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Iranian Influence in the South Caucasus and the Surrounding Region

Prepared statement by
Dr. Brenda Shaffer
University of Haifa

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Thank you for the opportunity to testify in front of this committee.

We often think of Iran as a Middle Eastern country. However, Iran borders a number of regions besides the Middle East: Southwest Asia, Central Asia, and the South Caucasus. Iran's location on the edge of a number of regions endows the state with significant influence in, but also vulnerability to influence from, these regions. As states in a region that borders Iran, the three states of the South Caucasus—Azerbaijan, Armenia, and Georgia—play a special role in Tehran's foreign and security policies. In addition, these three states play a crucial role in the efforts to prevent Iran from acquiring nuclear weapons. The Republic of Azerbaijan also affects the domestic stability in Iran, since a third of Iran's population is comprised of ethnic Azerbaijanis.

I am a researcher who specializes on the Caucasus, focusing on Iran's policies in the South Caucasus, ethnic politics in Iran, and Caspian energy issues. In my testimony, I will focus on Iran's policies toward the South Caucasus, the role of the states of the South Caucasus in the implementation of U.S. sanctions on Iran, the influence of the Azerbaijani minority in Iran on regime stability in Tehran, and recommendations on how to integrate U.S. policies on Iran and the South Caucasus in order to further promote the U.S. national interest.

Iran: Realpolitik in the Caucasus

Tehran has four primary goals in the Caucasus: (1) Preventing destabilization in the northwest provinces of Iran that border the Caucasus and any rise in ethnically based activity among the Azerbaijanis in Iran, (2) limiting U.S. influence and power in the Caucasus, (3) expanding its trade and influence in the region, and (4) linking the region through energy export and transportation infrastructure. Tehran maintains clandestine ties to a number of regional Islamic and ethnic groups in the Caucasus that could serve as levers of influence over the states in the region. Iran prefers, however, to promote its direct ties with the ruling governments in the region and primarily activates these other groups as a tool to coerce policy change in the states or to destabilize governments that do not conform to Iran's demands.

Among the three states of the Caucasus, Tehran enjoys its closest ties and greatest cooperation with Armenia. Iran maintains extensive trade and its most intensive security cooperation in the region with Armenia, in spite of the fact that Armenia is embroiled in a conflict with Shiite-majority Azerbaijan. Iran and Armenia are closely linked through energy trade and infrastructure, as Tehran supplies natural gas to Armenia, and Yerevan supplies electricity to Iran, further cementing long-term cooperation between the states. Iran's relations with Georgia during Georgian president Mikhail Saakashvili's tenure were tumultuous due to Tbilisi's close cooperation with the United States, including with regard to non-proliferation and other issues related to Iran. Iran's relations with Azerbaijan, meanwhile, are the most convoluted, due to

Tehran's concerns that Azerbaijan could serve as a source of inspiration or support for Iran's sizeable ethnic Azerbaijani minority population and due to the state's close ties with the United States.

Iran's policies toward the region are very instructive to understanding Tehran's foreign strategies. In all of the armed conflicts in the Caucasus and greater Caspian region during the post-Soviet period, Tehran has declined to support Muslim populations, including in conflicts where Muslims were pitted against non-Muslim groups, such as the Chechens in the struggle with Moscow or the Azerbaijanis in their conflict with Armenia. Despite its rhetoric about solidarity with Muslims facing oppression, Iran's actual policies toward the region show that Tehran puts its regime stability above all else and subordinates the interests of its fellow Muslims throughout the region in pursuit of this goal.¹

Since the breakup of the Soviet Union in 1991, Tehran has worked to undermine the stability of the neighboring Republic of Azerbaijan. As part of its policy to undermine Azerbaijan's security, Tehran has supported Armenia in its war against Azerbaijan and engaged in broad security, military, and economic cooperation with Yerevan since 1992. Armenia and Azerbaijan fought a war centered over the control of the region of

¹ For more on the lack of Islamic influence in Iran's policies in the Caucasus, see Brenda Shaffer, "The Islamic Republic of Iran: Is It Really?" in Brenda Shaffer (ed.), *The Limits of Culture: Islam and Foreign Policy* (Cambridge, MA: MIT Press, 2006), pp. 219-239.

