IRGC wants Iran to return to the conservatism that prevailed following the revolution and believes it can do so best by increasing the scope of its own influence.

Figure 55: Stakeholder Positions the Future Influence of the IRGC
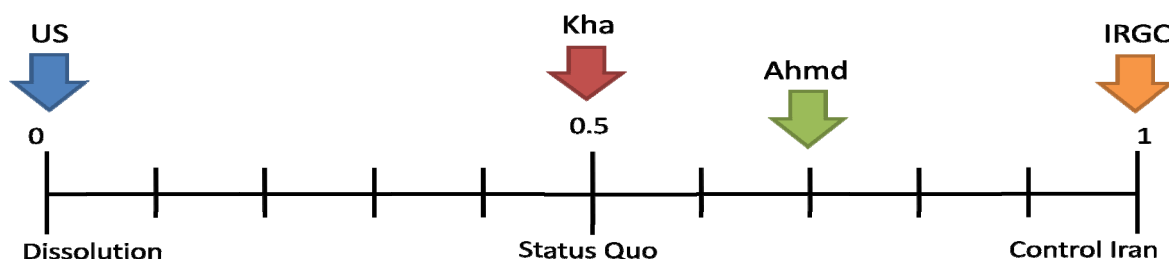
Salience

The US is concerned about the IRGC's rapid expansion and considers the organization's future influence a high priority (Figure 56). Khamenei does not see the IRGC's growing role as problematic, and considers the IRGC's growth and influence a low priority. The IRGC's enabling support to Ahmadinejad and his policies makes the IRGC's continued influence a high priority for Iran's president, and Ahmadinejad will continue to try and facilitate the expansion of the IRGC's role in Iran. Expansion is one of the IRGC's top priorities, though its focus is divided to a degree by its delineated and more immediate responsibilities.

Figure 56: Stakeholder Salience about the Future Influence of the IRGC
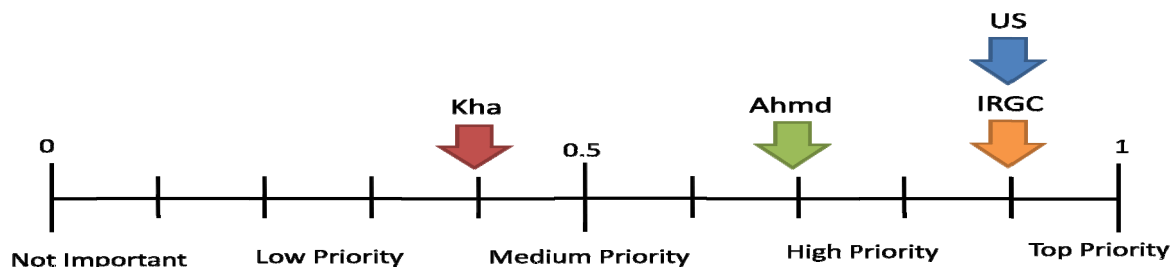
Initial Static Forecasts

The stakeholders are divided on the desirability of the IRGC's growth in influence. Many stakeholders' interests are threatened by the growing influence and increasing dominance of the IRGC, yet numerous other stakeholders support the IRGC and rely on its backing as a portion of their own power base (Figure 57). The effective capabilities plot shows stakeholder influence is widely dispersed across the position spectrum. The US and EU are two of the most powerful foreign stakeholders pushing for significant reductions in the IRGC's political and economic sway. Internal to Iran, the Pragmatists are the most influential stakeholder seeking to reduce the IRGC's clout. The IRGC, Ahmadinejad, and the Principle-ists all are dedicating substantial effort to increasing the IRGC's power.

Figure 57: Effective Capabilities Distribution for the Future Influence of the IRGC
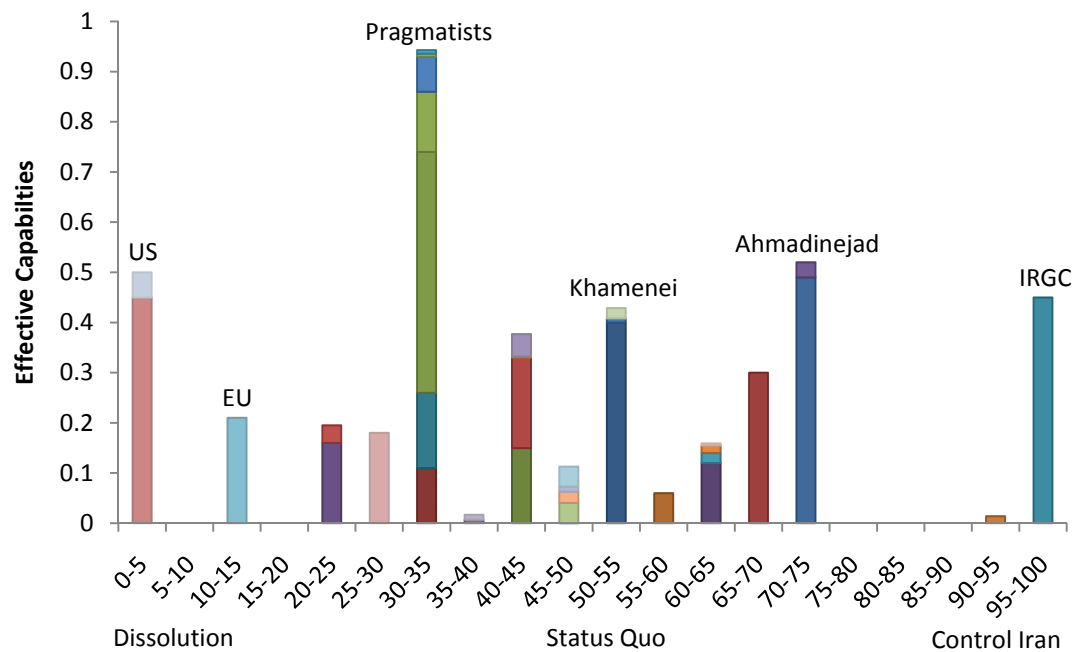
The risk-neutral and risk-adjusted forecasts suggest that the IRGC's power in Iran will decrease slightly in the coming years, concurring at 0.4 (Figure 58). The position support is relatively broadly peaked about the forecasts, from about 0.3 to 0.55 for the risk-neutral and 0.3 to 0.6 for the risk-adjusted. The broad position support suggests the IRGC may be able to maintain much, if not all, of its current influence through a strategic defense of its recent gains.

Figure 58: Initial Static Forecasts and Position Support of the Future Influence of the IRGC
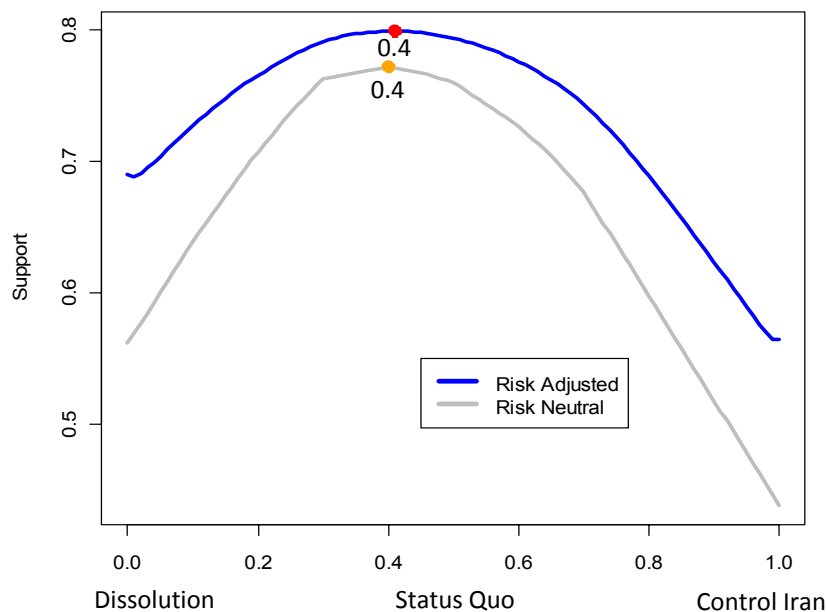
Perceptual Analysis

The model identifies several US opportunities to impact the IRGC's future influence (Figure 59). Actions targeted directly at the IRGC appear the most likely to succeed, with the IRGC being identified as willing to capitulate toward the US position. The *basij* also appears susceptible to US influence limiting the IRGC's power. The US is advantaged against numerous smaller domestic stakeholders, especially amongst the various population subgroups, which could provide a potential means to indirectly limit the IRGC's power. The US is also identified as having advantages against Khamenei, and to a lesser extent, Ahmadinejad, on this issue. The US position is weakest against Iran's Pragmatists: The US is anticipated to capitulate toward their position. The *Artesh* and US, while sharing somewhat similar objectives on the issue, see no means of beneficial cooperation. The US and various international stakeholders, including the EU and Israel, all see gains from challenging one another on the issue, reflecting their collective fear of a hardline conservative military power becoming the dominant force in Iran.

Figure 59: US Opportunities to Reduce the IRGC's Influence (US Objective EU Plot)
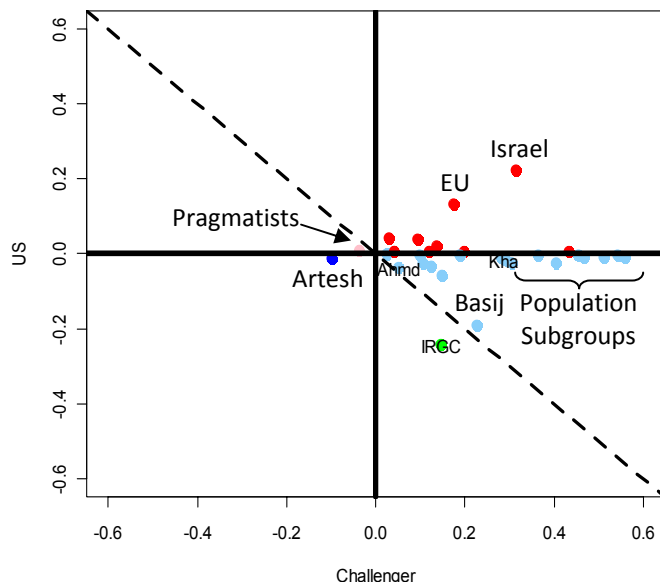
The model does not identify any ready opportunities for the IRGC to further expand its role in Iran (Figure 60). The IRGC is in a weak position against the US and many of its allies. The organization is predicted to capitulate toward the positions of the US and Israel and accept a bargain with the EU. The targeting of UN sanctions against organizations supporting Iran's nuclear program, including the IRGC, appears to be meeting with some success. Internal to Iran, the IRGC appears prepared to partially capitulate towards the positions of the Pragmatists and Reformists. The majority of Iran's domestic stakeholders are in conflict with the IRGC; however, the IRGC holds the advantage in this conflict. The IRGC has a significant advantage over Iran's various population subgroups and can exert leverage over Khamenei. The IRGC is keen to keep the *basij* close, and while the risk of conflict with Ahmadinejad is low, it would be slightly disadvantaged in a conflict with Ahmadinejad.

Figure 60: Expected Utility Plot of IRGC opportunities for increasing its Influence (IRGC Objective EU Plot)
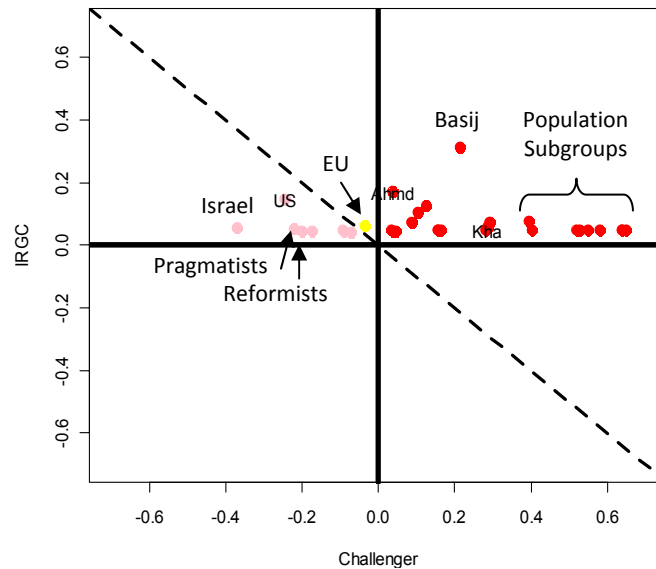
Dynamic Forecasts

The dynamic forecasts suggest the IRGC's influence will continue at a level slightly below that currently prevailing (Figure 61). The dynamic forecasts show minimal movement about the initial risk-neutral and risk-adjusted forecasts of 0.4, and stakeholder positions on the issue do not appear to change substantially. The largest changes in movement are of the stakeholders that initially support slight increases in the IRGC's influence (0.5 to 0.6). These stakeholders all move to support the status quo within the course of a few bargaining rounds.

Figure 61: Dynamic Forecasts of the Future Influence of the IRGC
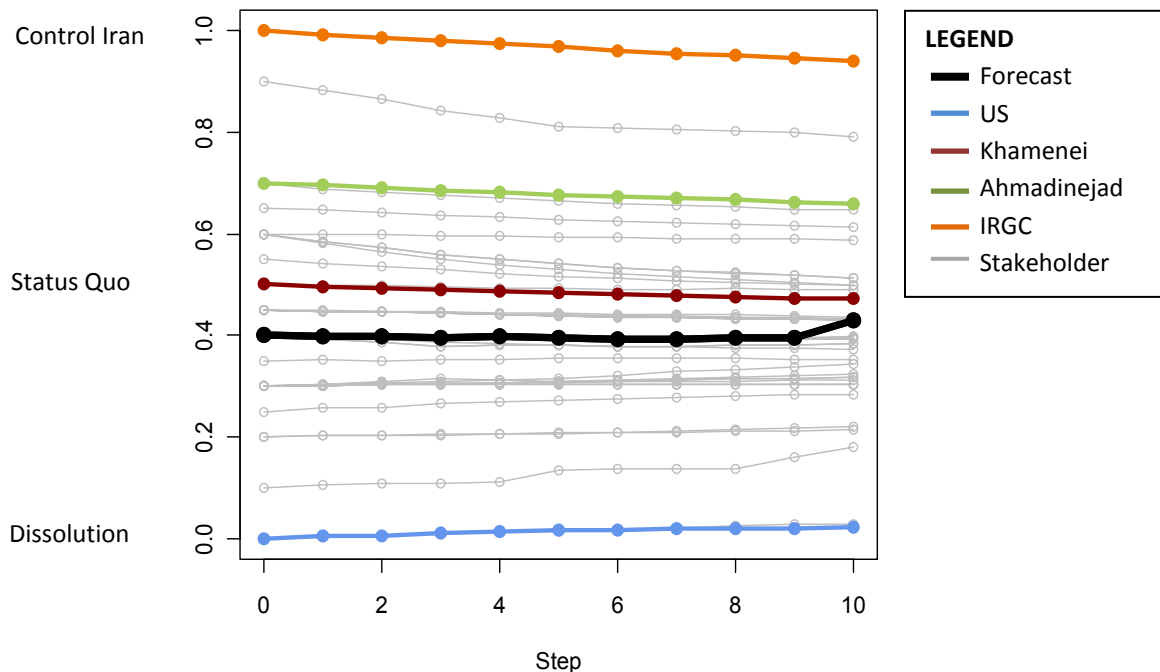
Sensitivity Analysis

The model forecasts appear stable to changes in the political environment or random error in the data estimation process (Figure 62). The power currently wielded by the IRGC following the 2009 presidential elections does not appear sustainable. A slight reduction in power of the IRGC over the next few years is forecasted under almost all twenty of the randomly generated scenarios. In more than half of the random variant cases, the forecasts call for greater reductions in the IRGC's power than the initial static projections.

Figure 62: Sensitivity of Model Forecasts about Development of IRGC Influence
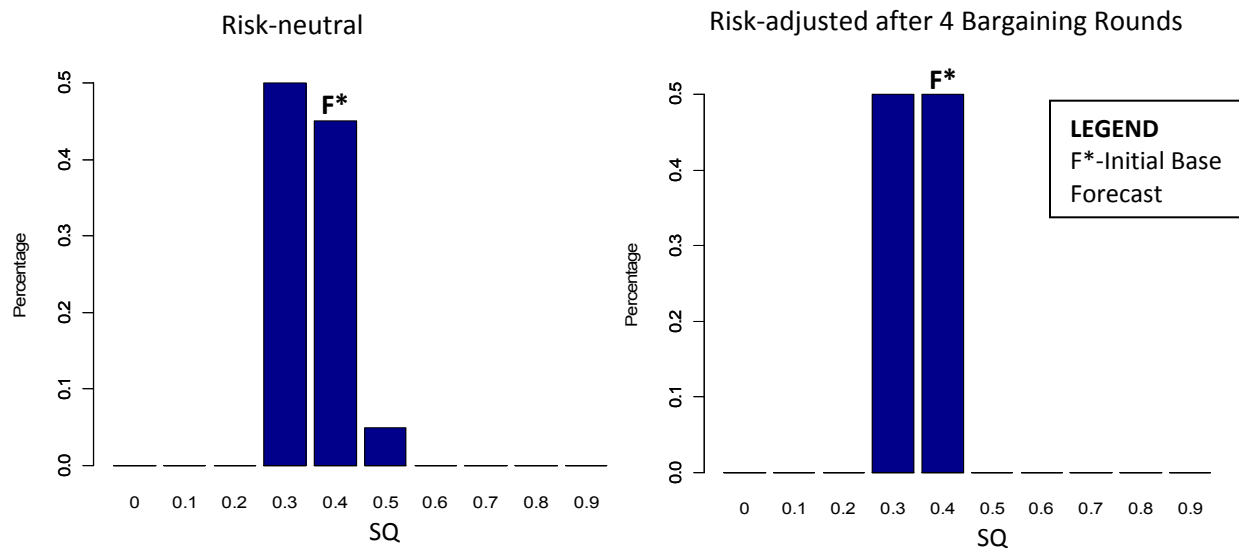
International pressure is one of the driving forces behind the predicted decrease in the IRGC's influence. Removing the international stakeholders from the model, the risk-neutral and risk-adjusted forecasts rise to 0.5, a prediction that the status quo is likely to persevere.

Significant increases in US effective capabilities have moderate influence on the projected issue outcome. A doubling of US effective capabilities causes the static forecast to fall to 0.3 and the risk-adjusted forecast to drop to 0.35. Through stricter sanctions, the US might successfully reduce or accelerate a reduction in the IRGC's influence.

Khamenei is not in a position from which he can strongly influence this issue. Were he to move in direct support of the IRGC (a position of 0.7), the initial static forecasts do not change; and in the unlikely event Khamenei moved to check the IRGC's power (a position of 0.3), the risk-neutral forecast falls to 0.3, but the risk-adjusted forecast remains the same at 0.4.

If Ahmadinejad were able to exert more effective capabilities on the issue, he could slightly alter the forecast in the IRGC's favor. Ahmadinejad doubling his effective capabilities causes the risk-neutral and risk-adjusted forecasts to rise from 0.4 to 0.45.

In the event the IRGC is able to double its effective capabilities, the risk-neutral forecast rises to 0.45, but the risk-adjusted forecast decreases to 0.3. The model predicts that if the IRGC exerts too much effort expanding its own influence, numerous international and domestic stakeholders become alarmed. Stakeholder apprehension alters their risk character and position support, and as stakeholders

shift their support away from the IRGC, the forecasts change. Significant changes in risk character can be more than sufficient at offsetting increases in the IRGC's effective capabilities.

Recent domestic changes in Iran might significantly alter the model forecasts. A reduction in the influence of Iran's Pragmatists faction to half its current level causes the initial static forecasts to rise to 0.5. This might be of concern, because the power of the Pragmatists and Reformists factions appears to be waning under the increasingly fervent attacks of Iran's hardliners.

Summary

The IRGC's power appears to have peaked in the period immediately following the 2009 election unrest, and the model projects the IRGC's control over Iranian society will diminish slightly in the coming years. The IRGC's power will likely return to about the level of influence the organization held toward the beginning of Ahmadinejad's first term. The US has some opportunities to unilaterally reduce the IRGC's influence, but the pressure of the international community is the crucial lynchpin preventing further growth in the IRGC's influence and causing its projected decline. International pressure is likely to be increasingly important with the weakening of Iran's Pragmatists and Reformists factions. Erosion in the capabilities of Iran's domestic opposition could enable the IRGC to maintain, if not increase, its current power and influence.

Policy Issue: Civil Rights and the Women's Movement

Civil rights and, especially the women's movement in Iran, were fundamentally altered by the Islamic Revolution. While support from the women's movement was critical to the revolution's success, following the overthrow of the Shah, women faced restrictions on entering segments of the workforce, were barred from various jobs, and banned from visiting numerous institutions (Rakel 2009). Women have slowly been regaining the rights they held following the Shah's Western liberalization policies in the 1960s and 1970s (ICG 2003, *Economist* 2003), but this progress has recently been put into question by the hardliner's resurgence and enforcement of their conservative ideals (*Economist* 2007). Understanding whether the women's movement is facing a long term reversal or simply temporary setbacks could be crucial to informing US Iran policy.

Policy Positions

The US is seeking to advance the women's movement in Iran. The US Department of State's official stated position is:

The protection of fundamental human rights was a foundation stone in the establishment of the United States over 200 years ago. Since then, a central goal of US foreign policy has been the promotion of respect for human rights. The United States understands that the existence of human rights helps secure the peace, deter aggression, promote the rule of law, combat crime and corruption, strengthen democracies, and prevent humanitarian crises (US Department of State 2011).

In 2010 US Secretary of State Hillary Clinton, before the UN General Assembly, stated, "To all those Iranians struggling to lift your voices and speak up for fundamental freedoms and human rights, you are not alone. The United States and the international community stand with you." The US would promote any measure advancing human rights or gender equality in Iran (Figure 63).

Khamenei, as an Islamic conservative, does not share Western norms on gender equality. While Khamenei has remained largely mute about the progress of the women's movement, he would favor Iran's return to more conservative Islamic practices. Still, Khamenei has not demonstrated a willingness to take a strong stance, or move publicly against the women's movement.

Ahmadinejad opposes the women's movement, actively supporting Principle-ists' demands calling for the veil, cloistering, and segregation. Ahmadinejad would support a significantly more conservative interpretation of women's roles in society and favor a return to strict *shari'a* interpretations.

The IRGC, despite its generally conservative nature, has not taken a strong stance on the women's movement, but during recent protests, the IRGC and the *basij* cracked down on dress standards amongst female protestors, as well as various other violations of conservative Islam. The IRGC has many conservative members who would like to see stricter interpretations of women's social roles, but the organization does not hold a consistent or homogeneous view on the women's movement. The IRGC appears content to remain distanced from the women's movement and weakly support the prevailing status quo.

Figure 63: Stakeholder Positions on the Women's Movement
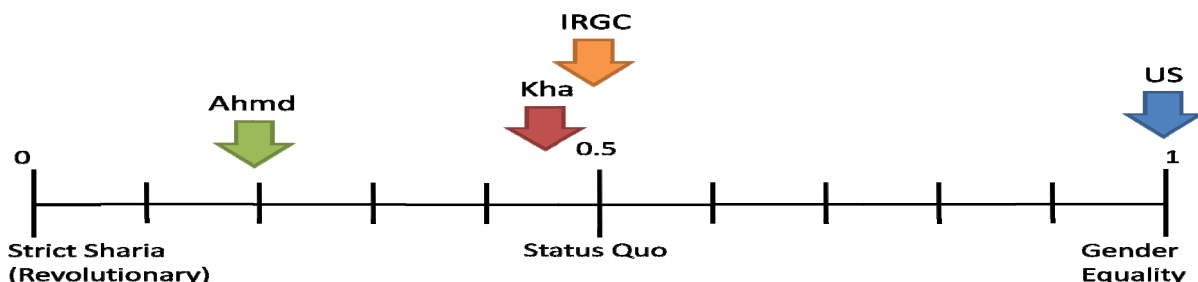
Salience

The women's movement is not a high priority to many stakeholders (Figure 64). The US, like many of the international stakeholders, occasionally speaks of the need for progress on women's rights, but ranks a host of national security and economic interests well above this social issue. Within Iran, the women's movement is peaceful, poses no challenge to the regime, and is not altering the course of political events, making the movement a low priority to most of Iran's domestic stakeholders, including Khamenei, Ahmadinejad and the IRGC.

Figure 64: Stakeholder Salience of the Women's Movement
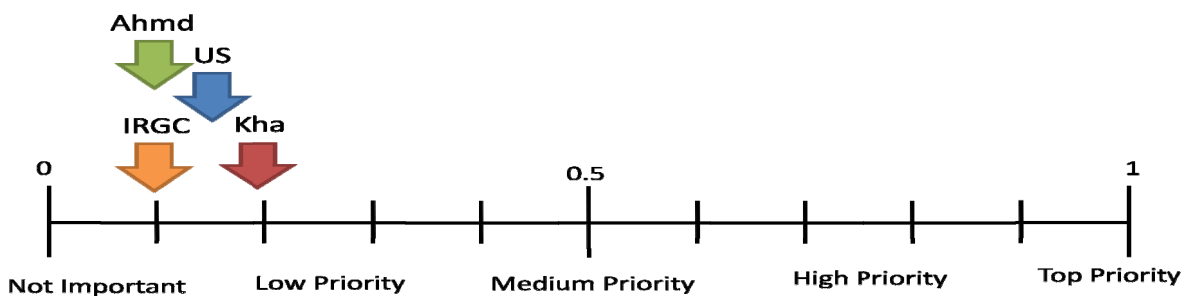
Initial Static Forecasts

Few stakeholders are heavily invested in the progress of the women's movement, and the total effective capabilities applied on this issue are much less than many other issues analyzed (Figure 65). A result of the larger stakeholders applying fewer resources to this issue is that smaller stakeholders, placing higher priority on this issue, can have potentially large impacts. The effective capabilities plot also suggests a division of the stakeholders into four groups.

The first group is the collection of hardline and religious stakeholders wishing to see a more conservative society take hold in Iran. This group is actively opposing the progress of the women's movement. Ahmadinejad is one of the more liberal members of this group.

The second group consists of the stakeholders near the status quo. Many of these stakeholders have a slight preference for a more conservative society but see slight compromise on women's rights as necessary for progress on other more important issues, such as civic stability and global integration.

The third group is comprised of the domestic stakeholders supporting improvements in women's rights. Many of these stakeholders consider women a key demographic of their electoral support. The Pragmatists, to whom women's rights are at most a moderate priority, are one of the strongest members of this group. The moderate commitment of the Pragmatists makes their applied effective capabilities to this issue the greatest, highlighting the low priority of this issue to the other stakeholders.

The final group, at the far right of the defined spectrum, supports full gender equality in the Western sense. The group is comprised of international stakeholders and Reformists, and led by the US and EU. Many international stakeholders believe progress on the women's movement would be closely tied with Iran's moderation on numerous other issues.

Figure 65: Effective Capabilities Distribution about the Women's Movement
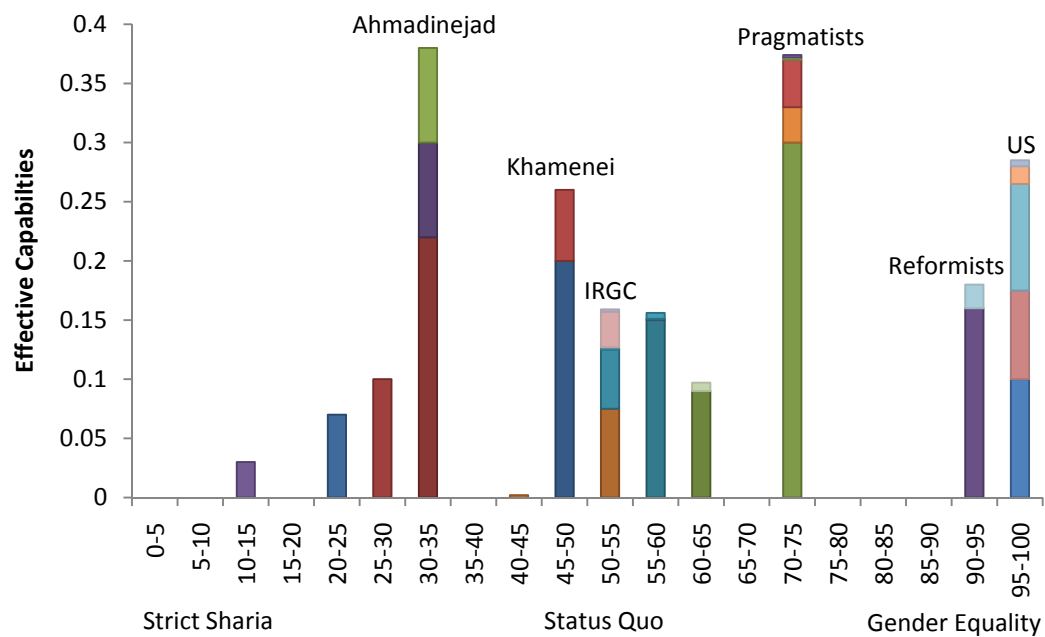
The model's initial static forecasts project that the women's movement will continue its slow march of progress (Figure 66). Both the risk-neutral and risk-adjusted forecasts call for slight increases in gender equality (0.55). Using the forecasts, the recent setbacks experienced by the women's movement should be viewed as minor hiccups, and not a fundamental alteration in the course of progress.

Figure 66: Initial Static Forecasts and Position Support for the Women's Movement
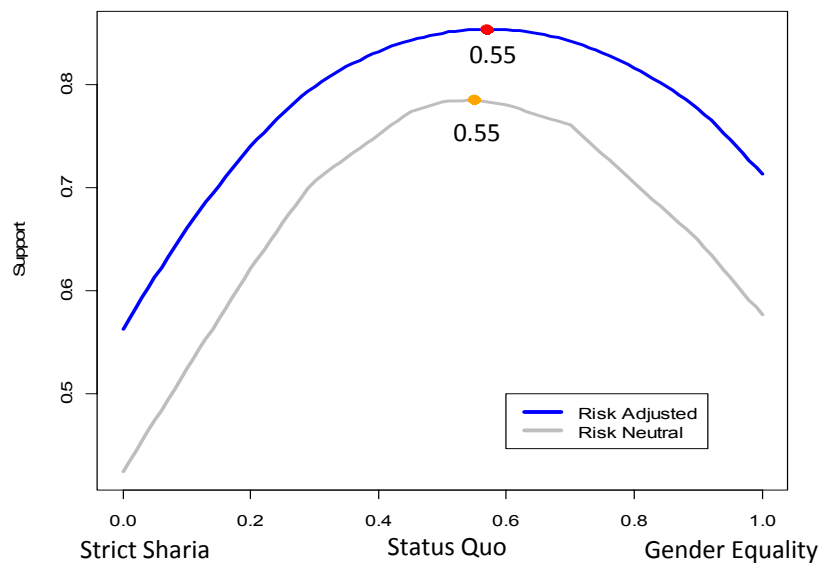
Perceptual Analysis

US opportunities to promote Iran's women's movement are limited (Figure 67). The model identifies the *bazaaris* as the only stakeholder with which the US could strike an advantageous bargain. Against the remainder of the stakeholders, the US is in conflict. The US is in a higher risk of conflict against many of Iran's conservative stakeholders; of these, the US has an edge over Khamenei, the IRGC, and *basij* in conflict, while against Ahmadinejad and the remainder of the Principle-ists the US is evenly matched. The US is at a disadvantage against Iran's ultraconservatives, including both *Haqqani*-School Clerics and the Council of Guardians. Against the Pragmatics and Reformists, the US is in conflict, reflecting the utility each stakeholder derives from keeping the other stakeholder near its position.

Figure 67: US Opportunities to Advance the Women's Movement (US Objective EU Plot)
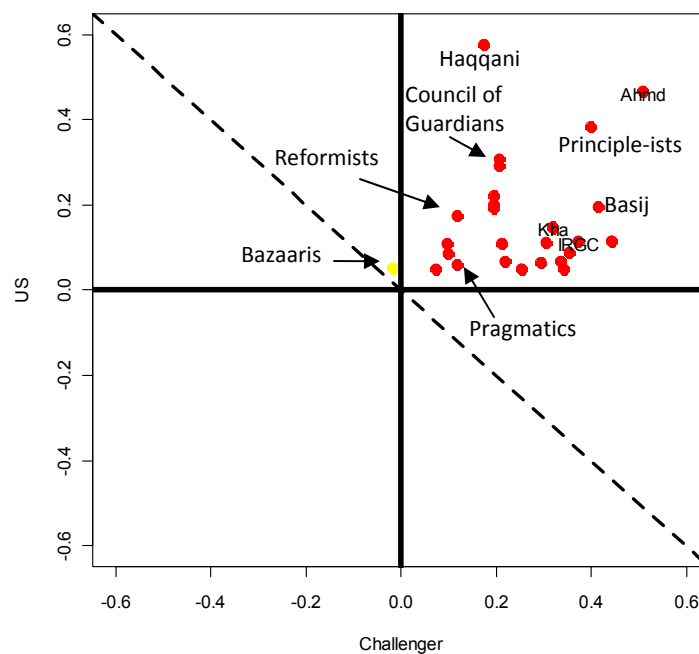
Dynamic Forecasts

The dynamic model forecasts of the women's movement shows a strong trend towards greater gender equality (Figure 68). The dynamic forecasts rise over the course of 10 rounds from 0.55 to 0.65, suggesting the women's movement will continue to make headway over the next decade. The forecasts do wander, suggesting the movement's progress will be marked by occasional setbacks. Still, these setbacks are unlikely to persist for long durations and are completely reversed with time. Also, as time elapses, the stakeholders currently opposed to the women's movement and seeking more conservative roles for women in society are all projected to moderate their stances, and in the course of just a few bargaining rounds, all of the conservative stakeholders shift significantly toward the status quo, including Ahmadinejad, and to a lesser extent Khamenei and the IRGC.

Figure 68: Dynamic Forecasts of Progression of Women's Movement
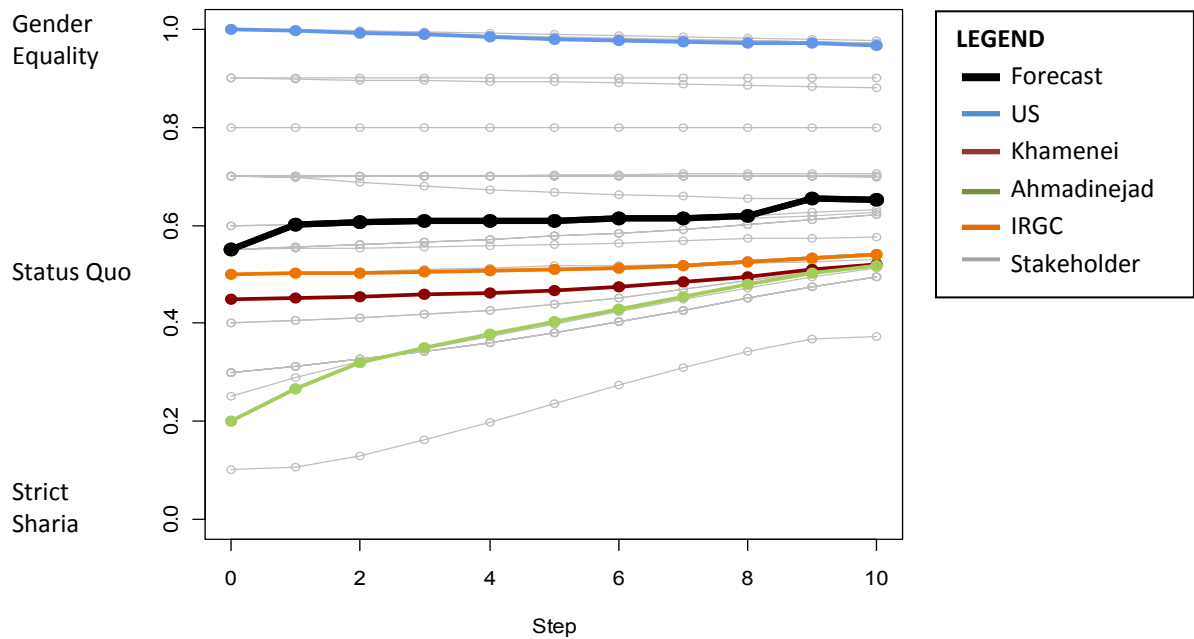
Sensitivity Analysis

Sensitivity analyses show that the model projection, that the women's movement will continue its slow course towards gender equality in the face of significant opposition, appears stable. Allowing for variance in the initial data, the risk-neutral forecasts slightly favor continued progress for the women's movement, while the risk-adjusted forecasts more strongly favor improvements in gender equality (Figure 69). The sensitivity analyses also highlight the fragile nature of the women's movement's progress, however: In 40 percent of the risk-neutral cases and 25 percent of the risk-adjusted cases, the forecasts result in setbacks and restrictions in women's rights.

Figure 69: Dynamic Forecasts of Progression of Women's Movement
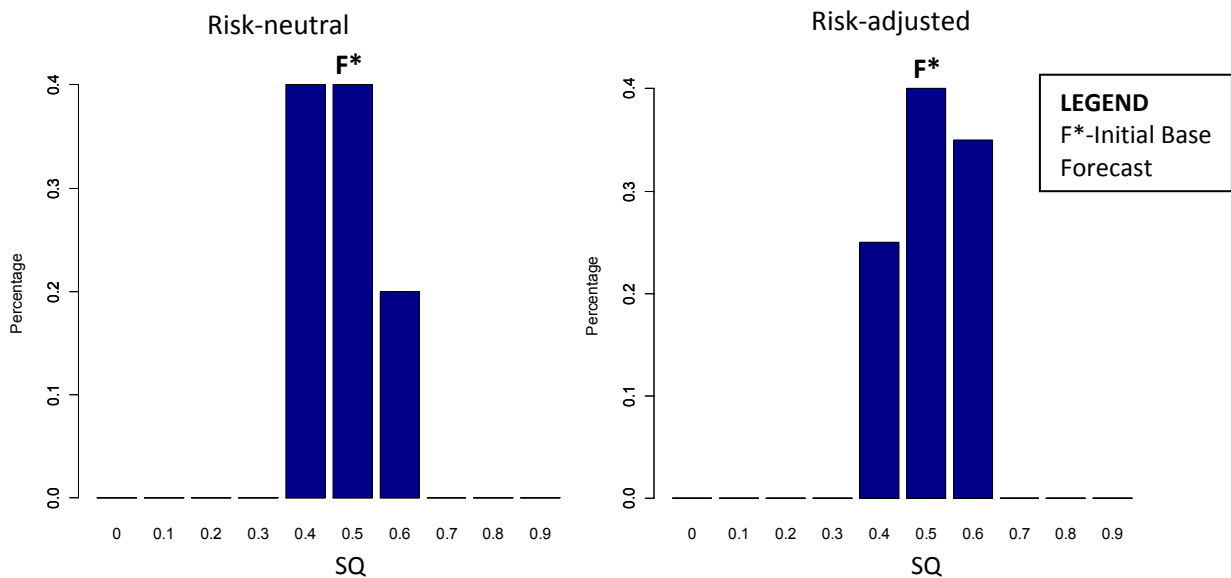
The US could increase its support to the women's movement and civil rights in Iran. Doing so would increase the effective capabilities the US applies to the issue, but the model does not project that substantial changes would result from the increased effort. A doubling of US effective capabilities does not change the risk-neutral forecast of 0.55, and only slightly increases the risk-adjusted forecast to 0.6, suggesting that even if the US were to place significantly greater emphasis on advancing the women's movement, the US would be unable to significantly advance the movement's progress.

Similarly, Khamenei's influence on this issue is minimal, and moving his position to that of a much more conservative orientation (0.3) leads to no change in either the risk-neutral or risk-adjusted forecasts.

Reducing Ahmadinejad's influence on the issue has only a slight effect on issue forecasts. Removing Ahmadinejad's influence entirely, the risk-neutral forecast does not change from 0.55, but the risk-adjusted forecast rises to 0.6. Doubling Ahmadinejad's effective capabilities on the issue has no effect on either the risk-neutral or risk-adjusted forecasts.

The IRGC currently is not positioned to significantly impact the issue. Were the IRGC to take a much more conservative stance (0.3), the initial static forecasts do not change.

The position of the Pragmatists, especially under the more recent attacks of hardliners, has likely moved closer to the status quo. If the position of the Pragmatists moves to the status quo, the risk-neutral and risk-adjusted forecasts fall to 0.5. The forecasts shift similarly with erosions of the Pragmatists' effective capabilities. The women's movement is not projected to be capable of making progress without the support of the Pragmatists.

Implications for the Green Movement

Before the "Arab Spring" Iran experienced what would now only be called an Iranian Spring. In 1997 Iran elected Mohammad Khatami of the Green movement as President, and local elections led Green Movement candidates to dominate the *Majles*. Iran appeared poised for a rapid transformation, but the reforms pushed for by President Khatami and the *Majles* were blocked by Iran's theocratic institutions. The movement fought desperately to achieve incremental progress, winning slight advances in women's rights, basic civil liberties, and press freedoms. In 2005, with the election of President Ahmadinejad, the Green Movement appeared to have lost all forward momentum.

As a major aspect of the Green Movement, the forecasts of the women's movement are illuminating of the Green Movement's future. The women's movement appears likely to slowly recover, as is likely of the ideals of Iran's Green Movement. The Iranian government will likely slowly and incrementally adopt demands of the Green Movement, and while occasional protests will occur, the government will allow reform at a pace that manages public discontent and avoids protests growing to a level unmanageable by the IRGC. As it has done since 1997, the Guardian Council will likely continue disqualifying the majority of Green Movement candidates from elections, preventing an organized political resurgence.

US Soft Power

US soft power is one of its greatest and most underutilized assets. The US acknowledges its poor outreach to Iran's younger generations, but the US has not attempted to reach this segment. Radio

Farda, run jointly by Radio Free Europe/ Radio Liberty (RFE/RL) in partnership with the Voice of America (VOA), and the Persian News Network (PNN), operated by VOA, are the US' two best outreach programs. According to Alexa, a company that monitors website traffic, as of July 2011 Iran's top ten visited sites are Google, Yahoo, BlogFa, MihanBlog, Peyvand (state run news), Facebook, Varzesh3 (soccer news), PersianBlog, Tabnak (news), and Cloom (Persian social network), while Radio Farda (RFE/RL Persian) ranked 1,031 and VOA Persian News placed 1,342. The US should consider developing means of positively influencing social networks sites and blogs which, despite censoring by Iran's mullahs, dominate Iranian web traffic and, as demonstrated by the Arab Spring, have been instrumental in shaping the opinions and outlooks of the Middle East's younger generations. While in the short term US soft power is unlikely to directly influence the issues studied here, it could yield long-term dividends, breaking down cultural barriers and fostering an understanding of US actions.

Summary

The women's movement appears to be making steady, albeit slow progress. The current resurgence of Iran's hardliners and accompanying setbacks for the women's movement do not appear to be indicative of a long term reversal, but rather appear to be temporary setbacks. The US has limited opportunities to accelerate the women's movement, or civil rights, in Iran. Furthermore, the recent weakening of the Pragmatists may prove potentially calamitous for the women's movement, with progress projected to slow or halt if Iran's more liberal political factions retreat toward the status quo or are significantly weakened.

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Foreign Policy and National Security Analyses

Policy Issue: Sustainable Engagement with the United States

The domestic and regional reputation of Iran's government is based to some degree upon its resistance to Western imperialism. Domestically, Iran's politicians and populace have an ingrained distrust of Western governments, and regionally, much of Iran's political power and support stem from its positioning as the regional alternative to US hegemony. Iran's government can only interact with the US in ways that are acceptable domestically, and will only allow relations to develop at a pace that does not discredit its image regionally. US relations with Iran could possibly benefit from an understanding of the sustainable levels and best forms of interaction.

Policy Positions

The US is seeking a limited bilateral dialogue with Iran, believing direct engagement is the most expedient means of advancing both nations' shared interests (Figure 70). The US does not want full bilateral relations, though, considering full bilateral relations at the diplomatic level an honor that it is not ready to bestow on Iran. Furthermore, if the US were to have full bilateral relations with Iran, it could grant the appearance of legitimacy to Iran's more surreptitious acts.

Khamenei is one of the strongest and most stalwart opponents to US-Iran relations. His position can be at least partially explained by his revolutionary involvement. While Khamenei does not believe Iran needs to engage with the US, he does acknowledge Iran's need to interact with the West. Khamenei prefers cultivating relations with European and Asian nations long before conceding to even minimal US interaction.

Ahmadinejad wants dialogue between Iran and the US. He wants to structure the dialogue to improve Iran's regional image and power and to increase his own political importance. Ahmadinejad prefers that relations progress through informal channels and secondary parties. The aborted nuclear deal, negotiated between Iran, Turkey and Brazil and announced on 16 May 2010, is a good example of the type of relations Ahmadinejad seeks. The arrangement allowed Iran to accept a negotiated deal, a deal which could have potentially improved Iran's international relations without appearing as a weaker party to the US. Other examples displaying Ahmadinejad's preference for indirect, less formal relations are his annual speech at the United Nations General Assembly, penchant for interviews with Western media channels, and speeches at US colleges, platforms which Ahmadinejad has repeatedly used to present Iran's political agenda and goals.

The IRGC would prefer less interaction with the US. It tacitly acknowledges the need for limited levels of interaction, but benefits domestically from strained relations. The IRGC's existence is to a degree justified by the possibility of confrontation with the US, and its increasing domestic presence is partially predicated on the need to suppress Western propaganda and counter Western subversion.

