



Iran: Hovercraft successfully fires cruise missiles

OE Watch Commentary: The Persian Gulf is both shallow—less than 300 feet at its deepest point—and narrow. Its various islands—Farsi, Abu Musa, the Tonbs, and others—each exert territorial waters, narrowing international sea lanes even more.

Iran has utilized various strategies to operate in such restricted waters. In 1987 and 1988, for example, it utilized both land-based anti-ship missiles and mines. Iranian attacks on and interference with international shipping led the Reagan administration to reflag tankers and the US Navy to engage in escort operations. After the Iranian navy tried to confront the US during Operation Praying Mantis in 1988, a move which proved disastrous for both the Iranian navy and air force, Iranian tactics shifted toward the asymmetrical: the Iranian navy switched to speed boats which would swarm an adversaries' much larger and more advanced ships and, in theory, cause enough damage to cause opponents' home audiences to question the value of their deployment.

Over the last several years, however, the Iranian navy has increasingly embraced hovercraft (see: "Iran Unveils New Hovercraft," *OE Watch*, March 2015). The accompanying excerpted article from the *Fars News Agency*, a media outlet close to the military, reports that during Iran's annual military exercises, its hovercraft successfully fired cruise missiles. Previously, the Iranian press has reported that hovercraft have successfully supported helicopter operations. While such reports suggest that the Iranian military considers hovercraft a platform for a variety of missions, the article suggests its main function remains the rapid delivery of troops. In all likelihood, Iran will utilize its hovercraft not only in the Persian Gulf to rotate troops between various islands, but also Iran's northern Indian Ocean coast, where terrain makes road transport difficult between its two major Indian Ocean ports, Jask and Chahbahar. **End OE Watch Commentary (Rubin)**

"The hovercraft...launched a surface-to-surface cruise missile."

Source: "Shelik Mushak-e Kruz Sateh beh Sateh az Havehnav dar Razmayesh 'Velayat-97' (Shooting Surface-to-Surface Cruise Missiles from a Hovercraft during the Velayat-97 Military Exercises)," *Fars News Agency*, 23 February 2019. <https://www.farsnews.com/news/13971204000658/>

According to the Fars News Agency defense correspondent, who was quoting the public relations unit of the Islamic Republic of Iran Navy, on the second day of the third phase of the Velayat-97 exercises, the hovercraft of the Islamic Republic of Iran Navy Aviation unit, in addition to performing the intrinsic mission of fast delivering forces in various operational areas, launched a surface-to-surface cruise missile. The missile successfully hit a distant target. In recent years, hovercraft units have been equipped with missile systems that can play an important role in opposing the enemy.

Forcing Iranian Military Businesses to Pay Tax

OE Watch Commentary: Within the Islamic Republic of Iran, as in China, Thailand, and Egypt, the military has outsized influence on the economy. Historically, the Islamic Revolutionary Guard Corps (IRGC) entered the civilian economy after the end of the Iran-Iraq War in 1988 in order to maintain an independent financial base; it has since grown its share in the economy to between 25 and 40 percent. In addition, many revolutionary foundations (*bonyads*) connected to Iran's senior religious leadership are reported to have amassed hundreds of millions, if not billions of dollars.

The accompanying excerpted article from *Aftab-e Yazd*, a newspaper affiliated with the Islamic Republic's reformist faction, reports that the Iranian government is prepared to tax private NGOs and other institutions which are controlled by both the military and the Supreme Leader. While this seems unlikely to come to pass, the budget figure proposed represents twice Iran's current budget. That authorities in Tehran could double Iran's budget by taxing such properties highlights how expansive the clerical leadership and military's business holdings have become and bureaucratic frustration at the presence of so much non-taxable property. The proposal also highlights the competitive disadvantage suffered by many other Iranian businesses who must pay significant tax while their competitors remain exempt. Over time, this has diminished the importance of the private sector in favor of the semi-governmental sector. The budgetary problems compound when businesses connected to the military and religious authorities purchase private sector competitors and then remove their properties and profits from the tax base. **End OE Watch Commentary (Rubin)**

"...corporations under the Armed Forces...are required to pay their tax."

Source: "Mu'assasat-e Ghayr Dawlati Mokalaf beh Perdakht Maliyat (NGOs are Required to Pay Taxes)," *Aftab-e Yazd*, 23 February 2019. <http://aftabeyazd.ir/?newsid=130801>

The government predicted a total budget of 407 trillion tomans [\$97 billion] in the next year's budget, with part of this coming from revenues that consist of taxes and other income. In fact, this figure is expected to be 208 trillion tomans and, of this, 153 trillion tomans are from revenues. This prediction is in the budget bill that many of the institutions and NGOs which have an important role in the Iranian economy but were exempt from tax. But, yesterday, the parliament finally came to the aid of the government after a lot of criticism from experts and, as approved by the law, the Imam Reza Shrine and certain subsidiary institutes and corporations under the Armed Forces and the Executive Headquarters of Imam's Directive...are required to pay their tax to the treasury.