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Institute of Political Studies

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**Suppressing violence or promoting
destabilization? Analysis of Principal-Agent
relationships to achieve different goals: Cases of
Iran and Israel**

Master's thesis

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Study program: Security Studies

Supervisor: Mgr. Bohumil Doboš, PhD.

Year of the defense: 2021

Declaration

1. I hereby declare that I have compiled this thesis using the listed literature and resources only.
2. I hereby declare that my thesis has not been used to gain any other academic title.
3. I fully agree to my work being used for study and scientific purposes.

In Prague on 1. 1. 2021.

Daniel Bora

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Abstract

Nowadays, the theory of proxy warfare receives more and more attention. However, it is not an entirely new phenomenon. Recent conflicts in Syria and Yemen got proxy warfare to the forefront of academic and public interest. This thesis aims to describe the existing proxy relationships in the area of the Middle East and analyze those relations from the perspectives of an actor's motivation to forge such a relationship and management of the proxy. The principal-agent (p-a) analysis is the approach that allows us to do that. We apply this approach to three case studies. In the first case study, we analyze the principal-agent relationship between Iran and Hezbollah. In this relationship, we can observe a high alignment of interests, and therefore it should be a textbook example of the p-a relationship. In the second case study, we focus on the relationship between Israel and Hamas. However, it may seem like there is no possibility these two actors will cooperate in any sense. We described that if "declared interests" (ideology) are put aside, both principal and agent can find a common pragmatic interest enabling them to establish the p-a relationship. The third case study analyzes Hamas as a hybrid actor, suggesting that one agent (Hamas) can be in the principal-agent relationship with two hostile principals (Iran, Israel). However, the nature of particular p-a relationship is different.

Abstrakt

Teorie zástupné války (proxy warfare) si zejména od počátku konfliktu v Sýrii získává stále větší pozornost širší veřejnosti, ale i akademické obce. Tento fenomén však není úplně nový. Cílem této diplomové práce je popsat vybrané *proxy* vztahy na Blízkém Východě a analyzovat je z pohledu motivace aktérů a managementu těchto vztahů. Pro dosažení tohoto cíle aplikujeme analýzu vztahu *principal-agent*, která nám k tomu poskytuje dostatečný prostor. Tento přístup je aplikován na třech případových studiích zvolených pro tuto práci. V první případové studii zkoumáme vztah hnutí Hizballáh s Iránem. V tomto případě jsou cíle a zájmy obou aktérů do značné míry totožné, tudíž je v tomto případě navázání *principal-agent* vztahu jednodušší než v jiných případech. Ve druhé případové studii se zaměříme na vztah Izraele s hnutím Hamás. Tento případ je zajímavý tím, že zájmy obou aktérů jsou na první pohled protichůdné. Proč by tedy měly obě strany navázat jakýkoliv typ *proxy* vztahu? Je to možné, pokud jdou deklarované/ideologické cíle a zájmy stranou a oba aktéři najdou

alespoň jeden společný, pragmatický cíl. Poslední případová studie nahlíží na hnutí Hamás jako hybridního agenta. Hybridního proto, že je v *principal-agent* vztahu se dvěma znepřátelenými aktéry (Irán, Izrael). Podstata těchto dvou vztahů je však diametrálně odlišná.

Keywords

Proxy warfare, Iran, Israel, Hamas, Hezbollah, principal, agent, principal-agent analysis

Klíčová slova

Zástupná válka, proxy válka, Irán, Izrael, Hamás, Hizballáh, principal, agent, analýza vztahu principal-agent

Title

Suppressing violence or promoting destabilization? Analysis of Principal-Agent relationships to achieve different goals: Cases of Iran and Israel

Název práce

Potlačení násilí nebo podpora destabilizace? Analýza vztahů *principal-agent* za účelem dosažení rozdílných cílů: Případové studie Iránu a Izraele

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Diploma thesis project

**Suppressing violence or promoting
destabilization? Analysis of Principal-Agent
relationships to achieve different goals: Cases of
Iran and Israel**

Name: Bc. Daniel Bora

Academic advisor: Mgr. Bohumil Doboš, PhD.

Study programme: Bezpečnostní studia (BS)/Security studies

Year of project submission: 2020

1 Introduction to the topic

It seems like the theory of proxy warfare has been receiving more and more attention throughout the second half of the 20th century and nowadays we can say that it is a dominant type of warfare. There are many reasons why is this happening. One of them is, without doubt, the notion perceiving direct war as something immoral and unacceptable in the contemporary world. Another reason is the potential of escalation that could have devastating consequences for the whole region even the world. Not only because of these factors it seems more efficient to engage in some kind of indirect action by establishing a proxy relationship with some local actor (agent). Such a relationship can be beneficial to both initiating actor (usually a state) and agent. Furthermore, the initiating actor (principal) does not risk the condemnation by the international community, the life of its soldiers, or eventual humiliation in case of an unsuccessful campaign (Mumford, 2013). There are various ways how to approach and analyze the problem of indirect engagement and in this thesis, I decided to utilize the Principal-Agent (P-A) theory. Generally, this framework will be applied to one of the burning issues of international relations - Israel-Iran proxy conflict. The thesis will describe and analyze the Principal-Agent relationship between Iran and Hezbollah, Israel and South Lebanon Army, and lastly Israel and Hamas. As the name of the thesis suggests each relationship has a different purpose whether its destabilization and subsequent destruction of the State of Israel or creation of a buffer zone to protect Israeli borders and simultaneously fight Iranian proxies in Lebanon or suppress the violence in Gaza strip by establishing Principal-Agent relationship with Israeli enemy Hamas. Especially from Iran's point of view the goal is to weaken Israel through the support of Hezbollah and other actors but simultaneously they want to avoid an open confrontation. This makes retaliation harder for Israel because it has to take into account the opinion of the international community and it's harder to find sufficient evidence because of the plausible deniability. Moreover, this framework allows us to analyze the determining factors that motivate a principal to engage in such a relationship considering the costs and benefits or, for instance, alignment of interests. An interesting fact is that the Principal-Agent theory has been developed to study of licit national or international institutions as a way to improve their governance but during the past few years, it has been frequently applied to study proxy warfare.

2 Research target, research question

This theory-driven investigation of case studies aims to apply the Principal-Agent framework on respective security issues. The ambition is thus to demonstrate how individual states engage in the promotion of their interests whether it's suppressing violence or encouraging violence to worsen the security situation in some other state. Translated into real terms, how the same P-A framework can be utilized to achieve different goals. Moreover, to describe the interaction between P-A in an environment in which both actors act rationally is subject to constraints, anticipating the behavior of the other player. To achieve this goal three case studies have been chosen. Two of them focus on Israel's P-A relationship with Hamas in the Gaza strip, respectively the South Lebanon Army (SLA) in Lebanon. The remaining one deals with established P-A relationship between Iran and Hezbollah. The reason why I decided to incorporate two case studies where Israel is in the role of the principal is firstly (1) to extend the range of empirical data for the thesis, secondly (2) to provide readers with one more conservative case (SLA) while the latter more extreme (Hamas) alignment of objectives-wise. The case of the Iran-Hezbollah P-A relationship has been chosen as a model example. Moreover, analysis of this case should provide the thesis with another set of empirical data describing the P-A relationship where both actors have more-or-less the same goal, in this particular case destroying Israel. The main research ambition is to answer these research questions (1) *Which actor is/was more successful in achieving its declared goals?* (2) *How important is the alignment of interests/objectives in establishing P-A partnerships?* (3) *Why do some actors decide to engage in a P-A relationship despite contradictory even hostile interests/objectives?*

By analyzing the aforementioned case studies I will test hypotheses regarding the actor's motivation to engage in *capacity building* or *indirect control* of an agent articulated in the next chapter. Another objective and added value of the thesis should be a prediction of future development. Whether the relationship is likely to continue or is destined to fail from a cost-effective point of view.

3 Conceptual and theoretical framework, research hypotheses

As mentioned above this thesis will be the theory-driven investigation of three case studies. Although the Principal-Agent theory was more often applied to study of licit national or

international institutions as a way to improve their governance, many researchers argue that applying principal-agent analysis to the illicit relationship such as those between states and non-state (terrorist) agents is an equally fruitful application, though one with different objectives. For the thesis, I have chosen a slightly adjusted principal-agent framework described in the book *Proxy Wars: Suppressing Violence through Local Agents* (Berman, 2019). In this framework is a principal defined as a relatively powerful actor interested in minimizing the occurrence of some disturbance (suppressing violence) or accomplishing the declared goals (promotion of destabilization).¹ The agent is an actor whose actions can be influenced by the principal, its main asset is the ability to help to achieve the principal's goal at a lower cost than the principal can. According to the theory, when a problem arises (disturbance) or there is the urge of proceeding to accomplish a long-term goal (promotion of destabilization in Israel) the principal can (1) do nothing and let it go, (2) act directly, (3) provide unconditional assistance to agent (capacity building), (4) replace proxy, (5) use rewards and punishments (engage in indirect control). In this study, I will focus on finding connections between capacity building (3) and engaging in indirect control (5). This will partly help us to answer the second and the third research question. Moreover, I would like to test two hypothesis: (1) the further apart the interest of principal and agent is, the larger rewards and punishments (indirect control) must be applied by the principal to induce effort by the agent; (2) the more similar interests are, the more willingly the principal tends to engage in capacity building. Simply put, I argue that in the case of Israel using Hamas as the agent, Israel will engage rather in indirect control (using high rewards and punishments) because of the mutual hostility. Contrary to this, Iran's aim will be increasing Hezbollah's ability to fight (capacity building). In the chapter "*Principal-Agent Theory*" the key terms crucial for the thesis will be defined. Those terms are, among others, *principal*, *agent*, *the cost of effort*, *disturbance*, *actors interest*, *contract between PA*, etc.. The success of individual cases will be measured by declared interests of the actors and actual fulfillment of these ambitions. Other variables are going to be presented in the thesis. At the beginning of each case study declared interests of examined actors will be provided along with their

¹ This second part of the definition was added by me to adjust the theory to the purpose of thesis.

possible pragmatic interests². Then the assumption will be made and ultimately tested at the end of the chapter.

Since the analytical technique is a theory-driven investigation of chosen case studies, the data will be extracted predominantly from studies focused on relevant actors. I will work with primary sources such as official state-issued documents and doctrines to identify the goals and interests of the principals. On the other hand, officially issued documents by non-state actors (agents) will be analyzed for the same purposes. When analyzing concrete cases the importance will be placed on studies of renowned experts that provide precise and insightful analysis of the relations between principals and agents.

4 Literature review

It is safe to say that the most influencing book of this thesis is *Proxy Wars: Suppressing Violence through Local Agents* (Berman, 2019). Moreover, the theoretical framework is to a large extent borrowed and used with slight adjustments. The framework proposed in the book is tailored only to the principal's aim to suppress violence, thus the book operates with terms such as *disturbance*, etc.. In order to cover the complexity of the thesis the theoretical framework needed to be adjusted and enlarged. Furthermore, the book provides the readers with valuable insights on various cases where the PA framework had been (un)successfully applied. Another important source is the article *Agents of Destruction? Applying Principal-Agent Analysis to State-Sponsored Terrorism* (Byman, 2010). This article complements the above-mentioned book regarding the P-A framework, but, more importantly, it explains why states delegate to terrorist groups, how they seek to control their agents, and the tensions in the relationship, both generally and through specific reference to Iran's sponsorship of Hezbollah, Syria's of various Palestinian groups, and the Taliban's of al-Qaeda. The biggest limitation of this article is the issuing date (2010) so it does not cover the most recent developments in the area. On the other hand, it provides us with useful insights into the Iran-Hezbollah P-A relationship. The next source used for building up the theoretical framework is the article *Explaining External Support for Insurgent Groups* (Cunningham, 2011) which helps us to understand the factors determining external support for non-state actors from P-A perspective. I must not exclude the *Proxy Warfare* by

² For instance, Hamas's declared animosity toward Israel (declared), on the other hand, its desire to be dominant group in Gaza. What are the costs and benefits of Hamas's „cooperation“ with Israel?

Andrew Mumford (2013) which is one of the most complex studies of a proxy war phenomenon. To understand Hezbollah's objectives, structure, and its relationship with Iran I will draw on Eitan Azani's (2009) *Hezbollah: The Story of the Party of God: From Revolution to Institutionalization*. An overview of Iran's strategic thinking and thus its motivation to engage in a proxy relationship will be provided by Mathew McInnis's article *Iran's Strategic Thinking: Origins and Evolution* (2015). To analyze the relationship between Israel and Hamas, I will focus on following monographs *Hamas Contained: The Rise and Pacification of Palestinian Resistance* (Baconi, 2018), *Hamas: The Islamic Resistance Movement* (Post, 2015) and *Hamas Vs. Fatah: The Struggle for Palestine* (Schanzer, 2008). The important article dealing with the proxy relationship between Israel and the South Lebanon Army (SLA) is examined in the Sozer's article (2016) *Development of proxy relationships: a case study of the Lebanese Civil War* and in *Civil-Military Relations in Lebanon: Conflict, Cohesion and Confessionalism in a Divided Society* (Knudsen, 2017)

It ought to be mentioned that the most challenging will be the description of the P-A relationship between Hamas and Israel because there is not a large amount of literature focused on this issue. I will more likely try to gather data from the official statements of actors, relevant newspaper articles, etc.. The same applies to the remaining two case studies, but in these cases, the academic literature is wider.

5 Planned thesis outline

1. Introduction
2. Methodology
3. Principal-Agent theory
4. Literature review
5. Suppressing violence or promoting destabilization?
 - a. Israel-SLA
 - b. Israel-Hamas
 - c. Iran-Hezbollah
6. Conclusion

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1 Introduction

Since the second half of the 20th century, proxy warfare has received more and more attention, and nowadays, we can say that it is a dominant type of warfare (Mumford 2013, 1). In the literature of the contemporary conflict studies, we can observe that many conflicts are vaguely labeled as a proxy war. Most recently, conflicts in Syria or Yemen, for example. The literature is usually limited to the description of the actor's involvement in the conflict and simply "who supports who." However, a smaller volume of literature focuses precisely on the actor's rationale behind forging a proxy relationship. More importantly, how such a relationship can be managed and what will the conditions be. This thesis aims to analyze the proxy relationship from this point of view, and therefore the most suitable approach is through the principal-agent analysis.

The Middle East is one of the most complex and unstable regions in the world. Furthermore, it is the region where regional or aspiring regional powers seek to project their influence at the expense of their adversaries like Saudi Arabia, Israel, or Iran. These actors usually do not promote their interests directly but rather through their proxies. Nevertheless, the goal of this thesis is not merely to describe the actors in the proxy conflict but to describe the nature of these relations. The rivalry between Israel and Iran offers us a framework with a broad range of state and non-state actors to which we can apply the principal-agent analysis.

Originally, the principal-agent analysis had been developed to study licit national or international institutions to improve their governance, but some scholars saw its potential to study proxy warfare. The principal-agent analysis focuses on the motivations of the principal and the agent to engage in such a relationship. Moreover, it offers a perspective on how these relationships can be managed. Why does the principal decide to build capacities of the agent or instead control the agent indirectly? What are the means of control? The principal-agent analysis can answer these questions. The thesis aims to apply the principal-agent framework to the Iran-Israel conflict and describe specific relation dynamics.

Further below in chapter 1, the deviation from the original diploma thesis project is explained, followed by the research design to be applied in the thesis and the motivation behind the selection of particular cases. Chapter 2 starts with a literature review on proxy warfare theory, and further emphasis is placed on the features of the principal-agent

relationship. Chapter 3 introduces an adjusted version of the theoretical framework proposed by Berman and Lake in their book *Proxy Wars: Suppressing Violence through Local Agents* (Berman and Lake 2019), including the hypothesis that ought to be tested. Chapter 4 comprises three case studies (*Iran-Hezbollah, Israel-Hamas, and Hybrid agent – Hamas?*) and a brief overview of Iran-Israel relations.

1.1 Research Design

This chapter gives an outline of how we will analyze the topic of this thesis. Followed by the explanation of why the particular cases had been chosen. The research method used in this thesis is a theory-driven investigation. The following chapters will describe the general theory of proxy warfare, followed by the principal-agent approach. Moreover, Berman and Lake's study, *Proxy Wars: Suppressing Violence through Local Agents* (2019), was chosen as a cornerstone on which the theoretical framework is based. However, the theoretical framework had to be adjusted because Berman and Lake's analysis focuses only on principals seeking to achieve the specific goal, thus suppressing violence/disturbance.

The principal-agent theory is more often applied to study licit national or international institutions to improve their governance. However, an increasing number of researchers perceive this as an interesting theory to analyze illicit relationships such as those between state and non-state (terrorist) actors (Byman and Kreps 2010, 1).

Keep in mind that principal-agent analysis is based on a cost-benefit approach based on rational choice theory. A few hypotheses were derived from the proposed general theory, and we will test their correctness in chosen case studies. Moreover, it needs to be stressed that the hypotheses are based on the theory utilized in the Berman and Lake study.

Hypotheses described in Chapter 3 will help us to answer the primary research questions of this thesis.

According to the theory, when the disturbance arises, the principal has a variety of possible actions: (1) do nothing and try to endure the disturbance, (2) act directly, (3) provide unconditional assistance to the agent (capacity building), (4) replace proxy, (5) engage in indirect control (rewards and punishments)(Berman and Lake 2019). The same framework can be applied when the principal has other goals than suppressing disturbance (violence).