Figure 70: Stakeholder's Preferred Positions for the Level of Interaction with the US
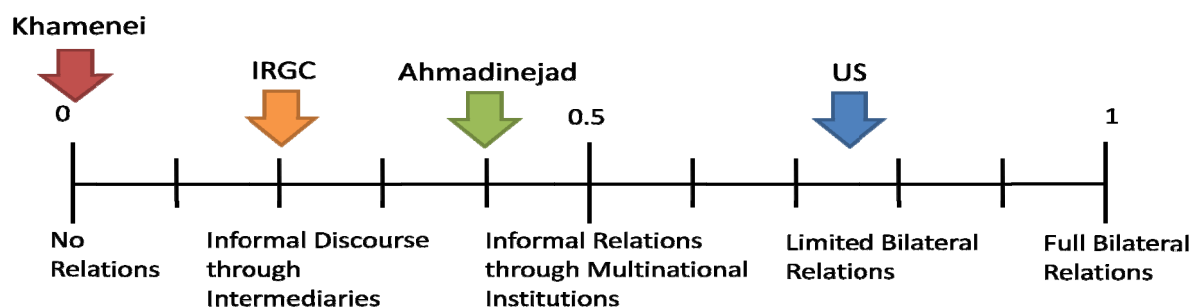
Salience

The form and level of interaction between Iran and the US is only a moderate US priority (Figure 71). The US is goal-oriented, and as such, it cares more for issue outcomes than the method by which progress is achieved. For Khamenei, curtailing Iran's involvement with the US is a high, if not top, priority. Khamenei feels that limiting Iran's involvement with the US is crucial to preserving the regime. Ahmadinejad places a high priority on managing US relations at an informal level. Keeping the dialogue informal provides Ahmadinejad what he believes is the best strategic negotiating environment. Informal platforms allow him to make popular appeals without commitments and play to his strategy of delay on issues he prefers to avoid addressing directly. The IRGC places a high priority on limiting the scope of relations, viewing limited relations as an important precondition to bolstering its domestic presence.

Figure 71: Stakeholder Salience Scale for the level of interaction with the United States
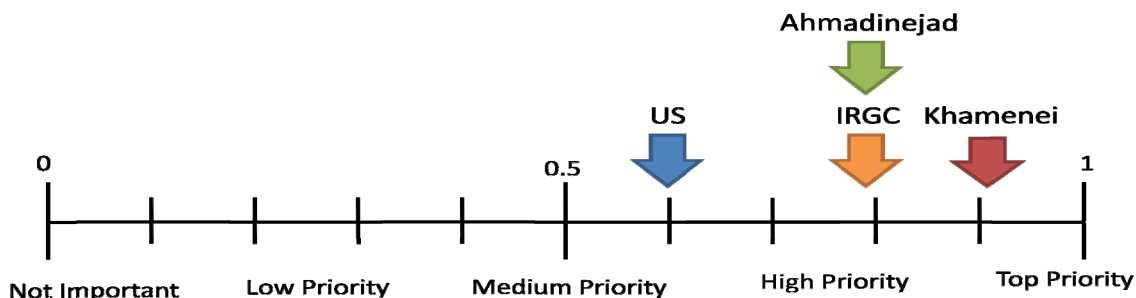
Initial Static Forecasts

Many stakeholders assign minimal importance to the level of interaction between the US and Iran. For these stakeholders the portion of their capabilities they are willing to employ influencing the issue is negligible, or zero. Since many stakeholders attach low importance to this issue, the total effective capabilities exerted are much less than on other issues analyzed. With less effective capabilities being exerted, powerful stakeholders concerned with the issue have greater influence. Effective capabilities on this issue are broadly dispersed, and while almost all the stakeholders acknowledge the need for at least minimal interactions between Iran and the US, their ideal level of engagement varies significantly. No stakeholder believes full bilateral relations between the nations are in its best interests, seeking at most something akin to a diplomatic interests section (Figure 72).

Figure 72: Effective Capabilities Distribution for the level of interaction with the United States
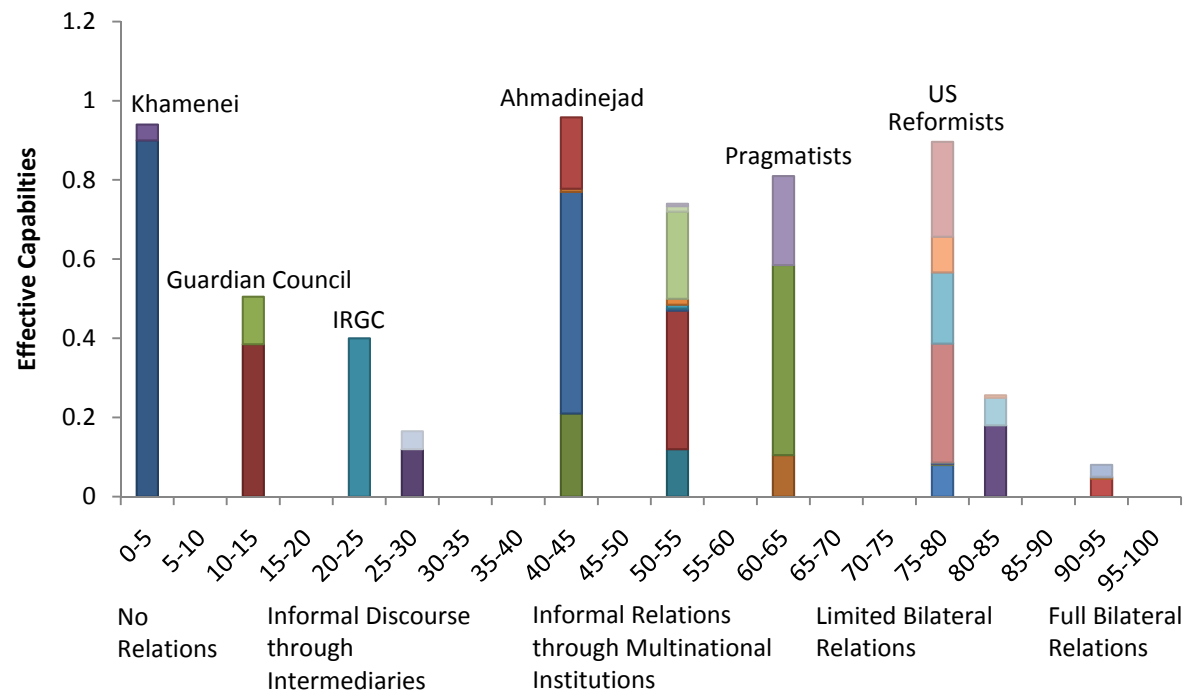
The model's initial static forecasts suggest the nations will continue largely relying on platforms of informal discourse to advance mutual interests (Figure 73). The static and risk-adjusted forecasts concur at 0.4. Position support is broadly peaked, and there are high levels of support extending across a wide swath of interaction forms. The high levels of position support across a wide range indicate multiple avenues of interaction are possible for brief durations, ranging between informal discourse through intermediaries to dialogue within multinational institutions or potentially even limited bilateral relations.   Position support tapers rapidly about limited bilateral relations, suggesting the sustainment of two-party talks for any significant length is likely untenable.

Figure 73: Initial Static Forecasts and Position Support for Iran's sustainable level of interaction with the United States
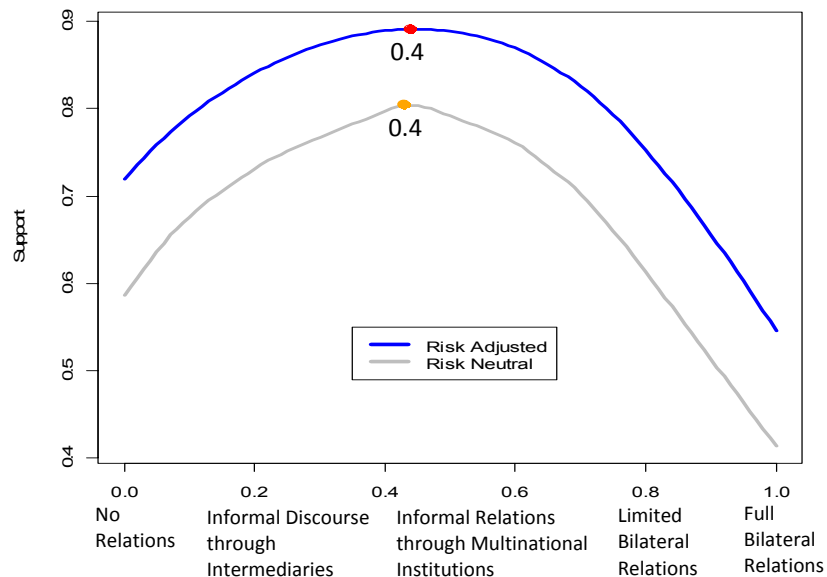
Perceptual Analysis

While the US is the key second party in Iran's relations with the West, the model finds the US is not well positioned to influence the form or level of relations (Figure 74). The model predicts the US will have to make concessions to the positions of most of Iran's powerful domestic stakeholders – Khamenei, Ahmadinejad and the IRGC (octant 4). The US will be forced to accept dialogue and interaction at the level tolerable to Iran's key stakeholders and will have difficulties dictating its own terms. The model also predicts the US might be persuaded to limit relations with Iran because of its ties with Israel, who would like to minimize engagement between the nations (octant 4). The Reformists and Pragmatists, while wishing to see greater levels of dialogue with the US, are not identified as being prepared to positively engage the US independently (octants 1 and 2).

Figure 74: US Opportunities to Influence US-Iran Relations (US Objective EU Plot)
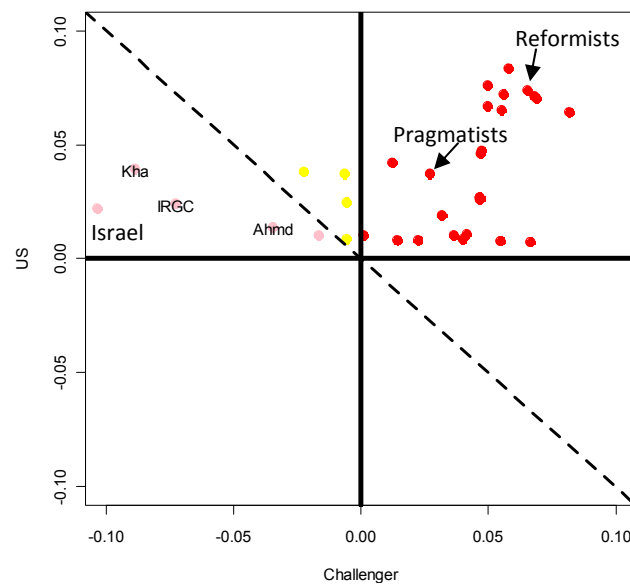
Dynamic Forecasts

The dynamic forecasts indicate relations between the two nations will likely progress, and the sustainable level of interaction will increase (Figure 75). The dynamic forecasts suggest a slow upward trend in relations. At one point there is a jump forward in relations that is then backed away from. The forward progress of the jump is never fully reversed, and after a period, the upward trend continues.

The dynamic forecasts suggest the pattern of past relations between the nations will likely continue; relations have thawed since the complete freeze following the revolution, and when larger steps have been taken, one or both nations generally partially retract before progress begins again. The nuclear program is a good example of the give-and-take in relations. In 2009 the P5 + 1 (Britain, China, France, Germany, Russia and the US) and Iran agreed in principle to a nuclear materials swap. The deal later collapsed because Iran was unwilling for the exchange to occur abroad. Iran then repeatedly flip-flopped on its decision, a result largely driven by its domestic factional politics, before negotiating a new deal with Turkey and Brazil in 2011. The 2011 deal had nearly equivalent terms to the 2009 arrangement but was rejected by the international community since Iran's store of nuclear fuel had increased in the interim (Reuters 2011).

The dynamic forecasts find that the US moves away from seeking limited bilateral relations and toward more informal relations and multinational institutions. Khamenei remains strongly opposed to engaging the US but moves to accept low levels of informal discourse. Ahmadinejad and the IRGC's preferred positions both trend slightly upwards, accepting greater levels of interaction between the nations with time.

Figure 75: Dynamic Forecasts of Iran's Sustainable Level of Interaction with the US
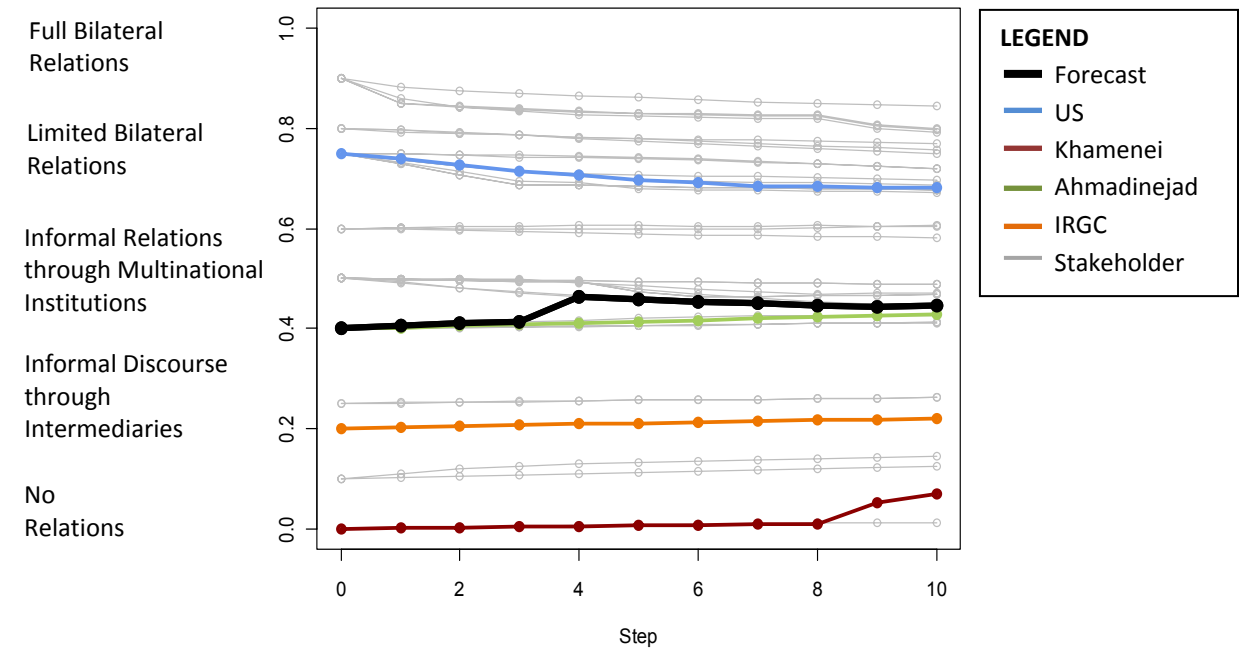
Sensitivity Analysis

The forecasts are stable to data estimation error or moderate changes in the political environment (Figure 76). The forecasts exhibit minimal deviation under uncertainty because the majority of the stakeholders see a necessity for at least some discourse between the US and Iran in advancing their own interests. This understanding ensures the persistence of a regular exchange, though not necessarily direct or friendly in nature.

Figure 76: Sensitivity of Base Forecasts of US Iran Relations to Change
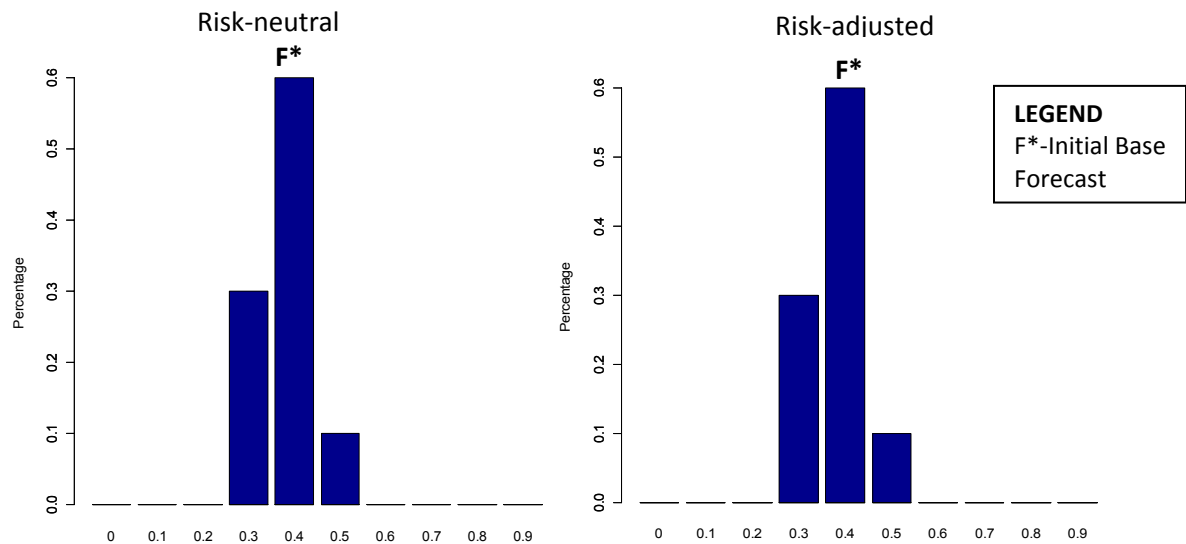
A select number of powerful domestic stakeholders in Iran have significant control over the degree and level of interaction between Iran and the US. Khamenei seeks to limit interaction with the US, but if Khamenei's influence over the discourse between the nations were to diminish, greater levels of interaction become sustainable. Completely removing Khamenei's effective capabilities from the issue, the forecasted outcomes shift significantly upward (0.5). The same changes to the forecasts occur if Khamenei's position alters (0.5), and he becomes more supportive of interacting with the US. Khamenei's disapproval of any interaction with the US is a key factor hindering a more stable dialogue.

The forecasts demonstrate Ahmadinejad's power as head of the executive in influencing US-Iran relations. Current relations are conducted largely within Ahmadinejad's desired context, and the dynamic forecasts project his continued dominance over the form of relations (Figure 75).   The current form of interaction suiting Ahmadinejad's desires makes it seem improbable Ahmadinejad's position would change, but if Ahmadinejad moved to a position of 0.6 and began to support relations through more formal institutions, the static forecasts rise to 0.5.

 The IRGC, like Khamenei and many of the more conservative stakeholders, is opposed to Iran interacting with the US. The IRGC understands the need for a limited informal discourse but prefers not to expand relations. If the IRGC's position were to change in favor of a broader engagement (0.5), the static forecasts follow the IRGC's position shift and a broader discourse is likely to follow (0.5).

If the Pragmatists are able to increase their effective capabilities by fifty percent, the model indicates the faction can successfully push Iran into closer relations with the West, predicting static forecasts of 0.5.   For the Reformists to draw Iran into closer relations with the US, they need to double their effective capabilities, causing the risk-adjusted forecast to rise to 0.5 but no change in the risk-neutral forecast of 0.4.

Summary

US-Iran relations are necessary to both nations' national interests but are currently predicted to only be sustainable in multiparty talks or less formal platforms, such as the media and academia. While these avenues are likely to continue being the dominant forms of interaction, with time increasingly greater levels of interaction are projected possible. Also, fairly high support exists across a broad range of communication venues, suggesting the potential to engage through a variety of alternatives. More formal relations, through international institutions or a limited bilateral dialogue, could garner enough support to be temporarily viable. For more controversial issues, though, the best medium for progress is currently multiparty talks. More formal exchanges are unlikely to maintain the long term backing necessary to make significant progress, and less formal avenues will likely lack the legitimacy to develop enforceable agreements.

Policy Issue: Iran's Nuclear Program

Iran's nuclear program was started with Western support during the Shah's rule in the 1950s. The program was briefly suspended following the 1979 revolution before being restarted with significantly less Western support (Bruno 2010). Iran is a signatory of the Nuclear Non-Proliferation Treaty (NPT), and asserts its nuclear program is for civilian nuclear energy and medical research – peaceful purposes, which are not violations of its NPT commitments (Kerr 2009).

The controversy surrounding Iran's nuclear program centers on Iran's failure to declare sensitive enrichment and reprocessing activities to the International Atomic Energy Agency (IAEA). International sanctions levied against Iran through the United Nations Security Council (UNSC) are based on the opacity surrounding Iran's nuclear ambitions (IAEA 2005; 2010; Kerr 2011). Understanding how Iran's nuclear program is likely to develop is important to many policy makers, because the form and character of US-Iran relations hinges on the type of nuclear program Iran decides to pursue.

Policy Positions

The US is opposed to Iran's nuclear program, and lists a myriad of reasons why Iran's pursuit of even a peaceful nuclear program is imprudent (Kerr 2009). Iran's recurring noncompliance with the IAEA has caused the US to suspect Iran is pursuing a nuclear weapons program. In September 2009 US Press Secretary Robert Gibbs succinctly summarized the US's public stance on Iran's nuclear program: "I think Iran has to live up to its responsibilities and end its illicit nuclear program. That's not just the opinion of one country; that's the opinion of the world (Kerr 2009)."

The US, like Iran, is a signatory of the NPT, which, as international law, allows all signatory nations to have a peaceful nuclear program, so long as it is subject to IAEA oversights (UNODA 1970). The US, due to "an absence of confidence" in Iran's nuclear intentions, would ideally like Iran to completely abandon all nuclear aspirations (a position of 0), but realizes that by international law it must accept some aspects of Iran's nuclear program (IAEA 2005; 2010; Kerr 2009; 2011). International negotiations with Iran, of which the US has been an active or perceived member, have included Iran's retention of some portions of its nuclear program, leading to some ambiguity in the US's perceived position, ranging between 0 and 0.4 (Bruno 2010).

There are two potential routes by which Iran can pursue its nuclear program within the NPT: Iran could outsource its enrichment (a position of 0.2), or Iran could pursue enrichment monitored by the IAEA (a position of 0.4) (ICG 2006). If Iran maintains a nuclear program, which the US realizes is likely, the US would prefer Iran to abandon domestic enrichment (ICG 2006). Enrichment facilities and processes are difficult to monitor; the same equipment and processes used to produce low-enriched uranium (LEU), the type used to produce most civilian nuclear energy, can also be used to produce high-enriched uranium (HEU), necessary to create a bomb, making any enrichment facilities a potential proliferation risk, and Iran has already proven its ability to produce lower concentrations of HEU (Makhijani et al. 2004; Kerr 2009; IAEA 2010; BBC 2010).[17]

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[17] The uranium for light water reactors, the type predominantly used to produce civilian nuclear energy, is enriched to between 3 and 5 percent, commonly referred to as low-enriched uranium (LEU) (heavy water and graphite-moderated reactors are able to use uranium of lower concentrations). High-enriched uranium (HEU), as defined by the US Nuclear Regulatory Commission (USNCR), is uranium enriched beyond 20 percent. HEU can be used to manufacture an atomic bomb, but in practice, to make nuclear weapons of deliverable size, the uranium must be enriched to 90 percent or greater. HEU, besides its use as a weapon, is used for medical research reactors and naval reactors. The same processes and facilities which can enrich uranium to LEU levels can be used to enrich uranium to HEU levels, making all nuclear enrichment facilities potential sources of nuclear proliferation (Makhijani et al. 2004). Iran has proven its ability to enrich uranium to 19.8 percent, beyond LEU levels from which further enrichment to 90 percent or greater, is a technologically small step (BBC 2010, IAEA 2010).

The following analysis uses a US position of 0.2, seeking Iran's suspension of enrichment activities, but accepting the retention of a civilian nuclear program (Figure 77). The "Grand Bargain," first proposed in 2003, is seen as the guideline of any US-Iran exchange. The "Grand Bargain" underwent serious debate at the start of Bush's first term, during which Iran suspended its uranium enrichment. The "Grand Bargain" best corresponds with a position of 0.2, allowing Iran to maintain most of its current nuclear program under IAEA oversights (NIE 2007; Kristof 2007). President Barak Obama's repeated affirmation "…that Iran has legitimate energy concerns, legitimate aspirations. On the other hand, the international community has a very real interest in preventing a nuclear arms race in the region," can be interpreted as the continuation of the US's position under the current administration (Obama 2009). While the analysis is for a US position of 0.2, the presented analyses do not change significantly with variations in the US's position, whether the US pushes for Iran's complete abandonment of its nuclear program (a position of 0), or accepts Iran's domestic enrichment (a position of 0.4) (See Sensitivity Analysis Section).

Supreme Leader Khamenei has stated Iran's nuclear program is peaceful, and that the nuclear program aims to meet civilian nuclear energy needs, advance science, and bolster the spirit of the Islamic world. As a religious leader, Khamenei opposes nuclear weapons as weapons of mass destruction (WMD), arguing WMDs cannot help but hurt innocents (IRNA 2010). Khamenei, while in support of a peaceful nuclear program, appears content with Iran's nuclear program operating outside of the purview of international oversight, allowing members of the Iranian government, such as President Ahmadinejad, to use rhetoric obscuring the true nature of Iran's nuclear intent.

Ahmadinejad's statements about Iran's nuclear program regularly shift. Ahmadinejad has insisted on Iran's right to nuclear weapons, and asserted Iran would use nuclear weapons to wipe Israel from the map, but Ahmadinejad has also claimed Iran's nuclear program is simply for peaceful means: civilian nuclear energy, medical research, technological advancement, and Islamic pride (Curry 2009; PressTV 2011). Ahmadinejad's nuclear appeals play to public sentiments, and crowds frequently intermix chants of "Nuclear energy is our undeniable right" with more traditional chants of "Death to America" (Iran Review 2008; Payvand 2007). Ahmadinejad would probably like to see Iran with a nuclear weapons capability, but would likely stop short of testing a bomb.

The IRGC would control any nuclear weapons Iran developed, and already controls Iran's long range missiles. The IRGC wants nuclear weapons, because the production and testing of nuclear weapons would increase the IRGC's importance both domestically and regionally. The IRGC's control of nuclear weapons would also cement its preeminence over the *Artesh*, and make permanent its dominant role within the Islamic Republic.

Figure 77: Stakeholder Positions about the Future of Iran's Nuclear Program
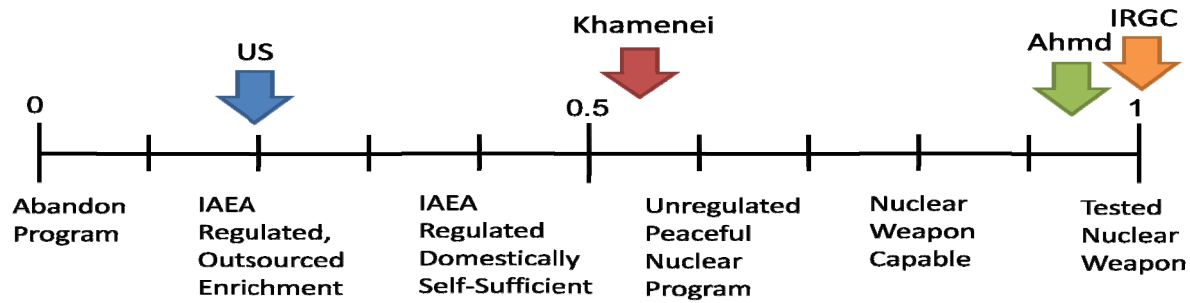
Salience

The nuclear issue is a high, if not top, priority to most of the stakeholders studied. The US considers Iran's nuclear program its top policy concern with Iran, and amongst the US's entire foreign policy agenda, Iran's nuclear program ranks near the top (Figure 78). Khamenei considers the nuclear program a high priority, though the program dominates his interest less than many other stakeholders. Iran's nuclear program is a high priority for Ahmadinejad, the program providing crucial leverage in his international strategy. For the IRGC, the nuclear program also is a top priority. A nuclear weapons capability would make the IRGC Iran's dominant military force and cement its stature within the Islamic Republic.

Figure 78: Stakeholder Salience about Iran's Nuclear Program
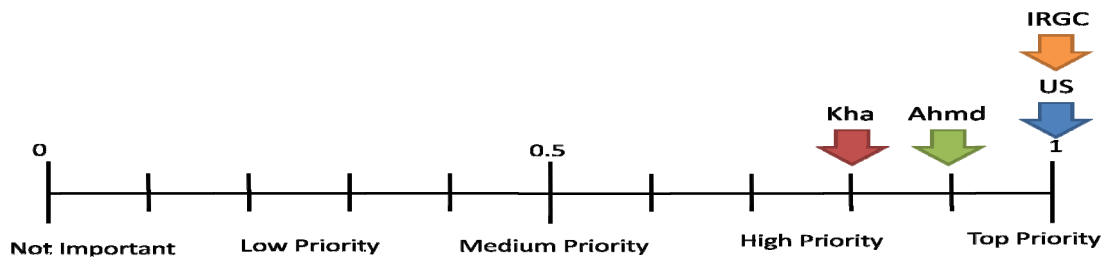
Initial Static Forecasts

The political visibility of this issue makes identifying stakeholder positions challenging. Domestic and international politics, along with active negotiations on the issue, complicate a clear understanding of true stakeholder positions and salience. Stakeholders make statements masking and guarding their position, appearing to hold a certain position one day, and then releasing a statement adhering to a different position the next. The effective capabilities distribution depicts the best estimates of all the stakeholders' positions at the time of data estimation, and the clout the stakeholders are exerting on the issue (Figure 79). Stakeholders and their effective capabilities are fairly uniform and widely spread across the entire spectrum, indicating no strong preexisting consensus about an issue resolution.

Figure 79: Stakeholder Effective Capabilities Array for Iran's Nuclear Program
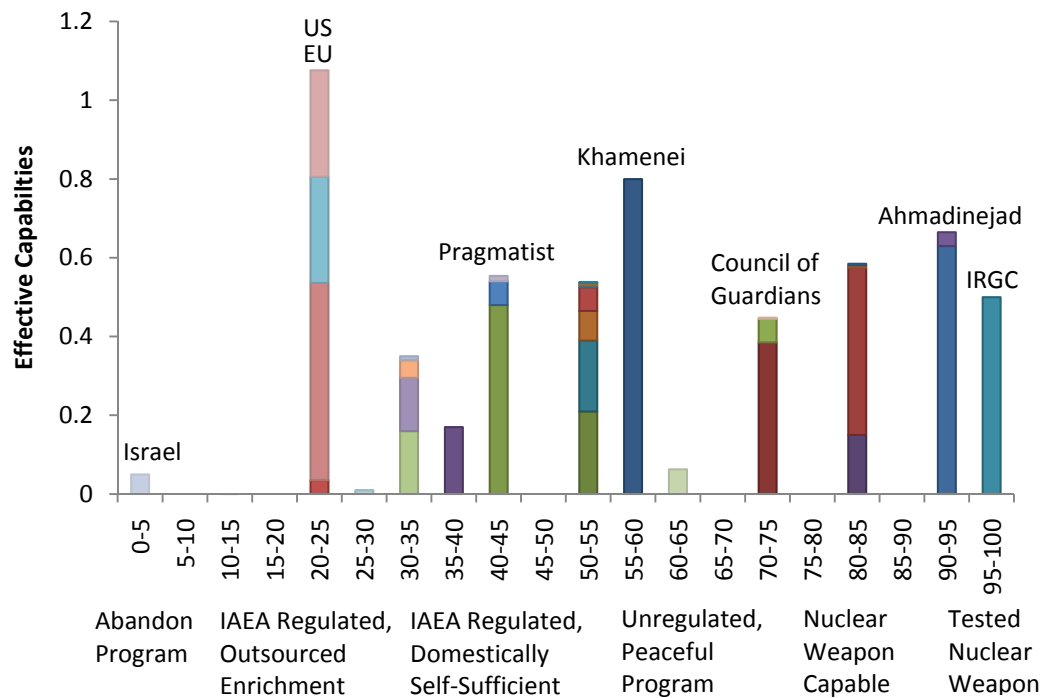
The model predicts that Iran's nuclear program will remain peaceful in nature in the short term (Figure 80). Iran's nuclear program is likely to follow the path and desires of Iran's Supreme Leader, and the risk-neutral and risk-adjusted forecasts are at his position, 0.55. The forecasts suggest Iran will continue entertaining occasional IAEA oversight but not allow complete or regular access to its nuclear facilities. Also, the nuclear program, while peaceful, will likely continue its pursuit of high-enriched uranium (HEU) domestically for medical research, moving Iran technologically closer to being capable of building a nuclear weapon.

Figure 80: Initial Static Forecasts and Position Support of Nuclear Program
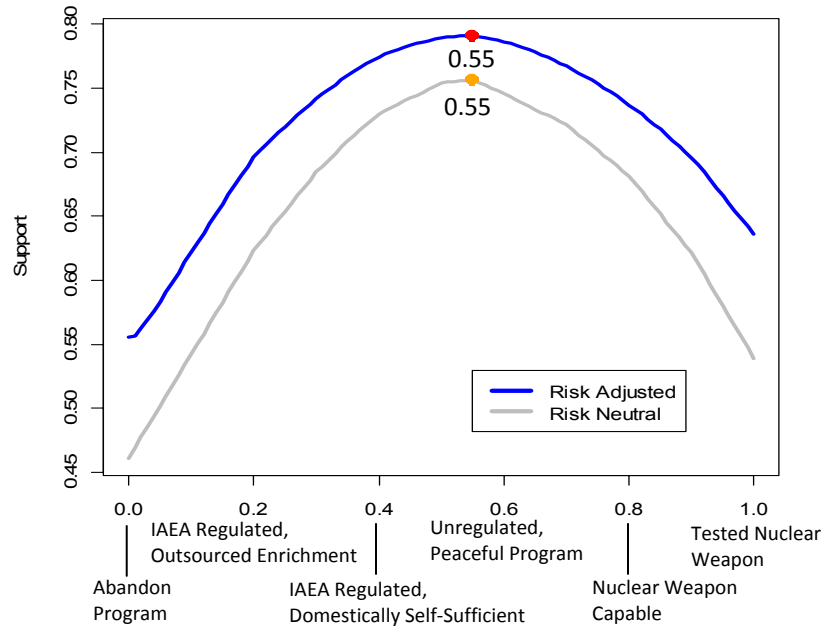
Perceptual Analysis

A plot of stakeholder risk character shows that few of the major stakeholders are prepared to take significant risks to influence the development of Iran's nuclear program (Figure 81). The model identifies the US as one of the stakeholders most willing to take risks, surpassed only by Israel. The EU, whose position is shared with the US, is also willing to incur some risks to ensure Iran's nuclear program is peaceful, and subject to international oversight. The nuclear program is forecasted to be maintained at Khamenei's preferred position, and the model predicts Khamenei will be fairly risk-neutral in taking the necessary actions to make sure the nuclear program continues to develop along his charted course. Ahmadinejad is also found to be fairly risk-neutral in his efforts to see Iran develop a nuclear weapon capability. The IRGC is pushing for a nuclear weapon, and the influence a nuclear capability would provide the IRGC serves as significant motivation for it to take risks.

Figure 81: Stakeholder Risk Projections
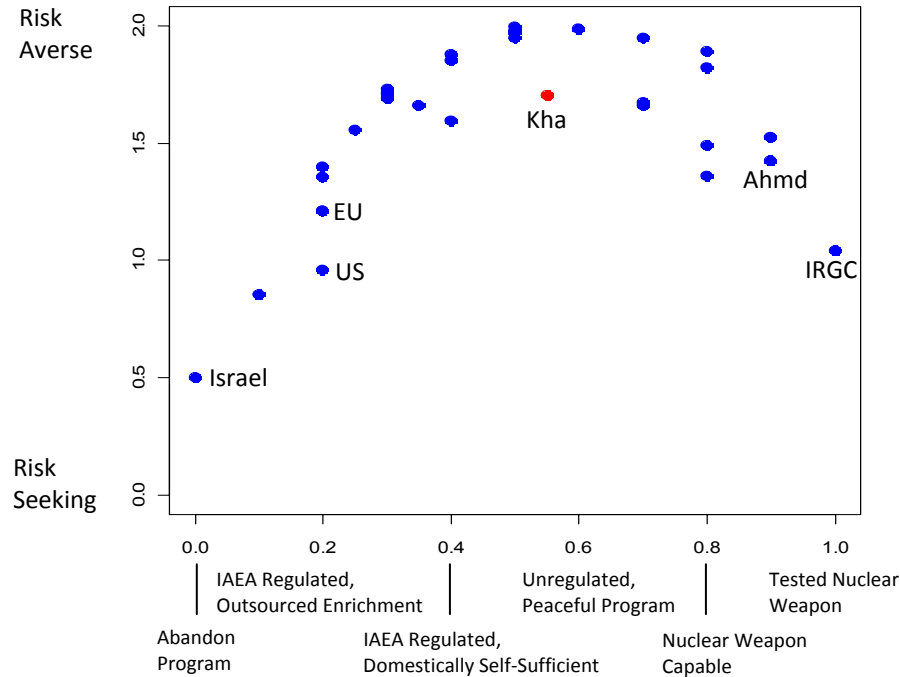
The model identifies that the US is willing to take some risks to see Iran's nuclear program disassembled, and identifies several opportunities by which the US can advance its goals (Figure 82). The US has leverage over many of Iran's population subgroups, but also has leverage over the *Artesh* and the *basij*. *Haqqani* is also predicted to be persuadable by US influence. The US is predicted as having substantial leverage over Israel, who is completely opposed to Iran having any nuclear program, but against the remaining international stakeholders, including the Middle East Countries not for Iran, the US is in conflict, reflective of the value of keeping allies close. Against Iran's stronger conservative powers (Khamenei, Ahmadinejad, and the IRGC), the US expects no benefit from interaction (octants 5 and 6).

Figure 82: US Opportunities to Influence Iran's Nuclear Program (US Objective EU Plot)
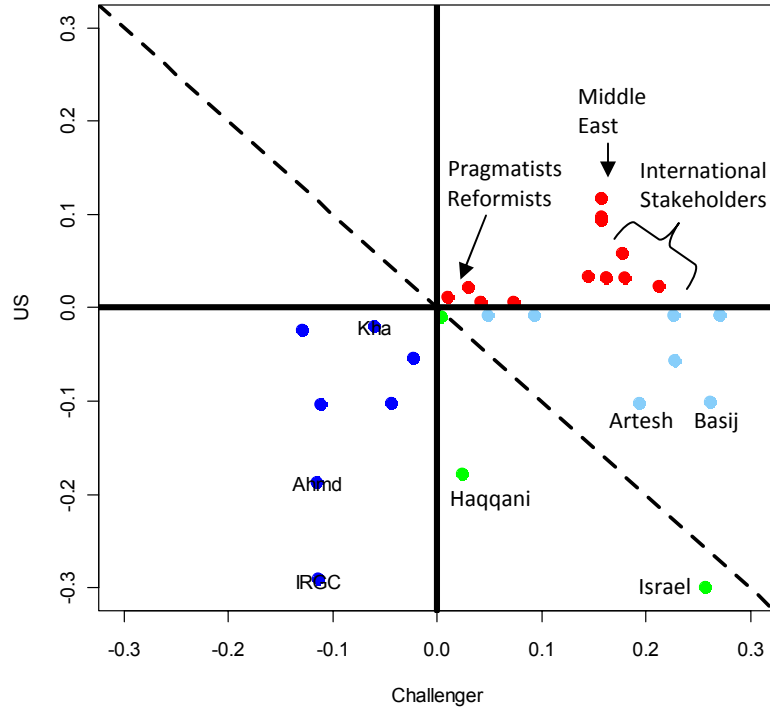
Dynamic Forecasts

The dynamic forecasts affirm the findings of the static forecasts, holding relatively constant at about 0.55 (Figure 83). Looking out over the next few years, Iran is not projected to develop a nuclear weapon, although Iran will likely continue working on its domestic enrichment and nuclear energy program, which will move Iran technologically closer to a weapon. The model also projects that Iran will continue evading international oversight, which will result in the persistence of tensions between Iran and the international community. The majority of the identified stakeholder positions on this issue are not found to change significantly, suggesting the issue will probably continue to go unresolved. The forecast outcome remains exactly at Khamenei's position throughout the dynamic analyses. Ahmadinejad's and the IRGC's positions are predicted to moderate slightly, moving toward favoring an untested nuclear weapons capability. Over the same period, the US moves slightly toward accepting Iran possessing a peaceful nuclear program. While the majority of stakeholders do not make significant changes in position, the stakeholders pushing for Iran to outsource its uranium enrichment (0.2 to 0.35) shift positions and accept Iran being capable of domestically enriching uranium (0.35 to 0.4).

Figure 83: Dynamic Forecasts of Iran's Nuclear Program
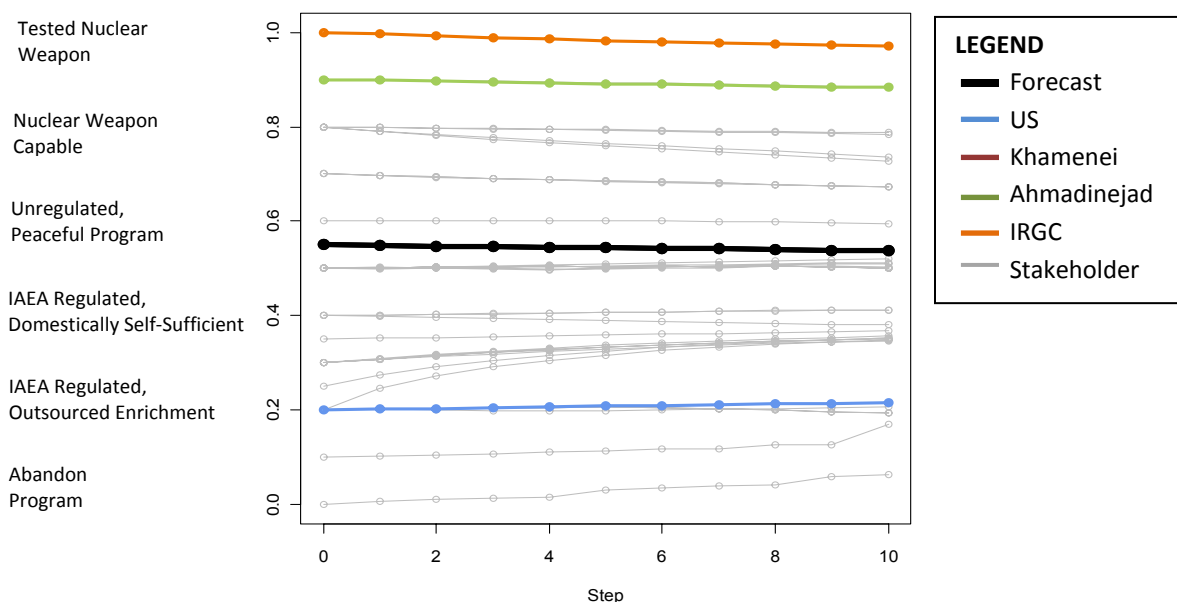
Sensitivity Analysis

Allowing the estimated stakeholder input data to vary randomly by up to 10 percent of the measurement scale and rerunning the model, there is moderate variation in the static and dynamic forecasts (Figure 84). In all of the cases the model predicts Iran's nuclear program will remain peaceful, and Iran will continue to strive to be domestically self-sufficient (between 0.4 and 0.7). Significant variance remains, though, about the degree of oversight Iran allows the IAEA, and how dogmatically Iran pursues the technological advancements necessary for medical research or a nuclear weapon.

Figure 84: Sensitivity of Iran's Nuclear Program Forecasts
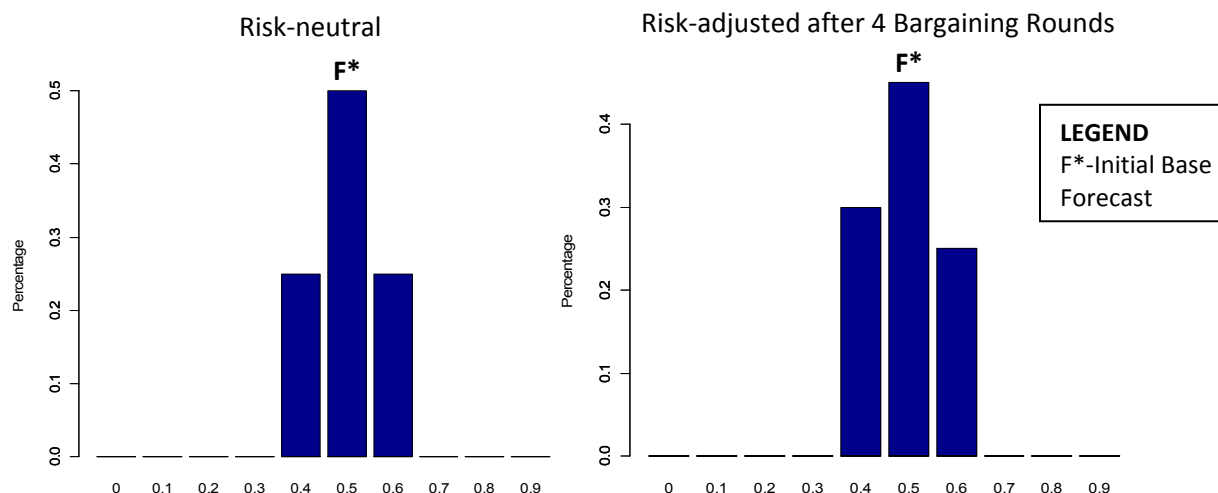
If the US increased its effective capabilities on this issue to double, or even triple, their current levels, the projected outcomes change only slightly. A doubling, or tripling, of US effective capabilities causes the static forecast to fall slightly to 0.5, while the risk-adjusted forecast remains the same at 0.55.

Significant decreases in US capabilities, or even the US's complete withdrawal from the issue, are not projected to change the static forecasts of 0.55, so long as all other stakeholders' positions and capabilities remain the same. The US has little unilateral leverage over Iran's nuclear program.

The US position on Iran's nuclear program is considered by many to be either stricter or more moderate than analyzed here, reflecting US pragmatism, past discussed bargains, and the conditions of the NPT. Changing the modeled US position to any position within the range of civilian nuclear programs (between 0 and 0.6) leads to no change in the risk-neutral or risk-adjusted forecasts of 0.55.

Khamenei exerts significant control over Iran, and his position defines the nuclear issue. If Khamenei's position were to change in support of a nuclear weapon, positions of either 0.8 or 1.0, Iran moves much closer to developing a nuclear weapon; the risk-neutral forecast rises to 0.7, and the risk-adjusted forecasts moves to 0.6. If Khamenei's effective capabilities were to decrease by 50 percent, or are removed entirely, the forecasts do not change radically. The risk-neutral and risk-adjusted forecasts both fall slightly to 0.5, and Iran's nuclear program largely maintains its current course. Iran's Supreme Leader plays a significant role determining Iran's nuclear intent.

The model finds Ahmadinejad's influence over Iran's nuclear development is less than popularly perceived. Doubling Ahmadinejad's effective capabilities has no effect on the initial static forecasts. Reducing Ahmadinejad's capabilities to half their current level causes the static risk-neutral and risk-adjusted forecasts to fall slightly to 0.5, but completely removing Ahmadinejad's influence leads to no further decreases in the forecasted outcomes. Entirely removing the influence of both Khamenei and Ahmadinejad, the static forecasts decrease even further, with both the risk-neutral and risk-adjusted forecasts falling to 0.4.

