

Iran's Role in the South Caucasus and Caspian Region: Diverging Views of the U.S. and Europe

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Since the Soviet breakup and the subsequent independence of the states of the South Caucasus (Armenia, Azerbaijan, Georgia), Europe and the U.S. have conducted very different policies toward the new states in the greater Caspian region. Moreover, Europe and the U.S. view Iran's policies and the desired role Tehran should play in the region in diverging ways. While European activity in the Caspian region has been quite limited,¹ it has recently indicated intent to increase its doings in the region. Europe and the U.S. could potentially be at odds in the Caspian region over the desired role for Iran in the major emerging security arrangements and economic projects in the region.

This paper will briefly discuss respective American and European policies toward the South Caucasus and greater Caspian region and expected future trends. It will then examine the U.S.'s view of Iran's activities in the Caspian region and Washington's preferred status for Iran in the area. In addition, it will examine how the countries of the region view Iran's policies in the region and the implications for European-American cooperation in the region.

U.S. policy toward the South Caucasus and Caspian Region

U.S. policy toward the South Caucasus and Caspian region has evolved through three major stages since the Soviet breakup and the independence of the states of the region: 1991–1994, 1994–1998, and present. Washington currently is in its most activist phase in the region, and its military deployment in the region indicates an intention to retain presence in the region for a significant period of time. Among the U.S. goals that have been constant toward the South Caucasus and Caspian region has been:

1. Preserving the independence and security of the new states of the region.
2. Development of energy and transport lines on a east–west corridor.
3. Denying Iran and other potential proliferators sources in the new states of technology, materials and scientists which can be used to advance their WMD programs.

Since September 2001, the U.S. has also seen the Caspian region as an important component in its anti-terrorism policy, and views courting Western-oriented Muslim-populated states like Azerbaijan and Uzbekistan as important to promoting its policies, and has been very active in security cooperation with the states of the region in fields relevant to counter-

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¹ With the exception of European based companies, which play the leading role in many of the major gas and oil development projects in the region.

terror and counter-proliferation, such as border controls. Thus, most of its policy goals in the region place Washington in juxtaposition to Iran in the South Caucasus and greater Caspian region.

European policy toward the South Caucasus and Caspian Region

Despite the fact that the Caucasus borders on NATO and will soon be on the borders of the expanding EU, Europe has taken very little interest in the South Caucasus and Caspian region. The main European presence is in the form of European companies that fulfill the leading role in the major oil and gas projects in the region (BP, ENI/AGIP, Statoil). Even though Europe will presumably be the major consumer of Caspian gas, it has not taken an active role in the region in the security or political spheres. European institutions and states have done little to promote conflict resolution in the area, and despite the fact that many of the states of the region are planning their security orientations toward Europe, the latter seems far from interested in assuming a security role in the region. Recently, however, the EU has signaled that it may launch some activity in the South Caucasus and Caspian region, beginning with the appointment of a Special Representative to the South Caucasus. Europe seems committed to coordinate its new initiatives in the region with the U.S. (and Russia) and that its policies in the region, especially in the field of conflict resolution, should compliment existing U.S. and Russian-led efforts, and not compete with them. However, the newfound European activation in the region can bring the U.S. and Europe into disagreement over the appropriate role for Iran in the region, and especially in the conflict resolution and potentially subsequent security arrangements that may be established in the area.

Iran's policies in the South Caucasus and Caspian Region

Iran's policy in Central Asia and the Caucasus is based primarily on geopolitical concerns. On the policy level, when geo-political interests conflict with commitments of "Islamic solidarity," Tehran almost always gives preference to its security and economic considerations. Domestic inputs and constraints—primarily the presence of a significant Azerbaijani minority in Iran—and its interests and confrontations beyond the region, including with the U.S, also influence Iran's policies toward the region.² Different states in the Caspian region perceive Tehran's policies in the different ways, and some possess a strong threat perception of Iran, independent of the U.S. views on Tehran.

A potential split could emerge between the U.S. and Europe over the role that should be assigned to Iran in the peacemaking efforts in the region, especially the Nagorno-Karabagh conflict. Iran shares borders with all the sides to the conflict, and it is clear that as such its state interests are

² For more on Iran's policies and the domestic Azerbaijani minority, see Brenda Shaffer, *Borders and Brethren: Iran and the Challenge of Azerbaijani Identity* (Cambridge: MIT Press, 2002).

directly affected by the developments and outcomes. Officially, Iran declares itself neutral in the conflict between neighboring Armenia and Azerbaijan. The proposed stance of neutrality is inconsistent with the official ideology of a state that portrays itself as the protector and champion of the Shi'i in the world. Overall, Iran prefers that the Republic of Azerbaijan remain involved in a conflict, thus making it less attractive to Iran's Azerbaijanis and unable to allocate resources to stir-up 'South Azerbaijan.' However, Tehran does not want this conflict to escalate and create streams of refugees and other potentially destabilizing developments on its northwest border. Tehran adopted anti-Armenian rhetoric only at the times when the results of the conflict directly threatened Iranian state interests or when pressured by political activities of Iranian Azerbaijanis.