Table 1 Research Questions

R1:	How important is the alignment of interests/objectives in establishing the P-A partnerships?
R2:	Does ideological affinity trump rational cost-benefit reasoning of the principal and the agent when deciding whether to engage in the P-A relationship?
R3:	Why do some actors decide to engage in the P-A relationship despite contradictory, even hostile interests/objectives?
R4:	Can one agent be engaged in the P-A relationship with more than one principal?

1.1.1 Case Studies

The cases which were chosen to test the hypotheses derived from the theory reflect two extreme ends on the principal-agent continuum. The common denominator is that each case must meet the scope conditions described in chapter 3.1. The first case of Hezbollah and Iran should reflect the high level of ideological alignment and, therefore, the interest alignment to a large extent. Moreover, it should support the theoretical proposition that Iran should be investing in building Hezbollah's capacity to act against Israel militarily. On the other hand, Hezbollah developed from a militia/terrorist organization into a legitimate political actor within the Lebanese political arena. However, there is a clear connection between Hezbollah and Iran. Hezbollah can seek more considerable independence due to its political power.

The second case study of Hamas and Israel is another extreme of the principal-agent relationship. Both actors are hostile towards each other, ideologically the exact opposite. Yet, we can observe that they are still engaged in the principal-agent relationship. According to theory, in this case, we can notice high power incentives from Israel used to compel Hamas to suppress disturbance in the Gaza strip. However, Hamas is, to some extent, the source of the disturbance. This is related to the third research question (R3).

The third case study is named *Hybrid agent - Hamas?* The reason behind choosing Hamas as the theme for the separate case study is very ambitious. The aim is to describe Hamas as the agent of both Iran and Israel. Although the implicit contract dynamics will be different in both cases (Iran-Hamas, Israel-Hamas), I believe it will be academically beneficial to look at Hamas as the agent of two hostile principals.

1.2 Deviation from the Diploma Thesis Project

After an extensive study of the principal-agent theory, we decided to reevaluate some original features of diploma thesis project. The first deviation is to omit the ambition of answering the research question, "*Which actor is/was more successful in achieving its declared goal?*". Since both Israel and Iran intend to achieve different goals, there are not any parameters by which this research question can be conclusively answered. On the other hand, other research questions (R3, R4) were added because they better reflect the principal-agent relationships' motivational dimension.

In the original diploma thesis project, there was the intention to incorporate the case study analyzing Israel and the South Lebanon Army's principal-agent relationship. Since scholars perceive this case as a model example of the principal-agent relationship, the decision had been made to substitute this case with more academically engaging *Hamas – a Hybrid Agent* case. Moreover, the Hezbollah-Iran's case provides us with, to some extent, similar principal-agent dynamics as SLA-Israel since there is a high alignment of interests. To conclude, since actors' motivation to engage in the principal-agent relationships is one of the main factors analyzed in this thesis, demonstrating it in two extreme cases, from the perspective of the interest's alignment, seems to be the most relevant approach.

2 Theory of Proxy Warfare

2.1 Evolution of Literature on Proxy Warfare

In theory, the proxy warfare phenomenon can be understood through Andrew Mumford's comprehensive book *Proxy Warfare* (2013). He argues that the elements of proxy warfare can be observed throughout history. British weapons sales to the Confederation during the American Civil War were widely interpreted as London attempting to lever long-term political and economic gain from the victory of the secessionist Southern states (Mumford 2013, 12). Despite these observations, Mumford expresses that the proxy warfare has not been transformed into a prolific form of conflict until the 20th century. As Loveman (2002, 30) points out, "in the modern world, it is ubiquitous as a tool of state policy; throughout the Cold War, and after 1991 in areas like the Balkans, the Democratic Republic of the Congo and Kashmir, states have employed proxies as means of executing campaigns against rivals."

Karl Deutsch sees proxy wars as "international conflict between two foreign powers, fought out on the soil of a third country and using some of that country's manpower, resources, and territory as a means for achieving preponderantly foreign goals and foreign strategies." But Mumford (2013, 13) disputes, "*Arguably, though, Deutsch's definition is too state-centric, as it ignores the role non-state actors can play in proxy wars.*"

Mumford offers a slightly adjusted definition: "*Proxy wars are the indirect engagement in a conflict by third parties wishing to influence its strategic outcome*" (Mumford 2013, 11). Contrary to Deutsch, Mumford acknowledges non-state actors' role in proxy relations labeling them "third parties" in the definition. Moreover, he broadens Deutsch's state-centric definition by other actors. However, we need to consider that Deutsch's definition was created in the Cold War context when proxy wars were understood from the state-centric perspective.³ The types of proxy connections are defined below (Mumford 2013). What both Deutsch and Mumford fail to mention is the local dimension. Indeed, both authors refer to proxy wars being fought on foreign soil, using foreign manpower, etc. Nonetheless, they forget to mention the proxy wars are rooted in a local conflict. As pointed

³ In the literature dealing with proxy warfare originated during the Cold War we can encounter another term "superpower intervention" (Mumford 2013, 2).

out in Loveman's article (2002, 30), "*the trouble with this kind of ascription is that even if true on one level, there is usually another level on which the war is a local affair dealing with local concerns.*" Third parties are already using existing local conflicts, tensions, or grievances. Translated into real terms, potential principals are not artificially creating new conflicts or cleavages⁴ but rather utilizing the existing ones. It is preeminent that actors involved in a local conflict in some cases do not seek to establish a proxy relationship with the third party. Still, in many cases, potential principals find a way on how to get involved.

In describing proxy warfare, we need to define first what the principal and proxy are. From Mumford's (2013, 11) point of view, the principal is a "state or non-state actor external to the dynamics of an existing conflict," and the proxy is "a recipient of principal's funding, weapons and training." Mumford (2013, 45) identifies the overall four types of relations between principal and proxy as follows:

- a state uses another state (as surrogate force);
- a state uses a non-state actor (such as a terrorist organization,⁵ militia group, or private military company);
- a non-state actor uses a state;
- a non-state actor uses another non-state actor (as a surrogate force).

Complications may arise when we try to describe the dynamics in principal-proxy relations. As Loveman (2002, 31) concludes, "*The very nature of proxy intervention means that it is a matter clouded in uncertainty regarding the motivations, interests, and political independence of the various actors.*"

There is ambiguity in the relationship between principal and proxy, more importantly, who is using whom. Various questions arise when trying to understand the connection. Is the proxy a parasite or an unwilling host? Has the principal state bullied its client into the conflict? Is it a voluntary joint venture (Loveman 2002, 31)?

Furthermore, Loveman (2002, 32) says there must be at least "compatibility of interests," that means opposing the shared enemy. This proposition seems a bit problematic when applied to the second case study of the thesis. As argued in this thesis, Hamas and Israel are in a special kind of principal-proxy relationship despite the mutually hostile stance.

⁴ At least not for the purposes of becoming principals in proxy relationships.

With all these in mind, Loveman (2002, 32-33) provides us with a comprehensive definition of proxy intervention⁶:

- a relationship exists between a principal and proxy,
- the principal aims to influence affairs while avoiding direct participation in, and responsibility for a conflict,
- the principal provides the proxy with material aid,
- the supply of assistance requires coordination of activities and exchange of information,
- proxy interventions are not merely competitions involving one or more outside powers, they also have a basis in a local conflict,
- proxy interventions commonly result in conflict escalation, increasing the intensity, duration, and viciousness of conflict, and perhaps altering its outcome.

Cambridge dictionary defines proxy war as "a war fought between groups or smaller countries that each represents the interests of other larger powers and may have help and support from these" (Cambridge Dictionary n.d.). This definition is quite simple but collides with Mumford's types of proxy relationships. He states (2013, 45) that non-state actors can be in the principal's role, and the state can act as a proxy. Moreover, the state can utilize the non-state actor to directly attack its adversary—for instance, Hezbollah as an Iranian tool to destabilize Israel.

Zeev Maoz and Belgin San-Akca, in their report *Rivalry and State Support of Non-State Armed Groups (NAGs), 1946-2001* (2012), focus on the dynamics of conditions under which states involved in strategic rivalry chose to sponsor proxies to attack their rivals. The article's basic premise is that states are unitary, rational actors. Moreover, in the context of rivalries, they carefully assess their potential actions' costs and benefits (Zeev Maoz and Belgin San-Akca 2012, 722).

The rivalries revolve around the status quo; states either want to maintain it or alter it. Furthermore, the state in relative weakness cannot revise the status quo by direct military confrontation. The decision of what means the dissatisfied state utilizes to alter the status quo depends on the extent to which it believes it can do so. Capabilities constrain state

⁶ It ought to be mentioned that in the literature the terms "proxy war" and "proxy intervention" are often used interchangeably (Mumford 2013, 13).

action. Considering this, the state's self-assessment of its capabilities determines whether it utilizes proxy (NAGs) to achieve its goals or engage in confrontation (Zeev Maoz and Belgin San-Akca 2012, 722). Moreover, the authors assert that state support to NAGs has a cogent impact on an escalation of hostilities between rivals. This statement supports Loveman's claim that the proxy intervention typically results in conflict escalation, increasing intensity, and the conflict's viciousness (Loveman 2002, 33).

However, Brendan Sozer, in the article *Development of proxy relationships: a case study of the Lebanese Civil War* (2016), acknowledges Moaz and San-Akca's contribution to the academic debate on proxy war; he points out its weaknesses. The main problem lies in the authors' inability to sufficiently analyze the full complexity of relations between states, NAGs, and their targets. For instance, the case when the state supports the proxy to fight the proxy of the rival. This phenomenon has become increasingly relevant in recent history, as we can see in Lebanon, Syria (Sozer 2016, 640), or Yemen.

Sozer's article (2016, 644) points to the lack of consistent labels in the proxy warfare literature. He identifies various labels for proxy relationships such as sponsorship, external or outside support, substitution, patronage, and indirect or foreign intervention. In addition, highlighting the ambiguity in terminology is crucial to comprehend the theory's evolution and ironically contributes to its clarity. However, proxy warfare typically refers to the country's malign foreign policies rather than describing a specific form of warfare.

Sozer defines proxy warfare as "an external actor(s) seeking to indirectly influence the outcome of a conflict in pursuit of their strategic policy objectives by providing direct and intentional assistance to an existing actor in the conflict" (Sozer 2016, 643). Additionally, three criteria have to be met to sufficiently establish a proxy relationship (Sozer 2016, 643):

- direct assistance from the sponsor to the proxy,
- both the proxy and the sponsor need to share a common target,⁷
- the relationship between proxy and sponsor must be sustained for a longer period of time.

⁷ It ought to be mentioned that this criterion does not mean the sponsor and proxy to share a rival. Also the target does not have to be the same entity that the proxy is engaging in combat (Sozer, 2016, 643).

In this thesis, we will utilize Sozer's definition of proxy warfare mainly because it is the most recent definition offered in this literature review and considers contemporary proxy conflicts.

2.2 Principal-Agent Relationship

There are various ways on how to approach and analyze the phenomenon of proxy relationships. In this thesis, the principal-agent framework is utilized because it approaches the actors' motivation to engage in such a relationship. Although the principal-agent theory was more often applied to the licit national or international institutions as a way to improve their governance, many researchers argue that applying principal-agent analysis to the illicit relationships such as those between states and non-state (terrorist) agents is an equally fruitful application, though one with different objectives (Byman and Kreps 2010, 1).

The article, *Agents of Destruction? Applying Principal-Agent Analysis to State-Sponsored Terrorism* co-authored by Daniel Byman and Sarah Kreps (2010) affirms that state-sponsored terrorism is a type of principal-agent relationship, which offers opportunities for countermeasures (Byman and Kreps 2010, 2). By countermeasures, the authors might mean incentives on how to influence the agent's actions. At first, the authors outline theoretical and empirical reasons to delegate to agents, then describe the tensions in the state-terrorist group relationship and introduce control mechanisms for the state-terrorist group relationships.

2.2.1 Reasons to Delegate to an Agent

According to Kreps and Byman, there are five reasons to delegate to agents (Byman and Kreps 2010, 3-6):

- expertise,
- credibility,
- extension of the regime influence in the domestic arena,
- ideological driver,
- plausible deniability.

Principals may have strong conventional capabilities, but they can look for some actors with **expertise** in irregular/asymmetric combat forms. For instance, in the case of Iran and Hezbollah, the latter has a proven record of successful attacks on the principal's enemy

targets whether they were Israeli, French or US military facilities in Lebanon, Jewish sites in Argentina, or Western hostages in Lebanon (Hoffman 2006; Byman and Kreps 2010, 4). Ultimately, Hezbollah has become a useful tool for Iran to project its power and enable Teheran to indirectly attack Israel and other enemies in Europe and the Middle East.

Credibility projected through the agents is another reason to delegate. Since Iran cannot credibly nor conventionally retaliate to Israeli actions due to Israeli military supremacy, it can stress the agent's commitment to engage in tit-for-tat retaliation. Therefore, Iran can even credibly advance its interest because its agent is threatening enough for Israel (Byman and Kreps 2010, 4).

The motivation to **extend regime influence in the domestic arena** can be seen in the case of Syria. The Palestinian group Fatah grew its influence after the Arab state's loss against Israel in 1967. By making Fatah its agent and loud support for the Palestinian cause, Assad's regime ensured Arab nationalists and pro-Palestinian supporters within Syria (Byman and Kreps 2010, 5).

When analyzing state support for terrorism, the **ideological driver** for delegation must not be forgotten. In Lebanon, Iran sought to find an agent ideologically closer than the Amal movement. Consequently, Teheran formed Hezbollah out of more radical Amal's dissidents and other radical Shia groups. Furthermore, in the 1970s, Moammar Qaddafi backed an array of left-wing Palestinian groups as a way of exporting the states' ideologies and creating large-scale adherence to a shared idea (Byman and Kreps 2010, 5).

Plausible deniability is an important reason to delegate to an agent. Therefore, the principal can mask the scope of its involvement and avoid potential recrimination (Mumford 2013, 42). Furthermore, as Moaz and San Akca's study (Zeev Maoz and Belgin San-Akca 2012, 722) maintains, this is also related to the state in relative weakness that tries to alter the status quo, but the direct action would make it a clear target for retaliation from the adversary. As Byman and Kreps (2010, 6) point out, "the retaliation is more difficult to justify because of the thin evidence linking state intent and agent actions."

2.2.2 Tensions in the State-terrorist Group Relationship

To outline the tensions in the state-terrorist group relationship, the critical term to describe is *agency loss*. Agency losses are side effects occurring in the principal-agent relationship.

Although the principal-agent relationship is established on the prospect of gains, D. Kiewiet and M. McCubbins stress that the agents behave opportunistically, pursuing their interests (Kiewiet and McCubbins 1991). In the ideal scenario, the agent should behave accordingly to the principal's interests. Nevertheless, the relationships are hardly ever ideal. Instead, it is rather a complicated cooperation with granting some autonomy level to the agent. One of the factors increasing the agency losses is the divergence in the commitment to the cause and the agent's willingness to accept risks on behalf of the cause (Byman and Kreps 2010, 6). However, agency losses can emerge unintentionally. For example, the agent has sincere intentions but did not manage to carry out a particular operation.

Second, the ambiguity that states deliberately try to create about their relations with the terrorist group can be a double-edged sword because it takes away the principal's ability to deny agent's claims credibly.

The third unintended consequence is that enhancement of agent's capabilities often means a loss of control over the agent. For instance, when Hezbollah increased its prestige within Lebanon due to its military achievements, it became more independent of Iran and Syria (Byman and Kreps 2010, 7-8).

Fourth, the inability to control the agent can lead to further escalation. This was evident in the case of Syrian support for Fatah before the 1967 war. Although Damascus thought that supporting Palestinian cross-border attack on Israeli soil will not spark the Israeli retaliation, the opposite happened. Translated into real terms, Syrian leaders failed to recognize Israel's willingness to escalate in response to guerilla attacks (Seale 1992, 124–25).

The fifth is utilizing agents as "useful spoilers." For example, we can use Iran's support for Palestine Islamic Jihad to disrupt the Israeli-Palestinian peace process. However, this type of relationship can have its backlash because the same disruptive capabilities can be used against the sponsor when it tries to make peace at some point with the agent's enemy (Byman and Kreps 2010, 8).

The last point is that the state's support for a terrorist group may prove very costly for its domestic affairs. For example, Byman and Kreps (2010, 9) offer the Pakistani government's support for Islamic terrorist groups utilizing them to fight in the disputed Kashmir region, thus weakening India's government position in the region. Nevertheless, not all groups

stayed devoted to the government cause, and some started bringing their extremist agenda back to Pakistan. As Fair and Gregory (2008) point out, "suicide bombings, assassinations, and Islamist-linked insurgent attacks are now commonplace."⁸

2.2.3 Control Mechanisms for the State-Terrorist Relationship

In the subchapter mentioned above, reasons to delegate and potential sources of agency losses were described. However, in this chapter, we will look at the control mechanisms to prevent agency losses, according to Byman and Kreps (2010).

One way to control the agency's losses is to adjust the level of authority delegated to the agent. Grant and Keohane (2005) explain that the principal-agent relationship is often modeled as either discretionary or instrumental.

However, in reality, principals want to preserve plausible deniability, so any shift in the nature of the relationship from discretionary to instrumental can prove the principal's involvement in such a relationship. For instance, the fact that Iranian "advisors" are stationed in Lebanon makes it harder for Teheran to deny its involvement in Hezbollah's activities (Byman and Kreps 2010, 9-10).

The principal's ability to learn of agency losses depends on its capacity to monitor and audit agent's actions. However, this can be problematic because principals can monitor agents' behavior only to a limited extent. Terrorist groups operate covertly, and they do not inform the principal in periodical reports of their doings. Moreover, this creates information asymmetries between principal and agent. That means the principal is dependent on its capabilities to monitor agent's doing from the outside. However, another possibility is to control the organization directly, but it reduces the pretense of deniability (Byman and Kreps 2010, 10).