The IRGC has minimal influence over Iran's nuclear development. Reducing the IRGC's capabilities to half their estimated level leads to no changes in the static forecasts, and completely removing the IRGC's influence only causes a slight drop in the static forecasts to 0.5. Increasing the IRGC's influence to double their estimated level does not cause either the risk-neutral or risk-adjusted forecasts to rise.

Further Consideration

The findings of this study, that Iran's nuclear program will develop peacefully but continue to evade IAEA oversights, echo the findings of a 2009 study done for the CIA (Mesquita 2009) and the final forecasts of a second dataset, produced independently by an Iran expert from the US intelligence community (Appendix G: US Intelligence Community Assessment of Iran's Nuclear Program).

The 2009 study done for the CIA was led by Bruce Bueno de Mesquita (Mesquita 2009). The data collection effort was conducted largely by Mesquita's undergraduate students at New York University, who identified almost 90 stakeholders, including Supreme Leader Khamenei, President Ahmadinejad, and the United Nations Security Council. The study used a position scale that went "from 0 to 200, with 0 being 'no nuclear capacity at all' and 200 representing a test of a nuclear missile" (Thompson 2009). The model's initial forecast was that Iran would develop a nuclear weapon, but this forecast rapidly falls (to 118), finding that "Iran will be at the brink of developing [a nuclear weapon], but then it will stop and go no further" (Thompson 2009). Mesquita's forecast mirrors that of this study; Iran with a self-sufficient nuclear program, producing domestic nuclear energy and conducting medical isotope research, would be technologically within reach of developing a nuclear weapon.

The Iran expert from the US intelligence community, following a set of elicitation instructions (also provided to various other experts to assist their input to the study dataset), independently produced a dataset assessing Iran's nuclear program. This dataset has moderate correlation with the original study dataset at around 0.65, and produces almost identical final results when run through the model (0.6). The second dataset produces ominous initial static forecasts, predicting Iran will develop a nuclear weapon (the risk-neutral forecast is of 0.8, and the risk-adjusted forecast is of 0.9), but the static forecasts display a high level of instability. The dynamic forecasts move quickly to 0.6, where they stabilize, concurring with the original study dataset, that Iran's nuclear program will be peaceful, but function outside of IAEA oversight (Appendix G: US Intelligence Community Assessment of Iran's Nuclear Program).

Summary

Iran will likely continue its development of a domestically self-sufficient nuclear program. The program will be focused on domestic nuclear energy and medical isotope research, but this effort will move Iran technologically closer to a nuclear weapon should its aspirations change. Iran will continue evading full IAEA oversight, and with most stakeholders being unwilling to make any compromises on their positions, the nuclear standoff is likely to continue. Khamenei was identified as exerting decisive control over the issue, and his decision to pursue or not to pursue a nuclear weapon will be the determining factor in whether Iran develops a bomb. The US, Ahmadinejad, and the IRGC, while all exerting significant influence on the issue, are individually unable to alter the course of Iran's nuclear program.

Policy Issue: Iran's Involvement in Iraq

On 20 March 2003 the US launched Operation Iraqi Freedom (OIF), removing Saddam Hussein, Iran's regional rival, and creating the parliamentary democracy of the Republic of Iraq. The US presence in Iraq, while diminishing, currently continues under Operation New Dawn (USF 2011). The US remains concerned with Iran's involvement in Iraq. The US has repeatedly accused Iran of supporting actors fomenting unrest and of attacking US troops and allies (Beehner 2008). The US is also being pressed by allies in the Middle East who are worried about the possible weakening of the Iraqi government. Many states are concerned with the possibility of Iraq becoming an Iranian proxy due to ties between the nations' predominantly *Shi'i* populations. If Iraq became a proxy of Iran, it would further realign the power balance in an increasingly unstable Middle East (ICG 2005). Understanding the probable approach Iran will take interacting with Iraq could help the formation of US regional policy.[18]

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[18] This analysis looks at Iran's foreign policy with respect to Iraq, providing a gauge of what Iran-Iraq relations will look like in the coming years. Forecasting Iran-Iraq relations directly could be accomplished by collecting additional data on the stakeholders in Iraq (currently represented collectively) that are critical to forming its foreign policy toward Iran, such as Nouri al-Maliki, Muqtada al-Sadr, and Jalal Talabani.

Policy Positions

The US would like Iran to refrain from interfering in Iraqi politics (Figure 85). The US accepts that trade will occur between the countries simply due to their proximity and cultural ties, but is concerned that further Iranian involvement in Iraq would be destabilizing to the new government. If the new Iraqi government were to become too closely tied to Iran, it could hinder its ability to establish an independent identity, thus destroying its regional and international credibility.

Khamenei sees Iran's involvement in Iraq as a fundamental aspect of the nation's foreign policy. Close relations with the new government could create a potential ally and buffer state between Iran and the Middle East's predominantly *Sunni* states. Amicable relations between the nations would also make it unlikely that future conflicts between the two former rivals would occur. Khamenei views Iran's indirect support to Iraq's insurgent groups as promoting the nation's foreign policy goals: supporting Iraq's various conflicting internal factions keeps the Iraqi government mired in internal problems, making it unlikely Iraq could pose any threat to Iran in the near future, and keeps the US from using Iraq as a platform to target Iran (Felter and Fishman 2008).

Ahmadinejad wants to develop Iraq as an Iranian proxy. Sowing divisions within Iraq slows the development of the Iraqi government, and through Iran's strategic support of different, primarily *Shi'i*, groups, it strengthens relations between the governments. The development of ties between Iran and Iraq also serves to advance Iran's claim as the leader of the Middle East.

The IRGC shares Khamenei's position on Iran's foreign policy with Iraq, viewing a weak Iraq and ties with the new government as key to Iran's national security. Developing close relations reduces the likelihood that the animosity that existed between the nations during Saddam Hussein's regime will return, decreasing the likelihood of future conflicts, and promoting continued unrest prevents Iraq from becoming a regional threat or rival to Iran.

Figure 85: Stakeholder Positions on Iran's Involvement in Iraq
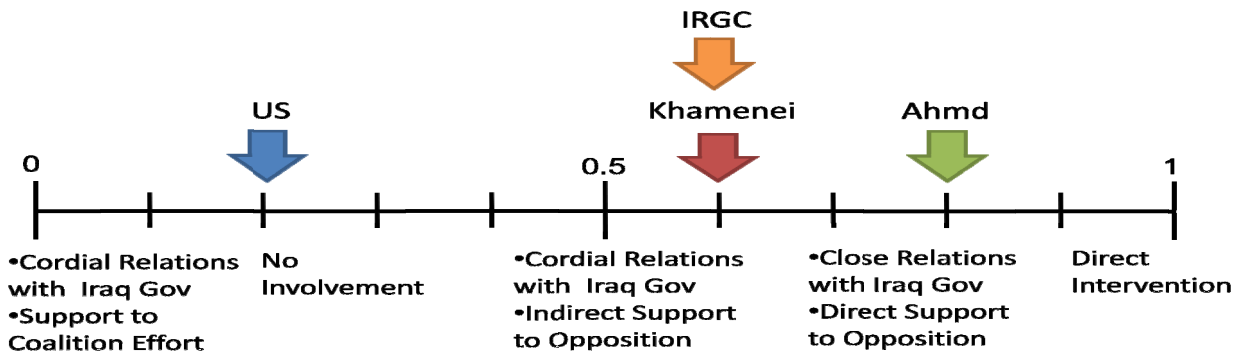
Salience

The US is drawing down its forces in Iraq but wants a successful conclusion to its operations there. A defining measure of success for the US is a stable government functioning autonomously. The need for a stable and independent Iraqi government to the US's broader regional strategy makes minimizing Iran's influence in Iraq a high priority (Figure 86). Khamenei considers Iran-Iraq relations a moderate priority, with relations currently progressing in accordance with Iranian interests. Ahmadinejad considers developing ties with Iraq a fairly high priority; the bilateral relationship serves as a key platform through which Ahmadinejad is able to exercise and increase his own power. The IRGC

approves of how Iran-Iraq relations are developing and considers the status quo stable. As a result, the IRGC views Iran's involvement in Iraq as only a moderate priority.

Figure 86: Stakeholder Salience about Iran's Involvement in Iraq
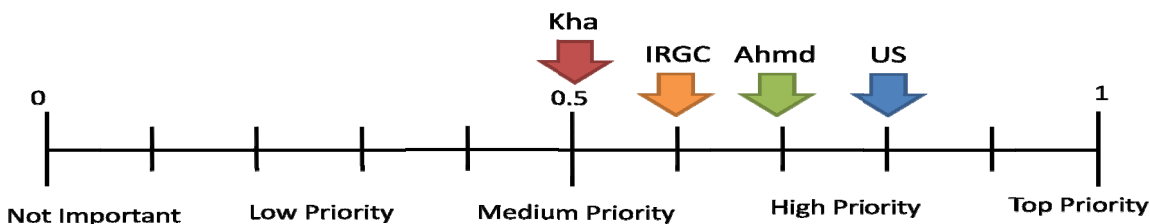
Initial Static Forecasts

Iran's involvement in Iraq is a low priority to many stakeholders. The stakeholders concerned about the development of Iran-Iraq relations can be broadly divided into two groups: the US and its coalition allies, and the key stakeholders directing Iran's foreign policy (Figure 87). In the effective capabilities plot, the first group is centered about the US on the left, with its allies holding nearby positions. The US and its coalition allies would prefer to see Iran refrain from meddling in Iraq's politics or encouraging restive groups, and some US allies would like to see Iran work with the coalition to help stabilize Iraq.

Khamenei directs and Ahmadinejad executes Iran's foreign policy, and they head the second group influencing the issue. This group contains almost all of Iran's domestic stakeholders, and its primary goals are promoting Iranian primacy and preventing the resurgence of a regional rival. The group wants to develop ties with Iraq but keep Iraq focused on its internal problems. The proximity of Iran and Iraq and their common religious ties (both nations have predominantly *Shi'i* populations) provide Iran substantial advantages in shaping bilateral relations.[19]

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[19] Iran and Iraq are the two largest predominantly *Shi'i* nations in the Middle East. Iran is 89 percent *Shi'i*, while Iran is 62.5 percent *Shi'i*. The populations, while having a common religion, are ethnically different, Iraq being predominantly Arab, like the majority of the Middle East, while Iran is primarily Persian and Azeri.

Figure 87: Stakeholder Effective Capabilities Array on Iran's Involvement in Iraq
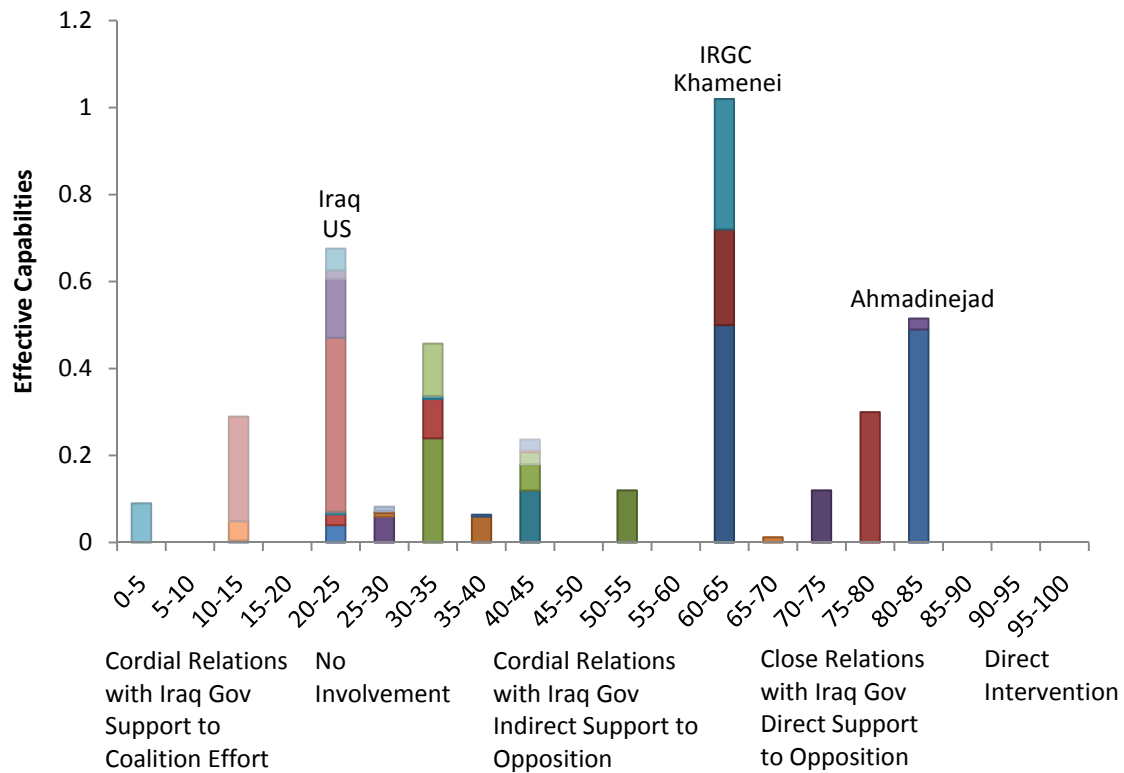
The model's static forecasts project the US and its coalition allies will be unable to stop a deepening of ties between Iran and Iraq, or prevent Iran from using this influence to counter US interests (Figure 88). The model also predicts Iran will continue providing indirect support to groups that are destabilizing the new government. The static risk-neutral forecast is of 0.5, and the risk-adjusted forecast is of 0.4. The differences between the risk-adjusted and risk-neutral forecasts are driven by Iranian stakeholders' cautiousness while there remains a significant US military presence in the region.

Figure 88: Initial Static Forecasts and Position Support for Iran's Involvement in Iraq
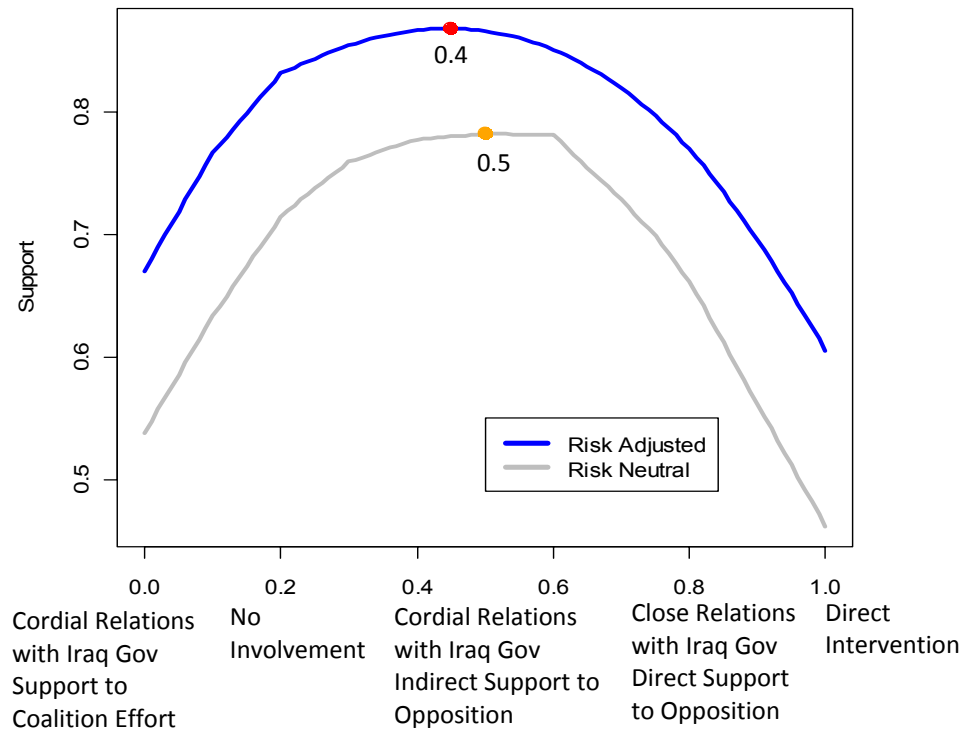
Perceptual Analysis

The model identifies several US opportunities to strengthen its position on this issue (Figure 89). Advantageous opportunities are identified for the US to place pressure on Khamenei, Ahmadinejad, and the IRGC. The *Haqqani*-School Clerics also appear susceptible to US pressure, potentially curtailing their support to restive groups within Iraq. Outside of Iran, the US can strengthen its position by forging an agreement on the acceptable level of Iranian involvement in Iraq with its allies, thereby unifying their position; the model identifies the US as having leverage with the EU in forming a unified position. The US is in conflict with the remaining stakeholders, including Iran's moderate domestic stakeholders and population subgroups; however, it holds the advantage in these conflicts. Most of the international stakeholders are in conflict with the US, including Iraq, reflecting the collective value of the international stakeholders' mutual interests on this issue.

Figure 89: US Opportunities to Influence Iran-Iraq Relations (US Objective EU Plot)
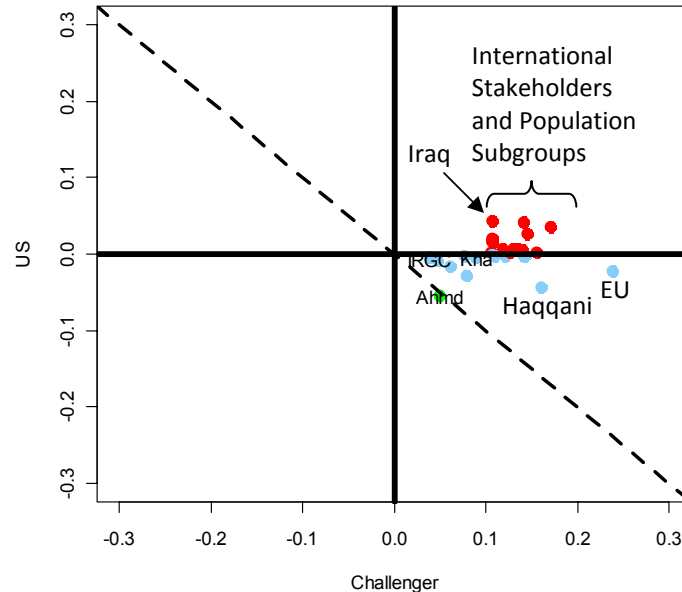
Dynamic Forecasts

The dynamic forecasts suggest Iran's involvement in Iraq will increase, even before accounting for the withdrawal of US forces from Iraq (Figure 90). The dynamic forecast rises slightly over the course of ten bargaining rounds, but its course is not smooth – the forecast outcome follows a cyclical course, taking a large step forward and then being pushed gradually back before moving forward again (ranging between 0.39 and 0.47). The cyclical pattern suggests that deepening relations between Iran and Iraq can be temporarily countered by pressure from the US and its allies, but that the growth in bilateral relations can only be delayed, not prevented. Still, delaying a growth in relations between the nations could potentially provide enough time for Iraq to develop a strong independent government.

The dynamic forecasts show that Iraq is unlikely to split from the US while US forces are still present in Iraq and the US position, attempting to minimize Iran's involvement in Iraq, holds constant. Khamenei, Ahmadinejad, and to a lesser extent the IRGC slowly move away from their two-pronged political strategy of supporting Iraq's government and its opposition, and instead, refocus their efforts solely on developing and fostering relations with the Iraqi government (forecast of 0.4). Over time the US's international allies move to accept Iran and Iraq developing bilateral relations whose character is anti-US in nature.

Figure 90: Stakeholder Effective Capabilities Array on Iran's Involvement in Iraq
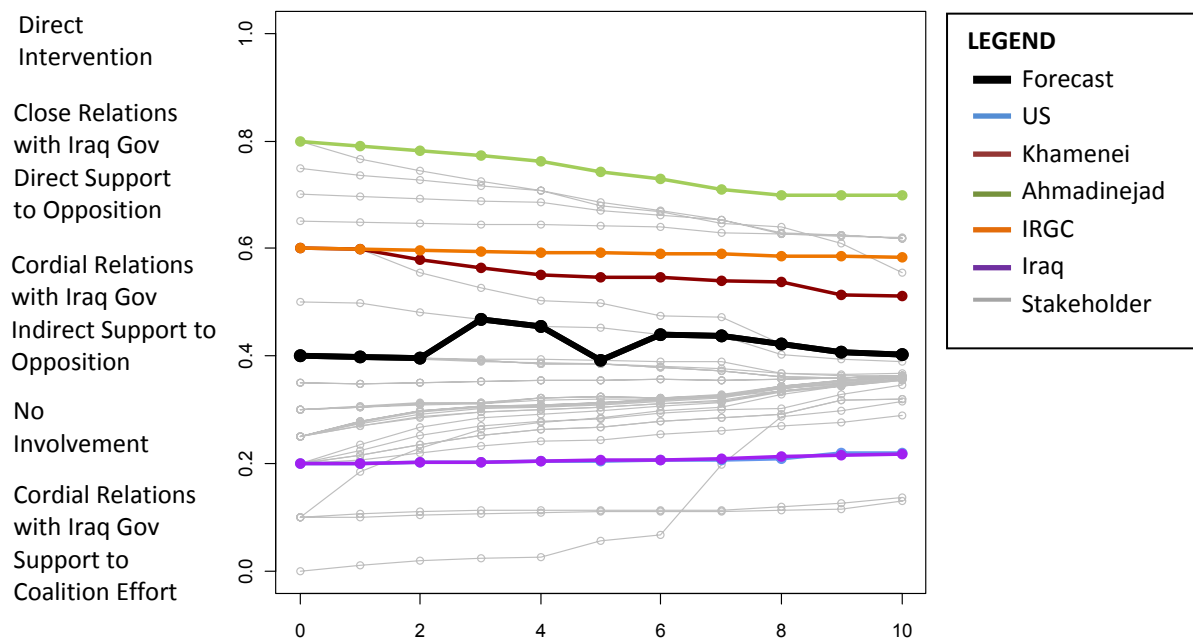
Sensitivity Analysis

The model's forecasts of Iran-Iraq relations are fairly sensitive to changes in the political environment. Allowing all the data inputs to vary by up to 10 percent of their measurement spectrum and rerunning the model twenty times, the risk-neutral forecasts are spread between 0.3 and 0.7 (Figure 91). The forecast window narrows only slightly after four bargaining rounds where the risk-adjusted forecasts are between 0.3 and 0.6. The forecasts consistently conclude that Iran will develop relations with Iraq adversarial to US interests and that Iran will support opposition groups within Iraq, but the strength of the ties between Iran and Iraq and the degree of support to restive groups could vary significantly.

Figure 91: Sensitivity of Forecasted Iran-Iraq Relations
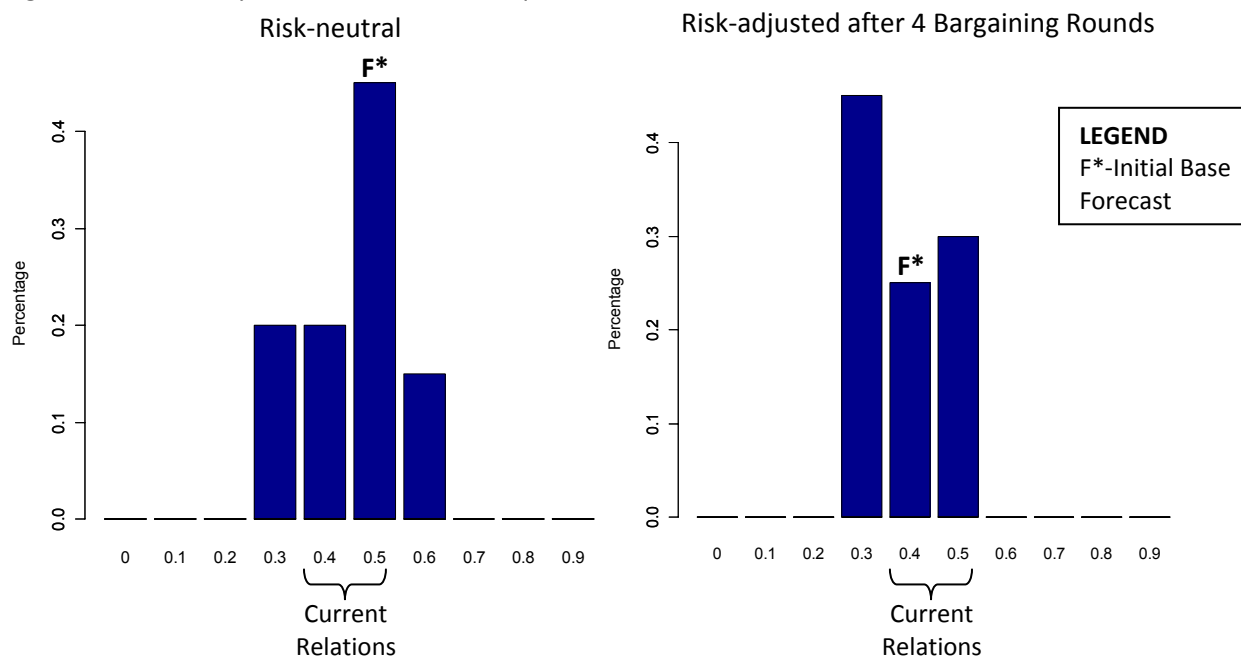
Khamenei has moderate influence over the development of Iran-Iraq relations. Reducing Khamenei's influence by half causes the risk-neutral forecast to fall to 0.4 but results in no change in the risk-adjusted forecast (0.4), and entirely removing Khamenei's influence leads to no further changes in the model forecasts. An increase in Khamenei's influence causes the static forecasts to rise. Doubling Khamenei's influence results in the risk-neutral forecast rising to 0.6, and the risk-adjusted forecast climbs to 0.5.

Ahmadinejad, while actively pursuing stronger relations between Iran and Iraq, exerts almost identical influence over the development of relations between the nations as Khamenei. Reducing Ahmadinejad's influence by fifty percent, or entirely removing his influence, causes the risk-neutral forecast to fall to 0.4 but results in no change to the risk-adjusted forecast. Doubling Ahmadinejad's influence causes the static risk-neutral and risk-adjusted forecasts to rise to 0.6 and 0.5 respectively, but tripling Ahmadinejad's influence leads to no further increases in the static forecasts.

Iran-Iraq relations are only a moderate priority to the IRGC. The IRGC's influence over Iran-Iraq relations must be reduced by more than half before the model forecasts change. Entirely removing the IRGC's influence causes only a slight reduction in the risk-neutral forecast (0.4) and no change to the risk-adjusted forecast (0.4). Doubling the IRGC's influence causes the risk-neutral forecast to rise to 0.6 and risk-adjusted forecasts to rise to 0.5, but significant additional increases in the IRGC's influence do not change the forecasts further.

US Withdrawal

On 17 November 2008 the US and Iraq signed a Status of Forces Agreement (SOFA), requiring the removal of all US forces no later than 31 December 2011. If US forces were to remain in Iraq past 2011, the current SOFA would need to be extended or a new peacetime SOFA created, authorizing US support

for security training or other programs (Mason 2009). The US withdrawal from Iraq will result in substantial changes to US regional influence and could potentially reflect a change in the US's position.

During Operation Iraqi Freedom the US exerted greater influence over Iran-Iraq relations and thus, greater control over Iraq's foreign relations. The model projects that if the US increased its effective capabilities, Iran would distance itself from Iraq. Doubling the US's effective capabilities causes the static risk-neutral forecast to fall to 0.4, and the risk-adjusted forecast falls to 0.2 (the US's position).

The US, however, is withdrawing from Iraq, and its effective capabilities are likely to decrease. Reducing US influence in Iraq has a substantial adverse impact on the forecast. If US effective capabilities are reduced by half, the risk-neutral forecast rises to 0.6, and the risk-adjusted forecast rises to 0.5. A softening in the US's position to 0.4, allowing some unchallenged Iranian influence in Iraq, has the same result on the model forecasts as a fifty percent reduction in US capabilities. The risk-neutral forecast rises to 0.6, and the risk-adjusted forecast rises to 0.5, suggesting that after the US troop withdrawal from Iraq, Iran and Iraq will deepen relations faster than forecasted.

Further Consideration

Iran-Iraq relations were studied in 2009 using expected utility models. In *The Predictioneer's Game,* Mesquita examined Iran-Iraq relations, concluding that Khamenei and Maliki would agree to a restrictive partnership (Mesquita 2009, pp. 186-202). A restrictive partnership develops, despite both nations' leaders' efforts to build a strategic relationship, because of domestic resistance and, to a lesser extent, the presence of US forces in Iraq.

Summary

Iran and Iraq will likely develop relations that are increasingly contrary to US regional interests, but relations between Iran and Iraq may not be as close as potentially feared. As ties between the governments of Iran and Iraq strengthen, Iran will likely reduce its support to insurgent groups in Iraq. Pressure from the US and its allies will help delay the two governments from readily embracing, providing the Iraqi government time to establish its identity. US positioning on this issue is currently strong but could be improved by unifying its outlook with that of its allies, notably the European Union. This will be especially important as the US withdraws from Iraq and its immediate influence declines. The model identifies numerous opportunities for advantageous opportunities for US foreign policy to influence key figures in Iran, notably Khamenei, Ahmadinejad, and the IRGC.

Policy Issue: Iran's Involvement in Afghanistan

On 7 October 2001 the US launched Operation Enduring Freedom (OEF), a US- and NATO-led coalition operation aimed at removing Al-Qaeda from Afghanistan and replacing the Taliban regime with a democracy. The coalition operation met with great initial success. Working with the Afghan United Front (Northern Alliance), the Taliban regime was rapidly dismembered and the Islamic Republic of

Afghanistan established. Hamid Karzai headed the interim government, a post to which he was popularly elected President in 2004 and 2009.[20] Since the founding of the Islamic Republic of Afghanistan, the nation has faced an ongoing insurgency, challenging US regional operations.

The US-led coalition is wary of Iran's involvement in Afghanistan, having found evidence of Iran's support to numerous insurgent groups (Beehner 2009). Furthermore, Iran and the new Afghani government have reformed their historically close ties, ties that have a strong anti-Western character (Najafizada and McQuillen 2010). Iran is one of the largest donors of foreign aid to Afghanistan and has undertaken various large infrastructure projects (Farrar-Wellman 2010). Iran pledged over 570 million US dollars to Afghanistan in 2002, of which it made the final installment in 2006, and has since pledged an additional 100 million US dollars (Farrar-Wellman 2010). Understanding Iran's likely foreign policy approach towards Afghanistan could assist US policy and strategy formation.[21]

Policy Positions

The US wants to minimize Iran's involvement in Afghanistan (Figure 92). It believes limiting Iran's involvement in Afghanistan, especially its support to insurgent groups, will increase the likelihood the coalition can defeat the insurgency, OEF can be labeled a success, and US forces can withdraw from Afghanistan. Furthermore, Iran's developing ties with Karzai's cash-driven government exacerbate coalition difficulties operating with the Afghan government. While the US and its allies are in Afghanistan, the US wants to minimize Iranian involvement, but the US realizes this position is not viable long term between the historically close bordering nations.

Khamenei does not see a need for the rapid cultivation of close relations between Iran and Afghanistan. Khamenei wants Afghanistan to stabilize and the new government to succeed. To this end he is willing to tacitly support the coalition effort by limiting Iran's involvement. He knows that further destabilization in Afghanistan would result in another influx of refugees, and that a stable Afghanistan, especially after the coalition's withdrawal, will naturally move closer to Iran, presenting numerous economic opportunities.

Ahmadinejad's outlook on Afghanistan aligns closely with that of Khamenei. In the short term Ahmadinejad acknowledges that minimizing Iran's involvement in Afghanistan will allow the coalition effort the best chance to successfully stabilize Afghanistan. Following the coalition's withdrawal, Iran can then expand on its currently modest ties with Afghanistan.

The IRGC is a military organization, and it can best exercise its influence within the current unsettled environment in Afghanistan. The IRGC is thus pushing for greater immediate involvement between Iran and Afghanistan. Also, the IRGC views the coalition presence as a military threat to its own existence.

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[20] The 2009 election saw serious voting irregularities, favoring the incumbent and eventual winner Hamid Karzai.

[21] This analysis looks at Iran's foreign policy with respect to Afghanistan, providing a gauge of what Iran-Afghan relations will look like in the coming years. Forecasting Iran-Afghan relations directly would involve further research collecting additional data on the stakeholders in Afghanistan critical to forming its foreign policy toward Iran, such as Hamid Karzai, Yunus Qanuni, and Gulbuddin Hekmatyar.

Support to the insurgency is a gamble, but its most readily available means to erode coalition will do so and accelerate the coalition's eventual withdrawal.

Figure 92: Stakeholder Positions on Iran's Involvement in Afghanistan
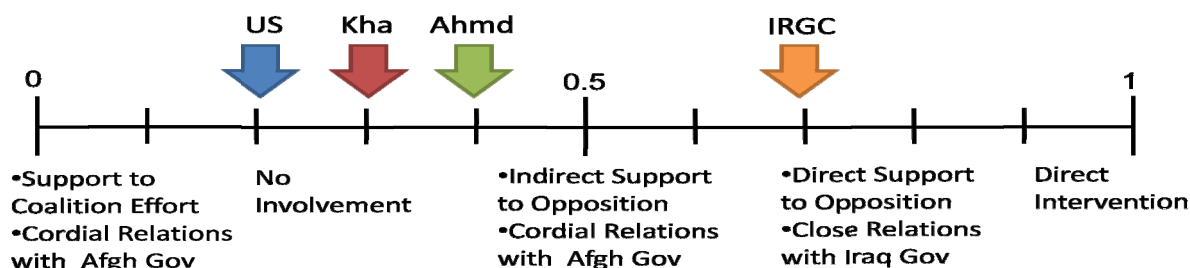
Salience

With the drawdown in Iraq, US focus has returned to Afghanistan. The US places a high priority on any concrete steps it can take to improve its chances to succeed in Afghanistan, including minimizing Iran's involvement (Figure 93). Khamenei places a moderate priority on providing the coalition the opportunity to stabilize Afghanistan, while still establishing good relations that can be rapidly expanded following the withdrawal of international troops. Ahmadinejad, while close to Khamenei in outlook, considers the long term strategy required in Afghanistan a low priority. Afghanistan is a moderate priority for the IRGC, wishing to expand its influence through involvement in Afghanistan while also seeking the withdrawal of the international coalition that threatens its regional supremacy.

Figure 93: Stakeholder Salience of Iran's Involvement in Afghanistan
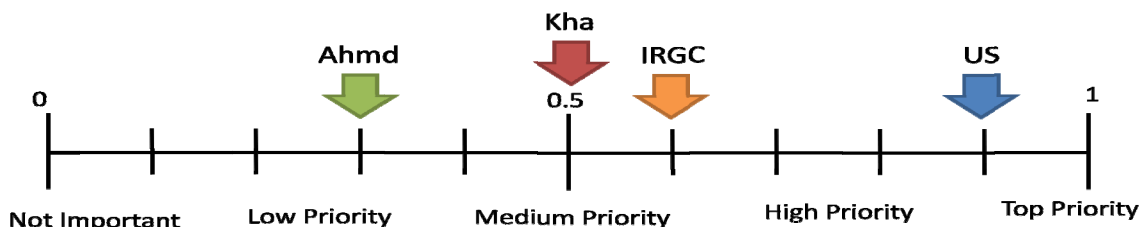
Initial Static Forecasts

The effective capabilities plot displays a relatively strong alignment in the outlooks of both the international and domestic Iranian stakeholders (Figure 94). The effective capabilities plot shows a strong centering of influence about limited Iranian involvement in Afghanistan. The US position has the most support at 0.2, but the distribution is strongly skewed rightward, with many stakeholders supporting closer relations between Iran and Afghanistan. Afghanistan, if collectively represented, would likely prefer cordial relations with the Iranian government (a position of 0.4).

Figure 94: Stakeholder Effective Capabilities applied to Iran's Involvement in Afghanistan
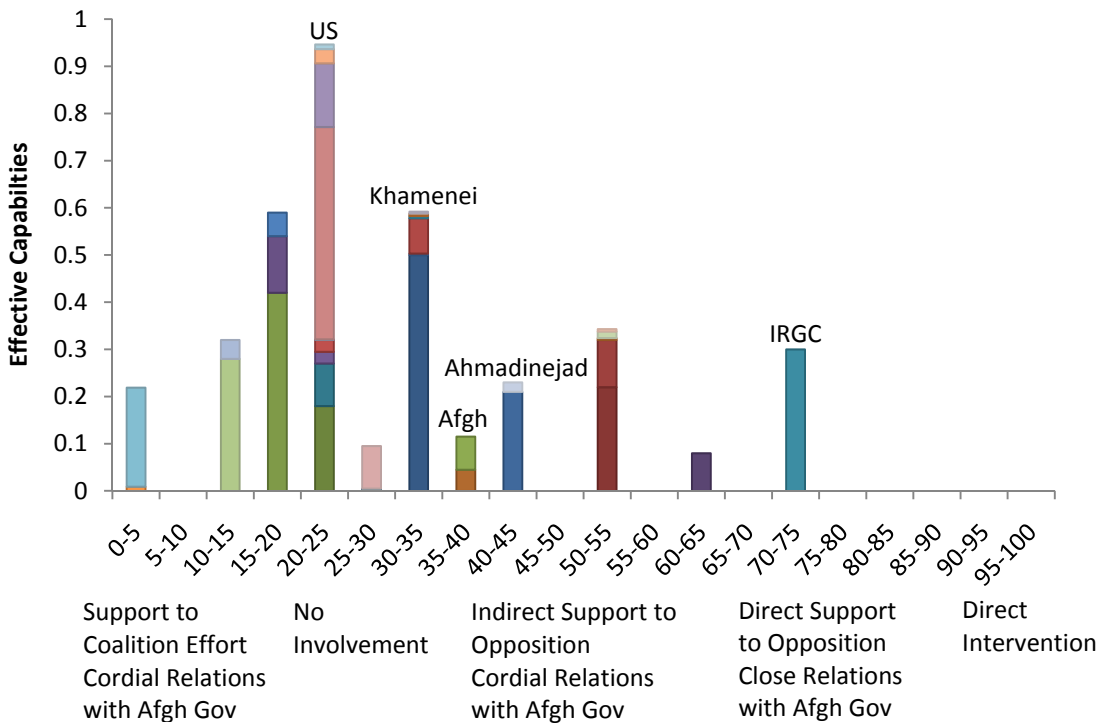
The alignment of stakeholder interests on the issue is reflected in the model's static forecasts (Figure 95). The risk-neutral static forecast of 0.2 indicates that future support from Iran to insurgent groups operating in Afghanistan is likely to be minimal. The risk-adjusted static forecast of 0.3 suggests Iran will withhold from significantly deepening its ties with Afghanistan while there is still a strong coalition presence. Upon the coalition's withdrawal, though, Iran will likely significantly strengthen its ties with the new Afghan government.

Figure 95: Initial Static Forecasts and Position Support of Iran's Involvement in Afghanistan
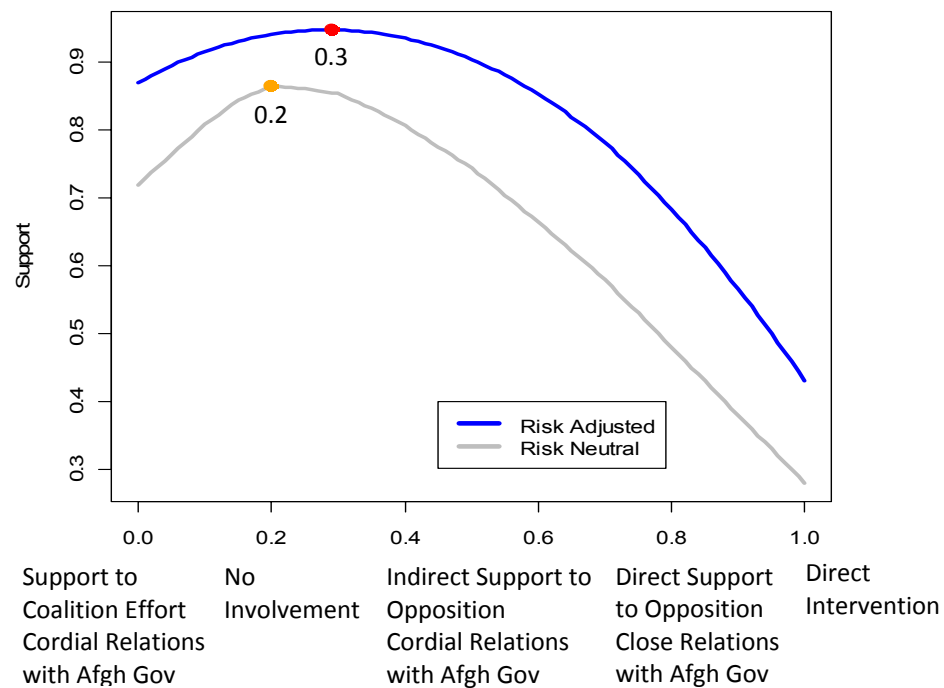
Perceptual Analysis

   The model does not identify a large number of US opportunities to influence Iran-Afghanistan relations, but it does identify two opportunities for the US to beneficially exert its leverage (Figure 96). The model suggests that the US should be able to pressure the IRGC into reducing its support to insurgents. The second stakeholder identified as susceptible to US pressure is Iran's conservative Judicial Council. Iran's conservative judiciary wants to see the US fail in Afghanistan and US withdrawal from the region. The council has limited direct influence on Iran's foreign policy, though many members of its upper echelons are within Khamenei's inner circle of advisers. It would be difficult for the US to directly pressure the Judicial Council, though; if pressure on the IRGC succeeded in making the organization mitigate its position, the Judicial Council would likely moderate its stance also.

Figure 96: US Opportunities to Influence the Development of Iran-Afghanistan Relations (US Objective EU Plot)
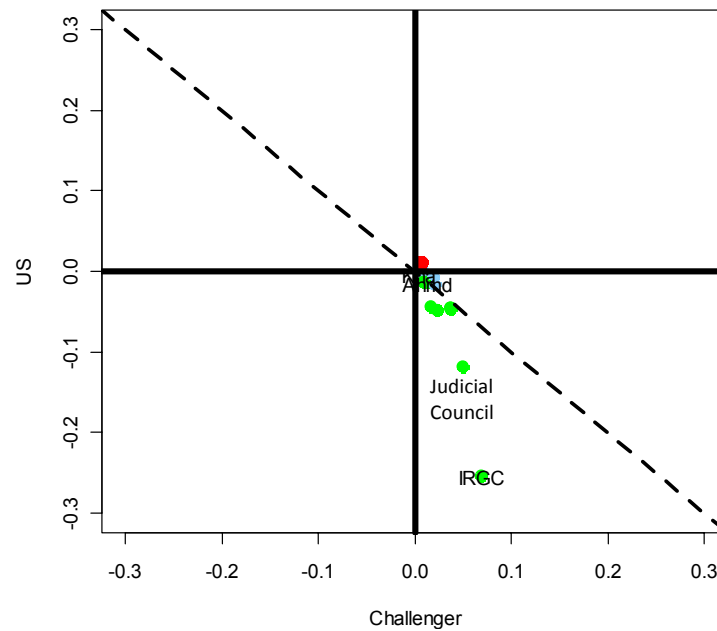
Dynamic Forecasts

The dynamic forecasts confirm the earlier static forecasts and demonstrate the strong overlap of US and Iranian interests in a stable Afghanistan. The model's forecast moves minimally with time, and the majority of the stakeholders move to support the final forecast of 0.25, including Khamenei, Ahmadinejad, and the IRGC (Figure 97). Iran will provide minimal, if any, support to groups fighting the government of Hamid Karzai, and Iran will likely delay substantially deepening relations with Afghanistan until the coalition effort is successful and US forces begin withdrawing in 2014.

Figure 97: Dynamic Forecasts Development of Iran-Afghanistan Relations
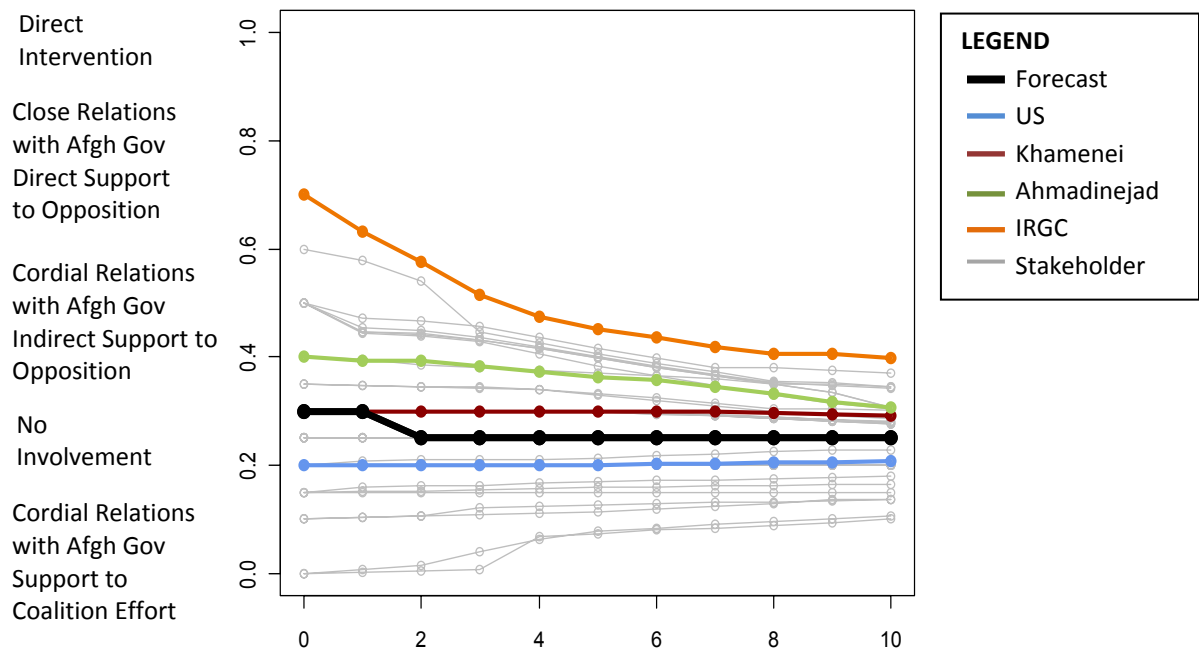
Sensitivity Analysis

The model's forecasts are not sensitive to changes in the political environment or moderate data estimation error (Figure 98). Allowing the data to vary and rerunning the model twenty times, the static forecasts are closely centered about the initial forecasts. In some of the variant cases, the risk-neutral forecasts project Iran develops relations with Afghanistan that support the coalition effort. The risk-adjusted forecasts continue to predict that Iran will hold off on developing strong relations with Afghanistan and will withdraw its support to groups fighting the control of Karzai's government.