Iran established diplomatic relations with Armenia in February 1992, and signed a number of economic agreements at the height one of the battles between Azerbaijan and Armenia. Iran has, at times, served as Yerevan's main route for supplies and energy and provided an outlet for its trade. In April 1992, at one of the most crucial points in the confrontation between Azerbaijan and Armenia, Iran agreed to supply natural gas and fuel to Armenia and improved transportation links.³ Without this vent from the Azerbaijani and Turkish impediments, surely Armenia's war effort could not have been sustained and escalated. Pointing out Tehran's role in helping Armenia circumvent its isolation, Armenian Prime Minister and Vice President Gagik Arutyunyan remarked at a ceremony commemorating the opening of a bridge over the Araz River linking Armenia and Iran, that the bridge will contribute to stabilizing the economic situation in the republic which the blockage has created.⁴ Moreover, fuel from Russia was often delivered to Armenia by way of Iran.⁵

During a summit of Azerbaijani and Armenian representatives in Tehran, Armenian combatants captured the city of Shusha, and its fall was one of the turning points in the military control of the disputed region and a major embarrassment for Iran since it took place during the Iranian-sponsored negotiations. Nonetheless, in this period, official statements of the Iranian Foreign Ministry continued to reflect a balanced approach toward the two belligerents even following a series of significant Armenian conquests in Azerbaijan and the creation of thousands of new refugees.

Iran's specific positions on various proposals during the negotiation process between Azerbaijan and Armenia were often dictated by its internal Azerbaijani consideration. For instance, Tehran has vehemently opposed propositions for the sides to trade corridors linking Armenia to Karabagh and Azerbaijan to Nakhchevan, since this plan would have resulted in a significant extension of the common border between the Republic of Azerbaijan and Iran, which Tehran would like to avoid.

³ Interfax (in English), April 15, 1992.

⁴ Interfax (in English), May 7, 1992.

⁵ SNARK (in English), January 29, 1993 (FBIS-SOV-93-020).

One of the best indications of Iran's conciliatory position toward Armenia was the fact that Yerevan and the Karabagh Armenians repeatedly praised Iran's role in the negotiation process, expressed its preference for Tehran over many other foreign representatives⁶ and called for the deployment of Iranian observers at the border between Azerbaijan and Armenia and in the Nakhchevan area.⁷ In October 2002, Armenian Foreign Minister Vartan Oskanian stated, "Iran is the guarantor of stability in the Karabagh region."⁸ Armenian Prime Minister Andranik Markaryan remarked in April 2003 that "Iran has always been a vanguard of peace and stability in the region with its wise and progressive stances."⁹ In contrast, prominent Azerbaijanis voiced critical statements regarding Iran's role in the negotiations, illustrating their perception that Tehran was not promoting their interests.¹⁰

Clearly, Armenia and Azerbaijan possess starkly differing positions on the preferred role Iran should play in promoting a settlement of the Nagorno-Karabagh conflict, and Tehran's involvement in security arrangements and mechanisms, such as participation in peacekeeping forces deployed in the area. Promotion by Europe of a greater role for Iran in the peace process and security arrangements would be viewed unfavorably by Azerbaijan while welcomed by Armenia.

Iranian representatives have frequently attempted to obtain in the region technology and materials and to recruit scientists in the goal of advancing their WMD programs. Kazakhstan has been a frequent target of attempts of this nature, prompting the swift implementation of "Operation Sapphire" to foil the Iranian efforts.¹¹ Armenia has also been an Iranian target in this sphere. Exchanges and cooperation between Armenian companies (some may be working as subcontractors for Russian firms) and Iran in fields that contribute to the development of Iran's WMD has led the United States to impose sanctions on two Armenian companies and an Armenian citizen in May 2002 as part of the Iran Nonproliferation Act enacted in 2000. These sanctions are still in place on the Armenian companies. In addition, Iran and Armenia frequently hold visits of high-level representatives of their security and military establishments and conduct significant cooperation in these fields. During his March 2002 visit to Yerevan, Admiral 'Ali Shamkhani, Iranian Minister of Defense, signed a letter of understanding with his Armenian counterpart, Serzh Sarkisyan, on "bilateral military cooperation."¹² According to Arminfo News Agency, the agreement includes arms trade.¹³ In contrast during his

⁶ See, for instance, TASS, February 28, 1992 (FBIS-SOV-92-040).