The third control mechanism is the selection of agents with naturally suited preferences with the principal. An example of this is again Iran's relationship with Hezbollah. However, Iran had invested many resources to both potential screen recruits and to reorient the groups as a whole toward the principal's interests (Byman and Kreps 2010, 10).

⁸ The article was written in 2008, so "now" refers to time period in which the article had been created.

The principal can also scout multiple agents that offer a wide range of options. In addition, the agents can control each other. From the point of the original economic theory of the principal-agent relationship, Sappington, in his article *Incentives in Principal-Agent relationship* (Sappington 1991, 54), describes the benefits of seeking multiple agents. He says that two agents⁹ can cooperate and provide the principal with false information to receive better revenues since the principal has no means to verify it. On the other hand, a sophisticated principal can preclude such behavior and offer one of the agents a reward for providing pieces of information on the other agent whenever it decides to mislead the principal. This reduces the principal's costs of controlling each agent since they are controlling each other.

An example of the behavior mentioned above is Syria putting multiple agents in constant competition to keep them weak and dependent. As in the 1970s, Assad's regime supported various Palestinian groups (Byman and Kreps 2010, 11).

The last mechanism is using rewards and punishments. The principal can reward the agent by granting additional resources when the agent is performing in accordance with the principal's interest. On the other hand, the principal can punish the agent by withholding additional resources, removing the agent, or militarily intervene against the agent (Byman and Kreps 2010, 12).

2.2.4 Suppressing Violence through Local Agent

Crucial for the thesis is Berman and Lake's study *Proxy Wars: Suppressing Violence through Local Agent* (2019). The study assesses a principal-agent relationship from the perspective where the principal utilizes an agent to minimize the occurrence of some disturbances. Principal in Berman and Lake's understanding could be a counterinsurgent, the government of a neighboring country, or a great power interested in minimizing disturbance arising from another country. The agent is defined as a subordinate whose actions the principal might

⁹ Sappington uses an example of farmers A and B who agree on conspiring against the landlord. On the other hand, the landlord can prevent this by persuading one of the farmers (A) to "squeal" at the other farmer (B) whenever he decides to behave in a conspiring manner. To motivate farmer (A), the landlord uses rewards. So farmer A finds "squealing" on farmer B profitable. Contrary to this, landlords also use punishments when the information provided by farmer A on farmer B is wrong. This way, he can control the behavior of its agents (Sappington 1991, 54).

influence and who can suppress disturbances at a lower cost than the principal acting directly (Berman and Lake 2019, 11).

The study argues that the principal can decide what action he will take in addressing what authors call disturbance. The principal has two apparent options: do nothing and endure continuing the attack, or take direct military action and suppress the disturbance by itself. Alternatively, the principal can establish a proxy relationship with a local agent and provide unconditional support to the agent (capacity building) or utilize rewards and punishments to compel the agent to act desirably with the principal's interest (Berman and Lake 2019, 3).

The alignment of interest or objective is of paramount importance. Since we use the principal-agent perspective, the motivation of actors is the factor we analyze most. The principal's and agent's interests are rarely aligned. They often vary to some (Berman and Lake 2019, 5). Additionally, the level of interest alignment is derived from what action the principal chose to compel the agent to act in a desirable manner.

If there is a significant divergence of interests, it is hugely costly for the principal to imply sufficient rewards and punishments on the agent. On the other hand, capacity building is not an option either because the means provided by the principal to the agent can be used opportunistically by agents to promote their own goals.

The more favorable starting position for the principal is when interests differ slightly. In this case, the rewards and punishments can be utilized successfully, although, by success, the authors mean that the proxy complies with the principal's goals. That means the disturbance does not have to be entirely suppressed to zero because the principal is often unwilling to expend the necessary resources (Berman and Lake 2019, 4).

Third, and for the principal, the most desirable situation is when both principal and agent's interests are very closely aligned. Within this setting, the principal can choose to engage in an unconditional capacity building because there is a little chance that the agent would use these capacities against the principal's interests (Berman and Lake 2019, 4-5).

The added value of Berman and Lake's study is the extension of the principal-agent model. First, they specify the theory's empirical scope, and then analyze an implicit contract structure between the principal and the agent and optimal use of the principal's incentive tools. In the third step, they focus on adjustments in the contract when the environment

changes. In the final step, authors propose predictions stemming from the extension of the model in which they consider building an agent's capacity by the principal to deal with the disturbances (Berman and Lake 2019, 12).

3 Theoretical Framework

This thesis is built upon the principal-agent theoretical framework proposed in Berman and Lake's *Proxy Wars: Suppressing Violence through Local Agents* (2019). However, for the thesis, the framework requires it to be tailored to chosen case studies. The first obstacle is the focus of the study mentioned above. Authors only aim at the cases where the principal is interested in minimizing the occurrence of some disturbances, as the study title suggests, "*suppressing violence*." It ought to be mentioned that the term *disturbance* in the study does not only refer to violence, but drug flows, noncooperation on diplomatic goals, nuclear weapons tests, lawlessness, etc. (Berman and Lake 2019, 11).

Even though the term *disturbance* is broadly defined, it still absents the other dimension mentioned in the thesis title hence "*promoting destabilization*." Promoting destabilization means "encouraging violent or non-violent actions against the opponent to weaken or deter it." Simply put, the principal's motivation in this thesis is either promoting or suppressing violence.

3.1 Scope Conditions

By defining the scope conditions, we ensure that the theoretical framework will be applied to the cases being examined in this thesis. There are a few conditions that must be met.

Berman and Lake define the first condition as the agent having a relative advantage over the principal in controlling the disturbance due to a particular level of expertise, familiarity with the problem, or only a lower cost of dealing with it (Berman and Lake 2019, 11). Additionally, since the thesis does not only work with the term disturbance, we need to adjust the conditions to the thesis. Hence, utilizing the agent is convenient to the principal because the agent has the natural advantage in controlling the disturbance or attacking the principal's adversary due to a particular level of expertise, familiarity with the problem, or a lower cost of dealing with it. The "lower cost of dealing with" could mean lower political costs (*plausible deniability*) or geographic proximity.

The second condition is that the agent is subordinate to the principal. That means that the principal has the incentives (rewards and punishments) to force the agent to act accordingly with the principal's interests. The rewards can be in the form of diplomatic concessions, economic investments, or military aid (Berman and Lake 2019, 12). On the other hand,

previous rewards can be withheld as a punishment. Moreover, the principal can engage in military or diplomatic confrontation with the agent. In case the agent is the leader, the principal can have him removed by regime change or supporting the agent's opponents (Berman and Lake 2019, 13).

Eventually, on the side of the agent, there is private information. The private information can be in the form of unobserved effort (hidden action) or unobserved costs (hidden information). That means the principal is not always able to observe what the agent is doing. Other than that, the principal cannot assess the level of effort exerted by the agent. On the other hand, it is hard to ascertain the correct level of effort needed to be exerted by the agent (Berman and Lake 2019, 13). In Berman and Lake's study, rewards and punishments are contingent on the agent's effort or the level of disturbance, but since the agent's effort is not always fully observable, the extent of rewards and punishments used to incentivize the agent is determined by the level of disturbance (Berman and Lake 2019, 10). However, the tricky part is that disturbances may occur randomly and beyond the cooperating agent's control. Nonetheless, because of private information, the principal can impose unfair punishments on the agent; hence, further alienate it (Berman and Lake 2019, 14).

When we use the agent's effort, and the level of disturbance as the determinants for assessing the extent of rewards or punishments imposed on the agent, the dimension of "promoting destabilization" is omitted. Nevertheless, how can we expand the range of factors determining the extent of rewards and punishments? The disturbance level can be easily quantified by the number of terrorist attacks or the drug trade volume as examples. However, how can the level of destabilization of the adversary be quantified? Furthermore, how can the principal observe the effectiveness of the agent's efforts? It is a matter of the implicit contract between principal and agent and will be fully explored in the following subchapter. Simply said, the principal and agent can agree on a specific set of actions as a function of what is observable (Berman and Lake 2019, 14). In other words, they both concur on the dynamics of the relationship and what is expected from both sides. In the case of "promoting destabilization," Iran can demand Hezbollah to launch missiles on Israel whenever Israel attacks Iranian nuclear or military facilities. Failure in doing so can result in the imposition of some kind of punishment.

3.2 The Implicit Contract between Principal and Agent

The principal and agent's implicit contract concept is required because the agent's effort is not fully observable. It is the contract agreed by both principal and agent defining the fundamental dynamics of the relationship. The principal establishes a level of rewards and punishment depending on the realization and size of disturbance, which the principal can correctly observe (Berman and Lake 2019, 14). Berman and Lake assume that the agent knows the contract conditions in advance and chooses the effort level.

Even so, that does not mean the principal and the agent explicitly agree on the schedule of rewards and punishments. The discussion does not even have to take place. Moreover, it is rather a learning process; consequently, the agent will learn the schedule of punishments and rewards and its connection with the disturbance/agent's actions through repeated interactions (Berman and Lake 2019, 22).

3.3 Model Predictions

Several hypotheses stem from the theory outlined above. Crucial for the assessment of the theory is to define the term *cost of effort*. Therefore, knowing the agent's cost of effort is fundamental to determine whether to engage in indirect control, capacity building, direct action, or do nothing. There are two factors that influence the cost of effort to the agent. According to Berman and Lake, the first factor is disturbance suppression's direct cost (Berman and Lake 2019, 15-16). That refers to the agent's level of expertise as one of the reasons to delegate to the agent by Byman and Kreps (Byman and Kreps 2010, 3). Simply put, it is better for the principal to delegate to the agent that is believed to be more effective in pursuing the principal's goals.

The second factor is the divergent preferences. In fact, both the principal and the agent can share the general goal, but their views on how to approach it may differ. Moreover, the agent itself can have its own political preferences that can be endangered by acting in the way the principal prefers (Berman and Lake 2019, 16).

To properly assess the theory, we need to closely describe the difference between High-Cost agents and Low-Cost agents. The former is related to the first hypothesis (H1). If the agent's costs of effort are too high, it does not make sense from the cost-effective point of view to continue in the principal-agent relationship with such an agent. To put it another way, in this

case, the principal has three options: (1) directly intervene, (2) do nothing to promote its goals (3) replace the agent (Berman and Lake 2019, 11).

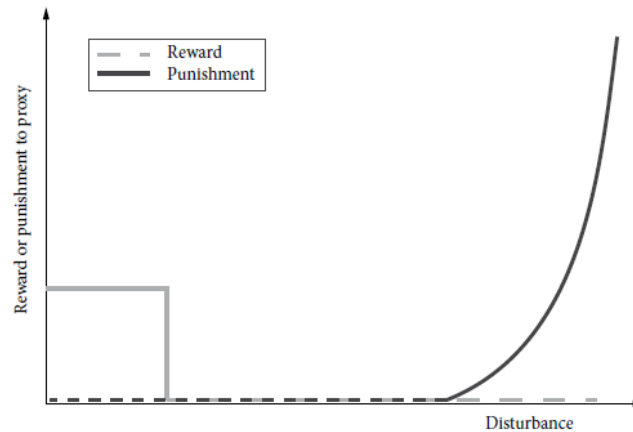
Table 2 Theory Hypotheses

H1:	The principal is expected to intervene directly or do nothing if the cost of the agent's effort is too high.
H2:	The principal is more likely to reward the agent if the disturbance remains low.
H3:	The principal is more likely to reward the agent if the agent acts accordingly with the "contract."
H4:	The principal is more likely to punish the agent if the disturbance is large.
H5:	The principal is more likely to punish the agent if the agent does not act accordingly with the "contract."
H6:	If the disturbance is large or the agent does not act accordingly with the "contract," the more likely the principal is to replace the agent or support rival groups.
H7:	When interests are not fully aligned, and the principal does not offer contingent rewards and punishments, the agent is not likely to exert effort. Hence, the further apart the principal and agent's interest is, the larger rewards and punishments (indirect control) must be applied to induce agent's effort.
H8:	The more aligned the agent's interests are with those of the principal, the more likely the principal will be to invest in capacity building

Source: (Berman and Lake 2019, 16), author

The lower the costs of effort to the agent are, the lower the incentives needed to be used by the principal to induce the agent's action. Figure 1 illustrates the optimal implicit contract under indirect control.

Figure 1 Rewards and Punishments as a Function of Disturbances



Source: (Berman and Lake 2019, 17)

3.4 Capacity building

Berman and Lake had decided to incorporate the capacity building into their theoretical framework. This addition is similarly beneficial for this particular thesis since it is connected to one of the hypotheses (H8). First, we need to address the difference between capacity building and rewards. The main difference is that capacity building happens before the agent decides to exert effort. Hence, capacity building can be perceived as an investment that can possibly increase the agent's future effectiveness in achieving the principal's goal¹⁰ (Berman and Lake 2019, 11). Next, the agent does not directly benefit from capacity building, and to conclude, capacity building is not contingent on the agent's level of effort in the current period (Berman and Lake 2019, 20-21). Translated into real terms, capacity building is an investment to increase the agent's effectiveness to be instrumental for the principal to achieve its goals in the future. If everything goes well, and the agent decides to exert the effort required by the principal, that is the ideal outcome. Alternatively, if the agent does not exert the required effort after its capacities had been built, the principal's cost-benefit assessment was inaccurate.

Furthermore, it enables the agent to engage in actions directly impairing the principal's interests. To prevent this from happening, we assume that the principal only swore to the capacity building when his and the agent's interests are amply aligned. To conclude, if both principal and the agent's interests are significantly askew, it does not make any sense for the principal to engage in capacity building (Berman and Lake 2019, 20-21).

¹⁰ The original Berman's and Lake's theory refers to "suppressing disturbance", but for the purposes of the thesis I substituted it with "achieving principal's goal."

4 Suppressing Violence or Promoting Destabilization?

4.1 Israel and Iran: A Dangerous Rivalry

4.1.1 Historical Development of Israel-Iran's Relationship

The relationship between Israel and Iran has not always been antagonistic. In fact, shortly after the Suez War in 1956, their cooperation has become more overt. At that time, Egyptian president Gamal Abdel Nasser started promoting the idea of Pan-Arabism and became the Palestinian liberation movement's voice. Moreover, several mostly non-Arab countries in the region had feared Pan-Arabic tendencies, Iran and Israel among them.

However, Nasser's Egypt was not only a shared threat to Iran and Israel. Strong, militant Iraq was another problem. Both Iran and Israel identified Iraqi Kurds as the force that could undermine the Iraqi regime. Therefore, Mossad and SAVAK had engaged in operations providing support to Iraqi Kurds.

In 1958 Iran, Turkey and Israel established a formal intelligence alliance called trident. Since 1959, under the D. Ben Gurion and Iranian Shah Reza Pahlavi's initiative, both countries have started close military and intelligence relationships, which continued until the Islamic revolution in 1979.

The relationship was very dynamic and opportunistic from both sides. From Iran's perspective, there were not only shared threats, but Iran also wanted to get closer to Kennedy's administration in Washington through a closer relationship with Israel. Another Iranian motivation was the perception that rising Israeli status will strengthen the Iranian position as a major regional power (Kaye, Nader, and Roshan 2012, 8–12).

During the Shah's rule, both Israel and Iran preserved strong military and economic cooperation. Iran was profiting from not joining the Arab Oil Boycott. There was a joint military effort named *Project Flower*, whose primary focus was to develop advanced missile systems. This project was one of the six *oil-for-arms* contracts by which payments in cash and oil had enabled Iran to become financier for several Israeli-led research and development projects.¹¹ Ultimately, the unprecedented cooperation had been ceased after the Islamic revolution in 1979 (Kaye, Nader, and Roshan 2012, 13).

¹¹ Iran paid \$300 million in cash up front and another \$250 million in oil. See more in (Javendafar 2007, 81).

Since the Islamic revolution in Iran, the regime's rhetoric towards Israel has become more and more aggressive. Teheran, on the other hand, saw Israel as a significant counterweight to Persian Gulf states, especially after the Gulf Cooperation Council (GCC) had supported Saddam Hussein's regime in Iraq-Iran war in 1982. During the war, a low-level relationship between Iran and Israel had been maintained, mainly because Israel considered Iraq as a major threat to its security (Kaye, Nader, and Roshan 2012, 14). Putting aside the economic profit from the arms deals, Israelis also sought geopolitical goals (Parsi 2007, 112). By aiding Iran in its war with Iraq, they wanted to win the "hearts and minds" of moderates within the Iranian regime after Khomeini's death. However, there was a short window of more pragmatic Iranian policies after Ayatollah's death. Unfortunately for Israel, in the 1990s, any cooperation was ceased (Kaye, Nader, and Roshan 2012, 16).

At the beginning of the 21st century, the rivalry had become more tangible. As a result of both wars in Afghanistan and Iraq, two significant Iranian adversaries (Taliban, Saddam Hussein) were defeated, thus the Iranian influence in the region was reinforced. Since then, Israel has regarded Teheran as involved in all regional conflicts they faced. Moreover, Mahmoud Ahmadinejad's election and his aggressive anti-Israel rhetoric increased Israeli perception of the Iranian threat (Kaye, Nader, and Roshan 2012, 17).

Israel's wars with Hezbollah (2006) and Hamas (2008) only confirmed Israeli threat perception because of the Iranian support for both aforementioned non-state actors. Since then, the Iranian regional influence was halted and it was one of the Israeli national security agenda's most critical tasks (Kaye, Nader, and Roshan 2012, 17).