Figure 98: Sensitivity of Forecasts Iran-Afghanistan Relations to Political Environment
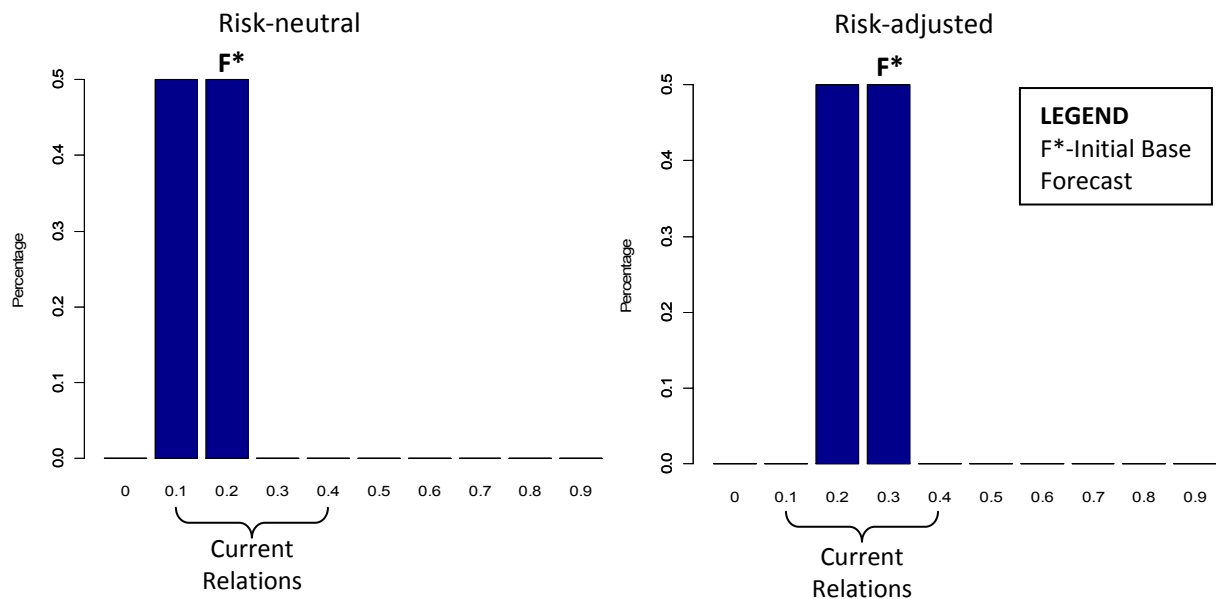
Khamenei has minimal direct influence over the short term development of Iran-Afghanistan relations. Khamenei's influence must be reduced to almost zero before the risk-adjusted forecast falls to 0.25, and the risk-neutral forecast does not change. Meanwhile, doubling or tripling Khamenei's influence results in no changes to the original static forecasts. Altering Khamenei's position, increasing his support for relations or destabilizing forces in Afghanistan, whether a position of 0.5 or even 0.8, does not change the static forecasts.

Ahmadinejad, like Khamenei, has minimal direct influence over the short term development of bilateral relations between Iran and Afghanistan, and Ahmadinejad's influence can be completely removed without changing the model's static forecasts. Ahmadinejad's influence must be tripled before the static forecasts change, and then only the risk-neutral forecast rises slightly (0.25). Ahmadinejad moving significantly in support of an immediate strengthening of relations (positions of either 0.5 or 0.8), without other stakeholders also changing positions, results in no change in the initial static forecasts.

The IRGC has little unilateral influence on Iran-Afghanistan relations. A doubling of the IRGC's effective capabilities leads to no change in the static forecasts. Shifts in the IRGC's position, whether up or down (positions of 0.5 or 0.9), also do not affect the static forecasts. A change in the forecast Iran-Afghanistan relations will require a broad outlook change amongst a coalition of stakeholders, not just a select few, and will likely not occur until the US begins withdrawing from the region.

Coalition Withdrawal

At the Lisbon Summit on 20 November 2010, NATO members agreed to halt combat operations in Afghanistan by the end of 2014 (NATO 2010). The halt in combat operations will allow the extraction of international and US troops from Afghanistan. On 1 December 2009 US President Barak Obama stated that he will begin the withdrawal of the almost 100,000 US troops in Afghanistan in July of 2011.

> These additional American and international troops will allow us to accelerate handing over responsibility to Afghan forces, and allow us to begin the transfer of our forces out of Afghanistan in July of 2011. Just as we have done in Iraq, we will execute this transition responsibly, taking into account conditions on the ground. We'll continue to advise and assist Afghanistan's security forces to ensure that they can succeed over the long haul. But it will be clear to the Afghan government -- and, more importantly, to the Afghan people -- that they will ultimately be responsible for their own country (Obama 2009).

The reduction of US troops in Afghanistan will likely diminish US regional influence. The results of a reduction in US capabilities to influence Iran-Afghan relations, or changes in the US position toward these relations, are explored in the Sensitivity Analysis Section.

The overlap of US and Iran interests in Afghanistan make the forecasts relatively insensitive to changes in US effective capabilities. Doubling US effective capabilities does not change the risk-neutral forecast (0.2) and causes only a slight drop to the risk-adjusted forecast (0.25). The drawdown of US forces will likely reduce US influence over Iran-Afghanistan relations. Halving US effective capabilities leads to no change in the static forecasts, and completely removing US influence from the issue causes the risk-neutral forecast to rise only slightly to 0.25 and has no effect on the risk-adjusted forecast. The

pending drawdown of US forces will likely be coupled with the US's position on Iran-Afghanistan relations shifting. A slight shift in the US's position to 0.4, accepting growth in Iran-Afghanistan bilateral relations, causes the risk-neutral forecast and risk-adjusted forecasts to converge at 0.3, suggesting relations would likely strengthen quickly.

Summary

US and Iranian interests overlap in Afghanistan. The US wants to establish a viable government so it can begin to drawdown its forces in the region. Iran wants the US to withdraw from the region but tacitly tolerates US operations in Afghanistan, seeing US actions as temporary and key to stabilizing Afghanistan.   Iran seeks a stable government in Afghanistan capable of preventing a return of the Taliban caliphate and providing Iran access to Asian markets.

Policy Issue: Iran's Public Stance Toward Israel

Iran's regional interests extend beyond bordering nations. Iran's confrontational stance toward Israel and support to the Palestinian cause garners Iran considerable support throughout the Islamic world. Iran's foreign policy approach toward Israel, a historically close US ally, could impact US-Iran relations. Understanding Iran's probable stance vis-à-vis Israel in the coming years could help the formation of US strategy and policy.[22]

Policy Positions

The US would like to see Iran-Israel relations progress beyond their current mutual enmity. Currently, limiting the escalation of hostility between the nations consumes US energy, energy the US would prefer focusing on the region's other issues. The difficulties between Iran and Israel are tied to two of the region's dominant and enduring unresolved issues: nuclear weapons in the Middle East, and the Israeli-Palestinian conflict (Allin and Simon 2011). A détente between the nations could help the US make progress on both of these issues, but progress on these issues seems a prerequisite to improving Iran-Israel relations (Figure 99).

Khamenei opposes the existence of Israel and has permitted, if not encouraged or authorized, support by various organizations within Iran to Israeli opposition states and organizations, such as Syria, *HAMAS*, and *Hezbollah*. Khamenei has managed relations, though, to prevent a direct confrontation. As he has stated: "Iran's stance has always been clear on this ugly phenomenon [Israel]. We have repeatedly said that this cancerous tumor of a state should be removed from the region" (Reuters 2000). Khamenei considers the Palestinian conflict a concern of the entire Muslim world and wants to see the lands of Israel returned to Muslim control. Khamenei has proposed a referendum as a potential

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[22] This analysis looks at Iran's foreign policy with respect to Israel, providing a gauge of what Iran-Israel relations will look like in the coming years. Forecasting Iran-Israel relations directly would involve further research collecting additional data on the stakeholders in Israel (currently represented as a single entity) critical to forming its foreign policy towards Iran, the decisions of the two sides shaping the nations' actual relations.

solution to the Israeli-Palestinian conflict: "Palestinian refugees should return and Muslims, Christians, and Jews could choose a government for themselves, excluding immigrant Jews" (Reuters 2000).

Ahmadinejad has been quoted as saying Israel must be "wiped off the map" (IRIB News 2005). Ahmadinejad, while vocal in his opposition to Israel, shares Khamenei's outlook: "Our dear Imam said that the occupying regime must be wiped off the map and this was a very wise statement…The issue of Palestine is not over at all. It will be over the day a Palestinian government, which belongs to the Palestinian people, comes to power; the day that all refugees return to their homes; a democratic government elected by the people comes to power" (Ahmadinejad 2005). Ahmadinejad approves Iran's support to opposition groups fighting Israel's government and calculates his incendiary remarks to create tension without risking military confrontation or punitive action.

The IRGC supplies and trains *HAMAS* and *Hezbollah* in their fight with Israel. IRGC operatives have been killed assisting Palestinian resistance groups (O'Hern 2009). In 2006 the IRGC's head, General Yahya Rahim Safavi, stated, "Iran's powerful Revolutionary Guards and *basij* should prepare themselves to get even with Zionists and Americans," though he later retracted the statement (*Turkish Weekly* 2006). The IRGC shares Khamenei's stance on the dissolution of the current Israeli government, though, and would probably like to see increased support provided to opposition groups.

State recognition by Iran would provide Israel leverage in the Middle East. Israel, while pushing for formal state recognition, does not expect that outcome. The current Likud Coalition government of Prime Minister Benjamin Netanyahu appears comfortable dealing with challenges and threats from Iran and uses Iran as one of several reasons for delaying a resolution of the Palestinian conflict. Iran's support to Palestine evokes responses from Israel, but both nations' responses have been measured, avoiding direct confrontation, and Iran's continued support to Palestinian opposition groups helps justify Israel's strict border security and need for a strong military, in addition to bolstering conservative sentiments amongst the populace (Farrar-Wellman 2010).

Figure 99: Key Stakeholder Positions on Iran's Public Stance Toward Israel
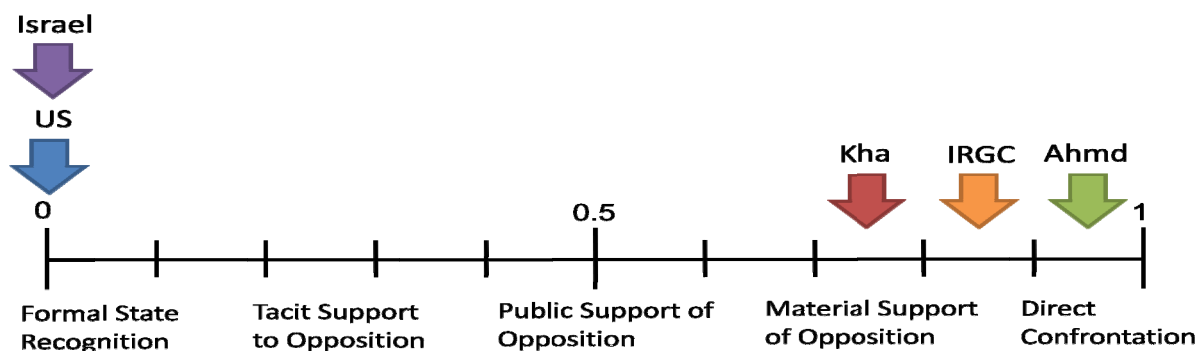
Salience

The US places a high priority on preventing Iran-Israel hostility from escalating (Figure 100). The management of Iran-Israel relations is also a high priority for Khamenei, who considers the persistence of Israel an affront to Islam, and Iran's opposition to Zionism as crucial to the nation's regional influence. Ahmadinejad agrees with Khamenei's vision and places a similarly high priority on keeping relations strained. His stance against Israel also bolsters his domestic and regional popularity. The IRGC, as the

instrument through which material support to Israel opposition groups travels, places a high priority on continuing and increasing Iran's oppositional support. Israel would like formal state recognition from Iran, but in lieu of formal relations, considers its strained relations with Iran strategic, and maintaining their current character one of its top priorities.

Figure 100: Stakeholder Salience of Iran's Public Stance Toward Israel
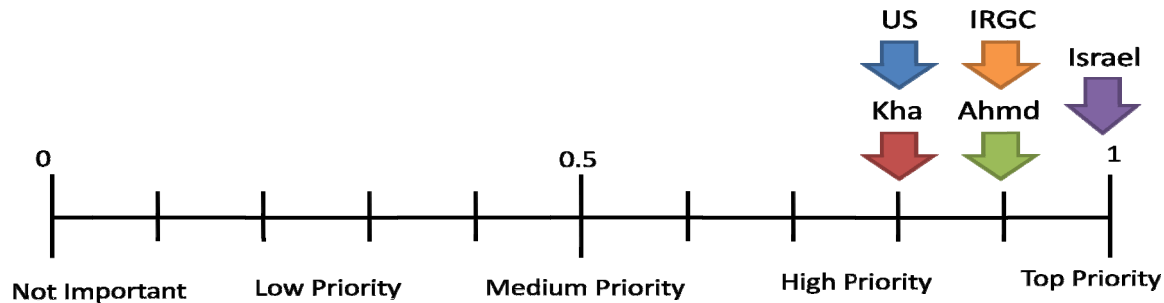
Initial Static Forecasts

The effective capabilities plot shows a strong rightward skew of stakeholder capabilities. The majority of Iran's domestic stakeholders wish to maintain inimical relations between Iran and Israel (Figure 101). The Pragmatists and Reformists are toward the left side of the main bulk of Iran's domestic stakeholders, but both factions still support Iran's public defiance of Israel and material support to Palestine. The stakeholders pushing for more cordial relations between the nations are international, clustered on the far left of the spectrum, and headed by the US, the EU and Israel.

Figure 101: Stakeholder Effective Capabilities applied to Iran's Public Stance Toward Israel
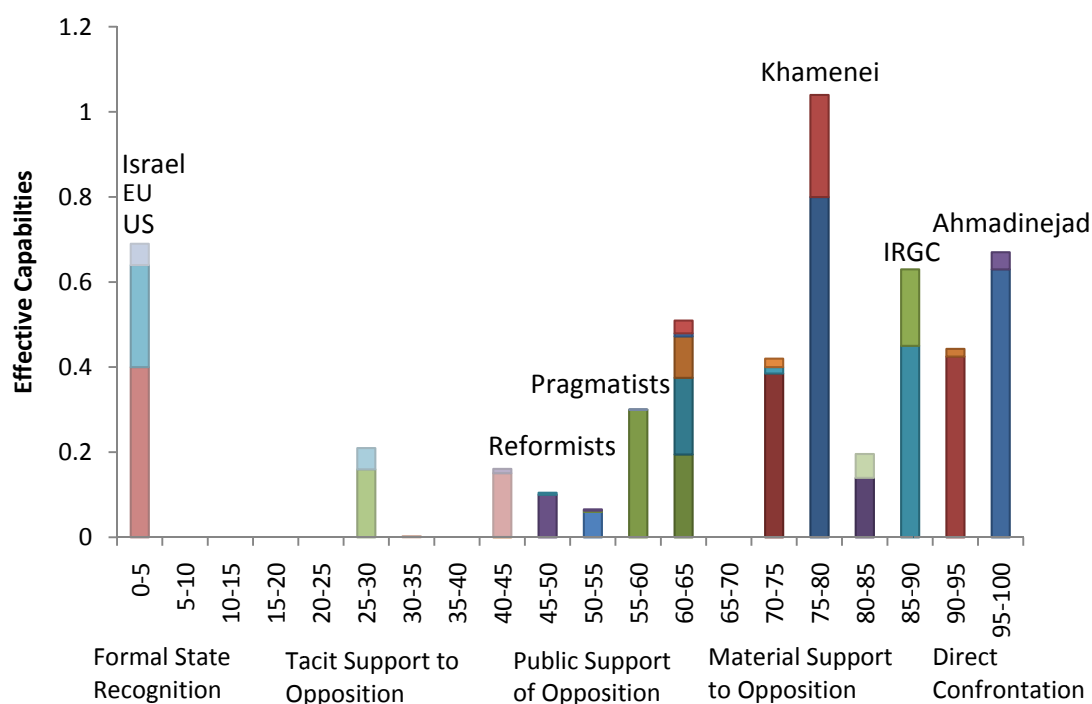
The model's initial static forecasts do not indicate Iran-Israel relations are likely to change significantly in coming years (Figure 102). The risk-neutral forecast of 0.75 and risk-adjusted forecasts of 0.7 both appear stable and indicate Iran will continue being a vocal opponent to Israel and supply Syria, *HAMAS*, and *Hezbollah* financially and materially in their opposition to Israel.

Figure 102: Initial Static Forecasts and Position Support for Iran's Public Stance Toward Israel
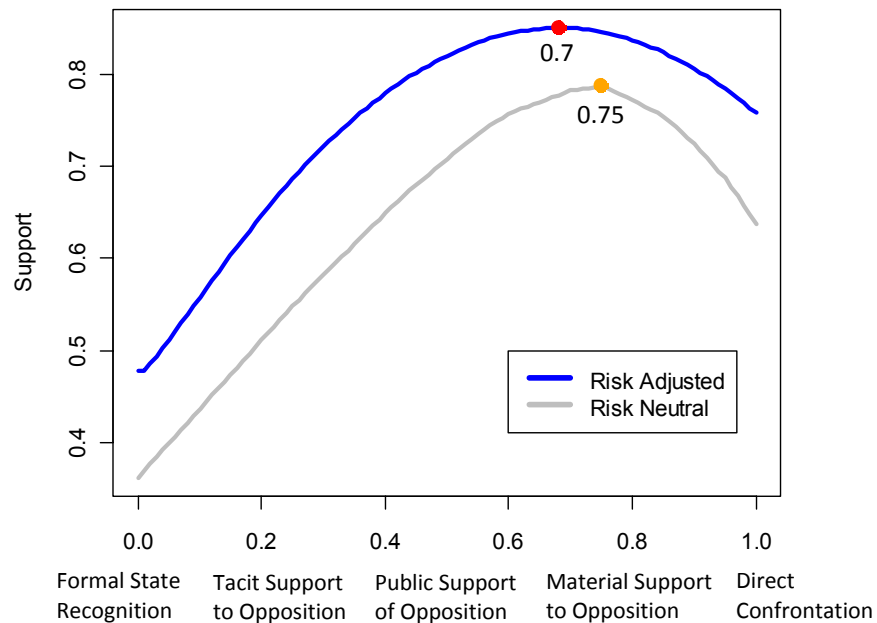
Perceptual Analysis

The model does not identify ready US opportunities to influence the development of Iran-Israel relations (Figure 103). The foreign stakeholders seeking a normalization, or at least détente, in relations between the nations have high expected utility of keeping the international coalition closely bound, though no nation has a distinct advantage over any other (quadrant 1). Iran's stronger domestic stakeholders, including Khamenei, Ahmadinejad, and the IRGC, are identified as having leverage over the US in shaping Iran-Israel relations, while Iran's weaker domestic stakeholders are in conflict with the US.

Figure 103: US Opportunities to Influence Iran's Public Stance Toward Israel (US Objective EU Plot)
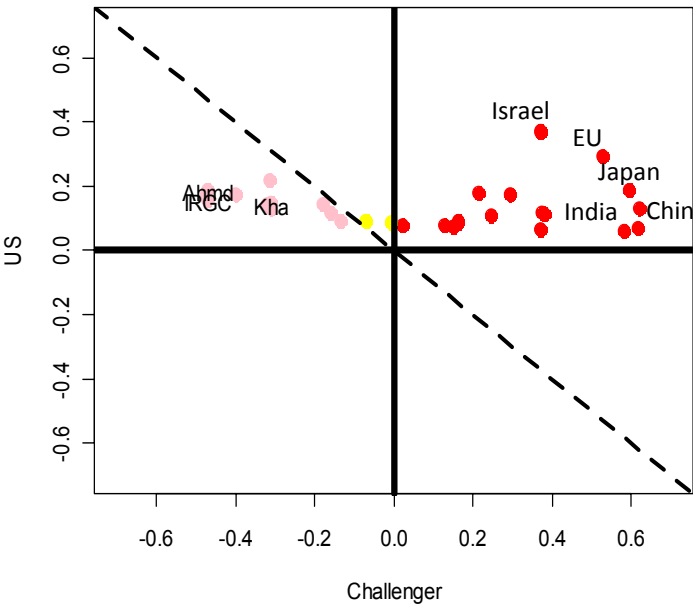
Dynamic Forecasts

The dynamic forecasts suggest Iranian foreign policy towards Israel may improve slightly (Figure 104). With time, Iran's relations with Israel become less hostile, and Khamenei, Ahmadinejad, and the IRGC begin to lessen their support for material aid to Israeli opposition groups. Many international stakeholders, especially those more concerned with stability in the Middle East (positions between 0.1 and 0.3), move toward accepting Iran's tacit or public opposition to Israel, while reducing their support to Israel.

Figure 104: Dynamic Forecasts of Iran's Public Stance Toward Israel
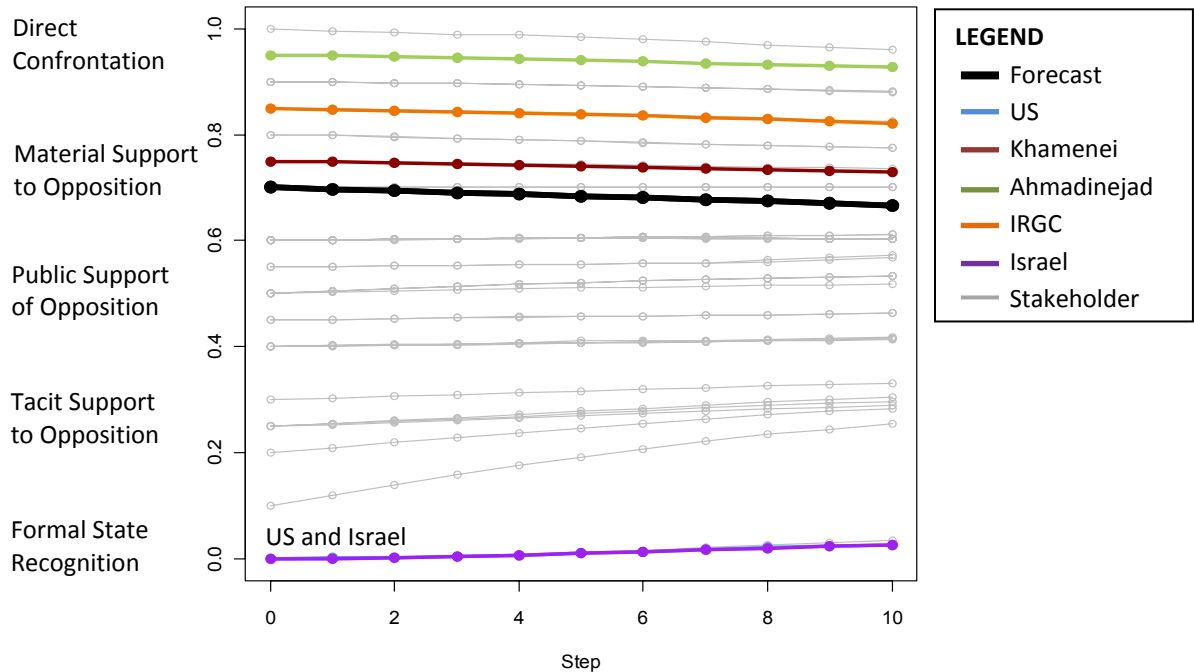
Sensitivity Analysis

The initial static forecasts do not appear to be sensitive to minor changes in the scenario environment or data estimation imprecision. Allowing the position, capabilities, and salience data to vary randomly by up to plus or minus ten percent of their respective spectrums and rerunning the model twenty times, the static forecasts are closely centered about the initial forecasts (Figure 105). Iran-Israel relations are not changing quickly, and Iran will continue supporting Israeli opposition organizations.

Figure 105: Sensitivity of Iran's Public Stance Toward Israel Forecasts to Changes from Baseline
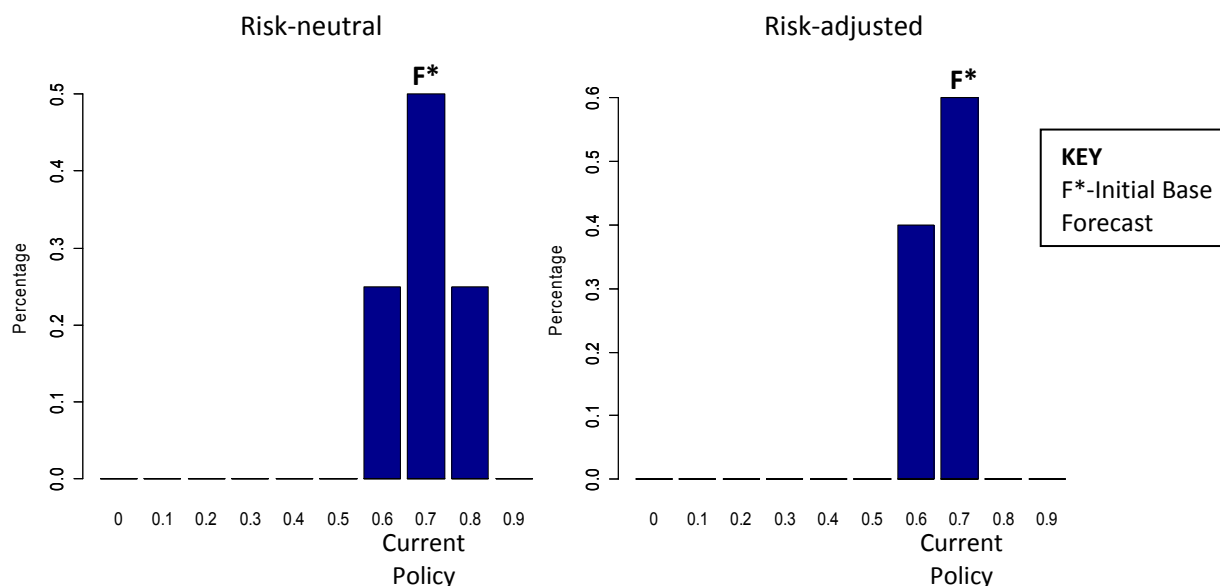
The US has limited opportunities to influence the development of Iran-Israel relations. The model projects that the US doubling, or even tripling, its effective capabilities would not result in changes to the initial static forecasts. Removing US influence entirely likewise has no effect on the static forecasts.

Khamenei exercises moderate influence over Iran's foreign policy with respect to Israel. Khamenei's influence must be reduced by more than 50 percent before the initial static forecasts change, and entirely removing Khamenei's influence only causes the risk-neutral forecast to drop slightly, from 0.75 to 0.7. Were the Supreme Leader to withdraw his support for materially supplying opposition groups (a position of 0.5), the static forecasts change significantly: The risk-neutral and risk-adjusted forecasts drop to 0.6, which would likely correspond with Iran significantly reducing, or ceasing entirely, its financial and material support to opposition activities by Syria, *Hezbollah*, and *HAMAS*.

Ahmadinejad also exerts a moderate amount of influence over Iran's foreign policy. A fifty percent reduction in Ahmadinejad's influence causes the risk-neutral forecasts to fall from 0.75 to 0.7, and the risk-adjusted forecast to fall to 0.6. If Ahmadinejad were to withdraw his support for material aid to Israeli opposition groups (a position of 0.5), this would also cause the static forecasts to drop, with the risk-neutral forecast falling to 0.7 and the risk-adjusted forecast falling to 0.6.

The IRGC, while instrumental in implementing Iran's foreign policy with respect to Israeli opposition groups, has minimal influence on Iran's foreign policy with Israel. Completely removing the IRGC's influence from the issue does not result in changes to the initial static forecasts. Likewise, increases in

the IRGC's influence to double, or even triple, its current level have no impact on the static forecasts. Were the IRGC to withdraw its support for materially supporting the Israeli opposition groups (a position of 0.5), the risk-neutral forecast falls to 0.7, and the risk-adjusted forecast falls to 0.6. In such a case, Iran would likely reduce, but not stop, its support to Israeli opposition groups.

Israel does not appear to have an ability to reshape Iran's foreign policy toward it. Israel can double or triple its efforts to influence relations without affecting the initial static forecasts, and Israel's influence can be entirely removed from the issue without causing the static forecasts to rise. Israel is not in a position to change the course of Iran-Israel bilateral relations without significantly altering its own foreign policy.

Summary

The character of Iran's foreign policy toward Israel is unlikely to change in the next few years. Iran will continue to be publicly hostile to Israel, while financially and materially supporting Syria, *HAMAS*, and *Hezbollah*. Relations are not predicted to escalate into open conflict in the short term, which at times has been an international concern, and are predicted to improve slowly, provided there are no significant changes in the Palestinian conflict, Iran's nuclear program, or the Israeli internal calculus. Neither the US or Israel have leverage over Iran's foreign policy vis-à-vis Israel, even if the nations focused considerably more resources on the issue. Khamenei, and to a lesser extent Ahmadinejad, are the driving forces behind Iran's antagonistic foreign policy approach, and only if either of these key stakeholders moderated their positions would Iranian policy toward Israel begin to improve.

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Conclusions

Summary of Findings

This study seeks to advise a reassessment of US-Iran policy. It looked at twelve issues shaping Iran's future – three political, four economic and civil society, and five foreign policy and national security issues – and found that Iran, counter to the predictions of some and hopes of others, is unlikely to undergo rapid or drastic changes: The established government appears stable, the outlooks of the leaders guiding Iran are likely to hold fairly constant, and the influence of the majority of Iran's various stakeholders are unlikely to shift significantly.[23] The study's major findings are:

- Ahmadinejad's rhetoric colors Iran's foreign relations, but his influence does not weigh heavily on the course of Iran's foreign policy. A new president with a more pragmatic outlook could lead to slight improvements on many issues, but the biggest benefit would be the opportunity to engage with a less strident personality.

- A new Supreme Leader coming to power probably will be a fortuitous event for the US, likely leading to modest improvements across a broad range of issues, but the differences between Iran's next Supreme Leader and Khamenei are likely to be subtle. Khamenei's successor is likely to be only slightly more moderate. Ayatollahs Rafsanjani and Shahroudi are currently the stongest candidates, with Shahroudi being favored over Rafsanjani. The fate of Iran's nuclear program lies with the Supreme Leader, and a new Supreme Leader could restart Iran's weapons program.

- The IRGC is not dominating Iranian decisions. Even significant growth in the organization's power and conservatism would do little to affect the current character of Iran. US fears of a radicalizing religious and militant Iran are likely misplaced. The IRGC is a key element of the conservative block, and if the IRGC's influence diminished, it could enable Iran's more progressive elements to begin making inroads.

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[23] The 12 issues analyzed in this study, as broken down by the three categories are:
Political
1) What is Ahmadinejad's likely potential future (ascendant, descendant or status quo)?
2) What will be the likely political outlook of the next Supreme Leader?
3) Will a liberal or conservative interpretation of *velayat-e faqih* guide Iran in the future?
Economy and Civil Society
4) What degree of economic liberalization can be expected in Iran over the next few years?
5) How is the power of the *bonyads* changing?
6) Will the power of IRGC continue to grow?
7) How will the women's movement progress?
National Security and Foreign Policy
8) What is Iran's sustainable level of interaction with the United States?
9) What type of nuclear program is Iran likely to pursue?
10) What will be the level of Iranian involvement in Afghanistan?
11) What will be the level of Iranian involvement in Iraq?
12) What will Iran's foreign policy approach toward Israel look like?

- Over the next three to five years Iran is unlikely to restart its nuclear weapon program unless there are substantial changes to the Iranian internal calculus or significant regional events that reshape Iran's strategic thinking.
- Waiting for a turnover in leadership is a game both the US and Iran are playing to lose. Both nations need to realize and accept that national outlooks are evolving gradually and are not dictated solely by the personalities of their incumbent leaders. Neither nation benefits from maintaining strained relations, nor remaining staunchly entrenched in its own position vis-à-vis the other.

US Influence

US influence appears to be affecting Iran's strategic thinking and weighing upon the development of many issues in Iran. US influence in this study was decomposed into two parts: the US position and its effective capabilities. The US position is its public stance on an issue, while its effective capabilities are the resources, whether political, economic, or military, that it is applying to the issue. While both the US position and capabilities are influencing Iran, hardening the US position is unlikely to improve most issue outcomes without the dedication of additional resources to the issue. The US must maintain its position on many issues, though, because a softening in the US position would result in adverse shifts in Iranian behavior. The application of additional US capabilities appears the most viable means by which the US can influence most issues. On several issues, if the US were able to focus additional capabilities, the projected outcome shifts favorably, and on almost all of the studied issues, the US can apply fewer resources without causing the projected outcomes to worsen (Table 1). This suggests a policy debate prioritizing US efforts could be of potential benefit.

Influence Tables

An Influence Table, such as Table 5, summarizes how the analyzed issues are likely to evolve and examines an individual stakeholder's influence over the issue outcomes. Table 5Table 5 explores US influence over the analyzed issues. Understanding how an issue is developing is necessary to understand a stakeholder's influence. The columns under the *Issue Development* heading examine how each issue is predicted to develop. The first subheading under the *Issue Development* contains the *January 2011 Data Estimates* of policy issue: the *Issue State* is the status quo at that time, and the *US Position* is the US position at that time. The next three *Forecasts* columns indicate how the issue is likely to develop according to the model. The *Static Risk-Adjusted* forecast is the most likely issue outcome under the current circumstances. Comparing the *Static Risk-Neutral* forecast to the static risk-adjusted forecast provides a means of gauging how stakeholder issue importance, and the risks stakeholders are willing to take, is influencing the issue's development. The *Dynamic* forecast indicates how quickly, and in what direction, the issue resolution is most likely to move from the static risk-adjusted forecast.

Table 5: Summary of US Influence on Analyzed Policy Issues

Issue		Issue Development					US Influence			
		Jan 2011 Estimate		Forecasts			Capabilities		Position	
		Issue State	US Position	Static Risk-Neutral	Static Risk-Adjusted	Dynamic (10 rounds)	Decrease by Half	Increase to Double	Soften	Harden
Political	Ahmadinejad	0.5	0.1	0.45	0.5	0.482	No Change	RN 0.45 RA 0.45	Pos 0.5 RN 0.5 RA 0.5	Pos 0 No Change
	Supreme Leader	0.7-0.8	0	0.6	0.6	0.550	No Change	No Change	Pos 0.5 No Change	Not Applicable
	Velayat-e faqih	0.3-0.4	1	0.2	0.3	0.300	No Change	No Change	Pos 0.5 No Change	Not Applicable
Economic and Civil Society	Economy	0.3	0.85	0.6	0.6	0.597	No Change	RN 0.7 RA 0.6	Pos 0.5 RN 0.5 RA 0.6	Pos 1 No Change
	Bonyads	0.5	0.4	0.5	0.6	0.606	No Change	No Change	Pos 0.5 No Change	Pos 0.2 No Change
	IRGC	0.5	0	0.4	0.4	0.430	RN 0.5 RA 0.45	RN 0.3 RA 0.35	Pos 0.5 RN 0.5 RA 0.45	Not Applicable
	Women's Movement	0.5	1	0.55	0.55	0.652	No Change	RN 0.55 RA 0.6	Pos 0.5 RN 0.5 RA 0.55	Not Applicable
Foreign Policy and National Security	Interact US	0.2-0.6	0.75	0.4	0.4	0.445	No Change	RN 0.5 RA 0.5	Pos 0.5 No Change	Pos 1 No Change
	Nuclear Program	0.8	0.2	0.55	0.55	0.548	No Change	RN 0.5 RA 0.5	Pos 0.4 No Change	Pos 0 No Change
	Iran-Iraq	0.4-0.6	0.2	0.5	0.4	0.404	RN 0.6 RA 0.5	RN 0.4 RA 0.2	Pos 0.4 RN 0.5 RA 0.5	Pos 0 RN 0.5 RA 0.5
	Iran-Afghanistan	0.1-0.4	0.2	0.2	0.3	0.250	RN 0.25 RA 0.3	RN 0.2 RA 0.25	Pos 0.4 RN 0.3 RA 0.3	Pos 0 RN 0.2 RA 0.25
	Iran-Israel	0.7	0	0.75	0.7	0.667	No Change	No Change	Pos 0.4 No Change	Not Applicable

Legend	
Forecast Change Relative to the US Position	
>5%	No Change Bad
0 to 5%	0 to -5%
No Change Good	>-5%

Pos X – Stakeholder moves to a position of X
RN – Risk-Neutral Static Forecast
RA – Risk-Adjusted Static Forecast

The columns under the *US Influence* heading examine US ability to affect issue outcomes. The *US Influence* section should be looked at after looking at the *Issue Development*, because issues that are already developing close to the US position can likely be ranked as lower priorities for additional US resources. The *US Influence* section looks at the impact of changes in the US position and resources it is applying to an issue. In the *US Influence* section, if either the static risk-adjusted or risk-neutral forecasts move toward the US position by 5 percent or more of the position spectrum as a result of a change in position or capabilities, the analysis block is colored the darkest green; if the forecast moves toward the US position by less than 5 percent, the analysis block is colored the middle shade of green; if the forecast does not change, but the US can exert less influence or take a more moderate position, the analysis block is colored the lightest green; if the forecast does not change, but the US is exerting more influence or taking a stronger position, the analysis block is colored white; if the forecast moves away from the US position by less than 5 percent of the spectrum, the analysis block is colored orange; and if the forecasts moves away from the US position by 5 percent or more of the position spectrum, the analysis block is red.

The outcome of issues where a stakeholder has a lot of influence will be more sensitive to the stakeholder's position and allocation of resources. A reduction in the stakeholder's allocation of resources on the issue or a softening in its position will likely move the forecast away, orange or red. An increase in the amount of resources the stakeholder is applying to the issue, or a hardening of the stakeholder's position, will likely move the forecast closer to the stakeholder's position, darker greens. When a stakeholder has less influence on an issue, the issue outcome will be less sensitive to a stakeholder's position and capabilities and the analyses blocks will likely be white or light green.

Influence of the Supreme Leader

The Supreme Leader is the most powerful individual in Iran, influencing Iran's politics, economy, civil society, foreign policy, and national security. Khamenei's age and poor health make a new Supreme Leader a possibility that should be considered. Initially, a new Supreme Leader would likely wield less influence than that currently exercised by Ayatollah Khamenei, and his outlook on many issues could differ, taking either a softer or harder position, potentially altering the outcomes of many of the analyzed issues (Table 6).

Table 6: Summary of the Supreme Leader's Influence on Analyzed Policy Issues

| | Issue | Issue Development | | | | | | Influence of the Supreme Leader | | | |
| | | Jan 2011 Estimate | | | Forecasts | | | Capabilities | | Position | |
		Issue State	US Position	Supreme Leader's Position	Static Risk-Neutral	Static Risk-Adjusted	Dynamic (10 rounds)	Decrease by Half	Increase to Double	Soften	Harden
Political	Ahmadinejad	0.5	0.1	0.45	0.45	0.5	0.482	No Change	No Change	Pos 0 RN 0.45 RA 0.45	Pos 0.7 RN 0.5 RA 0.5
	Supreme Leader	0.7-0.8	0	0.8	0.6	0.6	0.550	RN 0.55 RA 0.55	No Change	Pos 0.5 RN 0.5 RA 0.5	Pos 1 No Change
	Velayat-e faqih	0.3-0.4	1	0.2	0.2	0.3	0.300	No Change	No Change	Pos 0.5 RN 0.3 RA 0.3	Pos 0 RN 0.1 RA 0.2
Economic and Civil Society	Economy	0.3	0.85	0.2	0.6	0.6	0.597	RN 0.7 RA 0.6	No Change	Pos 0.8 RN 0.7 RA 0.6	Pos 0 No Change
	Bonyads	0.5	0.4	0.5	0.5	0.6	0.606	RN 0.55 RA 0.6	No Change	Pos 0.3 RN 0.5 RA 0.55	Pos 0.7 RN 0.55 RA 0.6
	IRGC	0.5	0	0.5	0.4	0.4	0.430	No Change	No Change	Pos 0.3 RN 0.3 RA 0.4	Pos 0.8 RN 0.4 RA 0.3
	Women's Movement	0.5	1	0.45	0.55	0.55	0.652	RN 0.55 RA 0.6	No Change	Pos 0.7 RN 0.6 RA 0.6	Pos 0.3 No Change
Foreign Policy and National Security	Interact US	0.2-0.6	0.75	0	0.4	0.4	0.445	RN 0.5 RA 0.5	No Change	Pos 0.5 RN 0.5 RA 0.5	Not Applicable
	Nuclear Program	0.8	0.2	0.55	0.55	0.55	0.548	RN 0.5 RA 0.55	No Change	Pos 0.4 RN 0.4 RA 0.5	Pos 1.0 RN 0.7 RA 0.6
	Iran-Iraq	0.4-0.6	0.2	0.6	0.5	0.4	0.404	RN 0.4 RA 0.4	No Change	Pos 0.4 RN 0.4 RA 0.4	Pos 0.8 RN 0.5 RA 0.5
	Iran-Afghanistan	0.1-0.4	0.2	0.3	0.2	0.3	0.250	No Change	No Change	Pos 0 RN 0.2 RA 0.25	Pos 0.8 No Change
	Iran-Israel	0.7	0	0.75	0.75	0.7	0.667	RN 0.7 RA 0.7	No Change	Pos 0.5 RN 0.6 RA 0.6	Pos 1 RN 0.8 RA 0.7

Legend	
Forecast Change Relative to the US Position	
>5%	No Change Bad
0 to 5%	0 to -5%
No Change Good	>-5%

Pos X – Stakeholder moves to a position of X
RN – Risk-Neutral Static Forecast
RA – Risk-Adjusted Static Forecast

Influence of Iran's President

Iran's President is one of the most powerful individuals in Iran; he is debatably the second most powerful individual after the Supreme Leader. Significant changes in Ahmadinejad's outlook and influence, or more likely, the election of a new President in 2013, could affect the probable outcomes of many of the analyzed issues, though Iran's next President is likely to wield authority similar to Ahmadinejad, and given the conservatives' current political domination, the next President will likely share much of Ahmadinejad's political agenda (Table 7).

Table 7: Summary of Iran's President's Influence on Analyzed Policy Issues

| Issue | | Issue Development | | | | | | Influence of Iran's President | | | |
| | | Jan 2011 Estimate | | | Forecasts | | | Capabilities | | Position | |
		Issue State	US Position	Iranian President's Position	Static Risk-Neutral	Static Risk-Adjusted	Dynamic (10 rounds)	Decrease by Half	Increase to Double	Soften	Harden
Political	Ahmadinejad	0.5	0.1	1	0.45	0.5	0.482	No Change	No Change	Pos 0.5 RN-0.45 RA-0.45	Not Applicable
	Supreme Leader	0.7-0.8	0	1	0.6	0.6	0.550	Cap 0.5 RN 0.6 RA 0.55	No Change	Pos 0.5 RN-0.5 RA-0.55	Not Applicable
	Velayat-e faqih	0.3-0.4	1	0	0.2	0.3	0.300	No Change	No Change	Pos 0.5 RN-0.3 RA-0.3	Not Applicable
Economic and Civil Society	Economy	0.3	0.85	0.4	0.6	0.6	0.597	Cap 0.5 RN 0.7 RA 0.6	No Change	Pos 0.8 RN-0.7 RA-0.6	Pos 0 RN-0.6 RA-0.7
	Bonyads	0.5	0.4	0.4	0.5	0.6	0.606	Cap 0.5 RN 0.55 RA 0.6	No Change	Pos 0.3 RN-0.5 RA-0.55	Pos 0.7 RN-0.55 RA-0.6
	IRGC	0.5	0	0.7	0.4	0.4	0.430	No Change	No Change	Pos 0.3 RN-0.3 RA-0.35	Pos 1 RN-0.4 RA-0.3
	Women's Movement	0.5	1	0.2	0.55	0.55	0.652	Cap 0.5 RN 0.55 RA 0.6	No Change	Pos 0.3 NC	Pos 0 RN-0.55 RA-0.6
Foreign Policy and National Security	Interact US	0.2-0.6	0.75	0.4	0.4	0.4	0.445	Cap 0.5 RN 0.5 RA 0.4	No Change	Pos 0.75 RN-0.5 RA-0.5	Pos 0 NC
	Nuclear Program	0.8	0.2	0.9	0.55	0.55	0.548	Cap 0.5 RN 0.5 RA 0.5	No Change	Pos 0.4 RN-0.5 RA-0.5	Pos 1 NC
	Iran-Iraq	0.4-0.6	0.2	0.8	0.5	0.4	0.404	Cap 0.5 RN 0.4 RA 0.4	Cap 2 RN-0.6 RA-0.5	Pos 0.4 RN-0.4 RA-0.4	Pos 1 NC
	Iran-Afghanistan	0.1-0.4	0.2	0.4	0.2	0.3	0.250	No Change	No Change	Pos 0.2 NC	Pos 0.8 NC
	Iran-Israel	0.7	0	0.95	0.75	0.7	0.667	No Change	No Change	Pos 0.5 RN-0.7 RA-0.6	Pos 1 NC

Legend	
Forecast Change Relative to the US Position	
>5%	No Change Bad
0 to 5%	0 to -5%
No Change Good	>-5%

Pos X – Stakeholder moves to a position of X
RN – Risk-Neutral Static Forecast
RA – Risk-Adjusted Static Forecast

Growth in the IRGC's Power

Since the Iran-Iraq war the IRGC's influence has steadily grown, and many of Iran's rising political figures have ties to the IRGC; these observations, when coupled with the IRGC's conservative outlook, have some concerned the organization may soon dominate Iranian affairs. This analysis finds the IRGC is an important element of the conservative power block, but its influence is far from dominant. The organization cannot unilaterally cause significant changes, and substantial further growth in the IRGC's influence, or strengthening of its hardline position, is unlikely to significantly alter the likely issue outcomes. On many issues a softening of the IRGC's position, or diminished IRGC influence, could result in the likely outcome shifting favorably toward the US position (Table 8).