⁷ Moscow Programma Radio Odin, May 31, 1992 (FBIS-SOV-92-105); Yerevan Armenia's Radio First Program, May 20, 1992 (FBIS-SOV-92-099).

⁸ IRNA, October 2, 2002.

⁹ April 30, IRNA.

¹⁰ *Komsomolskaya Pravda*, May 20, 1992, p. 1.

¹¹ Under "Operation Sapphire" in 1994, the United States transported and secured 600 kilograms of HEU from Kazakhstan.

¹² IRNA, March 6, 2002.

¹³ Arminfo (Yerevan), March 5, 2002.

visit to Armenia, the Iranian Defense Minister stated that Iran does not maintain military cooperation with Azerbaijan and that “this was only a wish” of the Azerbaijani authorities.¹⁴

Iran has been in the center of conflict over the Caspian Sea demarcation. While the dispute has been framed as a legal issue and discussed in legal rhetoric, the solutions that have been achieved have been primarily political. When the stalematters—primarily Iran—have been willing to discuss compromises on the delimitation issue, it has been in periods when the political relations were ripe for conciliation. Up until 1998, Kazakhstan and Azerbaijan purported dividing the sea according to each country's proportion of shoreline, Iran and Russia purported either a condominium solution of equal division for all abutters, while Turkmenistan's position vacillated. In 1994, despite its principle legal stance and prior to Baku's articulation of a clear strategy of courting Western energy companies and adopting a pro-U.S. political strategy, Tehran signaled willingness to compromise on its legal stance in the Caspian in order to be a participant in the extensive energy projects being developed there. After Baku's signing of the “Contract of the Century” with Western oil companies and its rejection of Iranian participation in the major projects, Tehran returned to its unreconciling position. In 1998, Russia abandoned its clear common position with Iran on Caspian demarcation and in 2001 began to sign bilateral demarcation agreements with Azerbaijan and Kazakhstan. In response, in July 2001, Iran instigated a crisis over Caspian demarcation, by sending gunboats to threaten a BP explorer vessel surveying in a disputed area of the Caspian Sea. Iran then repeatedly violated Azerbaijani airspace.

Today there is a deadlock over Caspian demarcation. Despite Tehran's recalcitrance, Caspian exploration is continuing and the large export projects are being developed. Tehran's policy on Caspian demarcation should be viewed as part of its wider policy aimed at creating obstacles to Azerbaijani development that can lead to its prosperity and greater power. Tehran's policy on Caspian demarcation is further complicated by the fact that compromise on the Caspian borders has become a highly politically salient issue in Iran. Majlis discussions frequently focus on this issue, and many Majlis members have attempted to tie Khatami's hands so that he would not be able to negotiate at Caspian summits. Many of the hard-line rejectionists are from Khatami's reformist camp and espouse more a nationalistic position. One major goal of Tehran's policies is to create obstacles to Azerbaijan's success in the energy projects, and thus until there is a change in Tehran's threat perception of Baku, the resolution of Caspian demarcation will be unlikely.

14 Ibid.

Future trends

Tehran's policies toward Central Asia and the Caucasus are guided chiefly by material state considerations and not by regime ideology. Thus, a change in the regime will not necessarily cause a dramatic change in the nature of its policies toward the region. Tehran will continue to seek the widening of its influence in the area, to deny gains to competing states, to prevent spillover of the conflicts waging in the area, and to attempt to avert events in the Caucasus from affecting co-ethnics inside Iran, especially among the Azerbaijanis there. A regime change in Iran, especially if this brings a renewal of relations and cooperation with the United States, could actually enlarge the opportunities for Tehran to exert influence in the region. A change in regime in Iran will not affect its basic desire to have strong influence over the policies of the neighboring states in Central Asia and the Caucasus, and particularly to attempt to undermine Azerbaijan's prosperity. However, an Iranian regime change may lessen Washington's sensitivity to Iran's actions in the area and could lead to Tehran to having more of a freehand in its attempts to influence its neighbors, thus rendering the states of the South Caucasus more vulnerable to Iranian dictates.

Consequently, Europe and the U.S. may continue to be at odds over the role of Iran in the Caspian region even after the change of regime in Iran and its relations with the U.S., due to the U.S. policy of strongly promoting the independent policies of the new states of the region, despite the contingent location to very strong neighbors, like Russia, Turkey and Iran.