In the following decade, the relationship between both countries was formed by two drivers. The first one was expanding Iran's regional presence in Syria and Iraq, and the second one was the nuclear program, the *Joint Comprehensive Plan of Action* (JCPOA) in particular. Israel's officials were condemning the JCPOA agreement from the start. Also, Israeli prime minister Benjamin Netanyahu called it a "stunning historic mistake" and pointed out that Israel was not bound by the agreement "because Iran continues to seek our destruction" (Ravid 2015). During the first years of the Syrian Civil War, Israel defined two red lines. The first was military responses to attacks on its territory. The second was the disruption of sophisticated military arms shipments from Iran and Syria to Hezbollah (Kaye and Efron 2020, 13). Though the Israeli posture on the JCPOA was antagonistic, once the deal came

into force, the issue as if disappeared from Israel's political and public discourse. Since then, Israel's focus switched to the need to counter Iran's growing regional presence and its increased ability to threaten Israel conventionally (Kaye and Efron 2020, 13).

In 2015 and 2016, Israel acknowledged Iran's factually building a "land bridge" from Teheran to Beirut through Iraq and Syria, increasing its presence in the region and supporting its proxies in Lebanon and Syria. Furthermore, in 2016, Israel perceived Iran's actions in Syria as similar to those in Lebanon. Israel officials feared that Iran is in pursuit of a permanent military presence in Syria accompanied by building camps, ports, and civilian infrastructure to create a Syrian version of Hezbollah. However, learning from the Lebanese experience, Israel identified the threat of potentially opening another front in the Syrian Golan. Furthermore, the development in Syria forced Israel to draw another red line at Iran's build-up of capabilities that can be used against Israel in future conflict (Kaye and Efron 2020, 14).

As an aftermath, Israel started a campaign aiming for more than 1,000 targets in Syria with affiliation to Iran, especially to its Islamic Revolutionary Guard Corps Quds Force (IRGC-QF) and against IRGC-QF backed groups such as the Lebanese Hezbollah (Goldenberg et al. 2020, 1,8).

As Efron and Kaye (2020, 21) point out, in 2020, the IDF Military Intelligence Directorate "*published an assessment recommending that, to capitalize on Soleimani's death¹², the IDF should increase strikes against Iranian forces in Syria to drive them out of the country.*" On the other hand, it is an open secret that Israeli prime minister Benjamin Netanyahu identifies itself with current Trump's administration, specifically after the United States' unilateral withdrawal from the JCPOA in 2018 and furthermore, can try to support escalation in order to trigger a US-Iran military confrontation (Kaye and Efron 2020, 20). However, there will probably be a shift in the US Middle East policy after Joe Biden sits in the White House.¹³ He will probably urge to rejoin the JCPOA agreement, which would require another adjustment in Israel's defense policy (Times of Israel 2020).

¹² Gen. Qassem Soleimani was a leader in Iran's Islamic Revolutionary Guard Corps and the head of the secretive Quds Force, which conducts military operations in the region killed by a US drone strike in Iraq on 2.1.2020. See (Hirsh, 2020) or *Statement by the Department of Defense*. 2.1.2020. Available at <https://www.defense.gov/Newsroom/Releases/Release/Article/2049534/statement-by-the-department-of-defense/>.

4.1.2 Israeli and Iranian Perceptions of Each Other

The relationship between Iran and Israel is of a dynamic nature. As pointed out in the subchapter above, both countries have not always been rivals. They have been able to cooperate as well, although their relationship was rather opportunistic and their cooperation usually had a common denominator. Whether it was Nasser's Pan-Arabism or Iraq, Iran and Israel found these threats central to their security. Building on the logic of "*the enemy of my enemy is my friend*," they established a special relationship. However, the relationship started to deteriorate after the Islamic revolution in Iran in 1979. "*Yet it was not until the early 2000s, and certainly after the 2003 Iraq war that removed Saddam Hussein as the common enemy of both Israel and Iran, that Iran unequivocally rose to the top of Israel's national security agenda*" (Kaye, Nader, and Roshan 2012, 23).

Table 3 Drivers of Israeli and Iranian Perceptions of and Policies towards Each Other

Israel		Iran
Iranian Nuclear Ambitions		US and Israeli interests → nearly identical
Iran's expanding regional presence through Syria		Israel as undermining regime stability
Iran's growing regional influence → " land bridge " of friendly Shia forces from Teheran to Mediterranean	X	The US threat determines military posture towards Israel
Iran's Ideology and aggressive rhetoric		Israel as a direct geopolitical threat
Expanding Iran's missile capacity and network of non-state militias		The ascent of hard-liners within the Iranian Regime (IRGC)

Source: (Kaye, Nader, and Roshan 2012; Efron, 2020; Goldenberg, 2020), own creation

One of the most appealing drivers that forms Israel's perceptions of and policies towards Iran is Teheran's nuclear ambitions. After the 2002 exposure of the Natanz nuclear site, former Israeli premier Ariel Sharon ordered the director of Mossad Meir Dagan to "*head the efforts to prevent Iranian nuclear program*" (Melman and Javedanfar 2008). There are two implications of Iran possessing nuclear weapons for Israel. First, it can deter Israel from acting freely in Lebanon against Hezbollah and, of course, from the attack on Iran's soil. Second, it would probably diminish Arab resistance to Iran since the Gulf states would fear Iran's retaliation capabilities (Kaye, Nader, and Roshan 2012, 28). From the Israeli point of view, Iran's possibility of acquiring nuclear weapons was accelerated after the JCPOA in 2015

came into force. Israeli political establishment was against such a deal because they feared that the deal would not prevent Iran from acquiring the weapon at some point. Moreover, Israeli officials believe that the deal has empowered Iran's position in Syrian and the whole region (Kaye and Efron 2020, 8). Nevertheless, Donald Trump's administration pulled back from the nuclear deal which was received positively within Israel's political establishment. However, with the new US administration, we might expect the US to rejoin the deal.

Currently, central Israel's concern is Iran's growing influence in Iraq and Syria. Teheran strove to establish a land corridor from Iran through Iraq to Syria and Lebanon to supply weapons to its regional allies or proxies. Furthermore, Israel is trying to prevent Iran's intention to establish a permanent military presence and opening a third front in the Syrian Golan by attacking Iranian targets within Syria and Iraq (Goldenberg et al. 2020, 7).

Another security concern for Israel is Iran's expanding missile capacity. Since 2017, Teheran has exerted efforts to convert Hezbollah's medium to long-range rockets into high precision missiles, with guidance systems and circular error probable (CEP)¹⁴ of 10 meters (Herzog 2019, 4).

We cannot forget to mention the ideological factor. The majority of political establishment sees Iran as "*a bitter ideological enemy that is determined to bring about the physical annihilation of Israel.*" (Kaye, Nader, and Roshan 2012, 30). Nevertheless, this notion is apparent by Israel not raising objections on Pakistan possessing a nuclear bomb, as the number of Israeli security analysts points out because Pakistan does not threaten to destroy Israel (Kaye, Nader, and Roshan 2012, 31). For instance, former Israeli president Shimon Peres stated (Mozgovaya 2009),

"As Jews, after being subjected to the Holocaust, we cannot close our eyes in light of the grave danger emerging from Iran."

When assessing the Iranian point of view, it ought to be mentioned that Iran sees Israel and the United States' interests as nearly identical. Moreover, they perceive Israel ("zionist lobby") to have a significant influence on US decision-making. For example, the international sanctions are to no small extent orchestrated by Israel and executed by the US, rather than

¹⁴ "CEP—circular error probability—is used to measure the accuracy of missiles. In this case, a CEP of up to ten meters means that if one hundred missiles are fired at a particular target, about fifty of those will fall within a ten-meter circle around this target." (Herzog 2019, 16).

just consequences of broader concerns of the international community (Kaye, Nader, and Roshan 2012, 60). Iran also accused Israel of undermining Iran's regime, either by supporting antirevolutionary groups or by using Iraqi Kurdistan as a base for cross-border operations (Kaye, Nader, and Roshan 2012, 61,62).

Iran cannot conventionally compete with militarily superior Israel or the US. Therefore, Teheran has embraced asymmetrical military doctrine relying on the factor of deterrence by its proxies such as Hezbollah or Hamas and various Shia military groups. Besides, the strategy is quite similar to the US and Israel. However, Israel is by Iran's security establishment perceived as the United States' soft spot. With the development of missiles that can hit Israel's soil from Iran and supplying thousands of short and medium-range missiles to Hezbollah, Hamas, and Syria, Iran believes that showing its ability to strike Israel can deter the US from attacking Iran (Kaye, Nader, and Roshan 2012, 63,64). This notion will be even more appealing once Iran obtains a nuclear weapon.

Israel has also become Iran's direct geopolitical threat as a consequence of removing Iran's geopolitical rivals, the Taliban (2001) and Saddam Hussein (2003), at that time. As a result of this, Iran's influence in the Levant grows, and Israel is constantly trying to thwart and disrupt Iranian operations in the region (Kaye, Nader, and Roshan 2012, 65; Goldenberg et al. 2020, 1,8).

There is a competition between hard-liners and reformists in Iran's political arena. From 2013 to February 2020 parliamentary elections, the parliament was dominated by groups of reformists, centrists, and moderate conservatives. However, the recent elections meant a switch in the political balance of power. Principalists more than doubled its last election's results while the current establishment lost a significant number of seats. Nevertheless, the principalist's victory in the elections is of enormous significance because they are committed to a rigid interpretation of revolutionary principles. Furthermore, many new legislators were against the JCPOA in 2015, which was one of the main initiatives of Rouhani (Eshraghi and Mahdavi 2020). The rise of the principalists indicates a takeover of the Iranian government by IRGC. Two-thirds of the parliament's presiding board is either former members or still affiliated with the IRGC and its auxiliary organizations. For instance, the speaker of the parliament, Mohammad Bagher Ghalibaf, is a former brigadier general of the IRGC (Eshraghi and Mahdavi 2020). IRGC answers directly to the supreme leader and is responsible for

shaping Iran's national security strategy. Moreover, the IRGC provides support and training to Hezbollah, Hamas, and other proxies and allies in the region. The IRGC is more hostile toward Israel than any other government institutions; additionally, the IRGC controls Iran's missile forces and would probably control nuclear weapons (Kaye, Nader, and Roshan 2012, 75).

4.2 Case Study 1: Iran-Hezbollah

4.2.1 Hezbollah – The Party of God

Hezbollah did not emerge spontaneously; it was instead a product of broader social change within Lebanon. In the 1960s, two clerics Musa al-Sadr and Muhammad Hussein Fadlallah, arrived in Lebanon, parallel to the social and demographic transformations taking place in the community, paved the way for them to set in motion processes of social change. However, their views have differed; both were able to attract attention within the Lebanese Shia community. Consequently, the followers of al-Sadr united within the Amal movement, whereas Fadlallah's supporters were at the birth of Hezbollah (Azani 2011, 50).

Since Lebanon is a nation of many religious groups, in 1943, upon the political agreement, the political powers were distributed among Lebanon's predominant religious groups. Sunni Muslim must serve as the Prime Minister, Maronite Christian as the president, and Shiite Muslim as the speaker of the parliament. Ultimately, tensions between these groups resulted in the 15-year-long civil war (Robinson 2020).

During the 1960s and 1970s, a new Shiia middle class started to emerge. These were educated people such as lawyers, doctors, military men, et cetera, who wanted to participate in the political process but were rejected because of their Shiite descent. In addition, more and more Lebanese students joined religious seminaries in Iran (Qom), Iraq (Najaf), and newly established seminaries in Lebanon. Interestingly, religious training was encouraged by al-Sadr and Fadlallah. Furthermore, these activities were supported by Iran, even more after the Islamic revolution. Later, the students and graduates from these seminaries become the leadership class of the movement (Azani 2011, 50-51). Consequently, groups like Amal and Hezbollah provided a platform to the emerging middle class to change the Lebanese systems and simultaneously have their voice heard.

After the disappearance of prominent cleric Musa al-Sadr in 1978, the Shiia community had lost its unifying factor. As a result, the Shiites were divided into conservative, religious, and secular branches¹⁵. However, at that time, a marginal trend of extreme groups gathered around charismatic graduates from religious seminaries, such as Fadlallah (Azani 2011, 57).

The Islamic Revolution in Iran (1979) and Lebanese war (1982) only invigorated extremist groups in their revolutionary tendencies. The Shiite community was divided into two groups, the pragmatic and moderate majority, which sought to change the Lebanese political system from within. Moreover, the extremist minority saw the secular Lebanese system as illegitimate and was working towards its overthrow in a revolutionary act. Khomeini was the only source of authority (Azani 2011, 59).

Hezbollah was founded in 1982 as an umbrella for pro-Iranian Islamic groups that recognized the only authority of Ayatollah Khomeini. The movement was organized in Beqa Valley because it was far from the Lebanese government's influence, the Amal movement, and Israel. In July 1982, few hundreds of IRGC personnel arrived in the Beqa Valley to assist in the fight with Israel and with the foundation of Hezbollah (Azani 2011, 60).

4.2.2 Ideology and Goals

The Hezbollah's first manifesto, published in February 1985, which is known as *An Open Letter*, starts with a declaration of obedience to the Islamic Republic of Iran and Ayatollah Ruhollah Musawi Khomeini. "*We, the sons of Hizbullah's umma, whose vanguard God has given victory in Iran and which has established the nucleus of the world's central Islamic state, abide by the orders of a single, wise and just command represented by the guardianship of the jurisprudent (waliyy al-faqih), currently embodied in the supreme Ayatullah Ruhollah al-Musawi al-Khumayni... who has detonated the Muslims' revolution, and who is bringing about the glorious Islamic renaissance.*" (Alagha 2010, 41).

Moreover, in *An Open Letter*, Hezbollah's main objectives are defined as follows:

1. to expel Israel from Lebanese soil as the first stage of ultimate total annihilation of Israel and liberation of Jerusalem,

¹⁵ The *conservative* branch was at that time led by Kamal Assad, who was bounded with traditional political elite. The *religious* branch was led by Muhammad Mahdi Shams Al-Din, the head of the Supreme Shiite Council. The central figure of the *secular* branch was Nabih Berri, the general secretary of the Amal movement. See (Azani 2011, 57).

2. to expel foreign forces (Americans, French and their allies) definitely from Lebanon, *"thus rooting out any influence of any colonial power in Lebanon,"*
3. to submit Phalangists to just power and make them stand trial for crimes they committed against Muslims and Christians, through encouragement from America and Israel,
4. to allow Lebanon's populace to freely choose the form of government they desire, but they appeal to people to opt for an Islamic system of governance because it is the only system capable of guaranteeing justice and dignity to everyone (Alagha 2010, 43,44).

Furthermore, according to *An Open Letter*, the Lebanese political system is corrupt and illegitimate. It is a product of world arrogance and oppression; thus, it cannot be reformed or modified. Such a system can be changed only by revolutionary means. This view also determines Hezbollah's view on the opposition operating from within the political system. In other words, such opposition can achieve nothing since its interests ultimately converge with the existing regime (Alagha 2010, 45).

Section 15 of Hezbollah's program focuses on the necessity for the annihilation of Israel. Israel is portrayed as the greatest enemy for future generations because of its expansionist policy initiated in Palestine and yearning outward to the extension of Great Israel, from the Euphrates to the Nile. Additionally, the Hezbollah's struggle will only end when Israel is obliterated. Moreover, every attempt to negotiate with Israel is categorically denounced by Hezbollah because this would only legitimate *"Zionist occupation of Palestine."* Therefore Hezbollah will thwart any initiatives for mediation between Hezbollah and Israel as much as any other initiatives that would legitimize Israel (Alagha 2010, 48).

Another Hezbollah's manifesto was introduced in 2009 by Hassan Nasrallah. We can observe the adoration of the Islamic Republic of Iran again: *"Hizbullah considers Islamic Iran to be a focal nation in the Islamic world. For Iran was the country that thwarted the Zionist-American scheme through its national revolution, supported resistance movements in our region, and stood with courage and determination alongside Arab and Islamic causes, at the forefront of which is the Palestinian cause* (Alagha 2010, 131)." Nevertheless, Hezbollah had to modify its stance towards the Lebanese political system because it has become part of it in 1992. In fact, prior to the Lebanese parliamentary election, Hezbollah has been given the

"green light" by the Iranian supreme leader to enter the election (Azani 2013, 910). Therefore, the 2009 manifesto emphasized national unity, denounced sectarianism, and more importantly, it did not declare the Islamic government as the only viable option for the future (Alagha 2010, 125-127).

Another significant aspect of the 2009 manifesto is the unaltered attitude towards Israel. Again, the foundation of the State of Israel is compared to a crime against humanity. The part of subsection *The Palestinian Cause and the Zionist Entity* (Alagha 2010, 134) of the manifesto is a good illustration of Hezbollah's stance: "*The natural and inevitable consequence is for this usurper, artificial entity, to live an existential dilemma that haunts its leaders and supporters, for it is an abnormal creation, an entity that is not viable for continuity and that is prone to demise. Here lies the historical responsibility of the umma (Muslim nation) and its people to repudiate this entity whatever the pressures and challenges, and to drive forward for the liberation of all usurped land and the restoration of all pillaged rights irrespective of how long this takes and how great the sacrifices.*"

Through IRGC, Iran provided funds, support, and training to Hezbollah (Robinson, 2020). In return, Hezbollah maintained a pro-Iranian stance in accordance with its benefactor. As Azani and Karmon assert in their article *Hezbollah's role in the Present Israeli-Iranian Confrontation* (Azani and Karmon 2018, 2): "*The organization was formed by the Iranian regime, militarily armed, trained and advised by the Islamic Republic's Revolutionary Guard (IRGC) Al Quds Force and, according to its acceptance of the vilayat-e faqih concept, is ideologically and politically subservient to Ayatollah Khamenei and not to the Lebanese President, Parliament or government.*"

4.2.3 Iran's Funding to Hezbollah

Iran remains Hezbollah's primary benefactor. The latest data shows us that the estimated annual funding of Hezbollah by Iran was around 700-800 million dollars (as in 2017) (see Table 4) (ICT 2019, 26). On the other hand, as Clarke and Tabatabai (2019) point out, Hezbollah is able to generate another approximate amount of 300 million dollars through a broad portfolio of funding mechanisms, including transnational criminal activities. However, these activities are encouraged by Iran, concerning its intentions not to "build " entirely dependent proxies.