Table 8: Summary of the IRGC's Influence on Analyzed Policy Issues

| | Issue | Issue Development | | | | | | Influence of Iran's President | | | |
| | | Jan 2011 Estimate | | | Forecasts | | | Capabilities | | Position | |
		Issue State	US Position	IRGC Position	Static Risk-Neutral	Static Risk-Adjusted	Dynamic (10 rounds)	Decrease by Half	Increase to Double	Soften	Harden
Political	Ahmadinejad	0.5	0.1	0.8	0.45	0.5	0.482	RN 0.45 RA 0.45	No Change	Pos 0 RN 0.45 RA 0.45	Pos 1 RN-0.45 RA-0.45
Political	Supreme Leader	0.7-0.8	0	0.8	0.6	0.6	0.550	No Change	No Change	Pos 0.5 RN 0.55 RA 0.55	Pos 1 No Change
Political	*Velayat-e faqih*	0.3-0.4	1	0.2	0.2	0.3	0.300	No Change	No Change	Pos 0.5 No Change	Pos 0 No Change
Economic and Civil Society	Economy	0.3	0.85	0.1	0.6	0.6	0.597	RN 0.7 RA 0.6	RN 0.5 RA 0.6	Pos 0.8 RN 0.7 RA 0.6	Pos 0 RN 0.6 RA 0.7
Economic and Civil Society	*Bonyads*	0.5	0.4	0.4	0.5	0.6	0.606	RN 0.55 RA 0.6	No Change	Pos 0.3 RN 0.5 RA 0.55	Pos 0.7 RN 0.55 RA 0.6
Economic and Civil Society	IRGC	0.5	0	0.5	0.4	0.4	0.430	No Change	RN 0.45 RA 0.3	Pos 0.5 No Change	Not Applicable
Economic and Civil Society	Women's Movement	0.5	1	1	0.55	0.55	0.652	No Change	No Change	Pos 0.7 RN 0.55 RA 0.6	Pos 0.3 No Change
Foreign Policy and National Security	Interact US	0.2-0.6	0.75	0.5	0.4	0.4	0.445	RN 0.5 RA 0.5	No Change	Pos 0.5 RN 0.5 RA 0.5	Pos 0 No Change
Foreign Policy and National Security	Nuclear Program	0.8	0.2	1	0.55	0.55	0.548	RN 0.55 RA 0.5	No Change	Pos 0.4 RN 0.5 RA 0.5	Not Applicable
Foreign Policy and National Security	Iran-Iraq	0.4-0.6	0.2	0.6	0.5	0.4	0.404	No Change	RN 0.6 RA 0.5	Pos 0.4 RN 0.4 RA 0.4	Pos 0.8 RN 0.5 RA 0.5
Foreign Policy and National Security	Iran-Afghanistan	0.1-0.4	0.2	0.7	0.2	0.3	0.250	RN 0.2 RA 0.25	No Change	Pos 0.5 RN 0.2 RA 0.25	Pos 0.8 No Change
Foreign Policy and National Security	Iran-Israel	0.7	0	0.85	0.75	0.7	0.667	No Change	No Change	Pos 0.5 RN 0.7 RA 0.6	Pos 1 No Change

Legend	
Forecast Change Relative to the US Position	
>5%	No Change Bad
0 to 5%	0 to -5%
No Change Good	>-5%

Pos X – Stakeholder moves to a position of X
RN – Risk-Neutral Static Forecast
RA – Risk-Adjusted Static Forecast

Political Issue Development

The major aspects of Iranian politics are unlikely to change significantly in the coming years, and the US has the least influence in Iran's domestic politics. As a result, focusing additional US resources on influencing Iran's domestic politics is unlikely to benefit the US, and refocusing some of the US resources currently targeted at Iranian domestic political issues to other areas might prove auspicious.

The Future Influence of Ahmadinejad

Despite continuing reports of conflict between Ahmadinejad and much of Iran's ruling elite, Ahmadinejad's influence in Iran will likely only diminish slightly prior to the end of his presidential term in 2013. US influence is contributing to Ahmadinejad's domestic troubles and is preventing growth in Ahmadinejad's political power. Increasing US capabilities focused against Ahmadinejad might slightly accelerate the reduction in his political influence, while a softening in the US objection to Ahmadinejad's leadership could enable Ahmadinejad to retain much of his current influence through the natural end of his second presidential term. The Supreme Leader oversees Iran's President, and the President's powers can be checked or enhanced depending on the Supreme Leader's favor. In the coming decades Iran's Presidents will likely have ties with the IRGC, and the IRGC will be a key institution through which the President implements domestic policy. An Iranian President lacking the IRGC's support will have diminished influence, but the decisions of Iran's Presidents are unlikely to be dictated by the IRGC. A President seen as too closely tied to the IRGC would probably face resistance from amongst the general populace.

Iran's Next Supreme Leader

Khamenei's advancing age and reputed ill health make new leadership in Iran a possibility. The system of *velayat-e faqih* will likely persist after Khamenei, and Iran's next Supreme Leader will most likely be selected from amongst the conservative Ayatollahs. Iran's next Supreme Leader will likely be slightly more moderate than Khamenei, and Ayatollahs Rafsanjani and Shahroudi are currently the strongest candidates, with Shahroudi being favored over Rafsanjani. Khamenei's appointment of a qualified successor would likely determine Iran's next Supreme Leader. Khamenei's current hesitance to nominate a successor may be driven by his fear of diluting his powers, or because he desires to wait for his second son, Mojtaba Khamenei, to acquire the necessary religious credentials to succeed him. A decision not to nominate a successor could make Iran much more politically turbulent if he were to pass suddenly. Supreme Leader Khamenei maintains close ties with the IRGC, and the next Supreme Leader will likely seek to maintain this relationship. Close ties between the Supreme Leader and IRGC help secure the regime and provide it stability. The IRGC is unlikely to influence Iran's election of a Supreme Leader, but strong support from the IRGC for a candidate in a close election could tip the balance in the Assembly of Experts' decision. Iran's President would hold similar leverage as the IRGC in the Assembly

of Experts' election of the next Supreme Leader; the President's influence is modest, but could be decisive between two ideologically close competitors. The US is unlikely to be able to wield any influence in Iran's selection of its next Supreme Leader.

Interpretation of *Velayat-e faqih*

The recent conservative swing in *velayat-e faqih* (Iran's system of Islamic governance) will likely slow, and Iran is unlikely to move much closer to post-Revolution interpretations, when substantially more power was vested in the Supreme Leader and Iran's courts drastically expanded their enforcement of strict interpretations of the *sharia*. The Supreme Leader's position considerably influences Iran's implementation of *velayat-e faqih*, though the numerous other stakeholders reliant on the system make rapid changes from within Iran's government unlikely. The President's office operates beneath the Supreme Leader, but the President's enforcement of the Supreme Leader's guidance provides him some influence over Iran's interpretation of *velayat-e faqih*. The IRGC is not part of the formal Iranian government; it is a tool of the Supreme Leader, and as such, the IRGC is unlikely to be able to influence the debate over the interpretation of *velayat-e faqih*. The IRGC has indicated it wants to see Iran become more conservative but has made no indications it will act without guidance to enforce conservative mores. It is unlikely the US will be able to influence Iran's interpretation of *velayat-e faqih*.

Economy and Civil Society Issue Development

Iran's economy and civil society are changing, and US pressure is a contributing to these transformations.

Economic Liberalization

Iran's economy is facing significant pressure for liberalization and since the data collection of this study, Iran has already begun taking measures reshaping its economic subsidies and lifting numerous price controls. US influence appears to be positively impacting Iran's economy and civil society. Iran's government is facing significant internal pressure to reform its economy, and increased US efforts pushing for economic liberalization could accelerate the reduction in state control and ownership; though, a softening in the US position on Iran's need for economic reform could delay Iran's economic liberalization. The Supreme Leader controls Iran's economy and civil society, though a new Supreme Leader would be unlikely to make abrupt domestic changes. The Supreme Leader could advance Iran's economic liberalization, but would likely have difficulties impeding economic progress. One of the President's primary responsibilities is Iran's economy, and Iran's economy has been a key aspect of every President's electoral platform since the end of the Iran-Iraq War.   The economy is the area where the President has the greatest leeway in deviating from the Supreme Leader's outlook. In January 2011 President Ahmadinejad displayed the degree of influence Iran's President wields over the economy, restructuring Iran's economic subsidies and ending price controls on numerous staples. The IRGC played a crucial role suppressing dissent in the 2011 reforms, and was identified as having the ability to impede or advance many of Iran's economic and civil society issues. The organization is unlikely to take any strong action on domestic issues, though; the IRGC has flourished within the current economic system

and by remaining distanced from social and economic debates, the IRGC maintains its appearance amongst the general populace of being removed from politics.

Future Influence of the IRGC

The IRGC is a quasi-governmental organization that has begun playing a significantly larger role in Iranian society. The IRGC's recent growth in power appears to have peaked, and the IRGC's influence is likely to begin to slowly diminish, following a similar path to that of Iran's *bonyads* in the 1990s. The IRGC's growing economic and political involvement is being slowed by US and international pressure, and an increase in the US resources dedicated to countering the IRGC could block further growth of the organization. If the US reduced the resources it was dedicating to countering the IRGC's influence or softened its position on the IRGC, it could enable the IRGC to maintain, if not continue to grow, its domestic influence.[24] The IRGC's influence is dependent on the support of the Supreme Leader and to a lesser extent Iran's President, but while the IRGC relies on the favor of Iran's leaders, the organization's influence is unlikely to change significantly, while the IRGC's support provides the regime domestic stability.

Future Influence of the *Bonyads*

The *bonyads*, like the IRGC, are quasi-governmental organizations playing significant roles in Iran. The *bonyads'* current role and influence in Iran appear likely to grow slightly, if not remain relatively constant. The *bonyads,* like the IRGC, exert considerable political influence in Iran, but while the US is opposed to the role of the *bonyads,* as charitable religious foundations, the organizations' economic and political sway appear beyond US influence. The *bonyads'* influence is unlikely to change, because Iran's government would have difficulty dismembering Islamic institutions, and is not prepared to shoulder the full costs of the various Islamic Justice social services provided by the *bonyads*. The Supreme Leader and Iran's President have at best modest influence over the *bonyads*. There is minimal evidence that President Ahmadinejad's charges of corruption within the *bonyads* have weakened the organizations, though in circumspect the charges might have politically silenced the *bonyads*, keeping the organizations from shielding Iran's more progressive elements from recent conservative attacks. The IRGC could also move against the *bonyads,* weakening the organizations by challenging *bonyad* controlled economic segments, or supporting Ahmadinejad's charges of corruption. The IRGC challenging the *bonyads* is unlikely, though, due to the negative attention it would likely call to the IRGC's own domestic involvement.

Civil Rights and the Women's Movement

Iran's women's movement, despite recent setbacks, is projected to recover, and women's rights in Iran should continue to slowly improve. US pressure appears to be helping prevent a complete reversal in the progress of women's rights in Iran, and an increase in US resources focused on this issue could

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[24] UNSC sanctions have targeted IRGC finances, and the analysis suggests that these efforts have had some successes limiting the IRGC's domestic expansion.

slightly improve the prospects of the women's movement. If the US relaxed its advocacy of women's rights, it would likely have detrimental effects on the movement's progress, especially in light of recent conservative attacks against Iran's progressive elements. Significant progress in Iran's civil rights and the women's movement will depend on the Supreme Leader's outlook. Iran's President can modestly influence Iran's women's movement, having influence over the enforcement of conservative laws, and setting workforce precedents when hiring to government jobs. The women's movement could also be assisted by the IRGC, but this would conflict with the conservative outlooks of the organization's leaders.

The recovery of Iran's women's movement as a major component of the Green movement bodes well for Iran's Pragmatists and Reformists. While the Guardian Council will likely continue disqualifying the majority of Green Movement candidates from elections, preventing an organized political resurgence, the Iranian government will likely slowly and incrementally adopt the ideals of the Green Movement. While occasional protests can be expected, the government will likely manage the pace of reform to limit public discontent, avoiding unrest growing to a level unmanageable by the IRGC.

Foreign Policy and National Security Issue Development

Iran's foreign policy and national security issues are some of the biggest US concerns. US policy is affecting Iran's national security and foreign policy, but multilateral approaches are likely the US' best opportunities to further advance its interests in these areas.

Sustainable Engagement with the US

The US appears to exert at best modest influence over the medium of dialogue between Iran and the US. US efforts to draw Iran into more formal bilateral talks are unlikely to be fruitful, suggesting that the US' position does little beyond signaling US willingness to engage in more direct relations. US efforts to engage Iran are likely best focused through international institutions and multiparty talks. More formal or bilateral exchanges are unlikely to maintain the long term backing necessary to make significant progress, and less formal avenues will likely lack the legitimacy to develop enforceable agreements. Were the US able to increase pressure on Iran to engage the US, it would likely enable the sustainment of more formal dialogue between the nations, increasing the US' ability to influence other issues. If Iran's Supreme Leader sought to normalize Iran's international relations, Iran's communications with the US would likely increase slightly. Still, relations with the US would likely remain primarily informal, with Iran preferring to work with European or ascendant international powers. The abolishment of the position of Prime Minister in 1989 made Iran's President the principal mouthpiece of the government, increasing the President's influence. The President has substantial control over how Iran chooses to engage the US, though final policy decisions still must be approved by the Supreme Leader. The individuals enacting Iran's foreign policy are attentive to the IRGC's position as a significant domestic power. If the IRGC supported greater interaction with the US, the IRGC could generate the domestic support necessary to moderately expand relations. If the IRGC's influence continues to grow, and the IRGC remains adamantly opposed to engagement with the US, relations will likely remain primarily informal and halting.

Nuclear Program

Iran is not predicted to be pursuing an active nuclear weapons program, consistent with US National Intelligence Estimates (NIE) since 2007. The US exerts at best modest influence on Iran's foreign policy and national security interests, and the US does not appear to be able to substantively alter Iran's nuclear program. Doubling US efforts dedicated to opposing Iran's nuclear program would result in better, but not complete, compliance with the IAEA. Iran's noncompliance with IAEA regulators is likely to continue, with Iran using its nuclear program as negotiating leverage across a broad range of its strategic issues. The Supreme Leader's position on Iran's nuclear program will ultimately decide whether Iran pursues a nuclear weapon. Iran's President has little influence over Iran's nuclear program, and the President's opinion will not decide the issue. The President's choice of language when discussing Iran's nuclear program could help allay international concerns about the program's intent, and could contribute significantly to easing international apprehensions. The IRGC wants Iran to pursue a nuclear weapon, but the IRGC's influence, even if significantly increased, does not appear sufficient to push Iran into restarting its weapons program.

Iran's Relations with Iraq

Iran's relations with the Iraqi government will likely continue to warm, and Iran will slowly withdraw its support to groups agitating against the new government. Iran's relations with Iraq will be driven by religious ties, economic opportunities, and security benefits, and, while the relations will likely be anti-West in nature, the pace of their development will be unlikely to compromise the new government's independence or be destabilizing. The withdrawal of US troops from Iraq will likely reduce the US' ability to influence Iran's foreign policy towards Iraq, allowing the nations to draw closer. The Supreme Leader directs Iran's foreign policy and can slow or accelerate relations with Iraq, but Iran's foreign policy toward its regional neighbors is pragmatic and unlikely to change substantively, regardless of the Supreme Leader's outlook. In Iraq the nations' proximity, cultural ties, economic opportunities, and security benefits ensure bilateral relations move forward. Iran's President also exerts influence over the pace of Iran's relations with Iraq. Ahmadinejad's March 2008 visit to Iraq marked the beginning of a rapid advancement of relations between the nations, and following the President's visit, numerous government ministers and heads of business of the countries began exchanges. In Iraq the IRGC exerts modest influence. It can actively shape the developing ties, weakening them by expanding its support to opposition groups, or potentially strengthening them by developing military-to-military and intelligence ties with the new government.

Iran's Relations with Afghanistan

Iran's relations with Afghanistan will follow behind, but track along a similar course to those with Iraq. Iran-Afghanistan relations will likely have an anti-Western character, but be focused on combating *Sunni* extremism and narcotics trafficking, creating stability, and expanding Iran's access to foreign energy markets – objectives that parallel or align with the coalition's goals in Afghanistan. The drawdown of coalition troops in Afghanistan will reduce US influence over Iran-Afghan relations, allowing the nations to strengthen ties. Currently, the Supreme Leader and Iran's President have little influence over Iran's relations with Afghanistan. In Afghanistan the government is not yet stable

enough, and the coalition presence still too significant, for Iran to exercise a flexible foreign policy. The IRGC also has minimal influence. The organization provides limited support to the insurgency, but Iran's interest in stability in Afghanistan and fear of US military retaliation prevent the IRGC from expanding its support, its primary means of influencing relations.

Iran's Relations with Israel

Iran's foreign policy toward Israel is strategic. Iran's leaders are bound to their anti-Zionist rhetoric as a fundamental aspect of Iranian persona and leadership in the Middle East, but while Iran's foreign policy towards Israel is unlikely to change drastically, it could be used to signal change in Iran's broader foreign policy goals. A new Supreme Leader could signal Iran's desire to normalize international relations by halting its assistance to Israeli opposition organizations and making efforts to advance the Palestinian peace process. Iran's President has limited influence over Iran's foreign policy toward Israel. However, the President could ease tensions by limiting inflammatory remarks, but he could not substantively change Iranian policy without the backing of the Supreme Leader and other prominent stakeholders. Iran's foreign policy toward Israel is largely beyond the IRGC's influence. The IRGC cannot expand its support to Israeli opposition groups without risking conflict, and while it could choose to limit its support, this would diminish the IRGC's foreign policy role. The importance of Iran's foreign policy toward Israel, both domestically and regionally, limits the US' ability to alter Iran's relations with Israel.

Summary of Policy Options and Recommendations

The United States has a long-term interest in regional stability, and the list of exercised and discussed policy options vis-à-vis Iran is long (Table 9).[25]

Table 9: Exercised or Discussed US Policy Options

Diplomacy	
Multilateral	Obama's "Engagement Policy" helped lead to talks in Geneva 6-7 December 2010 with the six powers negotiating with Iran, but no substantive progress was reported. Subsequent occurred in Turkey on 21-22 January 2011, and letters were exchanged between Iran and the six powers during February-May 2011. U.S. officials indicate that additional pressure could be forthcoming but have not established a timeframe.
Unilateral	- President Obama's messages to Iranian people on Nowruz (Persian New Year) on 21 March 2009 and 20 March 2010. 2 letters in 2009 to Iran's Supreme Leader "Muslim World" speech in Cairo on 4 June 2009, stating Iran had right to a peaceful nuclear program and acknowledged US role in overthrow of Mossadeq - Loosened restrictions on US diplomats to meet their Iranian counterparts - In April 2011 the State Department announced Alan Eyre, a Persian speaking US diplomat at the US consulate in Dubai, would begin making regular appearance on

[25] For a detailed discussion of US current and considered US policy options see Kenneth Katzman's "Iran: U.S. Concerns and Policy Responses", pp. 51-66.

	Iranian official media to explain US positions
Sanctions	
International Economic Sanctions	U.N. Security Council Resolutions 1696, 1737, 1747, 1803, 1835, 1929, and 1984.
National Measures	European Union, Japan, South Korea, and other countries have enacted sanctions reproaching Iran's nuclear non-compliance and human rights violations.
Unilateral Sanctions	The US has in place several sanctions against Iran: the Comprehensive Iran Sanctions, Accountability, and Divestment Act, P.L. 111-195 was designed to encourage foreign firms to exit Iranian markets.
Soft Power	
Public Support to Opposition Movements	US expressed concerns about the 2009 election and supported Green Movement protests following the election.
Material Support to Opposition Movements	The 112th Congress discussed material support to the Green Movement protests.
Democracy Promotion	Iran Freedom Support Act, signed Sept 30, 2006, authorized an unspecified dollar amount for promotion of democracy in Iran. The Obama administration's emphasis that the US is not seeking regime change limits US democracy promotion.
Gulf Security Dialogue	In mid-2006 the State Department began a dialogue aimed at defense cooperation, but most notably led to military arms sales to Iran's regional neighbors in an effort to cultivate a Containment Strategy.
Public Diplomacy (Broadcasting)	- Radio *Farda* "tomorrow" operates 24 hours a day, run by Radio Free Europe/Radio Liberty (RFE/RL) in partnership with the Voice of America (VOA). Its FY 2011 costs estimate was $11.84 million. - Persian News Network is radio, television, and internet operated by VOA. Its costs in FY2011 were estimated to be $22.5 million. - Department of State Twitter feeds are now in Persian and hosts a Persian language website (US fears inability to reach Persian youth whom are considered the core of Iran's Green Movement)
Military Action	
Regime Change	The Obama administration has repeatedly attempted to allay Iran's fear of US orchestrated regime change in Iran.
Air and Missile Strikes	The current political discourse indicates a lack of support for this option and the temporary nature of this solution.
Israeli Strike	Israel has threatened in the past that a nuclear armed Iran would be unacceptable and it would unilaterally take action to prevent its occurrence.
Naval Embargo/No Fly Zone	Discussed in the US as a means to pressure the Iranian government into engagement with the US and to terminate its nuclear program.
Covert Operations	In "Preparing the Battlefield" Seymour Hersh asserts George Bush authorized $400 million to covert operations assisting ethnic-based armed resistance groups in Iran
Non-Conventional Disruptive Actions	Stuxnet Virus damaged Iran's enrichment reactors leading to notable changes in Israeli and US diplomatic statements.
Arms Sales to Regional Neighbors	As of July 2011 the Gulf Cooperation Council (GCC) might buy more than $120 billion worth of US military equipment and services. Saudi Arabia is looking to buy more than $60 billion in US military assets. US regional arms sales are focusing on developing missile defense capabilities.
Regional Military Presence	The US has limited commitments, maintaining its military presence in the region.

The Islamic Republic appears steadfast, as does its Islamic, anti-Western character. Iran's deep-seated mistrust of the US, objection to un-Islamic Western values, and general cultural misunderstandings complicate, but do not negate, the potential effectiveness of US policy. Current US

policy appears reasonably well calibrated, and the best opportunities for the US to further advance its interests in Iran likely lie in focused and expanded diplomatic dialogue, and the focused exercise of soft power, including economic, political, and informational activities.

The US needs to maintain its position and current level of resources in order to preserve the prevailing status quo on the following issues:

- Limiting Ahmadinejad's Influence
- Promoting Economic Liberalization
- Mitigating the IRGC's Influence
- Advancing the Women's Movement (and Reformist Forces)
- Iran's Relations with Iraq
- Iran's Relations with Afghanistan

US policy appears most capable of influencing the issues in Tier 1, but could also affect the outcomes of the issues in Tier 2. Tier 2 issues may best be influenced by considering multilateral options, working with the European Union, Russia, and China, amongst others.

Tier 1
- Promoting Economic Liberalization
- Mitigating the IRGC's Influence
- Iran's Relations with Iraq
- Iran's Relations with Afghanistan

Tier 2
- Limiting Ahmadinejad's Influence
- Advancing the Women's Movement (and Reformist Forces)
- Engagement with the US
- Iran's Nuclear Program

The US can likely dedicate fewer resources or soften its position without adverse impacts on Iranian behavior on these issues:

- Selection of Iran's next Supreme Leader
- Interpretation of *Velayat-e faqih*
- Limiting the *Bonyads*' Influence
- Engagement with the US
- Iran's Nuclear Program
- Iran's Relations with Israel

Increased engagement between US and Iranian diplomats and officials seems best suited for Iraq and Afghanistan, where the coincidence of US and Iranian interests and close proximity make cross-office communication viable. The Obama administration recently amended past policies toward Iran,

lifting numerous diplomatic bans on engagement, theoretically enabling greater communication between US and Iranian offices, but guidance as to US aims has not been forthcoming, and the channels through which communications could occur are either underdeveloped or non-existent. The study forecasts indicate cooperation on Iraq and Afghanistan, especially in light of the US withdrawal and drawdown, is unlikely to have added detrimental effects, and engagement in these areas could provide the US the lines of communication necessary to influence and make advances on other issues. The specific means available to address each issue will depend on the issue and moves beyond the scope of this analysis.

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Appendices

Appendix A: Stakeholder Interactions (Bargaining)

The potential for a bargain between two stakeholders exists when at least one party receives greater utility from a point intermediate of the two positions than a probability weighting of their utility from either endpoint. The bargain space can be demonstrated graphically by plotting agent utility on the vertical axis against agent positions on the horizontal axis.

Stakeholder i is considering a bargain with stakeholder j. Stakeholder i's expected utility if it were to enter into conflict with stakeholder j is EU_{ij}^*. Stakeholder i would consider any bargain that gives it greater utility than EU_{ij}^* acceptable. This is the highlighted blue area of the position axis for stakeholder i (Figure 106). Similarly, stakeholder j considers any bargain which is larger than its EU from conflict, EU_{ji}^*, acceptable. In stakeholder j's utility graph the highlighted green section of the position space is its acceptable bargain space. As long as the acceptable bargain space of stakeholders i and j overlap, a bargain exists that is at least as good as conflict. A bargain is guaranteed to exist when both stakeholders are risk averse, may be no better than conflict when at least one stakeholder is risk neutral, and may or may not exist if one or more stakeholders are risk seeking.

Figure 106: Nash Bargaining Space
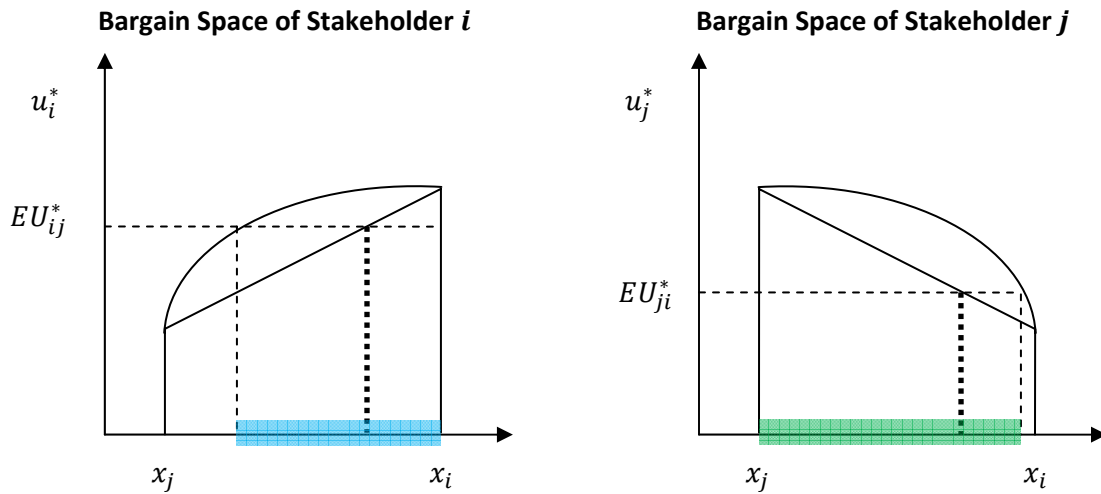
John Nash determined that if a bargain exists between stakeholders i and j, then the optimal bargain, x_B, maximizes the following equation.

$$\begin{aligned}
&\underset{x_B}{max}\left(u_i^*(x_B) - EU_{ij}^*\right)\left(u_j^*(x_B) - EU_{ji}^*\right) \\
&\quad s.t.\ u_i^*(x_B) - EU_{ij}^* \geq 0 \\
&\quad\quad u_j^*(x_B) - EU_{ji}^* \geq 0
\end{aligned} \tag{1}$$

In order to solve for the optimal bargain, x_B, all that is needed is a means to assess stakeholder utility, $u_i^*(x)$, and calculate the reference utilities of each stakeholder, EU_{ij}^* and EU_{ji}^*.

Appendix B: Enabling Networks through Adaptive Voting

The interconnectedness of the world has increased in recent years. It is hard to consider a situation in which stakeholder actions are not mitigated to some degree by their affiliations with different groups. A Democrat or Republican would naturally consider their party's stance on an issue and the opinions of their own constituents when negotiating on a controversial bill on the legislative floor. Similarly, a country dealing in the international arena would likely moderate its stance on an issue based on its affiliations, such as being a member of the North Atlantic Treaty Association (NATO), the Organization of the Petroleum Exporting Countries (OPEC), or the Association of Southeast Asian Nations (ASEAN). When analyzing conflict areas like Afghanistan, it would be difficult for many stakeholders to act without considering their ethnic backing, whether a Pashtun, Tajik, Hazara, Uzbek, Aimak, Turkmen, Baluch, or Nuristani. On still other issues, such as in Sudan, spatial orientation between stakeholders might mitigate how stakeholders advance their position: A stakeholder might moderate their extreme position to maintain normalized relations with neighboring stakeholders to avoid hostile regional fallout. Having developed the basic model, this section suggests an adaption to the standard EU framework that incorporates observed networks and affiliations, which could improve the model's forecasting accuracy.

The EU model typically is used in a one dimensional issue space with single-peaked stakeholder preferences. These assumptions guarantee one policy option dominates all others in a pair-wise election process (Black 1958; Mas-Colell et al. 1995). The winning policy option is termed the central position and is a Condorcet winner. The central position is found via a voting process. A stakeholder's vote between two alternatives, j and k, can be described by the following equation.

$$v_i^*(x_j, x_k) = (c_{ai})(s_{ai})(u_{ai}^*(x_{aj}) - u_{ai}^*(x_{ak})) \tag{1}$$

Capability, c_i measures stakeholder i's resources that can be brought to bear on the issue. Stakeholders are unlikely to invest all their available capitol in a single issue, and instead use their resources in proportion with their importance to the issue, s_i. The number of votes a stakeholder casts for an issue is the amount of influence, c_i, that it is willing to exert based upon the issue's importance to it, s_i, and the relative difference in utility between the positions. The sum of votes between two alternatives across all stakeholders describes the total support for a position.

$$v^*(x_j, x_k) = \sum_{i=1}^{n} v_i^*(x_j, x_k) \tag{2}$$

If v_{jk} is greater than zero then alternative j beats alternative k, while if it is less than zero, alternative j loses to alternative k, and if v_{jk} equals zero, then the coalitions behind alternatives j and k are evenly matched.

The central position is the position which defeats all other positions (equation 3). The central position, denoted x_M, must be a position currently supported by at least one stakeholder.

$$\exists j \ \forall k \neq j \ \ v(x_j, x_k) > 0 \tag{3}$$

How a stakeholder votes for positions also influences the dynamic portion of the model. When generating proposals, stakeholders consider third party support when establishing proposal terms. Voting touches all aspects of the model that should be influenced by stakeholder network affiliations.

The standard formulation for developing position support through stakeholder voting assumes each stakeholder is able to act on an issue in a manner truly independent of the other stakeholders involved. For the majority of political issues, ties with a subset of the involved stakeholders are considered by each stakeholder before making a decision about how to move.

One way to view how a group member considers its network affiliations is through the voting process. A stakeholder who is a member of a group will adapt its vote to acknowledge the group's position, approximated as the weighted mean value of the group. The group's average position value with respect to alternative j is $\Omega_g(x_j)$. In finding the group's average position, it is critical to take into account the importance of the issue and members' influences. A stakeholder's influence on an issue and its influence within the group are assumed proportional, and thus the salience value from earlier can be used.

How much an individual adjusts its vote to be closer in line with the group's mean position is based upon the group's relevancy to the individual, ρ_{gi}. The more important the group is to the individual, the more likely the stakeholder subjects its ideal for that of the group. Mathematically, the following equation represents how a stakeholder votes in light of being a member of m groups.

$$(v_{jk}^*|x_j, x_k) = (c_i)(s_i)\left(\left(u_i^*(x_j) + (\rho_{gi})\sum_{g=1}^{m}\left(\Omega_g^*(x_j) - u_i^*(x_j)\right)\right) - \left(u_i^*(x_k) + (\rho_{gi})\sum_{g=1}^{m}\left(\Omega_g^*(x_k) - u_i^*(x_k)\right)\right)\right) \tag{4}$$

The average opinion of a group with respect to alternative j can be expressed by the following, where $\Phi(g_i)$ is an indicator of whether individual i is in the group or not.

$$\Omega_g^*(x_j) = \frac{\sum_i^n \Phi(g_i)(c_i)(s_i)u_i^*(x_j)}{\sum_{i=1}^{n}\Phi(g_i)(c_i)(s_i)} \tag{5}$$

The opinion of the group on an issue is a weighted average of their utilities. Individuals with greater influence on issues bear more weight on developing the group opinion. Likewise, group members more concerned with the issue exert more influence developing group opinion. The weighted average utility of the group for an issue is used as opposed to simply the average position, since group members' risk characteristics influence how aggressively each member pursues its desired outcome.

Appendix C: Effects of Data Estimation on Model Precision

The presented model was found to be robust to errors in data estimation. While estimating the data for the model as precisely as possible improves forecast precision, data errors do not introduce significant forecasting errors. Less precision in the input data does not cause the accuracy of model forecasts to rapidly diminish, and the exclusion or aggregation of stakeholders also does not introduce significant error to model forecasts.

The presented findings are based on tests looking at the static risk-neutral model forecasts, but the findings extend to the static risk-adjusted and dynamic forecasts. This analysis first randomly sampled true position, weight, and salience data for stakeholders, termed the real data. This real data is created to the precision of the computer, and when run through the model, generates the real issue outcome. Using a set tolerance, researcher-estimated data is created by taking the real data and fitting it to a fixed scale. For example, a tolerance of 0.2 corresponds to data estimated at an accuracy of 20%. For a 0-1 scale the estimated data takes on only the values 0, 0.2, 0.4, 0.6, 0.8, and 1.0. The model then predicts the policy outcome using both the real and estimated data, enabling a comparison of the forecasts, and the error between the real and estimated forecast can be computed. This is done 1000 times for a given tolerance and sample size, and the results reported. The standard error between the estimated and actual forecasts can then be analyzed, gaining insights into the model's sensitivity to the accuracy and precision of the collected data.

For a policy scenario with 10 stakeholders data estimated at a precision of 5%, 10%, and 20% were used to assess the impact of data precision on model forecast estimation (Table 10). Data, when estimated with an accuracy of 5%, resulted in a standard error of about 0.03 on the 0 to 1 policy spectrum. Estimating the data at only 10% accuracy, the standard error of the model increases to about 0.06. If the data can only be estimated with 20% accuracy, then the standard error of the model rises to slightly less than 0.09. The accuracy of data estimation, as long as the expectation of the error is zero, never biases the model. Furthermore, large margins of error do not lead to results that differ substantially from the real outcome.

Table 10: Effect of Data Estimation on Model Precision

Estimation Accuracy	Standard Error
5%	0.0297
10%	0.0584
20%	0.0869

Given a set data estimation precision, the more stakeholders captured that influence a policy, the more accurate the model forecasts become (Table 11). Estimating the model input data at 10% precision for a policy influenced with 5 stakeholders, the standard error of the forecast is about 0.061. A policy scenario with 10 stakeholders, estimated at the same precision, results in the standard error of the forecast falling to 0.058. A policy scenario influenced by 20 stakeholders, estimated at 10% precision, results in a standard error of only 0.042.

Table 11: Effect of Stakeholder Estimation on Model Precision

Number of Stakeholders	Standard Error
5	0.0608
10	0.0584
20	0.0422

Implied by the above finding is that the exclusion of a stakeholder, or stakeholder aggregation, will not substantially change the precision of the model. Halving the number of stakeholders studied when analyzing a scenario only results in a slight increase in the standard error of the forecasted policy outcomes. The reported change in the forecast error is likely overstated. In practice, excluded stakeholders most likely have less effective capability then the stakeholders included in the analysis. Since model forecasts are determined by the effective capabilities of stakeholders, the model's forecasts will be less sensitive to exclusion of stakeholders with less effective capabilities.

Effort should be made to estimate the model data as accurately as possible, but data estimation error will not bias the model. Systematically unbiased error in data estimation does not introduce substantial model forecast error. Additionally, the more stakeholders influencing a policy decision, the less sensitive model forecasts become to imprecision in the data. In most cases accidental exclusion of stakeholders, or aggregation of stakeholders, will not lead to substantially different forecast results (Figure 107).

Figure 107: Summary of Effects of Data Estimation on Model Precision
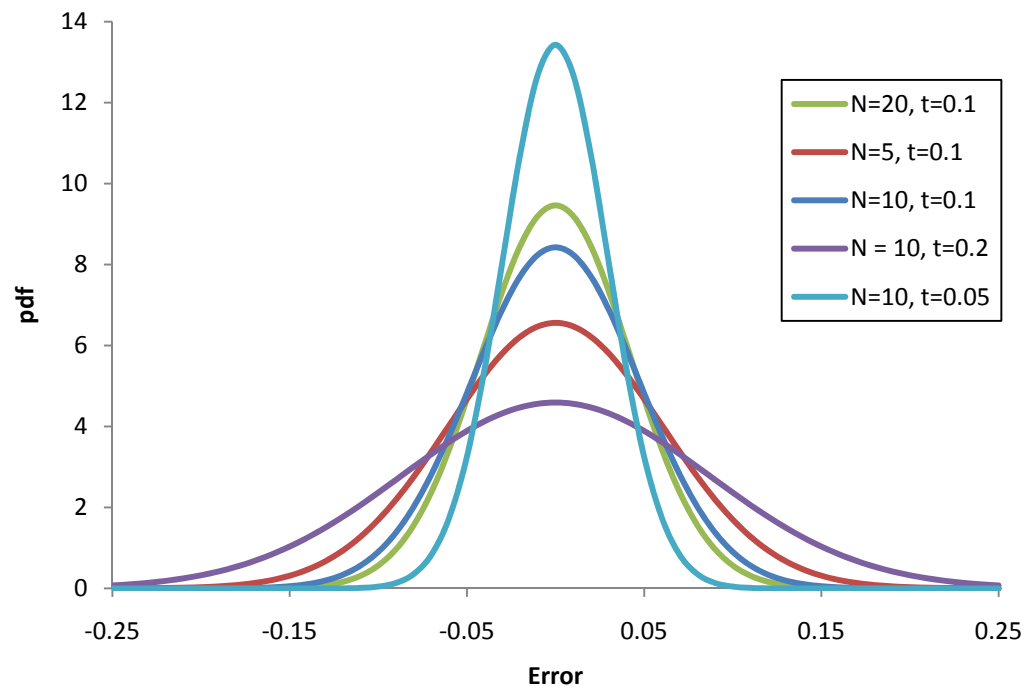
Appendix D: Understanding Power in Iran

As a theocracy with democratic elements, the Islamic Republic of Iran functions in a manner unique from any other nation state. The political processes and exertion of power in Iran differ dramatically from those of Western style governments, differences which commonly lead to significant misconceptions of Iranian politics. Iran's constitution prescribes a formal power structure, which lays the framework for Iranian politics, yet this formal power structure is often superseded by private power networks. A formal institution is typically charged with implementing policy, but less frequently the policy's deciding body. The overlap of constitutionally outlined political powers with informal power networks is the root of many Western misunderstandings of the Iranian political system.

Formally the Iranian government is set up as depicted in Figure 108. Ayatollah Khamenei as Supreme Leader sets the direction of Iran's domestic and foreign policies. The Supreme Leader is elected for life by the Assembly of Experts, which consists of candidates approved by the Guardian Council, and directly elected by the voting populace. The Supreme Leader is Commander in Chief of the *Artesh* (armed forces) and Supreme Commander of the Islamic Revolutionary Guards Corps (IRGC). He alone has the authority to declare war or make peace. The Supreme Leader controls the Ministry of Intelligence and Security (MOIS) and appoints and dismisses the Heads of the Judiciary, the Expediency Council, the Supreme National Security Council, and leaders of the state media networks. The Supreme Leader directly appoints six of the twelve members of the Council of Guardians, and indirectly appoints the remaining six, who are nominated by the head of the judiciary (who is appointed by the Supreme Leader) and approved by the *Majles* (parliament).

The President heads the executive branch and is the second highest ranking official in Iran. The President must be approved by the Supreme Leader, and popularly elected from a ballot of candidates approved by the Guardian Council. The President heads the executive branch, the entirety of which is subordinate to the Supreme Leader, and has a high public profile domestically and internationally. The executive branch's primary responsibility is setting the country's economic policies. Working for and selected by the President are his eight vice presidents and twenty-two cabinet ministers. The President's cabinet must be approved by the *Majles*. Beyond his cabinet, the President has some nominal influence over the Supreme National Security Council and the Ministry of Intelligence and Security, though practically both domestic and international security policies are dictated by the Supreme Leader.

Figure 108: Iran's Constitutional Outlined Power Structure
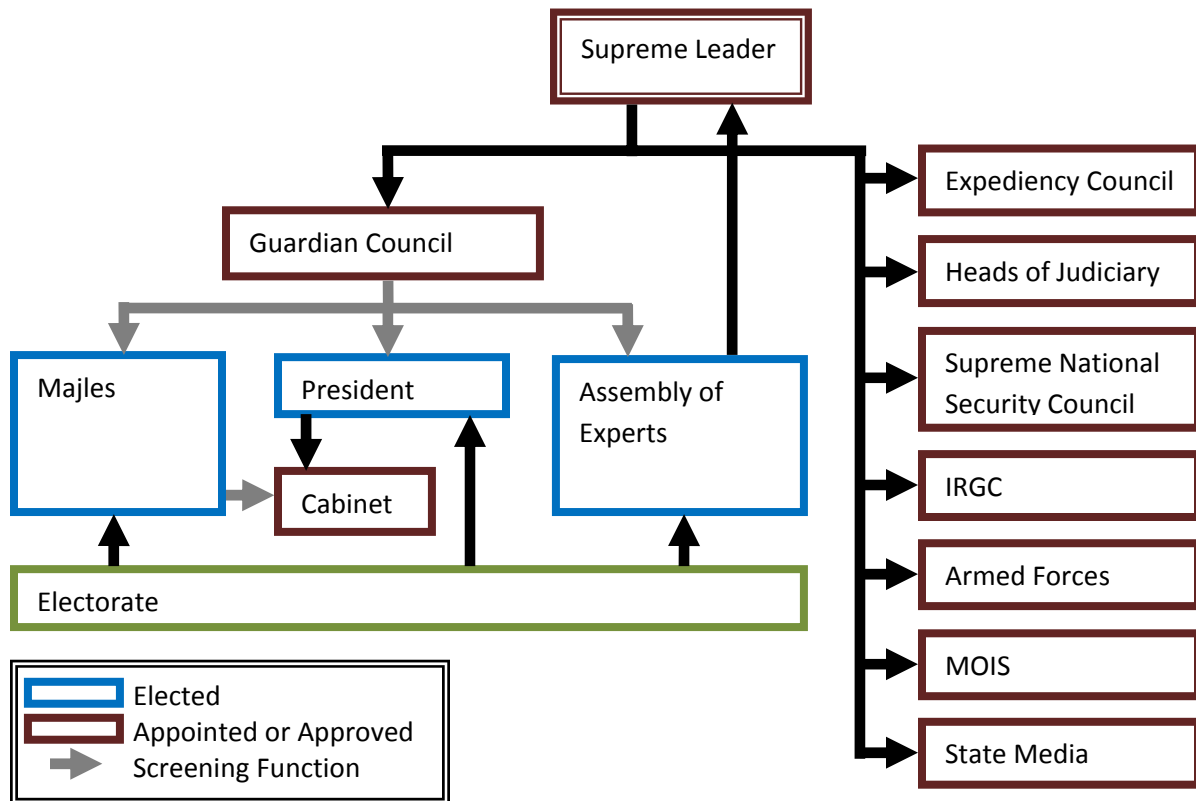
In Iran there exist several bodies which, while not formally established political entities, influence the political discourse. Political parties are illegal but several political factions have arisen, each with their own unique support bases. Currently, there are three distinct Iranian political factions – the Principle-ists, the Pragmatists, and the Reformists.[26] Within the Principle-ists there has been a schism between those supporting the established hardliners (those currently in power), forming around Ahmadinejad, and those opposed to and vying for Ahmadinejad's power and influence.

Several institutions established in a nonpolitical context have evolved into powerful political entities; currently the two of greatest influence are the *bonyads* and the IRGC. The *bonyads*, religious holding establishments, mirror many government public service ministries, report only to the Supreme Leader, and control vast swaths of the Iranian economy. The *bonyads*' substantial economic presence and control over the livelihood of large portions of the Iranian populace provide them significant influence over domestic and foreign policy in Iran. The IRGC, formed to defend the principles of the revolution, has grown into a formidable political entity with considerable military power, the ability to control and influence the population, and a growing presence in the Iranian domestic economy. Former

[26] Some studies separate Iran politics into four different political factions – the Principle-ists, the Traditional Conservatives, the Pragmatists and the Reformists. The Traditional Conservatives when defined are a rather amorphous group, capturing individuals often labeled as moderate Principle-ists or more rigid Pragmatists.

members of the IRGC hold influential posts throughout Iran, and President Ahmadinejad and Tehran Mayor Mohammad Qalibaf both have IRGC backgrounds.

As a theocracy, Iran's religious leaders are directly involved in politics. Iran's clerics have reserved posts throughout the government, with different posts requiring different religious qualifications. In the years immediately after the revolution Iran's clerics were heavily involved in politics. Today their involvement has diminished, with more Ayatollahs and clerics choosing to focus on theocratic, as opposed to state, matters. Still, every devout Muslim must follow the teachings and *fatwas* of an Ayatollah to whom, as one of the five pillars of Islam, they provide a percentage of their earnings (*Khums* or *zakat*). The financial leverage and the ability of these Ayatollahs to guide and steer the populace enables the *Shi'i* clerical elite to directly influence Iran's domestic and foreign policy.