Nagorno-Karabagh from 1992 to 1994. As a result of the war, Armenia now occupies 20 percent of the territory of Azerbaijan (as legally recognized by the U.S. government) and over a million refugees were left homeless (including 870,000 Azerbaijani refugees). Armenia consistently praises Iran's stance on the Nagorno-Karabagh conflict and regularly calls for greater Iranian involvement in the peace negotiations process.² During the war between Armenia and Azerbaijan, Iran supplied Armenia with fuel and food and allowed the flow of arms through its territory to Armenia. Without these supplies and the transit corridor from Iran, Armenia could not have sustained its war effort and conquered extensive territory from Azerbaijan. These Iranian supplies were crucial, because the civil war at the time in neighboring Georgia hindered Russia (Armenia's main ally) from providing supplies to Yerevan.

Throughout the post-Soviet period, Iran has shared strong strategic cooperation and interests with Russia in shaping the strategic outcomes in the South Caucasus. Both states strive to minimize U.S. influence and presence in the region. One issue where Moscow and Tehran's interests in the region fundamentally diverge, however, is energy exports. Russia and Iran are natural competitors in the field of natural gas supply. The Russian Federation is currently the top producer and exporter of natural gas in the

² See, for instance, *Tehran Times*, "Iran Opposes Any U.S. Peacekeeping Role for Karabakh," Radio Free Europe/RadioLiberty, June 24, 2010 (<http://tehrantimes.com/index.php/politics/2666-iran-says-concerned-over-nato-radar-system-in-turkey>).

world, producing 24 trillion cubic feet (TCF, 20 percent of world total) and exporting 7 TCF of natural gas each year. Russia holds the largest proven reserves of natural gas in the world, amounting to an estimated 1,680 TCF.

Iran holds the second-largest proven reserves of natural gas in the world after Russia, amounting to about 1,046 TCF. It is also the fifth top producer of natural gas in the world (5.2 TCF per year, 4.4 percent of world total). Yet despite its tremendous reserves, Iran is a net importer of natural gas. At this stage, Iran exports only small amounts of natural gas to Turkey and Armenia. However, Iran is the only country with the potential volumes and location to pose any major threat to Russia's dominance in European natural gas markets. In 2006, Moscow spent a great deal of money in order to buy out Iran's potential access to European gas markets through Armenia.³

³ One of the most evident examples of this policy is the Russian national gas company Gazprom's April 2006 purchase of a natural gas pipeline from Iran to Armenia that was inaugurated in March 2007, and which might have provided a route from Iran to European gas markets. In order to block the Armenian route for Iranian gas, Gazprom forced Armenia to reduce the pipeline's circumference (from the originally designed diameter of a major gas export pipeline) to almost half of its planned size, preventing the opportunity for significant expansion of the volumes it carries. Armenia also granted Gazprom and its partner Itera controlling stakes of the segment of the new pipeline that runs through Armenian territory.

Multi-ethnic Iran's Azerbaijan problem

Iran is a multi-ethnic state, and its domestic security could be affected by developments in the neighboring Republic of Azerbaijan and other neighboring states. Half of Iran's population is comprised of non-Persian ethnic minorities, with Azerbaijanis being the largest group, representing close to a third of the total population.⁴ The majority of residents in the northwest provinces of Iran, contiguous to the border with the Republic of Azerbaijan, are Azerbaijanis. One reason that Iran supports Armenia in its conflict with Azerbaijan is that it prefers Azerbaijan to be embroiled in a conflict and unable to serve as a source of support for the ethnic Azerbaijanis in Iran. In addition, despite the shared cultural affinities between Azerbaijan and Iran, Iran determined early after the Soviet breakup that Azerbaijan's independence had not created an opportunity for Iranian influence in the country because of Azerbaijan's Western orientation.⁵ In addition, Tehran fears that Azerbaijan—a secular, modern, Shia-majority state that adheres to strict separation of religion and state—could serve as an alternative model for its own citizens.