Hezbollah needs funds to maintain its comprehensive portfolio of activities such as militant-terrorist activities (weapons, fighters' salaries, etc.), social activities (running schools, hospitals, welfare institutions), and other organizational expenses. Teheran finances Hezbollah through two channels: (1) Government bodies – through IRGC-QF and Ministry of Foreign Affairs (Iran's embassies), (2) Semi-governmental bodies – there are many charitable foundations established after the Islamic revolution in 1979 under the authority of Ayatollah. These foundations and their branches in Lebanon support Hezbollah and the Shia population living in Lebanon as an instrument of exporting the Islamic revolution (ICT 2019, 26).

Table 4 Iran's Approximate Annual Funding of Hezbollah

1980s-1990	estimated annual subsidy of 140 million dollars
1990-2000	60 -100 million dollars
2000-2006	100 - 200 million dollars
2006-2009	200 - 300 million dollars
2010	100 - 150 million dollars
2012-2016	Increase in Iranian funds transferred to Hezbollah
2016-2017	700 – 800 million dollars
2018-2019	Decrease in Iranian funds transferred to Hezbollah (the US sanctions)

Source: (ICT 2019; DeVore 2012, 93), own creation

As Katzman (2020, 36-37) stresses out, Teheran's support for Hezbollah consists of training, financial support, and weapons transfers. When it comes to training, various sources describe Iran's military assistance to help Hezbollah establish itself, although the extent of this support is not clearly observed¹⁶. Moreover, in its report *Setting the Record Straight on Hezbollah* (ICT 2019, 30), the International Institute for Counter-Terrorism states, "Since 1982, Hezbollah's operational infrastructure has been built almost entirely with Iranian support...". Additionally, in Katzman's research piece (Katzman 2020, 36), he cites the US State Department reports on terrorism, which claims that thousands of Hezbollah fighters were trained at camps in Iran.

Iran also provides weapons to Hezbollah. From small arms and Katyusha rockets to more advanced anti-tank missiles, long-range surface-to-surface missiles, and anti-ship missiles

¹⁶ The number of IRGC advisors/personnel stationed in Lebanon to help establish Hezbollah and provide training varies from a few hundreds (see Byman, 2005, 87) to a few thousands (Katzman 2019, 36).

(UANI n.d.). Between 1992 and 2005, the number of short to medium-range missiles provided to Hezbollah was around 11,500. As a consequence of this support, Hezbollah was able to launch 3,970 rockets on Israel during the Second Lebanon war in 2006, according to Azani and Karmon (2018, 2), "*the first Iranian war against Israel.*" Since the end of the Second Lebanon war, the estimated number of rockets increased to approximately 150,000 (UANI n.d.).

However, most rockets are inaccurate, short-range missiles and Katyusha missiles; reports indicate that Iran has been upgrading Hezbollah's capabilities by converting a significant number of medium and long-range missiles into high-precision ones with a guidance system. Furthermore, these activities are dangerous for Israel because it is a small state, and despite its military might, the whole territory is within the range of Hezbollah's missiles. Consequently, adding high-precision missiles to the group's arsenal, Israeli population centers, critical, national, and military infrastructure would be even more dangerous (Herzog 2019, 4). Moreover, some reports from 2017 claim that IRGC had built weapon factories in Lebanon and handed them over to Hezbollah. This claim was supported by the former Iranian Defense Minister stating that "*Hezbollah now possesses the capabilities to build and produce any projectile or missile*" capable of reaching any location in Israel (Daoud 2017).

4.2.4 1982-2000

This phase begins with the formation of Hezbollah from several unorganized Shia militias operating in Lebanon. Many factors contributed to the establishment of Hezbollah (see subchapter 4.2.1). As DeVore (DeVore 2012, 92) points out, the first impetus to involve Iran came from Lebanese clerics who have had connections with Iran's Ayatollah Ruhollah Khomeini and asked him for support. Khomeini saw the opportunity to support the anti-Israel resistance movement to spread the Islamic revolution. At that time, the most influential Shia movement in Lebanon was Amal, which profiled itself as more of a secular movement; therefore, it was not the right potential agent for Iran to spread the Islamic revolution. In fact, it was in Iranian interest to weaken Amal and pave the way for Hezbollah, to become the dominant Shia force in Lebanon (Azani 2011, 63-65).

Iran persuaded Syria to make diplomatic concessions and allow Iran to use Syria-occupied Beka'a Valley as a safe haven and base for the anti-Israel resistance movement.

Subsequently, Iran sent 5,000 members of IRGC (which was later reduced to 1,500 and 300) to establish training camps and manage the influx of financial assistance that followed (DeVore 2012, 92). However, Iran's patronage went far beyond military training, arms supplies or financial support. Iran also sent clerics who engaged in indoctrination. Therefore, the Baalbeck area of the Bekaa Valley had grown into the microcosm of revolutionary Iran (Byman 2005, 92).

On the other hand, Iran's support for Hezbollah reflected its ideological concerns predominantly. As pointed out in subchapter 4.1, Iran and Israel have not been enemies historically; in fact, their relationship was very fruitful prior to the Islamic revolution in 1979. Hezbollah has indeed become the tool of Iranian influence by helping Iran to achieve its narrow objectives (Byman 2005, 94–96).

However, the focus of this thesis lies on Hezbollah as a tool for Israel's destabilization; it ought to be mentioned that Hezbollah performed various spectacular attacks against the US and other Western targets in Lebanon and abroad. Mainly, kidnappings of Western officials had become more and more common. Ultimately, it led to the reduction of Western influence in Lebanon, which was the goal of both Hezbollah and Iran (Azani 2011, 215; Byman 2005, 95).

Table 5 Past Major Terrorist Attacks on Israel Conducted by Hezbollah (1982-2000)

Date	Subject of the attack	Casualties
November 1983	The bombing of IDF HQ in Tyre, Lebanon	62
March 1992	The bombing of the Israeli Embassy in Buenos Aires, Argentina	29
July 1994	The bombing of a Jewish cultural center in Buenos Aires, Argentina.	85
July 1994	AC Flight 901 Attack	21

Source: (IDF 2018), own creation

In order to increase Hezbollah's popular support, the movement embarked on providing a wide range of social services. In the 1990s, Hezbollah was perceived as an actor who can

alone provide social services. However, these activities were dependent on Iran's financial assistance (DeVore 2012, 94).

Simultaneously, upon winning the "hearts and minds" of Lebanese people, Hezbollah cultivated its military strategy to expel foreigners, including Israelis from Lebanon. With the firm support from Iran, Hezbollah was able to embrace a long-run military strategy of its confrontation with Israel. Moreover, Hezbollah assessed that the only way to expel Israel is to "*build the organizational capacity to inflict a steady stream of casualties over a prolonged period of time, rather than to pursue spectacular results in the short term*" as DeVore (2012, 95) points out.

As Gabrielsen (2014) affirms, Hezbollah's military strategy against Israel comprised three dimensions (1) attrition warfare, (2) psychological warfare, and (3) rocket warfare. Combining these three dimensions rewarded Hezbollah strategists with the desired outcome, thus declining Israeli public support for the War (Gabrielsen 2014, 262). Consequently, that led to unilateral Israeli withdrawal from Lebanon.

With the decision to participate in the 1992 parliamentary elections in Lebanon, Hezbollah has entered the political arena. Notwithstanding, this decision was in conflict with *An Open Letter* (see subchapter 4.2.2.). The Lebanese political system is (in *An Open Letter*) perceived as corrupt and rotten, and participation in it would legitimize it. On the other hand, Hezbollah's participation in the elections was also encouraged by Teheran. Moreover, in the elections, Hezbollah's movement *Kotelet Al-Wafa lil-Muqawama* (Loyalty to the Resistance Bloc) won 8 seats, which was perceived as a huge victory (Azani 2013, 909-911). In entering the Lebanese political system, Hezbollah has become a hybrid terrorist organization operating in three "sectors "(1) civilian (social welfare, religious education), (2) military (resistance, Jihad), (3) political (Azani 2013, 911).

Between 1992 and 1996, the peace talks about the possible peace agreement between Israel and Syria took place. However, according to Iran, the peace deal would only strengthen Syria's position in Lebanon; moreover, it would expose Syria to American pressure. These two factors concerned both Iran and its Lebanese ally, Hezbollah. As a consequence, Hezbollah started escalation in South Lebanon, intending to thwart the peace talks. As a result of the increased number of missiles fired on the northern part of Israel, Israel

launched Operation Grapes of Wrath. Ultimately, the Syrian inability to restrain Hezbollah's activities against Israel and subsequent Israel's retaliation ruined the process (Azani 2011, 191–93; Kessler 2000, 78).

It is worth mentioning that Iran had strategic reasons to thwart the peace talks (strengthened Syria's position in Lebanon and its exposure to American pressure). On the other hand, Hezbollah's position was more ideological. In fact, as *An Open Letter* asserts, any official talks or agreement with Israel would legitimize Israel as a country. Therefore it does not matter what the outcome of talks would be; Hezbollah is fundamentally against it.

4.2.5 2000-Present

After the Israeli withdrawal from Lebanon in 2000, Hezbollah's aim had changed from getting the IDF out of Lebanon to prevent the IDF from getting in. Moreover, it had to transform its forces from "high mobility to high fixation into the ground (Gabrielsen 2014, 263). Hezbollah, with the help of IRGC-QF, started fortifying its positions along the border with Israel. Furthermore, the movement started to build a defense system against possible Israeli invasion. Consequently, the fact that the construction of Hezbollah's military array took place without any interruption from the Lebanese government or Israel provided the basis upon which the movement's deterrence against Israel was established (Azani 2011, 234).

Along with building Hezbollah's military array, they started to carry out regular operational activities against IDF in the border area, including intrusions, firing Katyusha missiles, or placing explosive devices along the border, and kidnappings. These activities were taking place, notwithstanding Ehud Barak's statement that any Hezbollah's offensive action against Israel will spark a massive retaliation against the Lebanese regime or Syrian targets (Azani 2011, 233).

In the succeeding years after the Israeli withdrawal from Lebanon, the Middle East's geopolitical situation started to change. The US "helped" Iran deprive it of its enemies (Taliban in 2001, Saddam Hussein in 2003). Moreover, after the Syrian withdrawal from Lebanon, Iran was the only foreign power left with its military presence on Lebanese soil. Consequently, it provided Iran and Hezbollah with bigger maneuvering space to turn Hezbollah into the most potent military force in Lebanon (Azani 2011, 235).

Following the Israeli withdrawal, Hezbollah needed to find a pretext to continue in its "resistance" activities. Hezbollah then announced that it would continue until all Lebanese land (Shab'a Farms) and prisoners were liberated. Furthermore, in June 2001, Nasrallah stated that *"our struggle with the Zionist enemy is not a broader conflict between two countries, but a confrontation with an entity is the destruction of our survival and future"* (Henkin 2014, 130).

In 2005 and 2006, Hezbollah escalated its operations against Israel. They wanted to achieve the release of Lebanese prisoners by kidnaping Israeli soldiers, and this tactic had proven to be effective. Nevertheless, it was the abduction of Israeli soldiers in 2006 that provoked massive Israeli retaliation that is known as the Second Lebanon War. On the other hand, after the War, Nasrallah claimed that the abduction of Israeli soldiers was just a pretext for an invasion that had been planned no matter what (Henkin 2014, 128,132). Prior to War, Iran built Hezbollah's capabilities defense primarily through IRGC and its Quds Force. Those activities comprised training and military practices in Quds Force camps in Lebanon and Iran. Moreover, the Quds Force directly participated in the Second Lebanon War alongside Hezbollah and was integrated into the movement's commanding bodies (Azani 2011, 235-236).

Because of the massive Iranian support to Hezbollah, when the war broke out, Hezbollah held at its disposal around 11,500 missiles. As a result, Hezbollah was able to fire around 3,700 missiles on Lebanon during the month-long war, killing 43 civilians and wounded 1,489 (Gabrielsen 2014, 266).

The Second Lebanon War is by far the last significant military engagement. Since then, Hezbollah carried out only seven overt military actions against IDF (Blanford 2020). The reason behind relative silence on the northern Israeli border is, according to some analysts, that the war served its purpose. Hezbollah has proven itself to be a powerful actor that can inflict huge damages in Israel. On the other hand, the IDF destroyed a significant portion of Lebanon's infrastructure in general and Hezbollah's in particular. Moreover, Hezbollah's missile power was intended to create deterrence against Israel in order to prevent an Israeli attack in Iran. Therefore the relative "silence" on Israel's northern border could be interpreted from the Iranian perspective when Iran has no intention of heating up the sector (Henkin 2014, 136).

Dr. Shimon Shapira (2012) claims that *"Hezbollah has become a central component of Iran's deterrent strategy toward Israel and is considered Iran's first line of defense in potential conflict with Israel."* Additionally, on September 8, 2012, the military advisor of the Iranian supreme leader, Gen. Yahya Rahim Safavi, made a statement saying, *"If the Zionist regime does anything against us, resistance groups – especially the Lebanese Hizbullah – as our strategic defensive depth, will give response to this regime more easily."* On the same occasion, the Deputy Commander of IRGC Gen. Hossein Salami declared that in case of an Israeli attack in Iran, *"we will take the war to the borders of the enemies"* (Shapira 2012).

It seems like, since Hezbollah (and Iran) had established its deterrence against Israel, strengthened its position within the Lebanese political system, the movement can focus on more pressing issues such as fighting Sunni groups in Syria and Iraq. Moreover, as Blanford (2020) points out, Israel is not perceived as the biggest threat for Lebanese Shias in recent years. It is rather Sunni groups like ISIS that has staged several bombings in Shia populated areas of Lebanon.

As mentioned in subchapter 4.1., Iran seeks through its involvement in Syria to establish a "land corridor" that can connect Iran with the Mediterranean Sea. Hence, Iran would be able to provide support to its allies in Lebanon and Syria. Apart from growing influence in the Levant, Iran's aim is to create another front along Syria's border with Israel. In addition, Herzog (Herzog 2019, 2) claims that Hezbollah was tasked with building operational infrastructure in Southern Syria.

However, some analysts claim that the Iran-Hezbollah relationship should be labeled as partnership; Hanin Ghadar (2019) argues that Hezbollah's involvement in Syria proves the relationship is that of principal and proxy. At first, Hezbollah had justified its involvement in Syria by protecting Lebanon's border and Shias within Syria. Nevertheless, its involvement in the Battle of Aleppo (non-Shia city far from Lebanon's border) damaged that rationale. Ghadar refers to the interviews with the number of Hezbollah's fighters and officials, claiming the Aleppo deployment was ordered by Iran. Moreover, they say that Hezbollah's military was initially against the deployment, but then-IRGC QF commander Qasem

Soleimani¹⁷ forced them. When concerns among Hezbollah's commanders were raised, Soleimani cut salaries for three months or until Hezbollah did what he asked.

4.2.6 Scope Conditions

To utilize the theoretical framework discussed in Chapter 3, we need to determine whether the parameters of Case study 1 fit the theory's scope conditions. The first condition is that the agent (in this case, Hezbollah) has a relative advantage over the principal due to a particular level of expertise, familiarity with the problem, or a lower cost of dealing with the problem (Berman and Lake 2019, 12). Hezbollah has proven itself a competent actor, responsible for various terrorist attacks against Israeli and other western targets in Lebanon and abroad. For instance, terrorist attacks on the Israeli Embassy in Buenos Aires in 1992 and the 1994 car bombing of the Jewish welfare center also in the Argentinian capital city (Byman 2005, 88). Moreover, the increase of Israel's casualties due to Hezbollah's attacks led to Israel's withdrawal from Lebanon in 2000 (Nanes 2019, 124). Delegation to Hezbollah also showed a lower cost of dealing with the problem (Israel). Put merely, Hezbollah is present right on the border with Israel (geographical proximity), and it also provides Iran with lower political costs (plausible deniability). In this particular case, Hezbollah is a vital factor of Iran's deterrence policy towards Israel (Azani and Karmon 2018, 2; Herzog 2019, 14).

The second condition is that the agent is subordinate to the principal. According to its manifestos, Hezbollah is politically and ideologically subservient to the Iranian supreme leader (Azani and Karmon 2018, 2) (see subchapter 4.2.2.). Furthermore, in the report of the International Institute for Counter-Terrorism (ICT 2019, 30), Sheikh Naim Qassem, Nasrallah's deputy, emphasized that "*Hezbollah cannot launch an operation against Israel without religious justification from Iran's ruling cleric.*" Apart from this, having been Hezbollah's biggest benefactor, Iran has the means to compel Hezbollah to act accordingly with its interests. Moreover, Berman and Lake (2019, 13) bring the option of military or diplomatic confrontation with the agent. In case that the agent is a leader, the principal can have him removed by regime change or support for a rival group. Although this possibility is implausible since Hezbollah has become the leading force in Lebanese politics (Katzman 2020, 36), it can seek more independence, and its goals might differ from the Iranian ones. Therefore, Iran might be willing for the agent's change.