Power in Iran is exercised only loosely as prescribed in the constitution and more based on private power networks. Informal powers blend seamlessly into and between the formal government institutions. Supreme Leader Khamenei always has the final say, though he has tended to rule more through consensus than as an authoritarian; rather than dictate an outcome, Khamenei favors pitting factional rivalries against one another, while waiting for a consensus to form. Heading a formal entity does not necessarily provide a stakeholder influence. There are two primary factors establishing a stakeholder's political power: first is their proximity to Khamenei and second their connections amongst the different politicized networks. Rarely is an individual appointed to a significant post in Iran without a substantial pre-existing informal support network. Iran's republic element ultimately provides the populace some input into the formation of policy. Most of the influential political actors in Iran are beholden to the populace at some level, either through elections or for financial support. In Iran social protests are also common means by which different populace groups make political appeals. The organization of power in Iran thus looks less like Figure 108 and more as in Figure 109 below.

Figure 109: Practical Exertion of Power in Iran
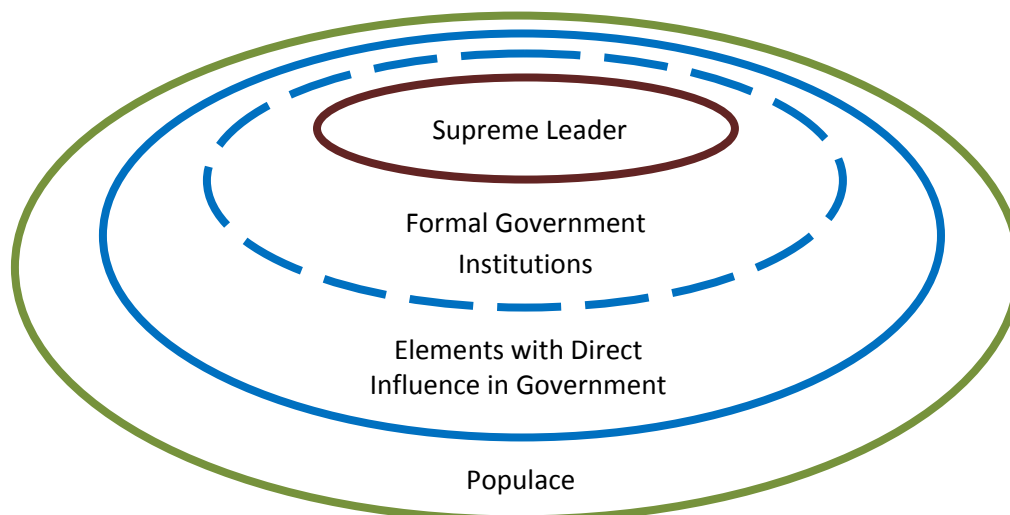
Two popular alternative presentations to Iran's power structure exist, and their depiction of power in Iran complements the above. The first was developed during Supreme Leader Khamenei's first decade in office, during which Khamenei's position as Supreme Leader was somewhat insecure due to

the controversy of his appointment. Wilfried Buchta in his 2000 work, *Who Rules Iran? The Structure of Power in the Islamic Republic* suggests four circles of power. The inner circle is the patriarchs, the clerics in high government positions with large constituent followings. The second ring consists of the state functionaries and administrators, those high in government, but lacking the religious qualifications for the most powerful posts. Buchta's third circle is the regime's power base, which encompasses the IRGC, the *basij* and the media. The fourth circle is somewhat of a catch-all, comprised of formerly influential individuals and groups such as the women's and communists movements and the followers of Montazeri's teachings (Buchta 2000, pp. 6-10). Buchta points out that "prominent individuals are often more powerful than their formal positions would indicate. Thus to gain an understanding of the system, it is more useful to view the bonds of patronage and loyalty among various individuals than to view the system's ideological, formal, or bureaucratic characteristics" (Buchta 2000, p. 7).

The second popular means of viewing power in Iran is through the prism of political factions. Factions are useful, because they roughly encompass the important patronage and loyalty networks, while bundling key individuals and the institutions they lead by shared political outlooks. Analyzing Iran utilizing factions, the Supreme Leader still holds ultimate political authority, and proximity to the Supreme Leader is strongly suggestive of an individual's political power. Key personalities close to the Supreme Leader head the different political factions, which control certain influential government organizations. Each faction receives support from different power centers, for example, the Principle-ists receive a significant portion of their backing from the IRGC, and the Pragmatists are often supported by the *bonyads*. Factions are somewhat amorphous, blending and overlapping based on the current political issues, and the political discourse takes place within the backdrop of factional interplay (Thaler et al. 2009, pp. 39-51).

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Appendix E: Stakeholder Identification and Descriptions

1 Internal Power Groups

Decisions within Iran are influenced by a myriad of both formal and informal power sources. Many of the formal institutions in Iran influence policy more through the persuasions of the person or persons heading the institution than through its formally defined powers. For this reason many power centers are presented jointly with the individuals leading the group. The following sections present the unique powers within Iran identified in the study data.

1.1 Supreme Leader Ayatollah Ali Hoseyni Khamenei

Khamenei's domestic vision of Iran is more Islamic than republican. His foreign policy views seek to maintain the status quo, not compromising but avoiding confrontation.   He is known as a great balancer, ruling by consensus not decree. Some consider Khamenei a "closet moderate" for allowing first a moderate then a reformist president to pursue more progressive policies, but Khamenei consistently favors conservatives over reformists. Most take Khamenei at face value: a religious cleric, ideologically uncompromising, anti-America, and anti-Zionist. He is the single most powerful individual in an autocratic regime where his own survival and the preservation of the theocratic system are his top priorities. Khamenei holds his hand close, ruling by consensus, avoiding confrontation, and fragmenting opposition. As Khomeini's devout disciple, Khamenei sees Islam as the embodiment of justice, and Iran's self-sufficiency as the key to the preservation of the theocracy and its independence (Sadjadpour 2008).

1.1.1 Rise to Power

Khamenei met Khomeini in Qom prior to the revolution. Khomeini became a tutor for Khamenei, who in turn became one of Khomeini's leading disciples. Following Khomeini's expulsion from Iran, Khamenei continued spreading Khomeini's teaching, leading to his multiple arrests and jailing. Following the revolution and the fulfillment of Khomeini's vision for Iran, Khamenei was appointed to the post of Minister of Defense, and later, supervisor of the Islamic Revolutionary Guard. In 1981, following the assassination of Mohammad-Ali Rajai, Khamenei was elected President of Iran by 95% of the vote. At his inaugural address Khamenei vowed to eliminate "deviation, liberalism, and American-influenced leftists" (Sadajadpour 2008, p.5). Opposition to the regime, including nonviolent and violent protest, assassinations and insurrections, was quickly and violently suppressed by the state – thousands of rank-and-file members of insurgent groups were killed by order of the revolutionary courts. In 1982, toward the start of Khamenei's first term, the courts were slowly reigned in, though certain political groups and dissidents continued to be persecuted (Iran Chamber Society).

The Iran-Iraq war began in 1980 and was underway when Khamenei took the office of president. From the post of President Khamenei guided Iran through to the conclusion of the war. During the war, Khamenei's ties with the Islamic Revolutionary Guard Corps (IRGC) deepened. His affinity for the military might partially explain his reputation for micro-management and deep interests in the military, budget, and administrative details (Nasr 2007). With the expulsion of the Iraqi army in 1982, Khamenei, along with Prime Minister Mir-Hossein Mousavi, became the main opponents of Khomeini's decision to counter-invade Iraq.

In 1989 Khomeini had a falling out with his designated successor, Grand Ayatollah Montazeri. Khomenei forced Ayatollah Montazeri to resign as Tehran's Friday prayer leader, appointing Khamenei to the post. Prior to 1989 Iran's Constitution required the Supreme Leader to be a *marja,* however, Ayatollah Khomeini, dissatisfied with the field of candidates, began having the constitution revised so that a Supreme Leader need only be an expert in Islamic jurisprudence and possess the "appropriate political and managerial skills" (Sadjadpour 2008). This new constitutional amendment had not been put to a referendum upon Khomenei's passing. Still, Khamenei, with Rafsanjani's backing, gained the support of a majority of the Assembly of Experts; elected by a vote of 60 to 14, Khamenei was elevated from a Hojjat ol-Islam (cleric of mid rank) to Ayatollah and the post of Supreme Leader (Sadajadpour 2008).

1.1.2 Authority

As Supreme Leader, Khamenei's constitutional authority is broad, controlling all aspects of the Islamic Republic either directly or indirectly.   He appoints the heads of judiciary, the media networks, the *Artesh*, and IRGC. In Iran's second strongest body, the 12 member Guardian Council, Khamenei selects six members directly and the other six indirectly. The six indirectly appointed candidates are selected by the head of judiciary (who is appointed by Khamenei), and then approved by the *Majles*. Khamenei also directs the state controlled segments of Iran's heavily government owned and operated economy. The vast patronage networks of the *bonyads* and the spending of Iran's oil money all fall under Khamenei's purview.

Khamenei's extensive constitutional powers have been enhanced and consolidated since first coming to office with the cultivation of "clerical commissars." Khamenei, realizing he lacked the charisma, popularity, and respect of Khomenei, placed individuals in every important institution within the Islamic Republic – state ministries, the clerical establishment and the military. These individuals serve as Khamenei's eyes and ears, with the power to intervene in any matter of state, enforcing Khamenei's authority.

1.1.3 Domestic Policy

Khamenei's domestic vision for Iran centers around two themes - the necessity of Islam in creating a just society, and the importance of self-sufficiency to maintain Iran's independence. Khamenei favors Islamic socialism, with society's uniform well being ranking before growth.

> Islam disapproves of the Western model of economic development, which brings about economic growth and increases the wealth of certain levels of society at the cost of impoverishing and lowering the living standards of other social strata. What Islam pursues is economic development and prosperity for all social strata based on social justice. (Khamenei 1999)

Social justice in Iran takes the form of subsidies, consisting of between 12 and 25 percent of GDP, which represent US 80 billion annually in subsidies and cash handouts, which are for basic staples such as food and petrol (Ilias 2010). Khamenei differentiates Iran's approach from the "godless" Eastern European and Soviet socialism by its base in Islam. Religion provides his policies an unquestionable moral high ground, and Islam provides Iran's socialism a mandate from the people. Still, Khamenei has

allowed some liberalization of Iran's struggling economy. Since the Iraq War, the Iranian economy has suffered, and in an effort to turn around the economy, Khamenei accepted some economic reforms and privatization ventures championed by Rafsanjani and Khatami (Sadjadpour 2008).

The revolution sought to install Islamic justice, but also to end the Shah's reliance on the West. A self-sufficient Iran in Khamenei's view is the only way by which the Islamic Republic can be truly independent. Khamenei believes scientific advancement, through projects such as the nuclear program, is key to establishing Iran's self-sufficiency, even when sanctions cut Iran off from resources and capital its economy desperately needs (Khamenei 2006).

1.1.4 Foreign Policy

Khamenei's foreign policy is a mix of ideology and calculated interests. As the economy floundered he allowed first Rafsanjani then Khatami to seek limited rapprochement with Europe and the United States yet, with respect to Israel, Khamenei has been uncompromising in his animosity. Khamenei declares Iran the leader of the *umma* (Islamic community). He invokes the rhetoric of Islamic solidarity to support the Palestinian cause, yet tactfully ignored the Chechens for fear of offending Russia. He invokes Muslim unity to justify ties with *HAMAS* and *Hezbollah*, yet lent support to Christian Armenia in its war against *Shi'i* Azerbaijan (Migdalovitz 2003).

Khamenei may have allowed first Rafsanjani then Khatami to speak of engaging the US, but his disapproval of the "arrogant powers" has been unwavering. Khamenei accuses the US of postmodern colonialism in which it uses propaganda, soft power, and cultural influence to further its interests in Iran. Khamenei believes the US policy in Iran remains regime, not behavior, change.

> What the United States, which has been spearheading the aggression against our Islamic revolution, expects from our nation and government is submission and surrender to its hegemony, and this is the real motive for US claims regarding weapons of mass destruction, human rights or democracy. (Khamenei 2003)

Khamenei's view of the US makes any compromise a projection of weakness, and Iran perceives any demonstration of weakness as encouraging further pressure and intimidation.

Israel, the most prominent feature in Khamenei's political discourse, plays almost no role in the daily lives of Iranians. Many suspect Iran's posturing toward Israel to be a tactical maneuver, placing *Shi'i* Iran as the leader of a largely *Sunni* Middle East. While the revolutionary significance in the opposition to Israel has diminished, Khamenei's rejection of Israel has been unequivocal (Sadjadpour 2008). The Islamic Republic seeks not the destruction of the Jewish state, but the defeat of the Zionism as an ideology, and the dissolution of Israel through popular referendum (Khamenei 2005).

For Khamenei Iran's nuclear program embodies the continuing revolutionary struggle for independence. "He believes strongly that the United States is not opposed to Iran's nuclear ambitions because of the proliferation threat, but because of the potential independence and economic leverage that Iran would derive from it" (Sadjadour 2008, p.23). Khamenei stresses the importance of scientific and technological progress for Iran's future, making him unlikely to compromise on Iran developing all the necessary elements of a nuclear program to include enrichment capabilities.

Khamenei and Ahmadinejad appear to be closely aligned ideologically. Domestically they want to see Islamic justice, calling for economic equivalency across all strata of society. Both leaders see the nuclear program as a crucial element of Iran's self-sufficiency and foreign policy. Neither wants relations with Israel and both view compromise with the US as an unacceptable display of weakness. Khamenei may not particularly like Ahmadinehad's more confrontational approach, but popular dissatisfaction with Ahmadinejad has strengthened Khamenei's own power. Also, Ahmadinejad fragments the conservatives dividing a strong power block within Iran (Buchta 2000).

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1.2 Council of Guardians (Ahmad Jannati Massah)

Designed to safeguard Islamic rule and the constitution, the Guardian Council consists of six theologians appointed by the Supreme Leader, and six jurists nominated by the Supreme Judicial Council and approved by the *Majles*. The Guardian Council is dominated by conservatives. Its primary purpose is to approve the constitutionality of any legislation from the *Majles.* Legislation not approved by the Guardian Council does not become law. Amongst, its other formidable powers are the ability to select which applicant candidates can run in elections. In the 2005 elections, the Guardian Council banned all but six of the more than 1000 presidential applicants.

Ayatollah Ahmad Jannati Massah, a traditional conservative, founder of the *Haqqani* school, with close ties to Ahmadinejad, chairs the Council of Guardians. He sits on the council as both a lawyer and Ayatollah. The council was criticized by Reformists for the exclusion of massive numbers of more progressive candidates in the 2005 and 2009 presidential elections, as well as the intervening *Majles* and local elections. Jannati exercises considerable power through the Council of Guardians, but also exerts influence through his seats on the Expediency Discernment Council and Assembly of Experts. The ultra-conservative credentials of the council run deep, with seats held by Ayatollahs Mohammad Yadzi, Sadegh Larijani, and Mohammad Reza Modaressi Yadzi (Global Security).

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1.3 Expediency Council

The Expediency Discernment Council was formed in 1988 by Khomenei to resolve legislation disputes between the *Majles* and the Council of Guardians. In 2005 the council was delegated oversight powers over all branches of government. The expansion of the powers of the Expediency Council was viewed as an attempt to curtail Ahamdinejad's power. The council can pass temporary laws, effective for three years. The council, as originally created, had thirteen members, but has since expanded to approximately 35 members, dependent on the number of special advisors. Beyond its resolution capacity, members of the Expediency Discernment Council advise the Supreme Leader on matters of national policy, functioning much like a cabinet in Western governments. The council is dominated by conservatives, though more liberal than the Guardian Council, and within its ranks are several Pragmatists and Reformists. Current notable members are Chairman Akbar Hashemi Rafsanjani and Secretary Mohsen Rezaee. Also sitting on the council are former president Mohammad Khatami, former Judiciary Chief Mahmoudd Hashemi Shahroudi, and former *Majles* Speaker Ali Akbar Nateq Nouri.

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1.4 Supreme Judiciary Council

Since 2009, the hardliner Sadegh Ardeshir Larijani has headed the Supreme Judiciary Council, a post normally held by a Mujtahid. Sadegh Larijani, as a Hojjat-ol Eslam, was a relatively junior cleric until a few months before his appointment. He is well known for his opposition to Reformists, such as Khatami. His opinions are well characterized by the following statement:

We support a society which is based on the spirit of Islam and religious faith, in which Islamic and religious values are propagated, in which every Koranic injunction and the teachings of the Prophet of Islam and the Imams are implemented. It will be a society in which the feeling of servitude to God Almighty will be manifest everywhere, and in which people will not demand their rights from God but are conscious of their obligations to God (Jahanpour).

Sadegh Larijani strongly condemned the 2009 protests following the Presidential election, declaring the protestors illegal and their claims baseless. While Sadegh Larijani is of the far right, he is slightly less rigid than some hardliners, such as Ayatollah Jannati or President Ahmadinejad. Sadegh Larijani has expressed some more moderate views, acknowledging the need for the revolution to adapt with a modernizing society.

The role of the government is to allow individuals to enjoy the greatest freedom, so that they can pursue their rights and interests in the way that they see fit. The role of the government is not to impose its own values, goals and principles upon its citizens, and it should in no way interfere in such issues. The role of the government is to provide a suitable environment that will allow individuals to make their own choices in society (Sahimi 2009).

The judiciary council is a conservative institution closely aligned with the wishes and views of Khamenei. The council might support incremental changes, but would by no means undermine revolutionary mores.

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1.5 Assembly of Experts

The fourth assembly of experts was elected in 2006 and will sit through 2015. The assembly serves as a representative body, democratizing the role of the Supreme Leader. The assembly consists of 86 Mujtahids, Islamic scholars, representing Iran's 30 electoral constituencies. Article 107 sets forth the purview of the Assembly of Experts, granting them the powers to elect, supervise, and, if necessary, disqualify the Supreme Leader.

The Assembly of Experts is dominated by traditional conservatives, though more conservative elements have begun challenging for control of the assembly. A traditional conservative, Ayatollah Ali Meshkini chaired the first four Assemblies of Experts, but following his death in 2007 Rafsanjani was elected to the post, beating the more conservative Ayatollahs Ahmed Jannati and Mesbah-Yadzi. Rafsanjani was deputy chair of the third and fourth assemblies before becoming chair of the fourth assembly.

The fourth Assembly of Experts is more divided than in the past, with the Ahmadinejad-aligned neoconservatives challenging the traditional conservatives (BBC 2010). In the 2006 election Rafsanjani's dominance in the assembly was challenged by hardliner Mohammad-Taqi Mesbah-Yadzi, religious ally and mentor of President Ahmadinejad. Mesbah-Yadzi was one of the greatest antagonists of the more liberal social policies introduced by Rafsanjani and Khatami. Mesbah-Yadzi favors a more forceful approach toward social and political matters and prefers a return to the more severe Islamic revolutionary discourse of the 1980s. He has been accused of ordering the brutal assassination of secular intellectuals and dissidents. Ayatollah Jannati, head of the Guardian Council, also challenged Rafsanjani influence, coming in second in the election for chair of the assembly. Jannati holds very similar views to Ayatollah Mesbah-Yadzi and President Ahmadinejad (BBC 2010).

In March 2011 Ayatollah Mohammad Reza Mahdavi Kani, an 80-year-old conservative cleric, was elected as the head of the assembly uncontested, after Rafsanjani withdrew his candidacy, signaling a potentially more conservative shift within the Assembly (RFERL 2011).

The 88 members elected to Iran's Fourth Assembly of Experts are:

1. Mohammad Reza Ahmadi Shahroodi
2. Reza Ostadi
3. Ali Eslami
4. Ali-Reza Eslamian
5. Mohammad Emami Kashani
6. Mokhtar Ameenian
7. Assadallah Imani
8. Hadi Barikbin
9. Mohammad Bagher Bagheri Kani
10. Morteza Bani-Fazl (deceased)
11. Mohammad Bahrami Khoshkar
12. Ahmad Beheshti
13. Mohammad Taghi Pourmohammadi
14. Sayed Saber Jabbari
15. Ahmad Jannati
16. Mohyedin Haeri Shirazi

17. Sayed Karamattallah Malek Hosseini
18. Sayed Hashem Hosseini Booshehri
19. Mohsen Heydari Al Kasiri
20. Sayed Ahmad Khatami
21. Abdul Rahman Khodayyi
22. Sayed Mohsen Kharrazi
23. Abol-Ghasem Khazali
24. Gorban Ali Dori Najjafabadi
25. Sayed Ali-Asgar Dastghayb
26. Sayed Ali-Mohammad Dastghayb
27. Sayed Ibrahim Raiisi
28. Ali Razini
29. Reza Ramezani
30. Hassan Rohani
31. Hossein Masoomi
32. Ali-Ahmad Salami
33. Abbas-Ali Soleimani
34. Sayed Ibrahim Sayed Hatami
35. Sayed Mohammad Shahcheraghi
36. Sayed Mohammad Naghi Shahrokhi
37. Hassan Agha Shariatiniaser
38. Sayed Ali Shafiie
39. Mohammad Sheikholeslami
40. Sayed Habbibollah Taheri Ghorghani (deceased)
41. Sayed Mojtabba Taheri
42. Sayed Hassan Taheri Khorramabadi
43. Sayed Youssef Tabatabainejad
44. Noorollah Tabarsi
45. Ghiasedeen Tahamohammadi
46. Sayed Hassan Amelli
47. Abdol Mahmood Abdollahi
48. Sayed Ahmad Elmolhadah
49. Mohammad Reza Faker
50. Ali Fallahian
51. Mohammad Fayzi
52. Zeinalabedin Ghorbani
53. Sayed Akbar Gharrebaghi
54. Sayed Ali Akbar Farshi
55. Mohsen Ghomi
56. Mohsen Kazeroon
57. Abbas Kaabi
58. Sadegh Larrejani
59. Mohsen Mojtahed Shabastari
60. Ahmad Mohseni Ghorghani
61. Abbas Mahfoozi
62. Mohammad Mohammadi-Ghilani
63. Sayed Mohammad-Hassan Marashi Shooshtari (deceased)
64. Ali-Akbar Meshkini (deceased)

65. Taghi Mesbaheyazdi
66. Ali-Asgar Masoomi
67. Ali Moalemi
68. Morteza Moghtadaai
69. Hassan Mamdoohi
70. Mohammad-Ali Movahedikermani
71. Sayed Mohammad-Ali Moussavijazayeri
72. Sayed Abol-Hassan Mahdavi
73. Mohammad-Reza Mahdavikani
74. Habibollah Mehmannavaz
75. Sayed Abolfazl Mirmohammadi
76. Mohammad Momen
77. Gholam-Ali Naeemabadi
78. Hassan Namazi
79. Abdolnabi Namazi
80. Sayed Kazem Noormofidi
81. Abbas Vaeztabbasi
82. Sayed Mohammad Vaezmoussavi
83. Mohammad-Taghi Vaezi
84. Abol-Ghassem Vofiyazdi
85. Hashem Hashemzadehharisi
86. Akbar-Hashemi Rafsanjani
87. Sayed Mahmood Hashemi-Shahroodi
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1.6 *Majles*

The *Majles* consists of 290 members, representing Iran's 30 geographic constituencies, as well as constitutionally recognized minority segments. The current 8th *Majles* has 195 Principle-ists, 51 Reformists, and 39 Independents, as well as five seats for constitutionally recognized minorities - one each for the Zoroastrians, Jews, and Assyrian Christians, and two seats for the more prevalent Armenian Christians.

Articles 71 through 90 of the constitution lay forth the powers of the *Majles*, which as a unicameral legislature has the authority to review and approve government budgets, propose legislation, ratify international treaties, and review performance of the president and his ministers (Thaler 2009). In order to become a member of parliament (MP), a candidate must be approved by the Guardian Council, and then selected by the electorate. Qualification for candidacy relies on an individual's Islamic credentials and support for the revolution. Since the 6th *Majles* domination by Reformists in 2000, the Guardian Council has disqualified a majority of Reformists candidate MPs (Secor 2007). A result of these mass disqualifications is a more conservative *Majles,* where the principal power rivalry is between the Pragmatists and Principle-ists (Fathi 2008). Ali Larijani, a hard-line conservative, is the current *Majles* speaker, and the first deputy is Mohammad-Hassan Aboutorabi Fard. The Reformists minority leader is Mohammad Reza Tabesh (Global Security).

The powers of the *Majles* are limited. When the *Majles* passes a bill it is subject to review by the Guardian Council, which checks its adherence to Islamic law and the constitution. The Guardian Council can block legislation it finds in violation of Islamic law, or the constitution, an ability it used frequently during the years of the Reformists-dominated *Majles* elected in 2000. A decision reached by three quarters of the Council of Guardians assumes the same validity as the constitution itself. In the event the Guardian Council and *Majles* cannot resolve a dispute over a bill, the Expediency Council acts as the deciding arbitrator (Thaler 2009, p. 29-31).

Resources

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1.7 President Mahmoud Ahmadinejad (Established Principle-ists)

Principle-ists view themselves as the stalwarts of the revolution, seeking strict enforcement of Islam upon the populace, with little tolerance for change even when precipitated by economic or social transformation. The Principle-ists are based strongly in both the clergy and military, two of the most influential institutions outside of the Iranian government.

The most well known Principle-ists in the West is Mahmoud Ahmadinejad. Ahmadinejad became the 6th president of Iran in 2005, a post he was controversially reelected to for a second term in 2009. Well known for his populist rhetoric, denying the Holocaust and insisting on Iran's nuclear rights, Ahmadinejad has been poorly received in the West. With the United States resolve in the Middle East in doubt following taxing operations in Afghanistan and Iraq, Ahmadinejad has reinvented the Iranian government as the alternative to a perceived weakened America.

Ahmadinejad comes from a relatively poor background. He is associated with the IRGC, but whether he served as a commando, as claimed, or in the *basij*, is somewhat controversial (Bozorgmehr 2008). He studied civil engineering as an undergraduate, and earned a doctorate in transportation engineering and planning from Iran University of Science and Technology in 1997. Ahmadinejad was appointed Mayor of Ardabil province during his doctoral studies, a position he held until Khatami's presidency, when he was dismissed. In 2003 when the Alliance of Builders of Islamic Iran won control of Tehran's city council, Ahmadinejad was appointed Mayor of Tehran.

The Principle-ists strongly oppose Israel and the West. On 26 October 2005, speaking at a seminar titled "World without Zionism," Ahmadinejad said, "God willing, with the force of God behind it, we shall soon experience a world without the United States and Zionism" (Globalsecurity 2005). Ahmadinejad has denied the Holocaust and suggested were the alleged Holocaust to have occurred, it happened in Europe and so, Israel should be moved out of the Middle East and placed in Germany or Poland (CNN 2007). At the "World without Zionism" forum Ahmadinejad claimed,

> The world arrogant powers founded the Zionist regime at the heart of the Muslim world as a base for their own expansionist intentions... [they] turned the Zionist regime occupying Jerusalem into a staging-ground to dominate the Islamic world. ...They have created a base, from where they can expand their rule over the entire Islamic world; it has no other purpose other than this. (Globalsecurity 2005)

Ahmadinejad, as the mouthpiece of the Principle-ists, expresses disdain of both Zionism and the West, stances which garner support amongst broad swathes of Middle East.

Opposition to Israel and the West is often linked to the perception of a Western Janus, ignoring Israel's nuclear acquisition on one side, while threatening Iran's nuclear development on the other. Iran's nuclear program started in the 1960s under the Shah before being abandoned following the Islamic Revolution. The program was restarted in the 1990s, raising international suspicions of weapons development, though Iran insisted the program was for civilian nuclear energy and being conducted within its Non-Proliferation Treaty (NPT) obligations. In 2002 the National Council of Resistance of Iran leaked a report revealing the more clandestine nature of the program (Jahanpour 2007). Khatami, facing international sanctions, suspended uranium enrichment in 2003. Ahmadinejad, upon coming to office, restarted Iran's enrichment program in January 2006, substantiating his hardliner credentials.

Ahmadinejad insists on Iran's legal rights to develop a peaceful nuclear program under the NPT, but he has also declined to rule out the possibility of developing a nuclear weapon (Bright 2009). There are some questions about the Iranian nuclear program's resolve, and whether the program is more a means to improve Iran's bargaining position. In the turmoil following the 2009 elections Ahmadinejad has been pushed closer to the Revolutionary Guards, a group closely linked to the nuclear program. The IRGC's influence and power within Iran would substantially increase were a nuclear weapon developed, and correspondingly, were the nuclear program abandoned, the IRGC's influence would diminish (*New York Times* 2010).

Numerous human rights violations have occurred during Ahmadinejad's Presidency. Imposition of *shari'a* laws, typically considered unjust to females, and ignored or replaced in most advancing Islamic countries, are upheld in Iran. The case of Sakineh Mohammadi Ashtiani highlights the continuation of archaic practices, such as the stoning to death of adulterous females (HRW 2010). Tehran's Evin Prison recently held hundreds of political prisoners, unlawfully detained as part of the mass arrests of political dissidents and peaceful demonstrators following the disputed 12 June 2009 presidential election. Prisoners were refused access to lawyers and family, and there were numerous reports of brutality and coerced confessions (HRW 2010).

In June 2007, 57 Iranian economists wrote a letter to Ahmadinejad criticizing his economic policies: price interventions, government services, gas rationing and a proposal to increase workers' salaries by 40 percent – issued in a decree by the High Labor Council and the Ministry of Labor (Reuters 2007). Ahmadinejad promised to put oil money on peoples' tables, spending state revenues on populist gestures when oil prices were high, but since the fall in the price of oil, the maintenance of these populist measures has resulted in a record deficit, rising unemployment, and inflation. UN sanctions have made Iran's central bank fear increased capital flight, and prevented Iran's economy from receiving the foreign capital investment the nation needs for growth. Ahmadinejad's first minister of finance and economics resigned when Ahmadinejad attempted to interfere with Iran's banks, and the current finance minister, Seyyid Shamseddin Hosseini, is seen as a concession to the *Majles*, replacing Ahmadinejad's more radical nominees (Glenn 2009).   Ahmadinejad's economic policies straddle socialism and capitalism. He acknowledges the need for economic growth and nods at the value foreign investment plays in this regard, but he is unwilling to alienate the large poor and rural populaces, a major portion of his support, where gas and food subsidies are popular.

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1.8 Un-established Principle-ists/Traditionalists/ (Ali Larijani and Mohammad-Bagher Qalibaf)

The Principle-ists have fractured between those supporting Ahmadinehad and those challenging for party leadership. The views of the established Principle-ists and the un-established Principle-ists are nearly identical. The un-established Principle-ists attack the economic mismanagement of Ahmadinejad, and his confrontational strategy with the West, but still view themselves to be continuing the legacy of the revolution. The un-established Principle-ists defend conservative religious mores, and seek strict enforcement of the *shari'a*. The faction siphons support from the established Principle-ists, drawing backing from amongst the clergy and military opposed to Ahmadinejad's style of governance.

Ali Larijani, speaker of the *Majles*, is seen as more pragmatic than Ahmadinejad, though ideologically equivalent. Larijani is a favorite of Khamenei and appears to play into Khamenei's strategy of dividing substantial power blocs. Larijani divides the Principle-ists, providing an alternative to the more bombastic and populist Ahmadinejad. Larijani commanded the IRGC before taking the post of Minister of Culture and Islamic Guidance for two years upon Khatami's resignation. As the Minister of Culture and Islamic Guidance, Larijani tightened censorship on all cultural aspects of life. Khamenei appointed Larijani as head of the Islamic Republic of Iran Broadcasting (IRIB), or the "Voice and Visage" of the Islamic Republic, where he greatly expanded broadcasting and used media to attack Reformists. He ran in the 2005 election as the conservatives' primary candidate, but performed poorly. As a presidential candidate, Larijani attacked Khatami's nuclear approach, asserting Khatami, "had given away [to the European Union] the pearls [because Khatami had agreed to temporarily suspend Iran's uranium enrichment program], but received worthless candies" (Sahimi 2009).

Ahmadinejad appointed Larijani secretary general of the Supreme National Security Council and principal nuclear negotiatior, posts from which he resigned in 2007 due to differences with the president. In the post of chief nuclear negotiator Larijani proved more pragmatic - following a discussion between Putin and Khamenei on easing relations with the West, Larijani agreed to consider halting Iranian nuclear fuels enrichment. Ahmadinejad immediately countered Larijani's concession, stating ceasing of nuclear fuels had not been discussed, and two days after the meeting Larijani resigned. Saeed Jalili replaced Larijani as principal nuclear negotiator, adhering less to the pragmatic path of his predecessors, and instead supporting the uncompromising Iranian nuclear rights espoused by Ahmadinejad.

In 2007 Larijani was commonly perceived to have played a crucial role influencing Ahmadinejad's decision to release 15 British sailors captured for violating Iranian territorial waters. Since the 2000 election of the 8th *Majles*, Larijani has been the speaker of parliament. He did not support Ahmadinejad in the 2009 elections, and condemned the outcome as fraudulent, though he publicly denied the Reformists Karroubi's claim that arrested protestors had been brutalized. Larijani is claimed to have called to congratulate Mousavi as Iran's new president immediately after the 2009 election based on his access to classified information (Sahimi 2009).

Mohammad-Bagher Qalibaf (Ghalibaf) is the mayor of Tehran. A staunch Principle-ists, Qalibaf was a former IRGC officer and the police chief of Tehran. He resigned from the military in 2005 in order to run for President, and shortly thereafter was appointed Mayor of Tehran. Since becoming mayor, Qalibaf has become notorious for his ability to stick to a schedule and strictly enforce the laws. He has modernized Tehran by stopping project delays and overruns, while preventing growth in crime, earning him a reputation as an efficient manager and authoritarian modernizer. Qalibaf has successfully

attracted foreign investment to Tehran, and his works expanding green space in the poor Southern district of Tehran have served to increase his political popularity with the less affluent (FT 2008).

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1.9 Pragmatists (Rafsanjani and Rowhani)

The Pragmatists lie between the Reformists and Principle-ists. Their leadership is of an older cast, the epitome of which is Rafsanjani. Most of the leaders of the Pragmatists were active in the 1979 Revolution, played crucial roles in Khamenei's ascension in 1989, and remain central to Iran's modern politics. The power of the Pragmatists peaked during the Presidency of Rafsanjani, shortly after the selection of Khamenei as Supreme Leader. The Pragmatists' power has remained relatively constant over the decades, though it appears to have suffered some decay since the defeat of Rafsanajani's 2005 presidential bid at the hands of Ahmadinejad. The rise of the Principle-ists has made the Pragmatists appear increasingly pragmatic and found them more frequently under attack. The Pragmatists seek the continuation of the revolutionary ideals, but believe modernization and Iran's growth has necessitated compromise. The preservation of the theocratic republic requires a degree of economic reform, integration into the international establishment and modern interpretations of the *shari'a*. This path notably implies some movement away from Islamic socialism; tempering Iran's nuclear policy, stance toward Israel, and dogma of revolutionary export; and how Islamic justice is enforced and interpreted within Iran. The Pragmatists' more moderate views have been reproached by both sides, being called insufficient by Reformists and traitorous by the Principle-ists.

The Pragmatists draw support from the clergy, *Artesh*, and middle classes. The Pragmatists control large segments of Iran's economy through private enterprises. Their greatest economic influence stems from their control of numerous *bonyads,* such as the Foundation for the Oppressed and Disabled (*Bonyad-e Mostazafan va Janbazan*), Martyrs' Foundation (*Bonyad-e Shahid*), and Imam Reza Foundation (*Bonyad-e Astan-e Quids*) (Gheissari 2006). The *bonyads* account for some thirty-five percent of Iran's GDP and control over forty percent of Iran's non-oil economy (Raquel 2009).

Understanding Rafsanjani, as the head of Pragmatists, helps develop an understanding of this segment of Iranian political power. Rafsanjani studied theology in Qom, where he met and became a follower of Khomenei in the 1970s. Rafsanjani was imprisoned several times for his resistance activities against the Shah. Following the revolution, Rafsanjani served as speaker of the *Majles* from 1980 through 1989. In 1988 Khomeini appointed Rafsanjani acting Commander-in-Chief of the armed forces. His involvement was seen as pivotal to Iran's acceptance of the UN resolution ending the Iran-Iraq War. Following Khomeini's death in 1989, and the election of Khamenei as Supreme Leader, Rafsanjani resigned from Parliament and was elected President. Rafsanjani's backing is considered to have been critical to Khamenei's rise, earning him the title "kingmaker" (BBC 2009). Rafsanjani was president for two terms, holding office from 1989 through 1997. Rafsanjani's presidency marked a change in the Islamic Republic's focus, as interests turned toward internal reform. He broke from the two guiding pillars of the revolution, "Neither East nor West" and "Export of the Revolution" (Raquel 2009, p. 174). His presidency was dominated by the need to rebuild Iran's economy following the destructive Iran-Iraq War. During his presidency, he advocated moves toward making Iran a free market economy, playing a major role privatizing large segments of the economy. One result of privatization was an increase in the influence of the *bonyads* (BBC 2005; Tait 2006).

Both during and since his presidency Rafsanjani has championed a degree of normalization with Europe and the United States (BBC 2005, 2009). During the first Gulf War, in the face of substantial opposition, Rafsanjani supported the US over Iraq. Rafsanjani's leadership has often muted Iran's aggressive posturing towards Israel (Raquel 2009, p. 173-174). Rafsanjani has supported Iran's nuclear

rights, and championed its successes, though he has also sought to temper Iran's nuclear position, at times arguing a cease in enrichment well worth the preservation of the Islamic Republic.

Rafsanjani chairs the Expediency Council and chaired the 4th Assembly of Experts until January 2011. His election to the chair of the Assembly of Experts constituted a significant victory for the Pragmatists over more conservative elements. He is considered by many to be the likely next Supreme Leader were Khamenei to pass from the scene (The *New York Times* 2009, BBC 2010).

Hassan Rowhani is another notable Pragmatists. The former chair of the Supreme National Security Council, Rowhani served as the primary nuclear negotiator. He is notorious in the West for bartering the "breakthrough" cease in Iran's nuclear enrichment. The deal was later overturned in 2007 when he was removed from his post. Since 1999, when Rowhani was a deputy speaker in the *Majles*, he has continually held significant influence in the Iranian political discourse. He currently serves on the Expediency Discernment Council, is the director of Iran's Centre for Strategic Studies, and is a member of the Assembly of Experts. Culturally conservative, Rowhani has occasionally been inclined towards pragmatic concessions (BBC 2003).

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1.10 Reformists (Khatami, Mousavi and Karroubi)

The Reformists, known as the Green party in the 2009 elections, represent the far left in Iranian politics. The Reformists want to see expanded women's rights, greater nationalization of the oil industry, increased economic liberalization, deeper engagement with Europe and the United States, and less religion in government. While not all prominent Reformists support the entire Green party platform, they all believe in at least some subset.

Seyed Mohammad Khatami was the fifth president of Iran, and first Reformists president, winning with 70% of the popular vote. Women and youth flocked to the polls in support of Khatami. Khatami's attempts at economic and social liberalization, as well as government reform, over his two terms as president, while supported by the Iranian populace and Reformists dominated *Majles,* were largely rebuffed by the conservative dominated Guardian Council and Judiciary. Khatami is well remembered for his dialogue of civilizations and willingness to begin an international discourse. His supporters were suppressed by conservative groups through newspaper closures, arrests, and intimidation. After his election to a second presidential term, Khatami's strategy was marked by a pragmatic shift to an approach of gradualism - the sweeping changes initially promised and thwarted by the theocracy were instead implemented in incrementally small pieces. The mass disqualification of Reformists candidates in the 2005 and 2009 elections by the Guardian Council sought, and successfully prevented, the Reformists from returning to power.

Mir-Hossein Mousavi Khameneh was the last Prime Minister of Iran before the post was abolished in 1989. Mousavi sits on the Expediency Discernment Council and the High Council of Cultural Revolution, though he has abstained from participating for years, considered a sign of his distaste for the current government (Klein 2009). He is an intellectual, an architect, and artist by training. In the 2009 elections Mousavi led the Green Movement, which composed the primary alternative to Ahmadinejad after Khatami's withdrawal (Altman 2009; Anderson 2010). Mousavi's support is largely amongst the educated middle class, but he draws rural support by appealing to his humbler upbringing. He has a fairly conservative track record, not recognizing Israel, but acknowledging the Holocaust and staunchly defending the 1979 hostage taking. He has also supported expanding women's rights and greater engagement with the West.

Mehdi Karroubi is another prominent figure associated with the Reformists. He was appointed to the Expediency Council by Khamenei, but resigned all government posts following the 2005 elections, when he placed third in the runoff election. Having his own political party and newspaper, both known as Etemad-e-Melli, Karroubi has displayed his adeptness at organizing and publicizing his political agenda. Following the 2009 elections and ensuing riots, Karroubi's newspaper was closed in a widespread censorship drive, and he has found himself under informal house arrest (Anderson 2010).

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1.11 Islamic Revolutionary Guard Corps (IRGC/*Pasdaran*)

Khomeini established the Iranian Revolutionary Guard Corps (IRGC) immediately after the Islamic Revolution. The IRGC served as security against remnants of the Imperial Army in the *Artesh*, and silenced non-Islamic members of the revolutionary coalition. With the passage of time the IRGC has avoided absorption by the larger *Artesh* and refashioned itself as the Revolutions' Praetorian Guard. Following the Iran-Iraq war the IRGC became heavily involved in the defense industry, and since then it has become increasingly intertwined in Iran's economy and politics (Green 2009, p.10-15). The IRGC justifies its economic involvement, invoking articles 147 and 150 of the constitution, which outline the IRGC's "role of guarding the Revolution and its achievements" (Alfoneh 2006, pp. 1-2). Politically, the IRGC aligns with the Principle-ists, and both President Ahmadinejad and *Majles* Speaker Ali Larijani have ties to the IRGC.

The IRGC has between 120,000 and 130,000 ground forces in addition to 20,000 naval forces, of which approximately 5,000 are marines. The IRGC also has its own small Air Force, separate from the *Artesh*, and controls the Iran's volunteer military force, the *basij*. The IRGC controls and operates most of Iran's surface-to-surface missiles, and controls, or would control, the deployment of Iran's chemical, biological, radiological, and nuclear (CBRN) weapons (Cordesman 2006). The IRGC is believed to have substantial asymmetric warfare and covert operation capabilities. The Qods Force, an approximately 5,000 man Special Forces contingent of the IRGC, specializes in unconventional operations, and plays a major role in overseas operations and training of foreign proxies (Cordesman 2006).

The past decade witnessed the growth of the IRGC into a strong political force. In the 2004 parliamentary elections ninety-one of the one-hundred fifty-two new *Majles* members had some connections with the IRGC. Ahmadinejad and Larjani, the current President and speaker of the *Majles*, both have backgrounds in the IRGC (Green 2009). Many of the younger, rising hardliner politicians in Iran have IRGC ties and affiliations.

The IRGC's political successes stem from their growing economic involvement. The IRGC first used national security as justification to become involved in the defense industry, and has since become heavily involved in oil, construction, and technology (Takeyh 2006). The IRGC has secured an estimated $5 billion in no-bid contracts from the government (Green 2009).

The IRGC also controls access to Iran's borders, operating numerous airports and seaports. IRGC-controlled "invisible jetties" are thought to account for 68% of Iran's entire exports, moving goods, such as Iran's internally subsidized gasoline, abroad for resale at a two to three hundred percent profit. In his 2004 resignation speech Armin, a former member of the *Majles*, estimated IRGC smuggling amounted to over twelve billion a year (Alfoneh 2006, p.5). When Khatami awarded management of the Khomeini International Airport to a Turkish firm in 2004, the IRGC shut the airport down after the first flight, driving tanks onto the runway, and threatening to shoot down any further aircraft attempting to land. Khatami's attempt to open Iran's economy and limit IRGC smuggling backfired (Sahimi 2009).

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1.12 *Basij*

Founded immediately after 1979 Revolution, the *basij* volunteer force has 90,000 active members, an active reserve of 300,000, and a claimed total mobilization of 5,000,000 (Cordesman 2006; Thaler 2010). The IRGC controls the *basij*, which is used to enforce Islamic doctrine, and more recently, suppress dissent (Sahimi 2009). *Basij* recruits, typically youths, are indoctrinated from amongst all segments of society, with special units for university students, local tribes, villages, and factories (Thaler 2010). The *basij* is a conservative organization, but appears less rigid and resolute than the IRGC or Principle-ists (Leyne 2009). The mobilization of the *basij*, functioning as a grass roots organization, has been instrumental in Ahmadinejad's electoral victories, and assisted Principle-ists candidates in regional and parliamentary elections (Aryan 2008).

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1.13 *Artesh*

The *Artesh* is Iran's conventional armed force, comprised of an Army, Navy and Air Force. The *Artesh* is focused solely on external threats, unlike the IRGC, which also has a domestic focus. The *Artesh*, like the IRGC, is controlled by and loyal to Khamenei. The *Artesh*, similar to Iran's Law Enforcement Force (LEF), is not as conservative as the IRGC. As a result of divisions between hardliners and moderates within Iran's military organizations, Iran's *Artesh* has been receiving less effective training, and diminished force experience.

In 2006 the *Artesh* Army had a manning of 350,000, of which approximately 220,000 were 18-month conscripts. The conscripts receive limited training, and have marginal military effectiveness. The army also has a reserve of some 350,000 men, but the reserves lack the equipment, supplies, and leadership cadres to be of effective use without months of reorganization and training (Cordesman 2006).

In 2006 the *Artesh* Air Force contained approximately 52,000 members, of which 15,000 were in Iran's Air Defense force. The Air Defense force is responsible for Iran's land-based air defenses. The Air Force has over 300 combat aircraft in its inventory, though most are dated, and their operational sustainability questionable (Cordesman 2006).

As of 2006 the *Artesh* Navy had 18,000 men, which includes a two brigade marine force of 2,600 men, and a 2,000 man naval aviation force. The Navy has three submarines, three frigates, two corvettes, 10 missile patrol craft, five mine warfare ships, 52 coastal and inshore patrol craft, and 10 amphibious ships. With five maritime patrol aircraft, and 19 armed helicopters, the naval aviation branch is one of the few air elements in any Gulf Navy. The conventional Navy is almost equivalent in size to the IRGC's, and in combination these two forces provide Iran with one of the most adept naval forces in the Gulf, with significant capabilities for both regular and asymmetric warfare. Recently, Iran has also made naval modernization a priority (Cordesman 2006, p.29).