Tehran has also sponsored a number of terrorist cells and attempted terrorist attacks inside Azerbaijan, with targets that included the U.S. embassy, U.S. ambassador,

⁴ For more on ethnicity in Iran, see Brenda Shaffer, *Borders and Brethren: Iran and the Challenge of Azerbaijani Identity* (Cambridge, MA: MIT Press, 2002).

⁵ See, for example, *Jomhuri-ye Islami*, March 4, 1992, 4.

and local Jewish institutions in Baku.⁶ Due to their long common border and the frequent flow of Iranian citizens for visits in Azerbaijan, Tehran frequently uses the territory of Azerbaijan in attempt to carry out attacks on Western, Israeli, and Jewish targets. In some instances, these terrorist plans have been conducted in conjunction with members of Lebanon's Hezbollah movement.

Tehran also attempts to undermine the Western-oriented and open society in Azerbaijan. Since Iranian citizens frequently visit their northern neighbor, Tehran sees Baku's more open lifestyle as a threat to its domestic control. Thus, it has sponsored terrorist attempts on Western-style cultural events held in Baku, such as the 2012 Eurovision contest. Iran also supports radical Islamic movements in Azerbaijan and frequently attacks the Western mores of President Ilham Aliyev and his family members. Iran also sponsors regular television programming in the Azerbaijani language (Sahar TV) that broadcasts messages against the Aliyev government in Azerbaijan. Many of these broadcasts also employ anti-Semitic rhetoric.

⁶ Office of the Coordinator on Counterterrorism, State Department, Country Reports on Terrorism 2011, Azerbaijan "actively opposed terrorist organizations seeking to move people, money, and material through the Caucasus. The government has had some success in reducing the presence of terrorist facilitators and hampering their activities." <http://www.state.gov/j/ct/rls/crt/2011/195543.htm>.

Multi-ethnic Iran

- Iran is a multi-ethnic state, and over fifty percent of its population is non-Persian. Azerbaijanis are the largest ethnic minority in Iran, comprising over a third of the country's population.
- Iran's ethnic minorities are concentrated in its border provinces, and these groups share cross-border ties with co-ethnics in the neighboring states of Azerbaijan, Turkey, Iraq, Pakistan, and Turkmenistan.
- Many prominent figures in Iran are ethnic Azerbaijanis, including Iran's spiritual leader, Sayyid Ali Khamenei, and the head of Iran's opposition Green Movement, Mir Hossein Mousavi.
- Even though Azerbaijanis share the Shiite faith and a long history of common statehood with Iran's Persian majority, Tehran does not allow Azerbaijanis in Iran to operate schools or universities in their native language or to use the Azerbaijani language in government institutions.
- In addition to shared ethnic and cultural ties, many Azerbaijanis from both sides of the border share family ties and engage in trade with each other.
- Among the approximately 25 million ethnic Azerbaijanis in Iran, there is a wide diversity of attitudes toward the Iranian state. Some Azerbaijanis comprise a core part of Iran's ruling elite, while others strive for language and cultural rights. But a growing segment of Azerbaijanis in Iran, especially young people who openly identify as Azerbaijanis, oppose Persian-centered rule and struggle against the ruling regime.
- In some of Iran's provinces with significant ethnic minority populations, such as the Kurdish and Baluch provinces, full-scale insurgencies are taking place and attacks on Iranian soldiers occur on a regular basis. In the Azerbaijani-populated provinces of Iran, more sporadic outbreaks against the regime related to tamer issues, such as environmental questions, are used to mobilize the ethnic Azerbaijanis to a nationalist agenda.