¹⁷ Qasem Soleimani was killed in January 2020 (see subchapter 4.1.).

The last condition is the existence of private information on the side of the agent. This parameter is a little bit tricky because of the interconnectedness of Hezbollah and Iran. Especially in the 1980s, every Hezbollah's major decision was vetted with Teheran (Byman 2005, 89). At the initial phase of the movement, Hezbollah's governing body was the seven-member Shura Council led by Iranians (Azani 2013, 903). However, the structure of the decision-making body evolved over time. Since 1992 the secretary-general who oversees the Shura Council is Hassan Nasrallah (Robinson, 2020). Byman (2005, 90) claims that Iran ties are solid to Hezbollah's terrorist wing, moreover certain Lebanese clans that are affiliated to Hezbollah work directly with Iranians, for instance, Musawis.¹⁸ Furthermore, Byman mentions that the former head of Hezbollah's Jihad Council Imad Mugniyah¹⁹ was reporting directly to the Iranians. To further illustrate the relationship between Iran and Hezbollah, we can use the quotation of the first Hezbollah's Secretary-General Subhi al-Tufeili "*Our relationship with the Islamic revolution [in Iran] is one of a junior to a senior . . . of a soldier to his commander*" (Kramer 1990).

Azani and Karmon (2018, 3) emphasize that since the end of the Second Lebanon War and particularly after the death of Imad Mugniyah, Hezbollah is increasingly reliant on the IRGC-Quds Force. The Quds Force controls the decision-making process tighter than ever before through coaches/commanders stationed in Hezbollah's units. Additionally, Iranian supervision over Hezbollah has increased significantly since its deployment on Syrian soil (Ghadar 2017).

To conclude, we can assert that even in this case, private information exists on the side of Hezbollah. However, it is surely less significant than in the next case.

4.2.7 Theoretical Expectations

In subchapter 4.1, we described the dynamics of the Iran-Israel relationship. Iran sees Israel as its direct geopolitical threat after removing the Taliban in 2001 and Saddam Hussein's regime in 2003. Nevertheless, Iran's conventional capabilities cannot compete with Israel's military might. Therefore Iran has to deter Israel through possession of nuclear weapons or

¹⁸ For instance, Abbas al-Musawi (1952-1992), Hezbollah's second Secretary General. Killed by IDF in 1992. After his death, he was replaced by Hassan Nasrallah.

¹⁹ Imad Mugniyah (1962-2008) was killed in Damascus, probably by IDF.

the retaliatory capacity of its proxies. The former is not the case right now because Iran does not possess a nuclear weapon, so it must rely on the latter.

It is in the principal's interest to engage in a P-A relationship with an agent who shows a lower cost of effort. Two factors influence the cost of effort: (1) direct costs of addressing disturbance/acting accordingly with the contract, and (2) divergent preferences over the problem. Hence, from the theoretical point of view, Hezbollah's interests are closely aligned with those of Iran. In general, both Iran and Hezbollah view Israel as its adversary. Moreover, Hezbollah's geographical proximity to Israel, level of expertise, interests alignment with Iran decrease the cost of effort. In this case, we could assume that Iran is more engaged in the capacity building of Hezbollah. However, in the implicit contract between the principal and the agent, incentives should not be contingent on the disturbance level but rather on the agent's ability to act according to the contract. Iran wants Hezbollah to be viewed as a force that needs to be taken into account, and the capacity building should provide that.

In the thesis, we express that Iran uses Hezbollah to promote destabilization in Israel. However, destabilization can be achieved externally and internally. Externally, by the attacks in Israel abroad (1992 Israeli Embassy Bombing in Buenos Aires) and internally by conducting terrorist attacks on Israeli soil or launching missiles on Israel's civilian targets (almost 4,000 rockets were launched in Israel during the month-long Second Lebanon War in 2006). There is also a factor of constant threat upon Israel amplified by the ever-growing Hezbollah's missile arsenal.

As the theory suggests, the principal should engage in the agent's capacity-building when there is a strong alignment of interests. Moreover, the principal is more likely to reward the agent if the agent acts in accordance with the contract.

Alternatively, we should pay attention to Hezbollah's different management within its engagement in Syria because some military operation that involved Hezbollah's operatives was not in the interest of the movement. Therefore, Iran should use incentives to compel Hezbollah to act by Iran's directives. On the other hand, it is not likely that Iran would engage in some military action against Hezbollah because it is still Teheran's most powerful tool of influence. Alternatively, Iran can temporarily reduce the flow of financial aid.

Table 6 Theoretical Expectations and Summary, Iran-Hezbollah

Case (period)	Interests alignment/goals	Theoretical expectation	Observed action
Iran-Hezbollah (1985-2000)	<ul style="list-style-type: none"> • Strong alignment of interests. • Israel - a common enemy • Iran, Hezbollah - complete withdrawal of the foreign and Israel forces from Lebanon • Iran, Hezbollah - thwarting any kind of multilateral deal on Israel's withdrawal from Lebanon. 	<ul style="list-style-type: none"> • Strong interest alignment – capacity building (H8) • If the agent complies with the principal's interests, the principal should provide rewards to the agent (H3). 	<ul style="list-style-type: none"> • Israel's withdrawal from Lebanon's territory was in the interest of both actors. • Strong alignment of interests enabled Iran to build Hezbollah's capacities to conduct attacks against Israel and preserve plausible deniability. • Hezbollah's resistance with Iranian support forced Israel to unilaterally withdraw from Lebanon.
Iran-Hezbollah (2000-present)	<ul style="list-style-type: none"> • Strong interests alignment. • Israel has become the primary enemy of Iran (geopolitical changes). • Hezbollah – justification of armed resistance after IDF withdrawal • Both Iran and Hezbollah seek to establish deterrence against Israel. • Iran - seeks to utilize Hezbollah in achieving its goals. 	<ul style="list-style-type: none"> • Interest alignment – capacity building (H8). • If the agent complies, - the principal should provide rewards to the agent (H3). • If the agent does not comply, the principal should use punishments to compel the agent (H5). 	<ul style="list-style-type: none"> • Unprecedented capacity building of Hezbollah. • IRGC QF took part in the Second Lebanon War and repaired damaged infrastructure after. • Hezbollah as a deterrent against Israel. • Iran seeks to open the third front with Israel in Syria with Hezb. help. Iran has to use incentives to compel Hezb. to

Source: author

4.3 Case Study 2: Israel-Hamas

4.3.1 Hamas – Islamic Resistance Movement

Hamas is an acronym for *Harakat al-Muqawama al-Islamiya* (Islamic Resistance Movement) or an Arabic word meaning "zeal." The organization was founded in December 1987 by Sheikh Ahmed Yassin as the branch of the Egyptian Muslim Brotherhood (Levitt 2006, 8). Hamas comprises three interrelated wings (1) social welfare, (2) political and, (3) military (Izz ad-Din al-Qassam Brigades) wings. The group's overarching decision-making body is the Shura Council that supervises several committees responsible for a comprehensive portfolio of activities. On the local level, there are committees in Gaza and the West Bank answering to the Shura Council and its committees. According to a senior Hamas official, the Shura Council includes representatives from the Movement's four centers, the West Bank, the Gaza Strip, abroad, and Hamas members imprisoned in Israel (Levitt 2006, 9-10). Hamas is formally organized as a bureaucratic hierarchy topped by the Shure Council, followed by the Political Bureau, several smaller regional Shura Councils, and local cells. Up until 2012, the Political bureau was located in Damascus, but due to the worsened security situation and deteriorating relations between the Movement and Syria, the body moved to Qatar (Berti 2013, 88; Mandaville 2014, 282).

Hamas provides a vast spectrum of social services in Gaza, including schools, charities, social activities, youth camps, etc. In 2006, Hamas had won the Palestinian Legislative Council elections and in 2007 expelled the Palestinian Authority (PA) and Fatah from Gaza in a violent takeover (Bureau of Counterterrorism 2019, 257). That resulted in the bifurcation of Gaza and the West Bank while Fatah maintained control of the West Bank and Hamas since then asserts authority over Gaza (Laub 2014). In 1997, Hamas was deemed by the US as a Foreign terrorist organization (Bureau of Counterterrorism 2019, 257).

4.3.2 Ideology and Goals

On August 18, 1988, Hamas issued "*The Covenant of the Islamic Resistance Movement.*" The document explains Hamas's ideology and objectives (The Avalon Project 2008). In Article 1, the Movement describes itself as an Islamic movement "*The Movement's program is Islam From it, it draws its ideas, ways of thinking and understanding of the universe, life and man.*"

It resorts to it for judgment in all its conduct, and it is inspired by it for guidance of its steps."

The Movement's slogan is mentioned in Article 8, and it shows the centrality of *Jihad* in Hamas's strategies: *"Allah is its target, the Prophet is its model, the Koran its constitution: Jihad is its path and death for the sake of Allah is the loftiest of its wishes."*

Moreover, one of Hamas's goals is the establishment of an Islamic state. They reject any peaceful solution to the "Palestinian question." According to the document, the only solution is *Jihad*, and seeking Palestine's liberation is every Muslim's duty (Articles 13, 14).

In Article 20, the State of Israel is compared to the Nazis. More importantly, Israel's ultimate aim is to annihilate Islam (Articles 20 and 28). Additionally, in the following article, they emphasize the need to extend financial and moral support to all those in need.

"The Islamic Resistance Movement considers itself to be the spearhead of the circle of struggle with world Zionism and a step on the road. The Movement adds its efforts to the efforts of all those who are active in the Palestinian arena. Arab and Islamic Peoples should augment by further steps on their part; Islamic groupings all over the Arab world should also do the same, since all of these are the best-equipped for the future role in the fight with the warmongering Jews." (Article 32).

As Matthew Lewitt (2006, 8) claims, Hamas seeks to destroy the State of Israel and establish an Islamist state on its territory. There are three strategies instrumental in achieving these goals: (1) social welfare activities to win the "hearts and minds" of the population, (2) political struggle with the Palestinian Liberation Organization (PLO) and, (3) guerilla and terrorist attack against Israeli soldiers and civilians.

However, Hamas leaders claimed that the Movement's charter is evolving in the same manner as the US treatment of slavery, given the changing circumstances. In an interview, deputy of then-Hamas leader Khaled Meshaal stated, *"The Hamas Charter pledge to destroy the Zionist state had become a false issue."* And Hamas is willing to negotiate peacefully with Israel under the right circumstances (Falk 2012).

In 2017, Hamas issued a new document called *Hamas: General Principles and Policies* (Hamas 2017). Article 16 says, *"Hamas affirms that its conflict is with the Zionist project not with the Jews because of their religion. Hamas does not wage a struggle against the Jews because they are Jewish but wages a struggle against the Zionists who occupy Palestine."*

That indicates that the conflict is more of political rather than religious in nature. However, it maintains the Liberation of Palestine as a duty of every Arab in general and every Palestinian in particular (Article 24). Moreover, Article 26 expresses that the resistance is an integral part of the conflict, and Hamas rejects any attempt to undermine it "*Managing resistance, in terms of escalation or de-escalation, or in terms of diversifying the means and methods, is an integral part of the process of managing the conflict and should not be at the expense of the principle of resistance.*"

4.3.3 Hamas's Funding

The *Country Reports on Terrorism 2019* (Bureau for Counterterrorism, 2019, 258) vaguely claims that "*Hamas has received funding, weapons and training from Iran and raises funds in Gulf countries. The group receives donations from some Palestinian and other expatriates as well as from its own charity organizations.*"

Additionally, Matthew Lewitt (2006, 171) says that apart from tens of millions of dollars raised from foreign charities, criminal enterprises, money laundering, individuals and businesses, foreign governments are also huge sponsors. Hamas's state beneficiaries included Iran, Syria, Lebanon, Saudi Arabia, Libya, Sudan, Yemen, and Qatar. Nevertheless, the nature of the support varies from state to state. It could be direct state funding like Iran's case or providing safe havens for wanted activists or simply not making life harder for Hamas within a state's territory.

Moreover, since Hamas is a designated terrorist group, the Western support provided to PLO and continues to be provided in the West Bank has been terminated in Gaza. Apart from this, in 2006-2007, Israel and Egypt closed their borders with Gaza, therefore restricting the Movement of people and goods. Additionally, geopolitical changes isolated Hamas politically and financially. Abdel Fattah al-Sisi's military-backed regime in Egypt is hostile to Hamas because it sees the organization as a branch of the Muslim Brotherhood (Laub 2014).

Furthermore, the Iranian involvement in the Syrian Civil War has become a bone of contention between Iran and Hamas, since Teheran supports the regime of Bashar Assad and Hamas, the opposition. The relationship experienced another blow in 2015 when Hamas declared support for the Saudi-led offensive against Houthis, the actor supported by Iran in Yemen. Nevertheless, in 2017 the relations have started normalizing. In 2017, newly elected

Hamas leader in Gaza, Yahya Sinwar claimed, "*The relationship today is developing and returning to what it was in the old days...this will be reflected in the resistance (against Israel) and in (Hamass's) agenda to achieve the liberation*"(Al-Mughrabi 2017; Levin 2018). According to Forbes in 2017 (Zehorai 2018), Hamas was the third richest terrorist organization after Hezbollah and the Taliban, with an annual income of around \$700 million.

4.3.4 2007-2019

The Israeli withdrawal from the Gaza Strip in 2005 brought many new security challenges. IDF needed to prevent Gaza from becoming a source of violence against Israel without a permanent military presence. Moreover, there were two significant security challenges IDF had to address: (1) fighters incursions into Israel intending to harm Israeli soldiers and civilians (terrorist attacks) and (2) an increase in launching rockets and mortars into Israel as a form of resistance (Nanes 2019, 126).

Many militant groups are operating in Gaza, including Palestinian Islamic Jihad (PIJ), the Popular Resistance Committee (PRC), the Army of Islam, or the Sheikh Omar Brigades. However, Hamas has been the most potent group, also having an arsenal of long-range rockets with the ability to reach large cities in Israel at its disposal (Nanes 2019, 126-127).

After Hamas ousted secular Palestinian Fatah from Gaza in 2007, the group engaged in periods of violent escalation and de-escalation with Israel. As we can see, Figure 2 shows the number of rocket attacks launched from Gaza to Israel; there were periods of relative silence followed by periods of violence. Israel is acting in accordance with the "*moving the grass*" strategy. It means that after a period of military restraint, Israel launched a military operation that severely degraded Hamas's military capabilities (Inbar and Shamir 2014).

On the other hand, Byman (2014) argues that the "*moving the grass.*" strategy intends to keep Hamas weak, but it is not in Israeli interests to make Hamas too weak because it would make attacks conducted by other militant groups (like PIJ) more likely, and disarming Hamas would lead to Gaza being controlled by more extreme groups.

As we can see, there are three years with a significant number of rockets launched on the Israeli territory from the Gaza Strip (2008, 2012 and 2014). In these years, the major military escalations took place.

On February 27, 2008, Palestinian militants fired more than 40 Qassam rockets into Southern Israel, killing one person. A few hours later, Israel retaliated, destroying the Palestinian Ministry of Interior, rocket manufacturing and launching sites, and a headquarters building (CNN 2008). On February 29, Israel launched Operation Hot Winter. Besides targeting military and political assets belonging to Hamas, around 110 Palestinians were killed during the operation (BBC 2008).

On December 27, 2008, Israel launched another offensive named Operation Cast Lead. The operation was set in motion as a consequence of an increased number of rockets fired in Israel from November until the first half of December. Moreover, the Operation comprised air and ground offensive that struck Hamas military as well as civilian infrastructure. Israelis claimed that the reason for launching the Operation was to stop firing rockets in Israel and reduce Hamas's fighting force (BBC, 2008). According to *The Israeli Information Center for Human Rights in the Occupied Territories*, 1,391 Palestinians were killed in Gaza during the campaign (B'Tselem n.d.).

Another escalation took place in 2012 and in March that year, the IDF killed PRC's secretary Zhair al-Qaisi. This targeted killing resulted in another escalation of violence. During the first half of November 2012, more than 200 rockets and mortars were fired into Israel from Gaza. Consequently, Israel launched the 8-day-long Operation, Pillar of Defense. During the conflict, Hamas and other Palestinian militias fired almost 1,500 rockets into Israel, hitting Tel Aviv for the first time since the Iraqi Scud Attack during the 1991 Gulf War. In response, IDF hit around 1,500 targets, including Hamas military and government infrastructure (Cohen et al. 2017, 4).

In June 2014, Hamas and Israel experienced further escalation. On June 12, three Israeli teenagers were abducted in the West Bank, and after an 18-day-long search, their bodies were found buried under a pile of rocks. Following the discovery of dead teenagers, Israeli Prime Minister Benjamin Netanyahu said, "*Hamas is responsible, and Hamas will pay.*" (Rudoren and Kershner 2014). Subsequently, after the abduction, Israel arrested a significant number of Hamas affiliates in the West Bank. Nevertheless, when the raids intensified, Hamas and other militant groups in Gaza increased the number of rockets launched in Israel. However, reports claim that Hamas had tried to convince other militant groups not to escalate the situation, but their attempt failed (Al-Ghoul 2014). Operation

Protective Edge began on July 8, 2014, and comprised three phases: (1) air campaign (July 8-16), (2) ground campaign (July 17-Aug. 4), and (3) elusive cease-fire (Aug. 14-26). During the first phase, IDF targeted Hamas militants and infrastructure. Although the air campaign could not destroy Hamas's tunnel network, it was supported by the ground campaign. On August 26, Hamas and Israel agreed on the cease-fire leaving 66 Israeli soldiers and six civilians dead. On the Palestinian side, the UN reports indicate 2,133 Palestinians were killed, of whom 1,489 were civilians (Cohen et al. 2017, 5-6).