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1.14 *Bonyads*

The *bonyads*, charitable religious foundations, control large parts of Iran's economy, making them formidable political entities. The heads of the *bonyads* are appointed by Khamenei and responsible only to Khamenei and his local representatives (Rakel 2009). There are over one-hundred *bonyads*, and the *bonyads* are estimated to account for as much as thirty-five percent of Iran's gross national product. The *bonyads* control as much as forty percent of the non-oil economy, having wide-ranging interests in almost every conceivable industry, from soybeans and cotton fields to hotels, soft drinks, auto-manufacturing, shipping lines, real estate, and glassware (Bakhtiar 2007; Saeidi 2004). The foundations often function in parallel to government ministries, for example the Housing Foundation (*Bonyad-e Maskan*) and the Housing Ministry. While the *bonyads* function as charitable organizations safeguarding Islamic and revolutionary principles, they have no public accounts or concretely defined legal status.

The traditionally conservative *bonyads* are formidable political stakeholders. The *bonyads* indoctrinate great numbers of young intellectuals, repress dissenting ideologies, and mobilize the masses. Potentially of greater consequence, the *bonyads* provide the Traditional Conservative faction access to vast financial resources (Maloney 2004; Rakel 2009).

Ahmadinejad's 2005 campaign made the *bonyads* synonymous with elite avarice and corruption (Thaler 2009). Khamenei's driver, Mohsen Rafiqdust, related by marriage to Rafsanjani, became a multi-millionaire following his appointment as head of the Foundation for the Oppressed and Disabled (*Bonyad-i Mostazafan va Janbazan*). Rafsanjani helped Rafiqdust transform the *bonyad* into a huge conglomerate, with interests in tourism, petrochemicals, and transportation (Thaler 2009). Rafiqdust claimed that the *bonyad* used 50% of its profits to provide low interest loans and pensions, with the other half being reinvested into its approximately 350 subsidiaries. The current director, Mohammad Forouzandeh, was the former head of the Ministry of Defense and Armed Forces Logistics, and served as an office in the IRGC (Wehrey 2009).

The US has associated several *bonyads*, such as the Martyr's Foundation (*Bonyad-i Shahid*), with terrorist organizations. In 2007 sanctions were placed against the Martyr's Foundation and its proxies for channeling financial support from Iran to *Hezbollah*, *HAMAS*, and the Palestinian Islamic Jihad (PIJ). The *bonyad* has provided money to families of killed or imprisoned *Hezbollah* and PIJ members, as well as suicide bombers in the Palestinian territories. Additionally, senior members of the *bonyad* were found to have helped plan some *Hezbollah* operations during its July to August 2006 conflict with Israel (US Department of the Treasury 2007; Payvand 2007).

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1.15 Unaligned Clergy (Qom and Najaf)

The elite *Shi'i* religious leaders are located primarily in Qom, and consist of numerous religious academic scholars, Grand Ayatollahs. The Ayatollah's interpretations of and opinions on Islamic law are issued in *fatwas*, which for *Shi'i* are binding (most *Sunni* Muslims consider *fatwas* non-binding). The ability to interpret the *Sharia*, Islamic law, and rally their followers provides the Ayatollahs substantial influence in the Islamic Republic of Iran, where religion is a primary tenet of daily life. The clerics are generally conservative in nature, though they do count some more moderate members in their numbers. The influence of any particular cleric depends largely on size of his following, and the influence of his followers. Collectively, the clerics bear significant weight, though they have not chosen to exert their influence in recent domestic affairs.

Former Grand Ayatollah Hossain-Ali Montazeri was Supreme Leader elect under Khomeini until the final few months of his life. In 1987 Ayatollah Montazeri questioned the unaccountable rule exercised by the Supreme Leader Khomeini, which led to his attack by Khomeini's supporters, and placement under house arrest for five years. More recently, Montazeri's issuing of progressive *fatwas*, for example opposing the killing of apostates and promoting freedom of religious choice, branded Ayatollah Montazeri as a Reformists.   Since Ayatollah Montazeri's passing on 19 December 2009, Grand Ayatollah Yousef Sanai has stepped forward as the religious leader of Iran's more liberal elements.

Most Ayatollahs are conservative, though even conservative Ayatollahs face censorship. Grand Ayatollah Sadeq Rouhani challenged the selection of Supreme Leader Khomeini's appointment of Montazeri as his successor and was placed under house arrests for 15 years. Ayatollah Rouhani believed the Supreme Leader should be chosen by divine powers instead of appointment. A more typical Ayatollah, Hassan Sanei, chairs the Fifteenth of Khordad Foundation and sits on the Expediency Council. In the West Ayatollah Sanei is best known for having placed a bounty on Salman Rushdie's head after deeming *The Satanic Verses* blasphemous.

Shi'i religious leadership is not confined solely within Iran. Najaf, located in Iraq, is a holy city for *Shi'i*, and contains most of the elite *Shi'i* clerics residing outside of Qom. Najaf is the location of the shrine of Imam Ali Ibn Abi Talib, son-in-law of the Prophet Mohammad, and first leader of the *Shi'i*. Najaf was the center of *Shi'i* religious leadership since shortly after the prophet's death and the resulting Islamic schism into *Sunni* and *Shi'i* sects.

In the late twentieth century, persecution by Saddam Hussein, coupled with the 1979 Islamic Revolution, led to a shift in *Shi'i* religious leadership to Qom. With the establishment of a new Iraqi government, Najaf's religious eminence and clerical population are returning. Outside of Iran, the Ayatollahs in Najaf are not as immediately influenced by the rule of the *velayat-e faqih*, though their opinions differ little from the majority of the Ayatollahs in Qom. Ayatollah Ali Sistani heads the Najaf clerics, and while Sistani favors an Islamic state, he does not approve of the model of Iran's theocracy. Ayatollah Sistani wants an Islamic state compatible with democratic elections, religious freedom, and civil liberties (Otterman 2004; Rahimi 2007).

Resources

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1.16 *Haqqani* School (Mesbah Yazdi)

Not all Islamic schools have remained aloof from current politics in Iran. One of the best known politicized with the establishment of a new Iraqi government groups is the *Haqqani* (Haghani) School. The *Haqqani* School is lead by Ayatollah Mohammad Taghi Mesbah Yazdi, and is an ultra conservative organization closely tied to the Principle-ists. Ayatollah Yazdi is Ahmadinejad's personal religious mentor, and the *Haqqani* School holds great influence amongst the IRGC and the *basij* (RFE 2009). "The *Haqqani* seminary network combines ultra-conservative values with an emphasis on technocratic skills, the kind needed to run a government… [Mokfi and Rechnagel 2009]." The *Haqqani* School is a notable exception as a religious institution not captured within the unaligned clergy, having strong political opinions, and being tied to the Principle-ists.

The *Haqqani* School feels the government has lost its way, repealing and replacing ultra conservative laws to appease Reformists. "'After the death of [Khomeini], there has been some disrespect shown to Islamic values, Islamic laws, and revolutionary values. There are not a few people who have wept at night at the sight of the rich harvest of the revolution wilting,' Yazdi has said. 'There has been deviance from our values, and we hope you can bring those values back. Reestablish abolished laws. Highlight those values which have been marginalized'" (Mokfi and Rechnagel 2009). Mesbah Yazdi has called opponents to the Islamic Republic and the Supreme Leader moharebs, enemies of God. He also has stated that "democracy, freedom, and human rights have no place" in Islamic theology (Rafiee 2010).

Resources

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1.17 Provincials (Rural Peasants)

The Western media focuses on Iran's city centers, and the dissatisfaction in the middle and upper urbanized classes, yet an approximate 32% of Iran is not urbanized. Numbering around 20 million, these provincials, also referred to as rural peasants, while not influential in the routine public discourse, compose a substantial voting bloc during elections (CIA World Factbook 2010). Subsidies to the poor, in the form of price controlled basic food and energy, as well as cash handouts, have made the Principle-ists and Ahmadinejad extremely popular within this demographic group. The redistribution policies of the Principle-ists, championed as a measure of Islamic Justice, have made the rural peasants, as well as the poorer urban working class and public employees supporters en masse of Principle-ists' candidates (Petras 2009; Wehrey 2009).

The Iranian peasantry has a history of compliance. On the eve of the revolution western scholars were amazed by Iran's non-rebellious townsmen and villagers (Kazemi 1978). A year later the peasantry played a strikingly small role in Iran's urban driven and centered revolution. In the decades prior to the revolution Iran's peasantry was divided into three distinct classes: a rich peasantry farming their lands with hired help, middle peasantry cultivating their own lands with family labor, and poor peasantry working as sharecroppers or landless laborers (Kazemi 1978). The Shah's 1963 White Revolution was aimed to turn the approximately 1.8 million poor peasantry tenants into middle peasantry. The implementation was generally successfully, destroying the power of the rich peasantry, but the White Revolution did not later stop the generally pious peasantry's support to Khomeini (Majd 1987; Gheissari 2006).

The establishment of the theocracy following the Islamic Revolution resulted in further land redistribution from Shah supporters to Revolutionaries, though little quantitative changes (Gheissari 2006). Iran still has classes of land holders, though the divisions are less well defined. Today's large land holders are mostly *bonyads*, who were entrusted with many of the lands of former Shah supporters following the revolution. The *bonyads*' holdings grew further during the Iran-Iraq war and have recently been expanding as the *bonyads* buy the farms of Iran's urbanizing peasantry.

Resources
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1.18 Urban Working Classes (Skilled, Unskilled and Unemployed)

The urban working classes share much in common with the provincials, and compose the second half of the Principle-ists' support base (Wehrey 2009). Like the provincials, the urban working classes are highly reliant on government subsidies and are religiously pious. Ahmadinejad's 2009 reelection can be largely attributed to his popularity amongst this large demographic group (BBC 2009). With 68 percent of Iranians now living in cities, the urban working classes compose a huge social segment.

The urban working classes and urban poor as discussed here consist of three broad groups: the first group, the *kargar*, are skilled laborers, working in the oil industry, manufacturing, construction, and transportation. These workers are not highly organized, unions are monitored, cross-communication between professions limited, and strikes suppressed as un-Islamic. The second group has regular employment as unskilled labor, working as domestic servants, bath attendants, porters, street cleaners, peddlers, and street vendors. The final group has irregular work or no work and often relies on begging for sustenance (Metz 1987). Unemployment is highly concentrated in the cities, and Iran's official unemployment rate is 11.8 percent, with the actual figure probably being much larger (Ilias 2010). The unemployed urban workers occasionally risk the strict Islamic laws for moral offenses, engaging in illicit industries: prostitution, gambling, drugs, and smuggling. All of the urban working classes rely heavily on the government. The skilled workers are mostly employed by the government or through government contracts, and the other working classes rely on government subsidies for survival (Metz 1987).

The Principle-ists are able to recruit and indoctrinate the urban poor through the *basij*. The *basij*, run by the conservative dominated IRGC, recruits the urban working classes into its ranks. Enrollment in the *basij* is enticing, with regular attendance enabling access to numerous benefit services, such as financial aid and college enrollment support. As of 2007, joining the *basij* became an alternative to the unpopular conscription into the *Artesh* (Wehrey).

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1.19 Urban Middle Class (Technocrats)

The urban middle class includes entrepreneurs, mid ranked clergy, higher paid civil servants, students, and technocrats - engineers, scientists, health professionals, and other technical experts. This group contains Iran's more educated and affluent. Much of Iran's political elite comes from the upper tiers of Iran's urban middle class (Metz 1987; Alfoneh 2008).

Iran's middle class is generally more liberal than the rest of the populace. The urban middle class is the primary component of most demonstrations publicized by the Western media. This group has been forced to pay for Iran's populist practices and suffers from the international sanctions caused by Iran's foreign policies. Private entrepreneurs produce about 20 percent of Iran's economic output, and provide many of the jobs in the cities. The middle class has been hurt by near 30 percent inflation and a doubling of housing costs in cities such as Tehran. Their woes have been exacerbated by the new, stricter set of international sanctions.

The burgeoning cosmopolitan middle class increasingly has access to Western culture, gained through Internet access, and often education at American universities. While this group is smaller than the urban working class or provincials, its wealth and proximity to public officials makes it influential beyond its size (Alfoneh 2008; Petras 2009). "In an age when knowledge is power, they are their society's most knowledge-savvy strata and can play a formative role in shaping Iran's political culture and disposition" (Milani 2003). Middle class unrest and a desire to hold the reins of power was a key unifying force in the coalition of the Islamic Revolution (Gheissari 2006).

The middle class protested for weeks following the disputed 2009 election results. The protestors encountered arrests, prolonged detainment, and brutality at the hands of security forces. "The green tide has been reversed by a crackdown that has seen an estimated 5,000 people arrested since last June, and 115 executed this year alone. Opposition groups say at least 80 have died in street clashes and in detention, although the real death toll may be far higher" (Tait 2010).

The middle class comprised the bulk of the Green Movement, and supported Mousavi's presidential bid. While the violence encountered by the middle class at the hands of Ahmadinejad's supporters has cowed many, the movement continues to seek a more moderate foreign policy, open economy, and greater internal freedoms. The middle class is the most involved social segment in Iran's politics, and it is also the most liberal.

Resources

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1.20 *Bazaaris*

Bazaars are centers of trade, but in Iran the *bazaaris* use their formal organization and considerable economic clout to political ends. The *bazaaris* are distinguished from the broader middle class by their institutionalized, wide-scale organization, greater focus on economic issues, and social conservatism. Recently, in early July 2010 a *baazaris* strike stopped the government implementing a proposed income tax hike of 70%. After the tax increases' renegotiation to 15% the *baazaris* continued their strike for several more days. In 2008, the *baazaris* also went on strike, forcing the government to retreat from a 3% increase to the value added tax. The two recent strikes, the first since the 1979 Revolution, provided a reminder to the Iranian government of the critical role the merchant class had in fomenting the unrest that toppled the Shah (Katz 2010). The clout of the socially conservative, though economically more liberal, merchant class has declined since the foundation of the Islamic Republic, with the rise of Dubai, establishment of free trade zones, and increased state economic control. The dismal growth of the Iranian economy, with unemployment around 12%, and an official figure of 4.7 million unemployed, has recently led to a resurgence of *bazaaris* influence (*Economist* 2010).

The bazaars serve a significant social function in Iran, providing one of the few places for regular social interaction outside the purview of the mosques. The bazaars, hierarchically arranged, are also one of the few formal institutions difficult for the government to regulate and control. The *bazaaris* have regularly sided with the Reformists, seeking global integration to revive their fortunes. The *bazaaris* lack trust in the current Iranian government, which wants to tap this wealthier segment of Iranian society to close the deficit resulting from its costly socialist policies of Islamic justice (Tutan 2008).

Resources

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1.21 Kurds

The approximately 4.5 million Kurdish Iranians compose the third largest ethnic group in Iran, where the predominantly *Sunni* Kurdish number substantially behind the mostly *Shi'i* Persians and Azerbaijanis (HRW 2009, p.6; Global Security).

The Azerbaijanis, Iran's second largest minority, are closely related to the Turkish, and concentrated in the Caspian regions. They are generally in urban areas, and well integrated and intermixed with Iranian society. Supreme Leader Khamenei and former IRGC commander Rahim Safavi are ethnic Azeris (Abedin 2004). Azerbaijanis compose a quarter of Iran's populace, a third of Tehran's population, and even higher shares in cities such as Tabriz, Urmia, Ardabil, Zanjan, Khoy, and Maragheh (Metz 1987).

The Kurds, unlike the Azerbaijanis, are not well integrated into Iranian society. Having a nomadic past, Iran's Kurds are often rural. Their urban presence throughout much of Iran is minimal, with the exception of a few historically Kurdish cities, such as Bakhtaran, Sanandaj, and Mahabad. Iran's Kurdish minority is concentrated in the Northwest amongst the Zagros Mountain, which includes the province of Kordestan and portions of Azerbaijan, Bakhtaran, Ilam, and Lorestan (Metz 1987).

The Kurds have long sought an independent Kurdish homeland and have a legacy of insurrection, violence, and suppression. The governments of the Safavid, Qajar, and Pahlavi periods all quelled different Kurdish rebellions fighting for autonomy (Metz 1987). Following the 1979 Revolution, the ever opportunistic Kurds launched a bid for autonomy against the newly forming government of Khomenei. Mahabad, a traditional center of Kurdish resistance, was again at the forefront of the opposition. The period from 1979 to 1982 was marked by three years of intense fighting between Kurdish guerrillas and the new Islamic government (Global Security).

In June 2005 Iran's Kurdish population again began to aggravate for independence, going on strike and staging demonstrations. The demonstrations followed the killing of a Kurdish activist by security forces. The regime responded quickly and violently, killing at least 17 protestors and arresting hundreds more. In 2006 Kurds again clashed with police with nearly identical results. During a 2007 interview Osman Ocalan, the brother of the Kurdistan Workers Party's (PPK) imprisoned leader, Abdullah Ocalan, estimated the total strength of the PKK guerrillas in Iran at 1,500 men, and stated, "In the last six months the PKK has started a war against Iran" (Arbil 2007).

The Kurds do not seem to favor one form of Iranian government more than another, choosing their alliances opportunistically. The strong-handed and repressive policies of Ahmadinejad have not earned Principle-ists favor amongst the Kurds (HRW 2007). The Kurdish segment of Iran does not seem interested in and is regularly excluded from Iran's political discourse (Global Security). The Kurds, as a poorer group, benefit from government subsidies, but due to their strong handed handling by the Principle-ists, would likely back a change in government in the form of a Pragmatists or Reformists candidate whom they believed could win.

Resources

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1.22 Baluchis

Iran has roughly 1.4 million Baluchis. The Baluchis are predominantly *Sunni*, and the majority reside in Sistan-Baluchistan. Located in Iran's Southeast, Sistan-Baluchistan borders Pakistan, and is one of the least developed sections of Iran. The Iranian government has largely ignored the region in the provision of government services, resulting in Sistan-Baluchistan having one of the lowest literacy rates and highest unemployment rates of the provinces. The region contains few resources, but its border with Pakistan makes it strategically significant to the Iranian government. Many of the goods smuggled into Iran pass through the porous border demarcation between Sistan-Baluchistan and Pakistan (Beehner 2006; Metz 1987).

The Baluchis long sought to function semi-autonomously, if not completely autonomously. The Islamic Republic's decision to stop the tradition of appointing *Sunni* governors to the region has served to further strain relations. There have been sporadic cases of violence throughout the region's history, though conflicts in Sistan-Baluchistan are often underreported and difficult to separate from violence related to the region's opium trade (Siddique 2007).

The Jundullah, also known as the People's Resistance Movement, was founded to help protect the Baluchi minority and fight for better treatment by the central government. The group often resorts to violence, and has recently adopted the use of suicide bombers. The Iranian government frequently asserts Baluchi complicity with the United States, Saudi Arabia, Israel, and Al Qaeda, and justifies their forceful suppression of Baluchi demonstrations by Baluchi's separatist inclinations. Abdolmalek Rigi leads the Jundullah, and as recently as an October 2008 interview, denied the existence or intent of the group to separate from Iran, or hold foreign ties (Hardy 2010).

Resources

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1.23 Arabs

Iran contains some three million Arabs. These Arabs are predominately *Shi'i* and concentrated in Iran's oil rich southwest province of Khuzestan. Most Iranian Arabs are well intermixed with the general population, and the tribes are not highly organized or unified. Iran's Arabs fought for Iran, not Iraq, during the 1980s.

More recently, worsening *Sunni-Shiite* tensions, coupled with encouragement by Iraqi Arabs, have resulted in a push for greater autonomy (Beehner). Iran's central government has encouraged immigration into Khuzestan, confiscating Arab lands to provide farms for Persian settlers. The policy aims to reduce the population share of Arabs in the region, a region that produces 90 percent of Iran's oil wealth.

Khuzestan, like other minority provinces, sees little investment from the central government, which upsets the populace of this resource-rich region (UNPO 2005). Unrest in 2005 was violently put down and in March 2006 clashes erupted between pro-independence ethnic Arabs and Iran's security forces, the suppression of which involved at least three deaths and over two-hundred and fifty arrests (UNHCR 2008). Conflicts between the ethnic Arabs and security forces continue to occur, resulting in arrests and occasionally deaths (Ahwaz Studies Center; Home Office Science and Research Group 2005). Like other minority groups, the Arabs are typically excluded from the regular political discourse of Iran. The strong-handed repression of dissent by the recent regime makes Arabs likely to support the more open policies of the Reformists and Pragmatists.

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1.24 Afghan Refugees

Iran hosts one of the largest and longest-staying refugee populations in the world, reported at 976,500 refugees. An overwhelming majority of this refugee population, about 933,500, are from Afghanistan. The refugees' living conditions are poor and expected to deteriorate as a result of high inflation, rising prices, and unemployment (UNHCR 2010).

Iran's refugees are concentrated in the provinces of Khuzestan, Hormozgan, and Sistan-Baluchistan. Refugees in Iran live in generally safe conditions, though they suffer lack of access to employment, healthcare, and education (UNHCR 2010). Iran's economy, already suffering, lacks the capacity to handle the large influx of refugees, and regularly repatriates, by both peaceful and forceful measures, large numbers of refugees back to Afghanistan (BBC 2007). In a benevolent gesture in July 2009 President Ahmadinejad issued a statement requesting that the enrollment of all school children be treated the same regardless of status (UNHCR 2010). The refugee populace is generally disliked by the Iranian populace, and faces discrimination and prejudice. For example, Iranian women who marry Afghan men lose their citizenship and become potentially subject to deportation (PRIO/CMI 2004). The Afghan refugee populace does not seem heavily involved or influential in Iranian politics, being much more concerned with survival.

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1.25 Iraq Refugees

The second major portion of Iran's refugee population consists of an approximately 43,000 Iraqis (UNHCR 2010). Iraqis fleeing their homeland tended not to favor Iran due to language differences, with most Iraqis speaking Arabic, not Farsi, and the recent past enmity between the nations (Boston Globe 2007). The situation for Iraqis in refugee camps is similar to that of Afghan refugees, with limited access to work, health care, and education. Most Iraqi refugees still in Iran reside outside of refugee camps and are integrated into urban areas. Many Iraqi refugees appear to have settled into their lives in Iran and do not intend to repatriate (UN News 2008). The Iraqi refugees appear to share the outlooks of the more liberal segments of the working class which they are a part of.

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2 External Power Influences

Iran's internal politics are highly impervious to outside influence. This occurs for several reasons; topping the list are the opacity of Iran's internal decision making, closure to foreign powers, and internal suspicion of outsiders; but Iran's nuclear interests, hydrocarbon reserves, and the importance of regional stability make many nations keen to influence Iran.

2.1 United States

The US and Iran have limited formal ties. Iran maintains an interests section at the Pakistani embassy in Washington, D.C., while the United States maintains an interests section at the Swiss embassy in Tehran (Embassy of Switzerland 2010; Emanuel 2010). Prior to the 1979 hostage crisis the US was a major trade partner of Iran, but since the seizure of the US embassy, the ensuing decades have seen various sanctions continually levied against Iran by the US. US firms face numerous penalties for engaging in most forms of business with Iran, a result of which has been severely diminished trade (Shoamanesh 2007). US exports to Iran stood at 281.8 million US dollars in 2009, consisting primarily of cigarettes, soy beans and medical equipment (Press TV 2010), and Iranian exports to the US totaled 66.7 million US dollars in 2009, comprised primarily of rugs and a few agricultural products (US Census Bureau 2010).

The US interests in Iran far exceed the scope of its limited diplomatic relations. Iran insists its nuclear program is to meet its energy needs and is within its Nuclear Non-Proliferation Treaty (NPT) obligations. The clandestine nature of Iran's program, resistance to International Atomic Energy Agency (IAEA) oversight, and pursuit of enrichment beyond the level required for civilian energy makes the US leaders, like those in many other nations, suspect Iran's pursuit of a nuclear weapon. The possession of a nuclear weapon by Iran could destabilize the broader Middle East, a region on which a vast majority of the world relies to meets its energy needs. Various scholars have hypothesized Iran's obtainment of nuclear weapons would precipitate a conflict with Israel, a nuclear arms race across the Middle East, and increased Iranian belligerence. Iran's penchant for supporting subversive actors and terrorist organizations like *Hezbollah* and *HAMAS* heightens American concerns. Iran's support to dissent groups in its efforts to weaken neighboring countries, thus strengthening its role, is also a concern. The US, with ongoing stability operations in Afghanistan and Iraq, and interests in concluding a lasting peace between Israeli and Palestine, wishes to see an Iranian government with a more pragmatic approach to the international community and world affairs (Lindsay 2010; Phillips 2006; Zunes 2005).

The US has imposed unilateral sanctions and been a driving force behind the multiple sets of international UNSC sanctions levied against Iran. US specific sanctions limit almost all technology exports to Iran and stop all Iranian imports to the US with the exception of rugs and food products (US Treasury 2010). The UNSC sanctions limit the export of many materials and technologies to Iran and froze the assets of numerous individuals and companies believed to be involved in Iran's illicit activities. Sanctions against Iran have caused heavy suffering for the Iranian populace. Sanctions have led to the dilapidation of Iran's oil fields, from which the derived profits are critical to the government's operation and provision of subsidies (MacFarquhar 2010; Ilias 2010). The US has not ruled out military action against Iran; in 2006 the Pentagon publicized a war plan calling for three days of airstrikes aimed to destroy 1,200 facilities, crippling the Iranian military and its nuclear program, were the need to arise

(Baxter 2007). US military action against Iran seems unlikely given its own war weary populace, significant trepidation, and general international condemnation (Hersh 2006).

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2.2 Russia

Russia and Iran often act like strategic partners due to their close proximity and overlapping interests (Djavadov 2010). The two nations comprise the major powers leading the Caspian Sea region, a region in which both nations have striven to mitigate the growth of Western influence (Farrar-Wellman 2010). In 2009 the nations cooperated in their first series of joint naval exercises in the Caspian Sea, focusing on search and rescue and pollution control (UPI 2009). Russia and Iran also share significant overlapping energy interests, having the first and second largest natural gas reserves and being the second and fourth largest oil producers in the world (EIA 2008). The nations' shared energy interests have fostered some joint cooperation in the exploitation of oil and gas, but also some animosity as Iran seeks to enter the Russian dominated European gas market (Reuters 2008). Bilateral trade between the nations extends beyond energy; recent examples include a large agriculture agreement signed in 2009 and a 2008 telecommunications contract (Gardiner 2009). In 2009 bilateral trade between the nations totaled over $3 billion, though the figure is largely dominated by Russian exports to Iran, and constitutes a small fraction, about 0.7 percent, of Russia's total exports. The small size of the bilateral trade understates the political implication of defense and technology deals between the nations, such as Russia's agreement to sell S-300 surface to air missiles to Iran and Russia's completion of the Bushehr nuclear plant construction (Faulconbridge 2010).

Russian support for Iran is not unwavering; while Russia argued against United Nations Security Council (UNSC) sanctions on Iran in 2005, it voted in favor of sanctions in 2006, 2007, and 2008. Russia then blocked further sanctions in the latter portion of 2008, but voted for the fourth set of sanctions on Iran in 2010 (MacFarquhar 2010). Russia continues to support Iran's rights to peaceful nuclear energy and remains reluctant to impose broad sweeping sanctions (Kramer 2010). "Call them what you want – crippling or paralyzing – we are not going to work on sanctions or measures which could lead to the political or economic or financial isolation of this country," said Deputy Director of the Russian Foreign Ministry's Security Affairs Oleg Rozhkov. "What relation to non-proliferation is there in forbidding banking activities with Iran? This is a financial blockage. And oil and gas. These sanctions are aimed only at paralyzing the country and paralyzing the regime" (Faulconbridge 2010).

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2.3 China

China-Iran relations closely resemble Russia-Iran relations, without any of the mistrust generated by a complicating past. China abstained from voting on UNSC sanctions in 2005, but voted for sanctions in 2006, 2007, 2008, and 2010. China frequently calls for patience and flexibility in negotiating a resolution to the nuclear issue. China, while reluctantly voting in favor of sanctions, frequently reiterates its position that sanctions are not the appropriate method of dealing with Iranian nuclear enrichment (Farrar-Wellman 2010).

China is Iran's most significant trading partner. In 2009 bilateral trade between the nations totaled 21.2 billion US dollars, an almost 50% increase from just three years prior. Western firms forced out of Iran by international sanctions have largely been replaced by the more than 100 Chinese firms now operating in Iran (Maillard 2010). Energy interests are the dominant portion of Chinese interests in Iran, and between 2005 and 2010 over 120 billion dollars in hydrocarbon contracts were signed between the nations (FNA 2010). The state-owned China National Petroleum Corp (CNPC) has become one of the major exporters of gasoline to Iran, boosting supplies even as sanctions have tightened (Blas 2009; Press TV 2010).

Trade extends beyond the energy sector. In May 2009 the nations agreed upon $17 billion in economic cooperation, with China becoming involved in Iran's construction sector and railway system (Press TV 2009). The Chinese have also expressed a growing interest in Iran's mineral resources. Chinese exports of metals to Iran, especially dual use metals like tungsten copper, are one area in which China is suspected to have subverted international sanctions (Simpson 2008).

As of 2005 Iran became an observer of the Shanghai Cooperation Organization (SCO). The organization, dominated by Russia and China, consists primarily of Central Asian states, and is often viewed as a countering force to US hegemony and NATO. In March 2008 Iran applied to become a permanent member of the SCO, though formal membership has not yet been granted (Scheineson 2009).

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2.4 European Union

The European Union is Iran's largest trading partner, accounting for 24.3% of bilateral trade (BBC 2009). Bilateral trade totaled 28.7 billion Euros in 2009, of which 10.3 billion constituted European imports, 90 percent of which were energy and energy related products. EU exports consisted primarily of machinery and transport equipment (54.6%), manufactured goods (16.9%) and chemicals (12.1%) (EC 2010). While the EU is Iran's biggest trading partner, the EU voted for all four sets of UNSC sanctions since first referring Iran to the council in 2005. The EU's adherence and support for trade sanctions have substantially diminished diplomatic ties between the EU and Iran, though many EU countries maintain close diplomatic ties with Iran through their embassies (EC 2010, BBC 2010, EUCE 2008).

The European Union has expressed reticence about sanctioning Iran, initially favoring a policy of "critical dialogue." The "critical dialogue" has been intermittent, at times appearing successful, though always broken down due to discoveries that Iran restarted enrichment or had built new undisclosed nuclear facilities. The EU, especially the EU3 (Britain, France and Germany), continue to seek a solution to Iran's nuclear pursuit involving a dual approach of sanctions and dialogue. While the French and British have pushed for separate EU sanctions against Iran, their efforts have been rejected by a coalition of countries including Germany, Italy, and Austria (EUCE 2008).

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2.5 Japan

Japan is one of Iran's main trading partners. In 2007 Japan imported over 12 billion dollars in crude oil and liquefied natural gas from Iran. Hydrocarbons compose 99 percent of Iranian exports to Japan and dominate bilateral trade (MOFA 2010). Iran is Japan's third largest supplier of crude oil behind Saudi Arabia and the United Arab Emirates (Shirzad 2007). Japanese exports to Iran totaled over one billion US dollars in 2007, consisting primarily of machinery, automobiles, iron, and steel (MOFA 2010).

Since 1955 Iran and Japan have hosted an embassy of the other nation (MOFA 2010). The nations have maintained close diplomatic ties despite Japan's vote against sanctions on Iran at the UNSC for noncompliance with the International Atomic Energy Agency (IAEA) (Farrar-Wellman 2010). In July 2009 Japan's Yukiya Amano became head of the IAEA with Western support (Crawford 2009). Amano as director has stated he has not seen evidence to support the claim that Iran is seeking a nuclear weapon (Westall 2009).   One of the proposed diplomatic solutions to Iran's desire for enriched uranium has been for Japan to take 70% of Iran's low-enriched uranium stockpile and provide Iran with enriched and processed nuclear fuel rods (Rozen 2010).

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2.6 India

Bilateral relations between India and Iran have existed since the 16th century, when India was ruled by the Mughal dynasty, and Iran was known as Persia and led by the Safavids (Kahn 2010). Today India and Iran maintain their bilateral relations through regular dialogue. The India-Iran Joint Commission Meetings (JCM) underwent their 16th round in 2010. The nations met in New Delhi and discussed bilateral trade and regional issues. The JCMs have been the source of six Memorandums of Understanding (MoU) between the nations. The nations have MoUs covering numerous economic as well as military applications (MEA 2010).

Bilateral trade between the nations totaled 13.4 billion US dollars in 2009, down from over 14 billion in 2010. Trade between the nations is dominated by India's hydrocarbon imports (MEA 2010). India's growing energy needs are crucial to its development, and Iran is a critical source of India's energy imports (Singh 2008). India and Iran are involved in numerous joint ventures, such as the South Pars gas field, and in discussions to develop an Iran-Pakistan-India (IPI) gas pipeline. The IPI pipeline would supply India with 5 million tons of Iranian liquefied natural gas (LNG) annually, though the IPI project has met with various obstacles dealing with pipeline security and establishing a price (MEA 2010). Recently, China has become a competitor to India as an alternative destination for a gas pipeline (Farrar-Wellman 2010).

India has publicly supported Iran's right to peaceful nuclear energy, but voted to refer Iran to the UNSC in 2005 (Farrar-Wellman 2010). The Indian government insists it would not support any acts of violence threatened or undertaken against Iran for its nuclear program (Express India 2007). As of March 2010 the Indian government stressed its view that additional sanctions on Iran would be counterproductive (The Hindu 2010). India is one of Iran's major suppliers of gasoline, and India has been hurt by the recent sanctions that target gasoline exports (Kahn 2010).

The US facilitated the global community's recent acceptance of India as a nuclear power. India wants to continue its burgeoning relation with the US, but US requests for India to distance itself from Iran place India in a unique dilemma. India does not want to situate itself too closely to a rogue nuclear power and lose its nuclear legitimacy, but India, the leader of the Non-Aligned Movement (NAM), fears being seen as a US proxy internationally and alienating Iran, its long-standing ally. US requests of India to limit ties with Iran, a crucial energy supplier, are untenable to India's economic growth. Additionally, India needs Iran in Afghanistan, where Iran legitimizes India's presence, and in the event NATO withdraws from Afghanistan, Iran would be a critical ally of India in preventing Afghanistan from becoming a proxy of Pakistan (Kahn 2010). At the Organization of the Islamic Conference (OIC), Iran has backed India's claims on Kashmir over those of Pakistan, proving itself a key ally in one of India's primary foreign interests (Singh 2008).

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2.7 The Muslim States (Pro Iran and Not Openly for Iran)

Iran seeks to act as a regional hegemony and dictate the policy decisions of the broader Middle East. As the only Islamic theocratic republic Iran considers itself the de facto leader of the world community of Muslims (*Umma*). This disconcerts many of Iran's neighbors, who value their independent foreign policies, shy from Iran's aggressive policies towards the West, and fear clandestine efforts by Iran to foment unrest amongst their own populaces' *Shi'i* minorities and leftwing radicals (Hitchens 2010).

Many Arab states view Iraq as a buffer from Iran. Iraq's ability to contain Iran's attempts to export the revolution is one of the main reasons why the Arab states supported the aggressing Iraq, and not Iran, during the 1980 to 1988 Iran Iraq War. The United States' removal of Saddam Hussein has eroded the perception of Iraq as a buffer state. Iraq's newly established parliamentary democracy is dominated by *Shi'i* and perceived to be weak and sympathetic to Iran. The diminished effectiveness of Iraq as a buffer from Iran increases the security reliance of the region on the United States (Friedman 2008). Amongst most Gulf States, perceptions and trust of America are low; regional polls typically rank America and America's leaders below Iran's (Telhami 2010). Heightened reliance on the US also troubles many governments because of a belief the US is stretched thin by wars in Afghanistan and Iraq, and thus the US's ability to provide regional security has diminished (Friedman 2008).

The primary Arab alternative to Iran is Saudi Arabia, the biggest member of the Gulf Co-operation Council (GCC). The GCC provides its six member countries, potentially seven with the application of Yemen, economic advantages and a collective defense establishment, the primary threat being Iran (Farrar-Wellman 2010, Pradhan 2009). Saudi Arabia is one of the largest nations in the region with a population of 29 million, but Saudi Arabia's population is less than half Iran's. Saudi Arabia relies heavily on its economic influence to derive its political clout. Its control over international oil prices, the life-blood of the region, yields significant dividends when influencing regional affairs. Saudi Arabia and Iran engage in little bilateral trade despite their proximity, and the two nations' relations are strained. Saudi Arabia supported UNSC sanctions against Iran and believes Iran is fomenting civil unrest amongst its own populace. Still, Saudi Arabia has voiced its belief that Iran should be allowed to pursue civilian nuclear energy as prescribed by the NPT pursuant of IAEA safeguards. Saudi Arabia has spoken against military action against Iran, preferring the issue be resolved through other means. Rumors have persisted in the media that Saudi Arabia granted Israel permission to use its airspace to attack Iran, though the government insists it would never allow its airspace to be used to attack another nation (Charbel 2010; Farrar-Wellman 2010).

Egypt and Iran are of approximately equivalent population size, but Egypt lacks Iran's energy resources. Egypt is often looked to as a leader amongst the Arab states, but Egypt's reputation is blemished in the Middle East by its 1980 recognition of Israel as a state. Egypt, like Saudi Arabia, has limited interaction with Iran and is the only Middle Eastern country without an embassy currently in Iran. Egypt has expressed support for Iran's desire to pursue a civilian nuclear energy program as long as it allays international fears. Egypt has stressed its disapproval of potential military maneuvers against Iranian nuclear facilities, though it has allowed US and Israeli war ships through the Suez in mock attack exercises (Crowley 2009; Farrar-Wellman 2010).

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2.8 Pro Iran Muslim States and Factions

Iran does draw a regional following. Qom, Iran has arguably replaced Najaf, Iraq as the center of *Shi'i* leadership, and many nations' *Shi'i* populaces look to Iran for political guidance. Iran has also supported Palestinian *HAMAS* and Lebanon's *Hezbollah* in their stand against Israel. Iran has close ties to the widely popular leader of *Hezbollah*, Hassan Nazrallah (Kaplan 2010). Iran has also provided economic support to Syria, with whom Iran is believed to be jointly working with to develop a nuclear weapon, and supported ant-Israeli organizations in Syria (Murphy 2011).

Resources
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2.9 Iraq

Iraq under the *Sunni* dominated government of Saddam Hussein had strained relations with Iran. The Iran-Iraq war, lasting from 1980 to 1988, resulted in much of the recent bitterness between the nations. The fall of Saddam's regime has enabled the formation of an Iraqi parliamentary government. This new government is representative of Iraq's *Shi'i* dominated populace. Under the new government much of the enmity between the nations has dissolved, and Iraq has become much more closely tied to Iran (Ehteshami 2003; PressTV 2011).

Bilateral trade has been rapidly expanding between Iran and Iraq, rising from the millions well into the billions (Ehteshami 2003). Bilateral trade continues to rapidly expand, having risen from 1.8 billion US dollars in 2006 to over 4 billion in 2009 and an estimated 8 billion in 2010. Trade is being facilitated by the expansion and creation of new border crossings, transportation infrastructure improvements, and free trade zones. The current trade balance is heavily one-sided, dominated by Iranian exports. Iran is involved in numerous large construction efforts in Iraq and also exports many processed goods. Iran also exports staple necessities to Iraq, including much of Iraq's kerosene, and 750 megawatts of electricity annually. Iran's substantial electricity export pledge is crucial to Iraq, covering much of its energy shortfall (Beehner and Bruno 2008; Farrar-Wellman and Frasco 2010; Katzman 2010).

The US has accused Iran of meddling in Iraq at various levels. It believes Iran's IRGC's special operations Quds force has helped arm and train *Shi'i* militant insurgents. Explosives used in Iraq have traces similar to those supplied by Iran to *HAMAS* and *Hezbollah*. Iran also has attempted to sway the Iranian political discourse. The US believes Iran's direct political influence in Iran peaked around 2005-2008, and will continue decline as the government of Iraq matures (Beehner and Bruno 2008; Katzman 2011).

The religious ties of the two nations draw their governments closer. Many *Shi'i* in Iraq look for religious and political leadership from clerics in Qom, Iran, and follow the guidance of Supreme Leader Khamenei. Numerous *Shi'i* in Iran look to Najaf, Iraq and the guidance of Ali Sistani for political and spiritual guidance. The religious leadership in either nation is capable of influencing political developments in the other country (Otterman 2004).

Iraq applauded Ahmadinejad's 2009 re-election and praised Supreme Leader Khamenei for holding a free election. Iraq has supported Iran's right to a peaceful nuclear program. High profile visits between the nations have increased since President Mahmoud Ahmadinejad's first official visit to Iraq in March 2008, and numerous high-level Iranian and Iraqi officials maintain close ties. Recently, Iraqi President Jalal Talabani attended Tehran's Iranian New Year celebration at the invitation of Ahmadinejad (Farrar-Wellman and Frasco 2010).

Resources

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2.10 Turkey

Turkey, as a large Muslim nation bordering Iran, has developed political and economic ties with Iran. Recently, bilateral trade between the nations has grown substantially, and in 2009 the nations signed a series of MoUs covering economic and military cooperation (Farrar-Wellman 2010). Bilateral trade between the nations now totals over 10 billion US dollars despite UNSC sanctions, though the exchange is dominated by Iran's gas exports to Turkey (Strauss 2010).

As a close ally of the US and applicant for EU membership, Turkey acts as a bridge between the West and Iran. Iran's aid to Turkey in destroying sanctuaries of the PKK has earned it Turkey's goodwill (Farrar-Wellman 2010). Turkey has voted against UNSC sanctions on Iran and abstained from IAEA votes condemning the Iranian nuclear program (Champion 2010). As of March 2010, US pressure has not changed Turkey's stance towards Iran. Turkish Prime Minister Recep Tayyip Erdogan described President Ahmadinejad as a friend and stated his support for Iran's nuclear program that is only for peaceful civilian nuclear energy (BBC 2010).

Turkey has been suggested as a possible site for the exchange of nuclear materials between the West and Iran. Turkey was the leading regional power in the rejected 2010 deal bartered by Turkey and Brazil. In the deal Iran would send some of its uranium abroad in return for enriched nuclear fuel rods (Klein 2010). Since the levy of additional sanctions on Iran and the rejection of the Turkey Brazil solution, Turkey has implored Iran to return to talks with the West (Champion 2010).

Resources

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2.11 Pakistan

Pakistan, a nuclear power and ally of the United States, has strong economic and diplomatic ties with Iran. The two bordering nations have non-oil trade totaling almost 800 million US dollars. Non-oil trade between the nations has expanded by 250 percent in the last four years. The economic relationship of the nations is likely to expand in the coming years, with a planned gas pipeline going from Iran into Pakistan then onward into either China or India. Developing a banking system between the nations, currently absent, should also enhance the rate of economic growth between the nations (Daily Times 2010; Farrar-Wellman 2010).

Pakistan's population is larger than Iran's and predominately *Sunni*, though Pakistan does have a large *Shi'i* minority. Religious differences have not stopped Pakistan's government from defending Iran's right to a nuclear energy program. The Pakistani government is suspected by many Western analysts to have assisted Iran in its pursuit of a nuclear weapon (Global Security 2010). Doctor A. Q. Kahn of Pakistan provided Iran with nuclear weapons documents, and was later pardoned by former Pakistani President Pervez Musharraf (Bhasin 2010).

Resources

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2.12 Israel

Israel and Iran have no official diplomatic relations. Since the 1979 revolution neither country has recognized the other (Farrar-Wellman 2010). Relations between the nations improved under Presidents Rafsanjani and Khatami, but have deteriorated since President Ahmadinejad's election due to his aggressive posturing, making such assertions as the Holocaust was a myth and Israel should be removed from the map (BBC 2005; Harel 2010).

Israel for its part repeatedly voices its concern over Iran's nuclear program. Israel has discussed the possibility of unilateral military action against Iran, having stated on record Israel is prepared to attack Iran even without the support of its American or European allies (Levinson 2010). In July 2009 Israel sent two Saar-class missile ships and a Dolphin-class submarine into the Red Sea in preparation for a possible attack on Iranian nuclear facilities (Williams 2009). While Israel postures to attack Iran, the likelihood of the nations coming to blows seems low. Israel has repeatedly deferred to the United States to solve the issue, and expressed its belief that non-military methods, like international sanctions, could resolve the issue (Mozgovaya 2010).

Israel has begun cultivating regional allies mistrustful of Iran, gaining tacit permission to enter Turkish airspace, and is rumored to have official permission to pass over Saudi Arabia airspace to attack facilities linked with Iran's nuclear program (Tomlinson 2010). Egypt-Israeli ties have increased recently over their "shared mistrust of Iran" (Frenkel 2009). Israel used the Egyptian-controlled Suez canal for its July 2009 Red Sea military exercises (use of the Suez previously posed a significant hurdle to an Israel launched attack on Iran) (Williams 2009). Israel has also looked to Russia to pressure Iran. Israeli Prime Minister Benjamin Netanyahu's meeting with Russian counterpart Vladimir Putin in February 2010 was followed the next day by Russia's announcement it will delay delivery to Iran of its S-300 air defense missiles (Yusuf 2010).

Resources

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      sale-following-Israeli-PM-s-visit-to-Moscow

3 Notable Excluded Groups

The different groups interested in influencing developments in Iran are not easily aggregated or divided. Some groups represent ideologies, and the boundaries between viewpoints can be difficult to discern. Some stakeholders are completely or partially contained within a larger group; in some instances sections of a population are contained within multiple stakeholders, and in some instances a stakeholder could be divided into many more. This effort did the best it could to categorize the stakeholders in Iran at a tractable level with minimal overlap, but there are some stakeholder groups that might be found notably missing.

3.1 Number of Political Factions

Occasionally, the Iranian political landscape is described in terms of four factions. In these instances the Traditional Conservatives are separated from the Principle-ists, and lie between the Rafsanjani led Pragmatists and the Ahmadinejad headed Principle-ists (Thaler 2009). In other instances Iran's political landscape is defined with two factions, and the Pragmatists and Reformists are lumped together as the alternative to the Principle-ists (Rakel 2009). This research opted not to use four political factions due to the inherent challenges in methodically and defensibly separating conservative Pragmatists and liberal Principle-ists into a fourth group; nor did it use two factions, there being distinct differences between Reformists and Pragmatists. Instead, the more common three political factions were identified and used.