In 2018 and 2019, we saw another escalation of violence. On March 30, 2018, the Gaza border protest sparked. It was a series of demonstrations called by the organizers *the Great March of Return*. The purpose of the demonstrations was to allow Palestinian refugees to return to the lands they were displaced from in what is now Israel. However, the protest was non-violent at first. Young men had approached the border fence where they engaged in committing acts of violence towards Israel. Consequently, it resulted in Palestinian casualties and subsequent rocket launches into Israel and Israel's retaliation (Khoury, Kubovich, and Zikri 2018).

In November 2018, over 500 rockets and mortars within 48 hours were launched from Gaza into Israel as a reaction to a botched IDF commando raid in the Gaza Strip (Ahronheim 2018). In retaliation, IDF fighter jets attacked dozens of Hamas and PIJ military targets (MFA 2018).

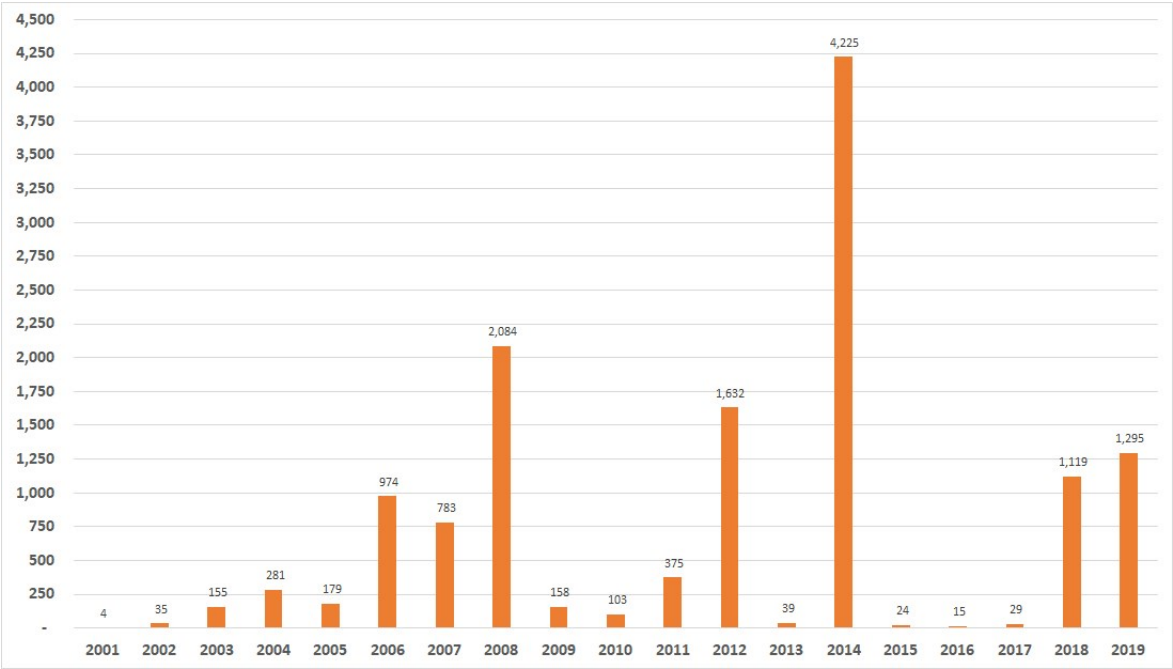
In early May 2019, another escalation of violence took place. During Friday's protest near the Gaza border fence, a Palestinian gunman shot and wounded two Israeli soldiers. IDF responded with an airstrike killing two militants. Within the following weekend, Palestinian militants had fired over 600 rockets into Israel, according to IDF. IDF again retaliated with airstrikes against Hamas and PIJ military targets (BBC 2019).

Following the targeted assassination of the PIJ commander Bahaa abu al-Ata in November 2019, the group fired over 400 rockets in Israel. And IDF again retaliated, but against PIJ, not Hamas's positions. However, Israel still holds Hamas responsible for any violent activity stemming from the Gaza strip. At this time, they retaliated only on the PIJ targets (Ahronheim 2019).

During the time period analyzed in the thesis, Israel's standpoint towards any violence emanating from the Gaza Strip had been constant. Israel holds Hamas responsible for any

violent actions towards Israel stemming from the Gaza Strip (MFA 2018). On the other hand, following the assassination of the PIJ commander in November 2019, IDF Chief of Staff Lt.-Gen. Aviv Kochavi claimed “(PIJ) acted in every way to sabotage attempts for (Israel’s) calm with Hamas.” Therefore the IDF retaliation on the rocket launches was targeted on PIJ assets (Ahronheim 2019).

Figure 2 Rocket Attacks Launched from Gaza (2001-2019)



Source: <https://www.jewishvirtuallibrary.org/>

4.3.5 Scope Conditions

Hamas has a relative advantage in dealing with disturbance. Disturbance, in this case, means the attacks in Israel emanating from the Gaza Strip. Hamas de-facto governs Gaza, thus has the authority over the area. Moreover, Israel does not want to engage in another long-term Gaza occupation (Byman 2014), so delegating responsibility to Hamas significantly reduces Israel’s cost of dealing with the problem.

This case also meets the second scope condition. Hamas is subordinate to Israel. In the Israel-Hamas case, the critical factor is Israel’s military superiority. As a result, Israel can utilize severe punishments for any Hamas violent action towards Israel. Furthermore, Israel does not hesitate to launch a ground operation in Gaza, as we could see in the cases presented above.

Since both actors are enemies, there is private information on the side of the agent. Additionally, because Israel cannot observe Hamas's level of effort to suppress the violence/disturbance coming from Gaza, the scope of punishments must be determined by the level of disturbance. Nevertheless, the disturbance can occur randomly, and it does not have to reflect the level of effort exerted by Hamas. Therefore, Israel can unfairly punish Hamas despite the high level of exerted effort. As we could see above, from an Israeli point of view, Hamas is responsible for any rocket launch from Gaza, notwithstanding who the actual perpetrator is. Moreover, it does not matter if Hamas tried to prevent it.

4.3.6 Theoretical Expectations

As we can see, this case is somewhat unexpected because of the extreme misalignment of interests. In fact, in its founding charter, Hamas declares Israel's destruction as one of its goals. On the other hand, Israel also sees Hamas as a terrorist entity. Nevertheless, as the theory suggests, the principal-agent relationship can be established even in such extreme cases.

On the other hand, both Israel and Hamas would benefit from suppressing other militant groups in Gaza. We must consider though that Hamas still portrays itself as a resistance movement, so how would the organization justify cracking down on other movements following the same goal? We can observe the divergence in declared and pragmatic interests. Hamas, in its founding charter, has declared itself as a resistance movement. Notwithstanding, it seeks to preserve its dominant position in the Gaza Strip. Furthermore, as a de-facto government of Gaza, Hamas should focus on improving Gazans' living conditions to maintain public support. Nevertheless, frequent Israeli raids, usually killing dozens of civilians and destroying infrastructure does not contribute to this goal.

Since the interests are not aligned, Israel should engage in Hamas's management through indirect control rather than capacity building, using high-powered rewards and punishments (H2, H4, H7). Moreover, when the agent's cost of effort is too high, the principal should directly intervene or do nothing (H1). This might be a case when violence has already escalated because of some Hamas rival group's actions, and it is not politically viable for Hamas to stop it because in doing so, the movement would deviate from its primary interest, resistance. In such a case, IDF cannot do anything but endure the disturbance or temporarily intervene directly.

Table 7 Theoretical Expectations and Summary, Israel-Hamas

Case (period)	Interests alignment/goals	Theoretical expectation	Observed action
Israel-Hamas (2007-2019)	<ul style="list-style-type: none"> • Strong misalignment of interests. • Both actors regard each other as opponents. • Hamas defines itself as a resistance movement. • Hamas seeks to preserve its dominant status within Gaza. • Israel seeks to suppress violence stemming from Gaza through Hamas. • Israel wants to keep Hamas weak, but not too weak, because other factions in Gaza are more radical. 	<ul style="list-style-type: none"> • Interests are not aligned. Israel should engage in Hamas's management through indirect control rather than capacity building, using high-powered rewards and punishments (H2, H4, H7). • When the agent's cost of effort is too high, the principal should directly intervene or do nothing (H1). 	<ul style="list-style-type: none"> • Israel did not engage in capacity building. • Israel used high-powered incentives to control Hamas. • Israel considers Hamas as responsible for any violence emanating from the Gaza strip. • Hamas's positions are subjected to Israeli retaliation even though Hamas is not accountable for a particular attack. • If Hamas's costs of action to suppress disturbance are too high, Israel is willing to intervene directly. • 2018 – shift in retaliation patterns • Israel identified as a source of disturbance PIJ and retaliated solely on PIJ infrastructure → reward to Hamas?

Source: author

4.4 Case Study 3: Hybrid Agent-Hamas?

The following case study is slightly different from the previous ones. In the Hamas case, the author demonstrates that two adversaries can establish a principal-agent relationship with the same actor. However, the dynamics of these relationships are significantly different in both cases. Table 7 summarizes the relationship between Hamas and Israel. Although both actors' interests are contradictory, we have proven that the principal-agent relationship can be established. In the following paragraphs, we will explore the principal-agent relationship between Iran and Hamas.

4.4.1 Iran's Reasons to Delegate to Hamas

In this case, we will focus on the period between 2006 and 2017. It is because this period is covered in the previous chapter (see chapter 4.3), but more importantly, in 2006, Hamas gained another potential asset that could have been exploited by Iran hence *governing capabilities*. Until then, Iran had been profiting from Hamas's skills in asymmetric warfare and Palestinian identity. Hamas had proven its skills in asymmetric tactics during the First Intifada (Mishal and Sela 2006, 18). Its Palestinian identity proved itself to be a great asset when Iran tried to disrupt the peace process. Particularly, if Iran was seen as an instigator of violence, it would not affect the peace process. Nevertheless, Hamas was not a party in the peace talks in the 1990s, but PLO (Palestine Liberation Organization) was perceived as the sole representative of the Palestinian community, therefore responsible for any violence stemming from it (Thomson 2012, 91). We can say that the PLO in the '90s was in the same situation as Hamas since gaining control over the Gaza Strip (see subchapter 4.3.4.).

Translated into real terms, by delegating to Hamas, Teheran had been successfully disrupting the peace process without facing the downsides of not knowing the terrain or losing Iranians' lives.

Another reason for delegation is making Hamas a part of Teheran's deterrence strategy. However, the nature of Iranian participation in Hamas's terror management is rather a question for intelligence services; there is no convincing evidence proving that Iran can command Hamas into conducting violent actions in Israel (Kraus 2010, 56).

From the author's point of view, by financial and political support, Iran tries to persuade Israel that an Israeli attack in Iran will activate its proxies in the region, including Hamas. Furthermore, Thomson (2012, 93) points out the statement of the former Hamas's leader Khaled Mashal on his visit to Teheran in 2005, where he supposedly claims that *"if Israel were to attack Iran, Hamas would increase its campaign of violence against Israel."* Comments like these are important to Iran's deterrence, but the question is whether it can be enforced. Much more important in this dimension is Hezbollah, which is more likely to act on Teheran's orders.

4.4.2 2007-2019

The significant change in Hamas's position had occurred in 2006 when Hamas won the Palestinian Legislative Council elections and in 2007 expelled the Palestinian Authority (PA) and Fatah from Gaza in a violent takeover (Bureau of Counterterrorism 2019, 257). Thus Hamas gained political power, another asset that could have been exploited by Iran.

Therefore Hamas could disrupt the peace process not only militarily but also politically. Iran prefers the Gaza Strip and the West Bank to be divided because Teheran realizes the Palestinian cause from the religious, political, and geographic status and, therefore, wants to control it. In 2012, potential reconciliation deal had occurred between Hamas and Fatah, but Iran supposedly paid “tens of millions of dollars” to Hamas to freeze the deal (Sawafta 2012).

In general, we can say that there is no ideological alignment. Hamas is the Sunni group, which itself complicates any relationship with Iran. Moreover, Hamas has never accepted the concept of *waliyy al-faqih*.²⁰ On the other hand, Teheran could not ignore the most successful militant organization in Gaza, and their cooperation has one significant common denominator, struggle against Israel (Kraus 2010, 53; Frisch 2007). From 2006 to 2011, Hamas had been the recipient of full Iranian support, until the split in 2011.

In 2011, the split occurred between Hamas and Teheran regarding the Syrian Civil War. Hamas refused to support the Syrian regime of Bashar al-Assad, which led to the cutting of funding to Hamas (Levin 2018). The following years were marked by Iran supporting other smaller groups in Gaza. Moreover, through its encouragement and support for less significant PIJ and PRC (Popular Resistance Committees), Iran was fomenting instability in Gaza. This can be interpreted as Iran punishing Hamas for not complying with Teheran. Israel deems Hamas as liable for everything that happens in Gaza, including violence emanating from it. Therefore, encouraging other militias to attack Israel could be seen as punishment instigated by Iran (Schanzer 2012).

On 10 March 2014, the head of the Iranian Shura Council, Ali Larijani, said, “*Iran is supporting Hamas on the grounds that it is a resistance movement. ... Our relationship with*

²⁰ The doctrine of *Wilayat al-Faqih* forms the central axis of contemporary Shi’a political thought. It advocates a guardianship-based political system, which relies upon a just and capable jurist (faqih) to assume the leadership of the government in the absence of an infallible Imam (Vaezi 2013).

[Hamas] is good and has returned to what it was. We have no problems with [Hamas]."
(Amer 2014).

However, in 2015 the relationship experienced another blow. Hamas publicly declared its support for the Saudi-led offensive in Yemen against the Houthis, a rebel group supported by Iran. Notwithstanding, Al-Smadi (2015) asserts that the relationship had not translated into full normalization, which would have ensured the return of financial and military aid to the movement. Nevertheless, it is challenging to depict the complexity of the Iran-Hamas relationship due to both actors' official contradictory statements. For instance, in 2016, London's daily A-Sharq al-Awsat published a phone conversation where Hamas official claims "*we haven't gotten anything from them since 2009, and everything [the Iranians] are saying is a lie.*" However, the Iranian foreign ministry rejected such claims, stating that supporting the struggle against Israel remains a part of Iran's foreign policy (Times of Israel 2016).

In 2017, during the visit of Hamas deputy head of Political Bureau, Saleh Al-Aruri to Iran, Teheran announced that it is ready to normalize relations with Hamas and restore them to the level before 2012. Since 2017, Teheran has become a frequent destination of Hamas's visits. Moreover, in November 2018, Iran provided significant support to Hamas. Teheran provided financial support to families of those "martyred" or wounded during the *Great March of Return* series of protests. In reality, \$500 was given to families of each martyred Palestinian and \$250 to those wounded. As mentioned above, the true nature of Iran's financial and military support is hidden; we can only rely on Israel's estimations (Abu-Amer 2019). In 2019, Israeli sources claim that after Hamas representatives had visited Iran, Teheran pledged to increase its annual support from \$100 to \$360 million in exchange for intelligence about Israeli missile capabilities (Radio Farda 2019).

From Hamas's point of view, Hamas had lost major sources of its income. In 2013, Egypt closed borders and tunnels connecting Gaza and the Sinai Peninsula. Moreover, Iran ceased its support after its rift with Hamas over the Syrian issue. Additionally, Hamas was disappointed by Saudi Arabia and the Gulf States' level of support since 2011. Some of them had even taken a hostile stance towards the movement. So warming relations with Iran is a logical consequence.

On the other hand, through its rapprochement with Hamas, Iran seeks to improve its bad image in the eyes of the Arab world. Iran had been accused of murdering Arabs in Syria, Iraq, and Yemen, and by improving relations with Hamas, Teheran wants to whitewash its “dark image.” Furthermore, Hamas is an essential component of the Iranian strategy of “unifying the fronts” comprising Teheran, Damascus, Beirut, and Gaza to form a military front in the confrontation against Israel (Abu-Amer, 2019).

Ehud Eilam (Eilam 2015, 10) points out that it is improbable that Hamas would risk another confrontation with Israel, especially on behalf of Iran, because it realizes the risks of losing public support, given the terrible conditions that Gazans are in.

4.4.3 Scope Conditions

Hamas is the Gaza strip's de-facto ruler, and it is the most significant Palestinian resistance movement fighting against Israel. The movement proved its expertise during the years of struggle against Israel, starting in the First Intifada. Moreover, by supporting Sunni-Hamas, Iran seeks to bridge the sectarian divide and market itself as a Pan-Islamic power (Levin 2018). Additionally, it is cost-effective to influence the Gaza Strip through Sunni Hamas because Hamas possesses operational knowledge of the environment, contrary to Iran. Finally, Hamas’s geographical proximity to Israel is another factor contributing to Iran’s delegation to Hamas.

Secondly, Hamas is a subordinate to Teheran, primarily through financial support. We have seen that when Iran withdrew its support to Hamas, the movement started looking for other sources of income, mainly in the Gulf States and Saudi Arabia. When the level of support did not match the extent once provided by Iran, coupled with the Gulf States’ crisis, we could observe Hamas’s effort to get back closer to Iran. Moreover, Iran can punish Hamas by supporting other groups.

There is private information on the side of Hamas, chiefly because Iran was not involved in establishing the movement. Moreover, Iran’s involvement in Hamas’s management of terror has not been proven so far as in the case of Hezbollah. Additionally, it is not easy to get into Gaza due to border restrictions.

The nature of Hamas and Iran's implicit contract could have been that Hamas will continue its struggle against Israel and continue to be seen as Iran’s ally (official visits). These actions

contribute to Iran's notion that Hamas is a part of its deterrence strategy (Hamas will attack Israel in case Israel attacks Iran). However, it is questionable whether Hamas would act in case of an actual Israeli attack in Iran. In return, Iran provides financial and political support to the movement. If Hamas does not comply, Iran cuts off financial and political support or/and supports rival factions in the Gaza Strip.

4.4.4 Theoretical Expectation

From a theoretical point of view, there are significant differences in the nature of both actors. Hamas is a Sunni group, while Iran represents a predominantly Shia population. Moreover, Hamas never accepted the concept of *waliyy al-faqih*, crucial for Iran's ideology. On the other hand, both actors have found a "stronger" common denominator, a struggle against Israel. Furthermore, we can expect that Iran will engage in Hamas's capacity building, although their worldview varies. Iran does not have to worry that capacity building will eventually fire backward because of Gaza and Iran's geographical distance.

Iran is likely to reward/punish Hamas, depending on the agent's compliance with the "contract." Moreover, Iran can punish Hamas by supporting its rival groups. By encouraging other militant groups in Gaza into violent actions against Israel, Iran increases the probability of Israeli retaliation against Hamas.

By maintaining that Hamas is capable of action against Israel, Iran strengthens its deterrence against Israel. On the other hand, Hamas seeks to preserve its dominant position in Gaza and secure stable financial support. Iran wants to gain legitimacy among Sunni-Arabs and repair its impaired image through a positive relationship (and support of) with Hamas. In general, Iran realizes the importance of the region, and through its support for Hamas, it seeks to project its influence. Hamas's efforts of warming ties with Iran can be the result of reconsideration of its political strategy.

Table 8 Theoretical Expectations and Summary, Iran-Hamas

Case (period)	Interests alignment/goals	Theoretical expectation	Observed action
Iran-Hamas (2007-2019)	<ul style="list-style-type: none"> • Israel – the common enemy • Iran- Hamas a component of Iran’s deterrence. • Iran – Hamas as a way to Iranian legitimacy among Arabs. • Iran – influence projection. • Hamas – secure its funding • Hamas – reconsideration of its political strategy • Hamas – preservation of its dominant position in Gaza 	<ul style="list-style-type: none"> • Capacity building of Hamas (H8) • Rewards and punishments (H3, H5) • Replacing agent or support for rival groups (H6) 	<ul style="list-style-type: none"> • Capacity building until 2011 • 2007-2011 - full political and financial support for Hamas • 2011-2017 – Iranian support for other militant groups in Gaza • 2011-2017 Iran acting against Hamas interests in Gaza • 2017-2019 - return to capacity building of Hamas (financial, political support) • 2019 – Iranian support of Hamas’s social activities

Source: author

4.4.5 One Agent, Two Principals?

Case studies 2 and 3 proved that Hamas is, to some extent, the dominant actor in the Gaza Strip. On the other hand, we can observe the principal-agent relationship established between Hamas and two-state actors, Iran, and Israel. However, it is improbable, mainly in Israel's case, because both parties are in a hostile position. Notwithstanding the extreme misalignment of ideology and declared interest, we can see that even the Islamic movement can act rationally to preserve its position within some territory/environment. Nevertheless, Hamas's position is problematic because its decision-makers must drift between several vectors of interests.

As we established in *Case study 2*, Hamas declares itself as an Islamic resistance movement struggling against Israel’s oppression with the ultimate goal of destroying “the Zionist” entity. Despite its rather ideological interests, the movement acts pragmatically to preserve

its position within Gaza. Israel applied a policy that Hamas is responsible for everything that is happening in Gaza. Therefore, Israeli retaliation for any violence arising from Gaza targets Hamas's position. This puts Hamas on thin ice because the movement must prevent other militant groups in the Gaza Strip from escalating the violence while maintaining its resistant appearance.

Moreover, suppose these efforts to prevent violent escalation would have been visible, in that case, it could be utilized by other militant groups seeking dominance in Gaza by pointing out that the movement has lost its resistant nature. These dynamics can also be exploited by Iran, as we saw in 2012 when Teheran, as a punishment for Hamas, encouraged violence in Gaza by supporting smaller militant groups resulting in Israeli retaliation on Hamas positions.

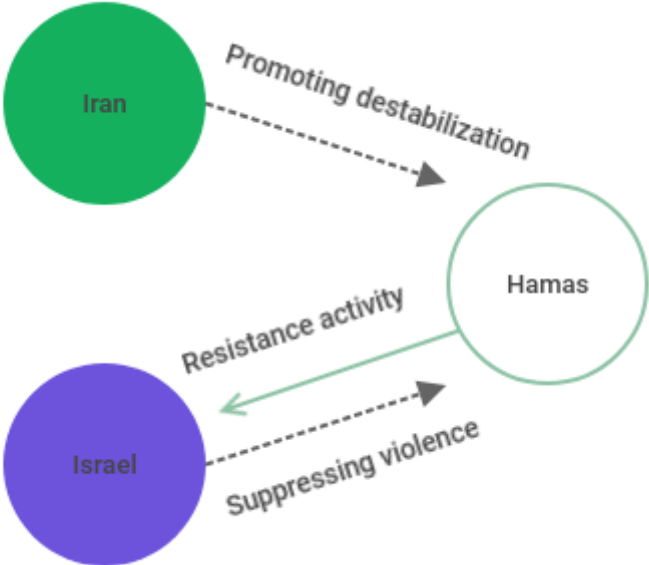
When Israel sees that Hamas's cost of action against escalation is too high (Hamas cannot overtly stop the escalation because it would delegitimize itself in its supporters' eyes), Israel acts directly with a ground invasion. Nevertheless, a significant military invasion punishes Hamas even more (destroying its political and military assets).

In *Case Study 3*, we looked at the principal-agent relationship between Hamas and Iran. We observed that Iran has many reasons to delegate to Hamas. However, both actors do not share ideologies; they have one common denominator, and it is their struggle against Israel. Iran seeks to make Hamas a component of its deterrence against Israel, something like Lebanon's Hezbollah. Nevertheless, it is improbable that Hamas would have been compelled to attack Israel in the case of an actual Israeli attack in Iran.

On the other hand, we have seen the Sunni nature of Hamas can be a problem (clash over support for Assad during the Syria Civil War). This led to punishing Hamas by stopping financial support for the movement. Additionally, Iran supported other militants in Gaza to act violently against Israel, which was not in line with Hamas's interest. These "punishments" indirectly led Hamas back to Iran's embrace.

Translated into real terms, we argue that Iran is engaged in a principal-agent relationship with Hamas to promote destabilization in Israel, which includes making Hamas another factor of Iranian deterrence of Israel. On the other hand, Israel seeks to engage in a principal-agent relationship with Hamas to prevent *direct* and *indirect* repercussions originating from the Iran-Hamas relationship. Indirect repercussions are Hamas’s violent activity towards Israel. Why indirect? Simply because Hamas has a resistant identity anchored in its founding charter, the movement would perpetrate a resistant activity notwithstanding its relationship with Iran. By direct repercussions, we mean that Hamas is being incorporated into Iran’s deterrent strategy through financial and military support. The nature of the relationship is captured in the following simple diagram.

Figure 3 One Agent, Two Principals



Source: author

5 Conclusion

At the beginning of the thesis, we provided an overview of the existing literature on proxy warfare theory. Moreover, we were able to follow the genesis of particular definitions and put them into context. For instance, early definitions reflected the Cold War environment when proxy warfare was viewed from the state-centric perspective. Additionally, the literature review also exposed the lack of consistent labels in the proxy warfare literature when Sozer (2016, 644) highlights several labels for proxy relationship: sponsorship, external or outside support, substitution, patronage, and indirect or foreign intervention.

In the next section, we focused specifically on the principal-agent relationship. Drawing on the article co-authored by Daniel Byman and Sarah Kreps *Agents of Destruction? Applying Principal-Agent Analysis to State-Sponsored* (2010), we managed to give readers an overview of the principal-agent analysis, describing in detail the dynamics of such a relationship. What follows is a further account of Berman and Lake's study *Proxy Wars: Suppressing Violence through Local Agents* (2019), which was crucial for developing the theoretical framework utilized in the thesis. However, the theoretical framework needed to be adjusted because Berman and Lake's framework did not encompass the scope of the thesis.

In chapter 3, we needed to anchor the thesis theoretically, so the scope conditions to be met by each case were defined. More importantly, we proposed a set of hypotheses that were supposed to be tested on case studies to help us answer the research questions.

(H1) *The principal is expected to intervene directly or do nothing if the cost of the agent's effort is too high.* We confirmed this hypothesis in the Israel-Hamas case. When Hamas could not suppress the violence arising from the Gaza Strip, Israel conducted a direct intervention. On the other hand, this does not apply to Iran's cases. First reason why Teheran delegates to its proxies is plausible deniability. Therefore, Iran will not directly strike Israel. Second reason is Hamas and Hezbollah's geographical proximity to Israel. Moreover, Iran cannot do anything, but since Iran-Hezbollah's interests are aligned, Hezbollah's action costs are not high. This may have occurred in Syria, where the Shia population did not approve of Hezbollah's actions in Syria, but Iran subsequently engaged in indirect control, therefore "did something."

(H2, H4) *The principal is more likely to reward the agent if the disturbance remains low. The principal is more likely to punish the agent if the disturbance is high.* These hypotheses were also assessed in the Israel-Hamas case. We confirmed its relevance. However, in this case, the reward is when Israel does not target Hamas's assets. Punishments lie in the center of the Israel-Hamas principal-agent relationship because Israel reacts to any attack from Gaza by striking Hamas's infrastructure. This does not apply to Iran's cases, but only because it is a matter of terminology. In Israel's case, we work with the term "disturbance" while in Iran's cases, we operationalize the term "contract."

(H3, H5) *The principal is more likely to reward the agent if the agent acts accordingly with the "contract." The principal is more likely to punish the agent if the agent does not act accordingly with the "contract."* In both Iran-Hezbollah and Iran-Hamas cases, we corroborated these hypotheses. Between 1982 and 2000, Hezbollah had been acting in accordance with Iran's interests. Therefore Teheran provided stable financial support to Hezbollah. When disagreements occurred over the actions in Syria, Teheran temporarily suspended the salaries of Hezbollah's fighters. A similar procedure Iran applied in managing Hamas. This does not apply to Israel's case for the reasons explained in the previous paragraph.

(H6) *If the disturbance is high or the agent does not act accordingly with the "contract," it is more likely that the principal replaces the agent or supports its rival groups.* We could see this scenario in the third case study (Iran-Hamas). When Iran had failed to persuade Hamas to support the Syrian regime at the beginning of the Syrian Civil War, Teheran suspended its financial support to Hamas and started overtly in supporting Hamas's rival groups in Gaza. The hypothesis does not work in Iran-Hezbollah's case because there is no other relevant and ideologically aligned actor that could replace Hezbollah. The same applies to the Israel-Hamas case. However, both actors are enemies. Having a different, less predictable, and more radical actor in Gaza is not in Israel's interest.

(H7) *When interests are not fully aligned, and the principal does not offer contingent rewards and punishments, the agent is not likely to exert effort. Hence, the further part the principal and agent's interest is, the higher the rewards and punishments (indirect control) must be applied to induce the agent's effort.* This is the case of the principal-agent relationship

between Israel and Hamas. Since both actors are adversaries and the majority of their interests are misaligned, Israel must utilize high-powered incentives to induce Hamas's effort. On the other hand, when it comes to the struggle against Israel, Teheran does not have to use high-powered incentives to induce Hamas and Hezbollah's efforts since the "resistance" against Israel is a crucial element of their funding charters.

(H8) *The more aligned the agent's interests are with those of the principal's, the more likely the principal invests in capacity building.* The textbook example of this scenario is the Iran-Hezbollah case. Since both actors' interests are in no small extent aligned, Iran could engage in Hezbollah's capacity building without fear of enhancing the potential of the future opponent's capacities. Furthermore, it can be applied to a lesser extent on the Iran-Hamas case because we can also observe the alignment of interests. We cannot confirm this in the Israel-Hamas case because it is not logical from an Israeli point of view to enhance its enemy's capacities

At the beginning of the empirical section, we discover the development of Israel-Iran relations that were not always hostile. In fact, prior to the Islamic revolution in Iran, both states were allies. Noteworthy is the subsection describing Israeli and Iranian perceptions of each other, explaining to some extent the current hostility between them.

Findings of case studies 1 and 2 help us answer the first and second research questions: *How important is the alignment of interests/objectives in establishing P-A partnerships? Does ideological affinity trump rational cost-benefit reasoning of the principal and the agent when deciding whether to engage in the P-A relationship?* We can affirm that the alignment of interests/objectives is an essential factor contributing to the principal and agent's decision to establish a principal-agent relationship. In Iran and Hezbollah's case, we can see that ideological affinity was a defining factor of the relationship that enabled Iran to invest in an unprecedented level of Hezbollah's capacity building. Since their interests were aligned and, in fact, Hezbollah in its *Open Letter* declared obedience to the Iranian supreme leader, Iran did not fear that building of Hezbollah's capacities will eventually "fire backward." Additionally, Iran could have utilized as its agent an already established Amal movement in Lebanon. However, Amal's secular nature forced Iran to support the creation of a more radical Islamic movement, Hezbollah. Another advantage stems from the alignment of

interests. That is, Teheran did not have to use severe punishments to coerce Hezbollah to act against Israel because the struggle against Israel was/is a goal of both.

We also need to differentiate declared and pragmatic interests. The second case study focusing on Israel-Hamas's principal-agent relationship is the evidence of it. In general, we can observe an extreme misalignment of interests. Hamas defines itself as an armed resistance movement against Israel, and Israel labels Hamas as a terrorist organization. If we consider only this observation, we cannot claim that Israel and Hamas are in any kind of proxy relationship.

Nevertheless, Israel's goal is to suppress the violence (terrorist attacks, rocket launches) emerging from Gaza without direct occupation of the territory. Moreover, Hamas is the strongest actor in the Gaza Strip, and despite its hostile attitude towards Israel, Hamas is perceived as the lesser evil than other, more radical groups such as PIJ. Therefore, Israel is better off to have only one dominant predictable actor ruling the Gaza Strip that can be held liable for everything that happens there. Hamas seeks to preserve its dominant position in Gaza, thus profiting from a weakening of rival groups. In general, the principal-agent relationship established between Israel and Hamas lies on one premise. Hamas is answerable for every attack in Israel originating from the Gaza Strip. As a result, Hamas's military and political infrastructure serves as targets for Israeli retaliation. This deliberate attack of Hamas positions is meant as high-powered punishments that force Hamas to maintain the level of disturbance at an acceptable level.

Thus, to sufficiently answer the first and the second research questions (R1, R2), we can say that the interest alignment is of significant importance. Israel-Hamas case shows that even ideologically hostile actors can find common pragmatic interests and forge the principal-agent relationship. Therefore, ideology does not trump rational cost-benefit reasoning of actors in deciding whether to engage in the P-A relationship.

Why do some actors decide to engage in a P-A relationship despite contradictory, even hostile interests/objectives? We can unambiguously claim that there must be at least some congruence in the interests of actors. But we need to differentiate between declared and pragmatic interests. In the Israel-Hamas case, Hamas declares its hostility towards Israel and refuses any cooperation with the "Zionist entity." To maintain its public support, Hamas

needs this notion to prevail. On the other hand, preserving its dominant position in the Gaza Strip is also in Hamas' interests, and due to Israel's military might, it would be impossible to achieve it without at least tacit "cooperation" with Israel. Hamas is Israel's adversary, responsible for the hundreds of deaths of Israeli civilians and soldiers. Therefore, Israel would not justify the policy to maintain Hamas's capabilities in Gaza. But, Israel's decision-makers realize that having one strong, predictable actor ruling the Gaza Strip is the lesser evil than anarchy with smaller, more radical groups. Notwithstanding the fact that Israel and Hamas are adversaries, identification of pragmatic interest alignment made the principal-agent relationship possible to forge.

Translated into real terms, if there is no interest alignment, the principal-agent relationship cannot be established. But even adversaries can find a common interest that enables them to maintain a tacit relationship based on pragmatic interests.

Can one agent be engaged in a P-A relationship with more than one principal? Findings of the third case study (*Hybrid actor – Hamas?*) proved that it is possible. However, the dynamics of these relationships are significantly different in both cases. Iran seeks to project its influence in the region through Hamas and make the movement part of its deterrent strategy. Teheran had been profiting from Hamas's skills in asymmetric warfare, its Palestinian identity, and since 2007 its governing capabilities. On the other hand, Hamas sought to secure its funding and align itself with the strong regional actor. In case study 2, the principal-agent relationship between Israel and Hamas is described.

Therefore, we proved that the two rivals (Iran, Israel) could simultaneously be in the principal-agent relationship with the same actor (Hamas). However, Iran is eager to promote the destabilization of Israel through its support for Hamas. On the other hand, Israel seeks to prevent direct and indirect repercussions coming from Iran's support to Hamas.

This thesis provided a more profound account of utilizing the principal-agent analysis to study proxy relations dynamics. Moreover, we demonstrated the relevance of this approach for the general field of security and conflict studies. We chose the Middle East region as the area of interest due to its complexity and instability. Chosen case studies, as well as defined hypotheses, helped us to sufficiently answer all research questions. Additionally, we were able to find the correlation between interest alignment, capacity building, and indirect

control. More importantly, the Israel-Hamas case proved that even adversary actors could be in the principal-agent relationship. In case study 3, we observed that two hostile state-actors could be engaged in the principal-agent relationship with the same agent. However, the dynamics of each relationship differs significantly.

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