The Traditional Conservative label is an aegis which describes a conservative political segment in Iran. Traditional Conservatives consist of the classically empowered groups in Iran – the clerics, lawyers, and *bazaaris*, and the political faction represents Iran's classical, revolutionary religious fundamentalism. The Traditional Conservatives are distinguishable from the younger Principle-ists (neoconservatives), with whom they share many portions of their ideological platform, by their willingness to compromise when pragmatic and their greater distance from the IRGC. Key leadership figures of the Traditional Conservatives associate their prestige with their revolutionary involvement, while upcoming members of the Principle-ists associate their loyalty to the Islamic Revolution through their participation in the Iran Iraq War. Ayatollah Rafsanjani is typically identified as the leader of both the Traditional Conservatives and the Pragmatists (Young 2010; Gwertzman 2008).

The Traditional Conservatives' political views sit between the Reformists and Principle-ists. The Traditional Conservatives' views and compromising attitudes relative to the Principle-ists have made the term Pragmatic Conservative a more popular and informative alternative label describing this group. Studies of Iranian politics typically present three political factions the Reformists to the left, the Principle-ists to the right and the Pragmatists, in the middle, separating Traditional Conservatives into Principle-ists and Pragmatists.

Resources

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3.2 Azerbaijanis

The Azerbaijanis, commonly referred to as Azeris, are Iran's largest minority group, comprising between 20 and 45 percent of the population. The Azerbaijanis are linguistically distinct, speaking Azeri as opposed to Persian. The Azerbaijanis live throughout Iran's well populated Northern and Western states. Unlike the restive minority populations of the Kurds, Baluchis, and Arabs, the Azerbaijanis are well integrated into Iran. The Azerbaijanis, unlike other minorities, are not located in Iran's periphery states, nor are they systematically discriminated against in the allotment of government resources. Azerbaijanis hold influential government posts, and Supreme Leader Khamenei comes from an Azeri family. The high level of Azerbaijanis integration into Iranian society means the Azerbaijanis are generally well represented, and treated in the same contexts as Iran's Persian majority (Borhani 2003; Siamdoust 2009).

Resources

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Siamdoust, Nahid. "Can Iran's Minorities Help Oust Ahmadinejad?" *Time*. 30 May 2009.
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3.3 Ministry of Intelligence and Security (MOIS)

The Ministry of Intelligence and Security (MOIS) is the successor agency to the Shah's secret police, the SAVAK (Global Security). The organization's official title is the Vezarat-e Ettela'at va Amniat-e Keshvar or VEVAK. The MOIS is officially responsible for gathering, procuring, analyzing, and classifying the external and internal intelligence necessary to protect the Islamic Republic's security. The Supreme Leader exerts close control over the MOIS, and the MOIS's director must be a cleric (PBS). The MOIS is believed to play the lead role in organizing and conducting terrorist operations abroad, and operates closely with the IRGC (Einstadt 2001). The MOIS has admitted responsibility for killing dissidents in the past, for example, the 1999 killing of nationalist dissident Dariush Foruhar and his wife. The MOIS is controlled by conservative clerics and is a tool of the Supreme Leader, rarely acting as an independent entity (Global Security).

Resources

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3.4 Law Enforcement Forces

The Law Enforcement Force (LEF) in Iran employs approximately 120,000 personnel and functions as the national police force. The LEF is subordinate to the Minister of the Interior (Erdbrink 2008). As such, the President exerts more immediate control over the LEF than the Supreme Leader. The LEF can, and has been deployed, to suppress dissent groups, much like the IRGC and *basij* (Thaler 2010). The LEF has not developed into an independent political actor. It functions as a tool for maintaining domestic order.

Resources

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4 Stakeholder Types

Table 12: Overview of Stakeholders

	Domestic Stakeholder	Stakeholder Type
1	Supreme Leader Ayatollah Ali Hoseyni Khamenei	Constitutional
2	Council of Guardians (Ahmad Jannati Massah)	Constitutional
3	Expediency Council	Constitutional
4	Supreme Judiciary Council	Constitutional
5	Assembly of Experts	Constitutional
6	*Majles*	Constitutional
7	President Mahmoud Ahmadinejad (Established Principle-ists)	Constitutional/Direct Influence in Government
8	Un-established Principle-ists (Ali Larijani and Mohammad-Bagher Qalibaf)	Direct Influence in Government
9	Pragmatists (Akbar Hashemi Rafsanjani and Hassan Rowhani)	Direct Influence in Government
10	Reformists (Mohammad Khatami, Mir Hossein Mousavi and Mehdi Karroubi)	Direct Influence in Government
11	Iranian Revolutionary Guard Corps (IRGC) or *Pasdaran*	Direct Influence in Government
12	*Basij*	Direct Influence in Government
13	*Artesh*	Direct Influence in Government
14	*Bonyads*	Direct Influence in Government
15	Unaligned Clergy (Qom and Najaf)	Direct Influence in Government
16	*Haqqani* School (Mesbah Yazdi)	Direct Influence in Government
17	Provincials	Population Subgroup
18	Urban Working Class	Population Subgroup
19	Urban Middle Class	Population Subgroup
20	*Bazaaris*	Population Subgroup
21	Kurds	Population Subgroup
22	Baluchis	Population Subgroup
23	Arabs	Population Subgroup
24	Afghan Refugees	Population Subgroup
25	Iraq Refugees	Population Subgroup
26	United States	International
27	Russia	International
28	China	International
29	European Union	International
30	Japan	International
31	India	International
32	Middle East Nations not for Iran	International
33	Pro Iran Middle East Nations	International
34	Iraq	International
35	Turkey	International
36	Pakistan	International
37	Israel	International

5 Overview of Countries in the Middle East

Table 13: Religious Overview of Government and Population Demographics of Select Nations

	Government		Population				
	Form	Religion/ Ethnicity	Total (millions)	*Shi'i* (%)	*Sunni* (%)	Other (%)	Iranian Expatriates
Iran	Theocratic Republic	*Shi'i*	67,037,517 (July 2010 est.)	89	9	2	
Turkey	Republican Parliamentary Democracy	*Sunni*	77,804,122 (July 2010 est.)	12.4	87.4	0.2	
Egypt	Republic	*Sunni*	80,471,869 (July 2010 est.)	1	89	10	
Syria	Republic under an authoritarian military-dominated regime	*Shi'i* (Alawi)	22,198,110 (July 2010 est.)	16	74	10	
Jordan	Constitutional Monarchy	*Sunni*	6,407,085 (July 2010 est.)	1	92	7	
Iraq	Parliamentary Democracy	*Shi'i*	29,671,605 (July 2010 est.)	62.5	34.5	3	
Saudi Arabia	Monarchy	*Sunni*	29,207,277	11.5	85.5	3	
Kuwait	Constitutional Emirate	*Sunni*	2,789,132	59.5	25.5	15	80,000
Bahrain	Constitutional Monarchy	*Sunni*	738,004	56.8	24.4	18.8	30,000
United Arab Emirates	Federation of Monarchies	*Sunni*	4,975,593	15	81	4	40,000
Qatar	Emirate	*Sunni*	840,926 (July 2010 est.)	7.8	69.7	22.5	60,000
Oman	Monarchy	*Sunni*	2,967,717	6.6	81.1	12.3	
Yemen	Republic	*Sunni*	23,495,361 (July 2010 est.)	37.4	61.6	1	
Afghanistan	Islamic Republic	*Sunni*	29,121,286	19	80	1	
Pakistan	Federal Republic	*Sunni*	177,276,594 (July 2010 est.)	20	75	5	
Israel	Parliamentary Democracy	Jewish	7,353,985	.2	16.8	83	

*In some instances *Sunni* or Other category includes schools of Islam not broken down here.
** PEW 2009, CIA World Factbook 2010, UN 2010, Butters 2009, IRB of Canada 1997.

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Appendix F: Input Data

Table 14: Political Issues Input Data

Stakeholder	Capabilities	Issue 1: Ahmadinejad		Issue 2: Supreme Leader		Issue 3: Interpret Velyat-e-Faqih	
		Position	Salience	Position	Salience	Position	Salience
Khamenei	1	0.45	0.6	0.8	0.95	0.2	0.9
CGuard	0.55	0.45	0.6	0.7	0.8	0.1	0.9
ExpC	0.3	0.45	0.8	0.6	0.8	0.3	0.7
JudC	0.2	0.55	0.8	0.7	0.8	0.05	1
AssE	0.3	0.4	0.4	0.55	1	0.3	0.5
Majles	0.15	0.45	0.5	0.6	0.6	0.5	0.5
Ahmadinejad	0.7	1	1	1	0.8	0	0.95
UPrincipalist	0.5	0.6	0.7	0.9	0.9	0.1	0.8
Pragmatics	0.6	0.3	0.8	0.5	0.9	0.5	0.7
Reformists	0.2	0.2	0.9	0	0.9	1	0.85
IRGC	0.5	0.8	0.8	0.8	0.75	0.1	0.8
Basij	0.02	0.7	0.6	0.7	0.6	0.1	0.9
Artesh	0.01	0.6	0.5	0.6	0.5	0.3	0.5
Bonyads	0.3	0.45	0.5	0.5	0.8	0.3	0.6
Clerics	0.2	0.5	0.4	0.6	0.9	0.2	0.85
Haqqani	0.05	0.9	0.9	0.9	0.9	0	0.9
Provincials	0.05	0.7	0.4	0.6	0.4	0.2	0.3
UrbanWC	0.05	0.7	0.3	0.6	0.5	0.3	0.3
UrbanMC	0.1	0.35	0.6	0.3	0.7	0.7	0.7
Bazaaris	0.05	0.25	0.7	0.2	0.7	0.9	0.5
Kurds	0.01	0.4	0.2	0.5	0.3	0.5	0.2
Baluchis	0.01	0.4	0.3	0.5	0.3	0.6	0.2
Arabs	0.01	0.4	0.2	0.5	0.3	0.5	0.3
Afghan Ref	0.01	0.5	0.1	0.5	0.1	0.6	0.1
Iraq Ref	0.005	0.55	0.2	0.5	0.1	0.55	0.1
US	0.5	0.1	0.9	0	0.9	1	0.3
Russia	0.4	0.5	0.6	0.5	0.6	0.7	0.2
China	0.45	0.5	0.6	0.4	0.8	0.7	0.1
EU	0.3	0.4	0.7	0	0.9	1	0.5
Japan	0.15	0.5	0.3	0.4	0.6	0.8	0.2
India	0.05	0.5	0.3	0.45	0.6	0.8	0.4
MNotIran	0.3	0.2	0.8	0.2	0.9	0.5	0.6
MProIran	0.07	0.5	0.3	0.7	0.7	0.6	0.6
Iraq	0.02	0.5	0.4	0.5	0.5	0.7	0.6
Turkey	0.1	0.55	0.7	0.6	0.4	0.5	0.6
Pakistan	0.01	0.55	0.6	0.5	0.3	0.7	0.5
Israel	0.05	0	0.9	0	1	1	0.3

Table 15: Economy and Civil Society Issues Input Data

Stakeholder	Capabilities	Issue 1: Liberalization		Issue 2: *Bonyads*		Issue 3: IRGC		Issue 4: Women's Movement	
		Position	Salience	Position	Salience	Position	Salience	Position	Salience
Khamenei	1	0.2	0.5	0.5	0.2	0.5	0.4	0.45	0.2
CGuard	0.55	0.3	0.6	0.5	0.2	0.3	0.2	0.3	0.4
ExpC	0.3	0.6	0.7	0.55	0.3	0.4	0.5	0.6	0.3
JudC	0.2	0.3	0.6	0.45	0.4	0.6	0.6	0.3	0.4
AssE	0.3	0.5	0.5	0.6	0.4	0.3	0.5	0.55	0.5
Majles	0.15	0.7	0.7	0.45	0.3	0.55	0.4	0.5	0.5
Ahmadinejad	0.7	0.4	0.7	0.4	0.3	0.7	0.7	0.2	0.1
UPrincipalist	0.5	0.3	0.75	0.45	0.2	0.65	0.6	0.25	0.2
Pragmatics	0.6	0.7	0.9	0.7	0.6	0.3	0.8	0.7	0.5
Reformists	0.2	0.8	1	0.55	0.3	0.2	0.8	0.9	0.8
IRGC	0.5	0.4	0.85	0.5	0.5	1	0.9	0.5	0.1
Basij	0.02	0.4	0.5	0.55	0.3	0.9	0.7	0.4	0.1
Artesh	0.01	0.6	0.5	0.5	0.1	0.5	0.8	0.55	0.1
Bonyads	0.3	0.3	0.6	0.9	0.8	0.4	0.6	0.45	0.2
Clerics	0.2	0.3	0.5	0.8	0.7	0.3	0.6	0.3	0.4
Haqqani	0.05	0.1	0.5	0.5	0.2	0.7	0.6	0.1	0.6
Provincials	0.05	0.3	0.1	0.55	0.2	0.6	0.4	0.55	0.1
UrbanWC	0.05	0.4	0.4	0.55	0.25	0.6	0.3	0.7	0.6
UrbanMC	0.1	0.8	0.9	0.45	0.2	0.3	0.7	1	1
Bazaaris	0.05	0.9	1	0.4	0.3	0.2	0.7	0.7	0.8
Kurds	0.01	0.7	0.6	0.5	0.1	0.3	0.6	0.7	0.2
Baluchis	0.01	0.7	0.6	0.5	0.1	0.35	0.7	0.7	0.2
Arabs	0.01	0.6	0.4	0.5	0.1	0.3	0.7	0.5	0.2
Afghan Ref	0.01	0.8	0.8	0.55	0.4	0.4	0.2	0.5	0
Iraq Ref	0.005	0.75	0.8	0.55	0.2	0.45	0.1	0.5	0
US	0.5	0.85	0.6	0.4	0.1	0	0.9	1	0.15
Russia	0.4	0.9	0.6	0.5	0.05	0.45	0.1	0.7	0
China	0.45	1	0.9	0.45	0.05	0.4	0.1	0.8	0
EU	0.3	1	0.85	0.4	0.2	0.1	0.7	1	0.3
Japan	0.15	0.9	0.9	0.45	0.2	0.45	0.15	1	0.1
India	0.05	0.9	0.8	0.5	0.1	0.45	0.2	1	0.1
MNotIran	0.3	0.85	0.9	0.55	0.4	0.25	0.6	0.5	0.1
MProIran	0.07	0.8	0.9	0.6	0.6	0.5	0.3	0.6	0.1
Iraq	0.02	0.85	0.9	0.55	0.4	0.35	0.5	0.5	0.1
Turkey	0.1	0.8	0.8	0.5	0.3	0.45	0.4	0.9	0.2
Pakistan	0.01	0.7	0.6	0.5	0.1	0.6	0.4	0.5	0
Israel	0.05	0.8	0.5	0.5	0.05	0	1	0.5	0

Table 16: Foreign Policy Issues Input Data

Stakeholder	Capabilities	Issue 1: Interact US		Issue 2: Nuclear Program		Issue 3: Iraq		Issue 4: Afghanistan		Issue 5: Israel	
		Position	Salience	Position	Salience	Position	Salience	Position	Salience	Position	Salience
Khamenei	1	0	0.9	0.55	0.8	0.6	0.5	0.3	0.5	0.75	0.8
CGuard	0.55	0.1	0.7	0.7	0.7	0.6	0.4	0.5	0.4	0.7	0.7
ExpC	0.3	0.4	0.7	0.5	0.7	0.5	0.4	0.2	0.6	0.6	0.65
JudC	0.2	0.25	0.6	0.8	0.75	0.7	0.6	0.6	0.4	0.8	0.7
AssE	0.3	0.5	0.4	0.5	0.6	0.4	0.4	0.2	0.3	0.6	0.6
Majles	0.15	0.6	0.7	0.5	0.5	0.35	0.4	0.35	0.3	0.6	0.65
Ahmadinejad	0.7	0.4	0.8	0.9	0.9	0.8	0.7	0.4	0.3	0.95	0.9
UPrincipalist	0.5	0.5	0.7	0.8	0.85	0.75	0.6	0.5	0.2	0.9	0.85
Pragmatics	0.6	0.6	0.8	0.4	0.8	0.3	0.4	0.15	0.7	0.55	0.5
Reformists	0.2	0.8	0.9	0.35	0.85	0.25	0.3	0.15	0.6	0.45	0.5
IRGC	0.5	0.2	0.8	1	1	0.6	0.6	0.7	0.6	0.85	0.9
Basij	0.02	0.4	0.4	0.8	0.3	0.65	0.6	0.5	0.2	0.9	0.9
Artesh	0.01	0.5	0.5	0.8	0.4	0.35	0.4	0.3	0.3	0.6	0.7
Bonyads	0.3	0.4	0.6	0.5	0.2	0.3	0.3	0.3	0.25	0.75	0.8
Clerics	0.2	0.1	0.6	0.7	0.3	0.4	0.3	0.35	0.35	0.85	0.9
Haqqani	0.05	0	0.8	0.9	0.7	0.8	0.5	0.2	0.5	1	0.8
Provincials	0.05	0.5	0.2	0.5	0.1	0.3	0.15	0.3	0.1	0.7	0.3
UrbanWC	0.05	0.5	0.3	0.5	0.1	0.25	0.15	0.3	0.1	0.7	0.4
UrbanMC	0.1	0.75	0.8	0.4	0.6	0.2	0.4	0.15	0.5	0.5	0.6
Bazaaris	0.05	0.9	0.9	0.2	0.7	0.2	0.5	0.2	0.5	0.6	0.6
Kurds	0.01	0.75	0.2	0.5	0.1	0.25	0.1	0.25	0.2	0.5	0.3
Baluchis	0.01	0.75	0.25	0.5	0.1	0.25	0.1	0.25	0.2	0.5	0.3
Arabs	0.01	0.75	0.2	0.5	0.1	0.2	0.6	0.25	0.1	0.45	0.5
Afghan Ref	0.01	0.9	0.4	0.2	0.1	0.25	0.3	0	0.9	0.4	0.1
Iraq Ref	0.005	0.9	0.3	0.1	0.1	0.1	0.9	0.2	0.3	0.55	0.1
US	0.5	0.75	0.6	0.2	1	0.2	0.8	0.2	0.9	0	0.8
Russia	0.4	0.5	0.55	0.3	0.4	0.3	0.3	0.1	0.7	0.25	0.4
China	0.45	0.6	0.5	0.3	0.3	0.2	0.3	0.2	0.3	0.25	0
EU	0.3	0.75	0.6	0.2	0.9	0	0.3	0	0.7	0	0.8
Japan	0.15	0.75	0.6	0.3	0.3	0.1	0.3	0.2	0.2	0.1	0
India	0.05	0.9	0.6	0.3	0.2	0.25	0.2	0.1	0.8	0.2	0
MNotIran	0.3	0.75	0.8	0.2	0.9	0.1	0.8	0.25	0.3	0.4	0.5
MProIran	0.07	0.5	0.2	0.6	0.9	0.4	0.4	0.5	0.2	0.8	0.8
Iraq	0.02	0.5	0.3	0.4	0.7	0.2	1	0.3	0.2	0.4	0.5
Turkey	0.1	0.8	0.7	0.25	0.1	0.2	0.5	0.2	0.1	0.25	0.5
Pakistan	0.01	0.8	0.6	0.7	0.3	0.4	0.4	0.5	0.5	0.3	0.3
Israel	0.05	0.25	0.9	0	1	0.4	0.5	0.4	0.4	0	1

Appendix G: US Intelligence Community Assessment of Iran's Nuclear Program

An Iran specialist from the US intelligence community, following a set of elicitation instructions (also provided to various other experts to guide the data elicitation process), independently produced a dataset assessing Iran's nuclear program. This dataset divides the stakeholders into three distinct groups on Iran's nuclear program, and judges Iran's domestic population to be much more homogeneous. The dataset has only moderate correlation with the original study dataset (around 0.65), but nevertheless produces similar final results when run through the model.

The second dataset produces ominous initial static forecasts, predicting Iran will develop a nuclear weapon (the risk-neutral forecast is of 0.8 and the risk-adjusted forecast is of 0.9), but the static forecasts display a high level of instability. The dynamic forecasts move quickly to 0.6, where they stabilize, generally concurring with the forecasts of the original study dataset, namely that Iran's nuclear program will remain peaceful, but will function outside of International Atomic Energy Agency's (IAEA) oversight.

Capabilities

The capabilities estimates of the second dataset have moderate correlation with the original study dataset at almost 0.7 (0.686). Estimates of Israel's influence in Iran represent one of the biggest divergences between the two datasets, with the second dataset judging that Israel has much greater capabilities (Figure 110). The second dataset also considered three stakeholders to have no influence in Iran: domestically, the Iraq and Afghanistan refugee populations in Iran, and internationally, Iraq.

Figure 110: Stakeholder Capabilities
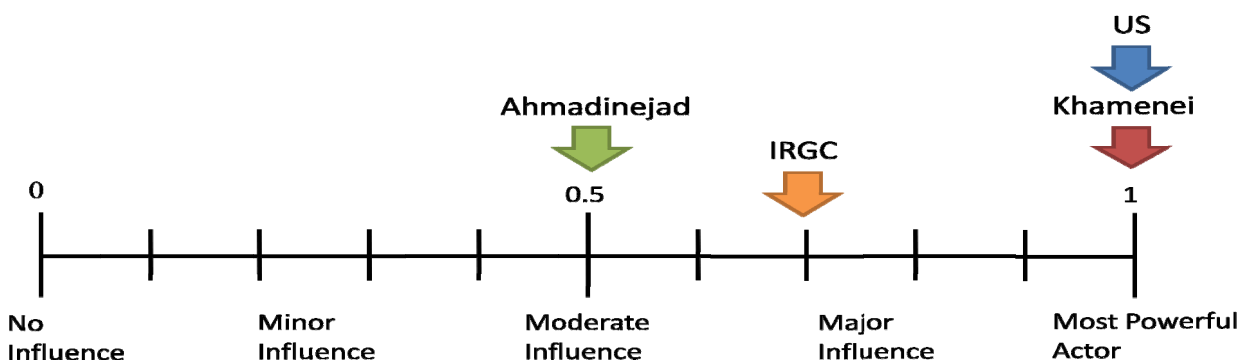
Policy Positions

Stakeholder positions between the datasets again have moderate correlation, slightly above 0.7 (0.723). The big difference between the position estimates is that the second dataset judged that almost every domestic stakeholder within Iran supports the development and testing of a nuclear weapon, with only a few exceptions - the Assembly of Experts, Reformists, Clerics, and a few of the small minority groups. The second dataset identified the US's position as seeking Iran's complete abandonment of its nuclear program (Figure 111). Khamenei and Ahmadinejad are identified as wanting a nuclear weapon capability, but unsure if the capability should be tested. The IRGC wants Iran to develop and test a nuclear weapon.

Figure 111: Stakeholder Positions on Iran's Nuclear Program
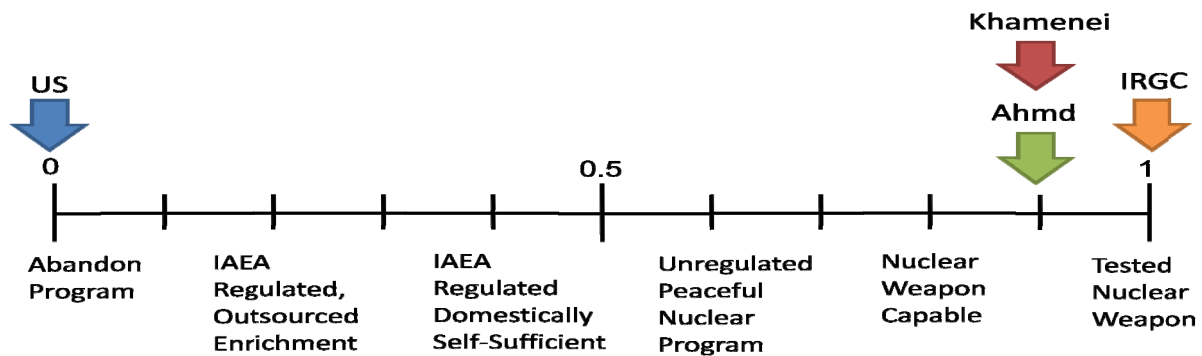
Salience

   Salience is the measure with the lowest correlation between the datasets, at about 0.6 (0.631). The nuclear issue is identified as being a high, if not top priority, to most of the stakeholders actively involved in Iran's government, and the international stakeholders negotiating with Iran. The US, Khamenei, Ahmadinejad, and the IRGC all consider Iran's nuclear program a top priority (Figure 112). The major difference between the two datasets is that the second dataset finds Iran's domestic populace to have a generally lower interest in Iran's nuclear program (0.1 to 0.5) than the original study dataset (0.3 to 0.7).

Figure 112: Stakeholder Salience about Iran's Nuclear Program
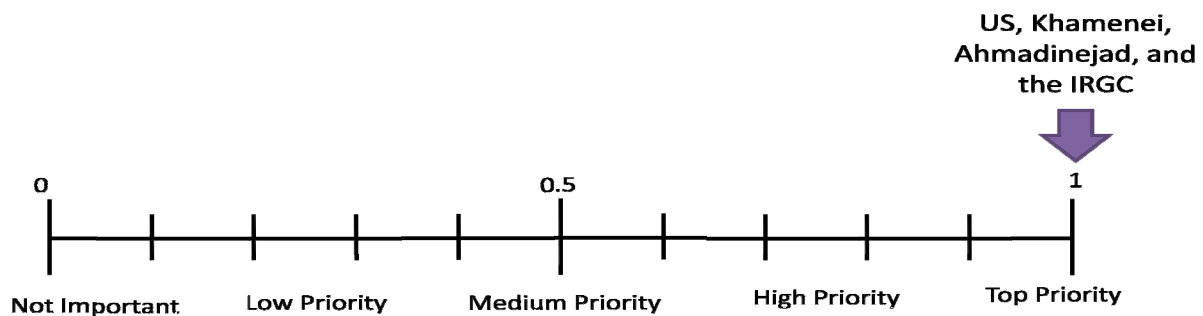
Initial Static Forecasts

   The effective capabilities plot of the second dataset divides the stakeholders into three distinct categories (Figure 113). The first group is the stakeholders wishing to see Iran abandon its nuclear program: the US, Israel, and the Middle East States not aligned with Iran. The second group contains the stakeholders that acquiesce to Iran having a peaceful nuclear program, but want Iran to outsource its enrichment and cooperate with the IAEA. This group consists of most of the international stakeholders, including the EU, Russia, and China. The final group consists of almost all the identified stakeholders in Iran, and is pushing for Iran's development of a nuclear weapon. This group is undecided about whether to just develop a nuclear weapon capability (0.8), or to develop and test a nuclear weapon (1.0), with most of the stakeholders split between the two options (0.9).

Figure 113: Stakeholder Effective Capabilities Array for Iran's Nuclear Program
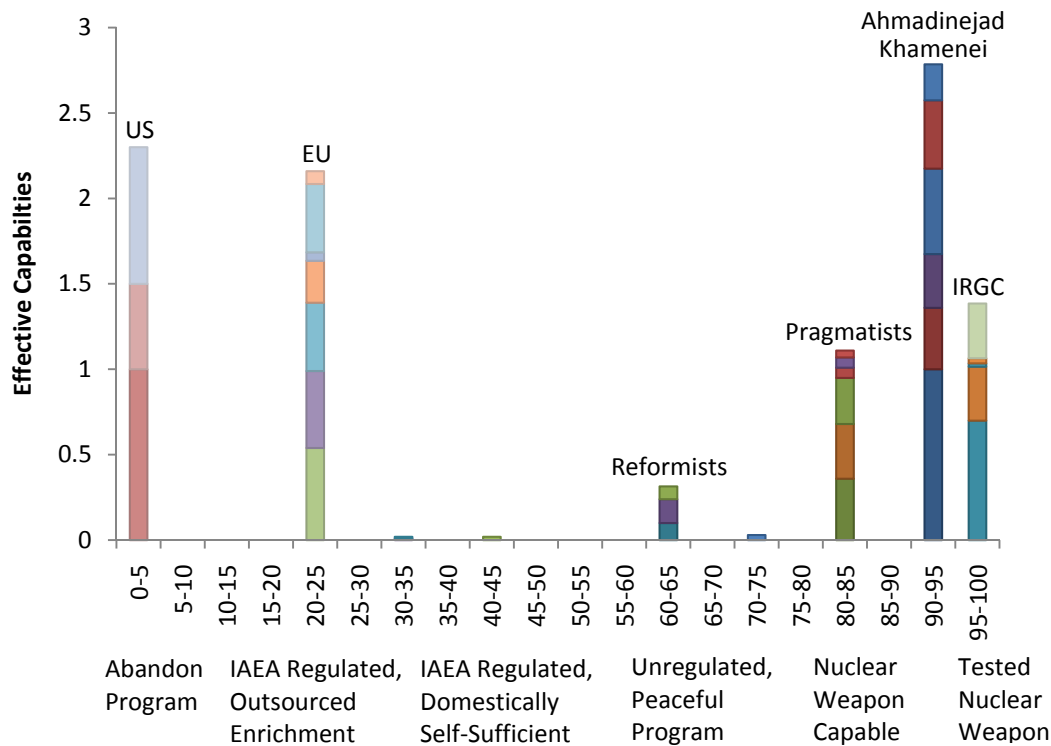
Using the second dataset, the model's static forecasts predict Iran will develop a nuclear weapons capability, but will likely stop short of testing the weapon (Figure 114). The risk-neutral forecast is of 0.8, while the risk-adjusted forecast is of 0.9. Position support in the risk-neutral forecast is fairly flat between 0.6 and 0.8, and the forecast barely tips in favor of developing a nuclear weapon. Position support for the risk-adjusted forecasts is fairly flat from 0.2 to 0.9, with a marked spike right at 0.9. The flat position support suggests the forecast is not stable, and slight error in the data estimation could cause significant changes in the result. The position support graphs are relatively flat, because the first two stakeholder groups, the stakeholders supporting Iran's abandonment of its nuclear program, and the stakeholders supporting Iran's IAEA regulated domestic nuclear program, are almost as strong as, but slightly weaker than, Iran's domestic stakeholders pushing for a nuclear weapons capability.

Figure 114: Short Term Forecast of Nuclear Program
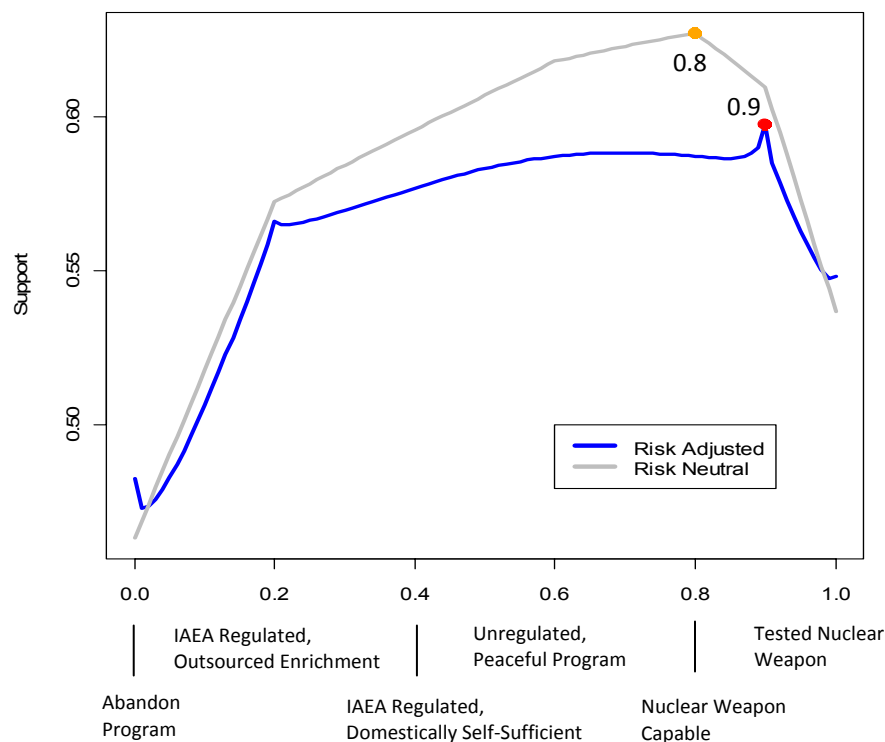
Perceptual Analysis

Using the second dataset, the model identifies numerous opportunities for the US to influence Iran's nuclear program (Figure 115). The US is in conflict with the stakeholders closest to its position, reflecting the high value the US places on keeping its allies close (octants 1 and 2). The US is at the greatest risk of conflict with the Middle Eastern countries not supporting Iran, valuing strongly regional resistance to Iran. The US also places great worth on maintaining domestic dissent within Iran. The model identifies opportunities for the US to influence the *bonyads* and several of Iran's more moderate groups (octant 8). Against some of the smaller conservative stakeholders, the US is also identified as having a bargaining advantage, including the *Haqqani*-School Clerics. Iran's Reformists are identified as being willing to partially capitulate towards the US position, as are the *basij* (octant 7). No opportunities for beneficial engagement between the US and Iran's stronger conservative stakeholders are apparent, including Khamenei, Ahmadinejad, the IRGC, and the Pragmatists (octants 5 and 6).

Figure 115: US Opportunities to Influence Iran's Nuclear Program (US Objective EU Plot)
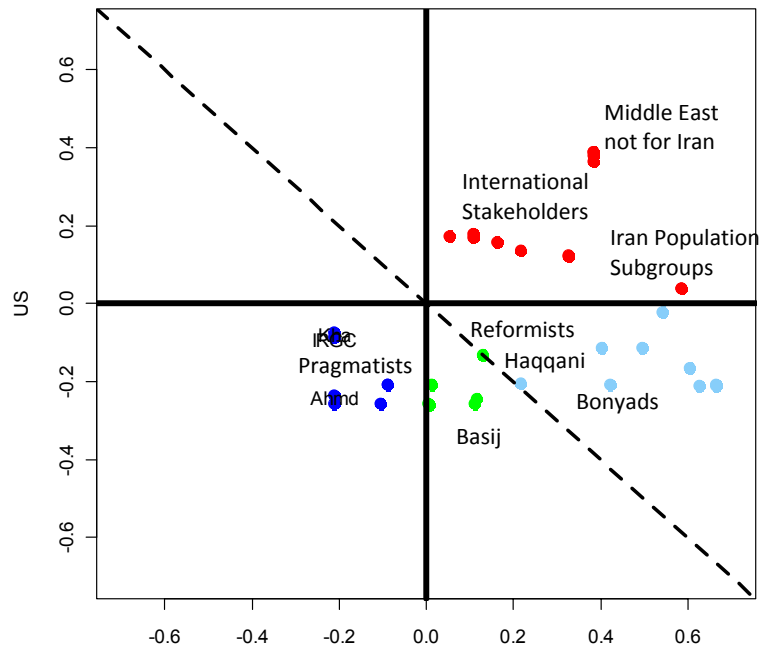
Dynamic Forecasts

The dynamic bargaining process resolves the instability of the initial static forecasts, and after the third bargaining round, the dynamic forecasts drop substantially, from a little below 0.9, to about 0.6 (Figure 116). The forecast outcome then stabilizes around 0.6, predicting Iran's nuclear program will remain peaceful, but will continue evading IAEA oversight. Khamenei, Ahmadinejad, and the IRGC are not projected to make compromises on their positions, and continue to push for Iran's pursuit of a nuclear weapon. The US and many of its allies are projected to move toward accepting Iran having a peaceful nuclear program.

Figure 116: Dynamic Forecasts of Iran's Nuclear Program
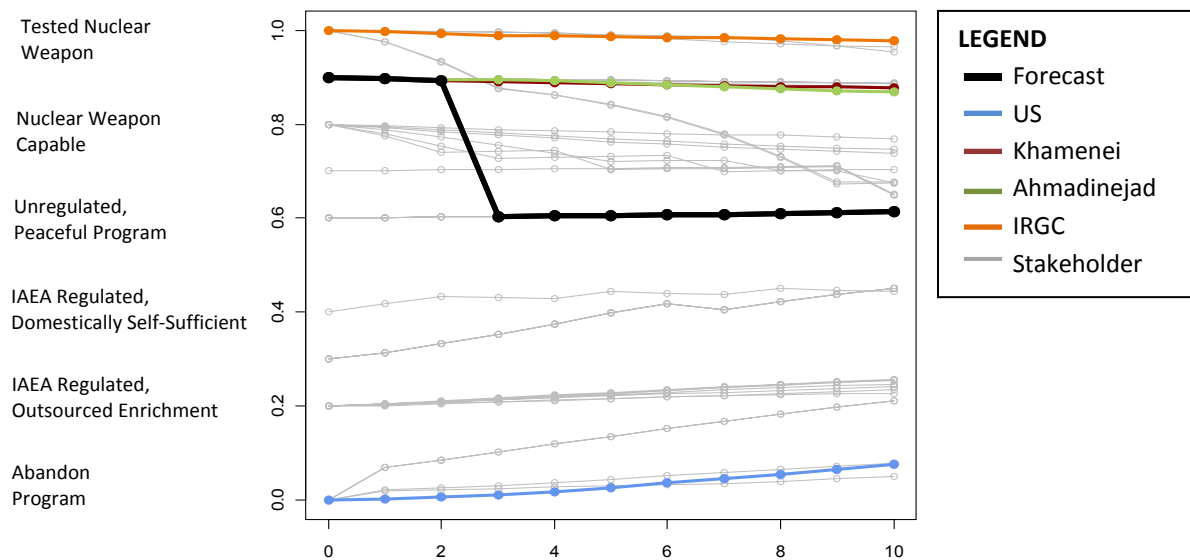
Summary

Forecasts based on a dataset independently produced by a member of the US intelligence community generally converge to the same outcome as the original study dataset: Iran will likely continue its development of a domestically self-sufficient nuclear program. The program will be focused on domestic nuclear energy and medical isotope research. This effort will move Iran technologically closer to a nuclear weapon, but will stop short of weapons program, and Iran's decision to continue evading IAEA oversight will cause international concern to remain heightened. The second dataset, while only moderately correlating with the original study dataset, produces a final forecast that echoes the findings of the original study dataset, providing strong evidence in support of the robustness of the model forecasts.

Data

Table 17: Independent Intelligence Community Data

Stakeholder	Capability	Position	Salience
Khamenei	1	0.9	1
CGuard	0.45	0.9	0.8
ExpC	0.4	0.8	0.9
JudC	0.35	0.9	0.9
AssE	0.25	0.6	0.4
Majles	0.4	0.8	0.8
Ahmadinejad	0.5	0.9	1
UPrincipalist	0.4	0.9	1
Pragmatics	0.3	0.8	0.9
Reformists	0.2	0.6	0.7
IRGC	0.7	1	1
Basij	0.45	1	0.7
Artesh	0.3	0.9	0.7
Bonyads	0.15	0.8	0.4
Clerics	0.25	0.6	0.3
Haqqani	0.1	0.8	0.6
Provincials	0.1	1	0.2
UrbanWC	0.15	1	0.2
UrbanMC	0.15	0.7	0.2
Bazaaris	0.2	0.8	0.2
Kurds	0.1	0.4	0.2
Baluchis	0.1	0.3	0.1
Arabs	0.1	0.3	0.1
Afghan Ref	0	0.3	0.1
Iraq Ref	0	0	0
US	1	0	1
Russia	0.6	0.2	0.9
China	0.5	0.2	0.9
EU	0.5	0.2	0.8
Japan	0.35	0.2	0.7
India	0.1	0.2	0.5
MNotIran	0.5	0	1
MProIran	0.4	1	0.8
Iraq	0	0	0
Turkey	0.4	0.2	1
Pakistan	0.15	0.2	0.5
Israel	0.8	0	1

Appendix H: Example of Data Elicitation Instructions Provided to Area Experts

Pardee Rand Graduate School

Objective Analysis. Effective Solutions.

Dear Sir/Ma'am,

   Hi, I am Eric Jesse a scientific analyst in the United States Air Force researching Iran for my dissertation at the Pardee RAND Graduate School. Dr. Jerrold Green and researchers at RAND have been incredibly helpful developing my understanding of Iran, but I think I could now benefit from experiencing a broader set of views. I was hoping to engage you as an expert on Iran to further my understanding and to help generate data for the forecasting model employed in my dissertation.

   For the model, the data I am seeking to collect is fairly simple. I list thirty-seven stakeholders concerned with Iranian political developments. These stakeholders need to be ranked based upon their ability to influence Iran's affairs and their relative political capabilities estimated. Then, each stakeholder's position on a particular issue and the issue's salience to the stakeholder needs to be identified. I have a short page-and-a-half set of instructions and one page data template attached. Also, if interested, I will gladly send you a copy of my dissertation upon its completion.

Thanks for your time and consideration!

Respectfully,
Eric Jesse

1st Lieutenant United States Air Force
Doctoral Fellow
Pardee RAND Graduate School
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Data Approach

Stakeholders

Stakeholders are individuals or groups interested in Iran's development. A stakeholder should have common resources, objectives and priorities. The stakeholders with influence in Iran were separated into domestic and foreign groups based on previous research. Some stakeholder aggregation was necessary to prevent their number from becoming intractably large, though please feel free to suggest any stakeholder groups you believe should be called forth uniquely, added or dropped. The effort to succinctly name the stakeholders occasionally makes it difficult to discern precisely who the group includes. If uncertain I will try my best to clarify any ambiguities about the membership of the stakeholder groups.

Stakeholder Capability Ranking

The first data item sought for each stakeholder is a relative ranking of its capabilities. The capabilities of a stakeholder capture its political clout; the means a stakeholder has available to push its agenda. Capabilities include a stakeholder's relevant political, economic and military assets. I would like you to rank order the stakeholders by capabilities from the actor with greatest influence to the actor with the least influence (Column 1 - Rank).

Capability Estimates

Having rank ordered the actors, assign the most powerful actor a value of 100. Then assign the other stakeholders capability values, additively relative to the most powerful actor's capabilities (Column 2 – Capability). For example, if stakeholder A is the most powerful actor, thus having a capability value of 100, and stakeholders B and C are half as capable as stakeholder A, they would both receive capability scores of 50. Conceptually, if stakeholders B and C formed a coalition and then fully exerted themselves against stakeholder A, the two sides would be evenly matched.

Positions

Next consider stakeholders' positions on the nuclear issue. The different possible outcomes of the nuclear issue have been arranged into a single dimension, ranging from Iran's complete abandonment of its nuclear program at one end, to the development and testing of a nuclear weapon at the other. Key benchmarks are placed along the position spectrum to further divide the space. Stakeholders do not necessarily have to fall exactly on the benchmark positions. For example, a stakeholder could support Iran having medical research abilities and thus have a position around 0.7. Please assign the 37 stakeholders position values using the spectrum below (Column 3 – Position).
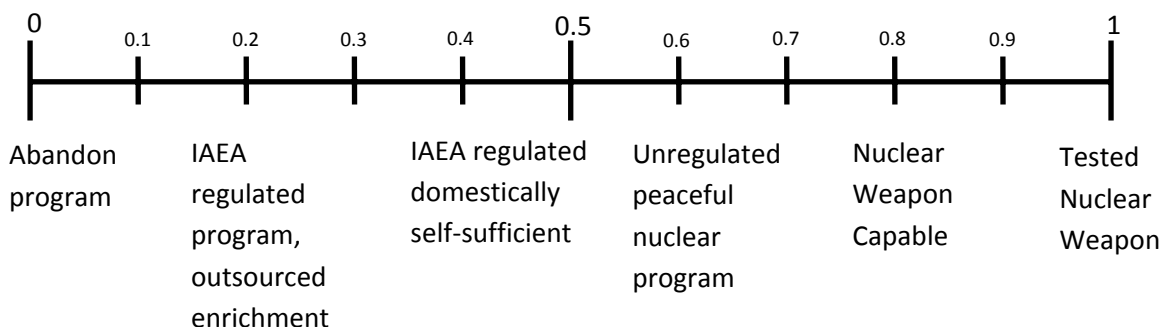
Salience

The final thing considered for each stakeholder is their issue salience. Salience captures the priority of Iran's nuclear issue in comparison to the stakeholder's other interests, and captures how much of a stakeholders total capabilities will be applied to the issue. Salience is scored on a 0-100 scale following the below criteria (Column 4 – Salience):

90–100: This issue is my top priority when it comes up. I would drop whatever I am doing and turn immediately to this issue as soon as it arises.

70–80: This issue is among my most important concerns. I would try very hard to reschedule my time and commitments to address this issue when it comes up.

50–60: This is one of several important issues, some of which have a higher priority than this one. I would have to drop this issue if another of my important issues arose.

30–40: This is an issue that I care about but it is not critical. I have many more important issues to deal with that I would commit to first, so I would not drop what I am doing to deal with this one.

10–20: This is a minor issue and I pay little attention or rarely make an effort to deal with it.

0–9: I am aware of this issue but do not care enough to get involved

Stakeholder	Rank	Capability	Position	Salience
Internal Stakeholders				
Supreme Leader Ali Hoseyni Khamenei				
Council of Guardians (Ahmad Jannati Massah)				
Expediency Council				
Supreme Judiciary Council				
Assembly of Experts				
Majles				
President Ahmadinejad (Established Traditionalist/Principalist)				
Un-established Traditionalist/Principalist (Larijani and Qalibaf)				
Traditional/Pragmatic Conservatives (Rafsanjani and Rowhani)				
Reformist (Khatami, Mousavi and Karroubi)				
Revolutionary Guard (IRGC/Pasdaran)				
Basij				
Artesh and Law Enforcement Forces (LEF)				
Bonyads				
UnAligned Clerics				
Haqqani School				
Provincials (Rural Peasants)				
Urban Working Classes (Skilled, Unskilled and Unemployed)				
Urban Middle Class (Technocrats)				
Bazaaris				
Kurds				
Baluchis				
Arabs				
Afghan Refugees				
Iraq Refugees				
International Stakeholders				
United States				
Russia				
China				
European Union				
Japan				
India				
Muslim Nations not openly for Iran				
Pro Iran Muslim Nations				
Iraq				
Turkey				
Pakistan				
Israel				

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