Prevention of Iran's acquisition of nuclear weapons

As states bordering Iran, the states of the South Caucasus play a crucial role in the efforts to prevent Iran from acquiring nuclear weapons and upholding the sanctions regime. On a number of occasions, Azerbaijan's security services have uncovered attempts to transport materials for Iran's nuclear program from Russia to Iran. Furthermore, Baku cooperates with the United States to insure that its banks are not used to circumvent U.S. sanctions and funnel funds to Iran. Azerbaijan's neighbors in the Caucasus—Armenia and Georgia—can also play a pivotal role in either hampering or aiding Iran's proliferation efforts. Despite being one of the top per capita recipients of U.S. foreign aid, Armenia does not support the sanctions on Iran, and Armenian citizens and companies have been sanctioned for trading with Iran on a number of occasions. In November 2012, the Iranian Minister of Justice Seyed Morteza Bakhtiari praised Armenia in the Iranian press for not supporting the sanctions on Iran.⁷

If there is a military attack on Iran's nuclear installations, Azerbaijan could be one of the first targets of Iran's retaliation. This is due to Azerbaijan's close ties with the United States, and also due to its vulnerability: with the extensive flow of goods and

⁷ *FARS News Agency*, "Minister Appreciates Armenia for Defending Iran against Western Sanctions", November 11, 2012.

<http://english.farsnews.com/newstext.php?nn=9107118390>

people across the border between Iran and Azerbaijan, Azerbaijan is very exposed to a potential Iranian attack.

Ungoverned territories in the South Caucasus—Nagorno-Karabagh, South Ossetia, and Abkhazia—are particular regions of concern for nuclear proliferation and the sanctions regime against Iran. Due to the fact that they are under occupation by states that do not formally take responsibility for the activity in these regions, their financial systems and border control mechanisms are poorly developed and not in line with any international treaties or U.S. sanctions on Iran. The region's banks and other financial institutions can be useful for Iran for circumventing the sanctions regime.

Disinformation campaigns aimed at breaking Baku's friendly relations with Israel

Azerbaijan and Israel share extensive cooperation and friendly ties. Baku is Israel's number one supplier of oil and according to press reports, the countries concluded a major arms supply deal in 2008. In recent years, some have attempted to explain Iran's antagonism toward Azerbaijan as a response to Azerbaijan's close cooperation with Israel. This is not accurate: Azerbaijan and Israel's close security cooperation began around 2008, while Iran has attempted to destabilize Azerbaijan since its independence in 1991. As mentioned earlier, the clearest example of Iran's anti-Azerbaijan policy is its support for Armenia in the country's war with Azerbaijan from 1992 to 1994 and in the ongoing stalemate that has followed.

Integration of U.S. policy on Iran and on the South Caucasus

U.S. policy on Iran could benefit from better coordination with its policies on the South Caucasus. The Obama Administration has imposed unprecedented sanctions on Iran, which required intensive work with other nations in the world oil market, so that the potential loss of some of the Iranian production would not have major impact on oil prices. The administration should be commended for the sanctions policy and the meticulous planning and strategic preparation that accompanied it.

As bordering states to Iran, it is crucial that the three states of the South Caucasus uphold the sanctions regime and that their financial institutions are not used to circumvent the sanctions. Washington should intensify its monitoring of the sanctions regime in the three states and demand implementation. Furthermore, the ungoverned territories of the region—Nagorno-Karabagh, South Ossetia, and Abkhazia—should be monitored especially closely and held accountable for any use of their territory and financial institutions to circumvent the Iran sanctions.

Successful resolution of the secessionist conflicts in the South Caucasus will reduce the region's vulnerability to coercion from Iran. Washington should invest efforts in resolution of the conflicts. The United States should cooperate directly with Russia on resolving these conflicts since Moscow hold the key levers for resolution and prevention of resolution of the conflicts in the region. As part of the conflict-resolution efforts, the U.S. Congress should halt its annual custom of earmarking funds for the secessionist

region of Nagorno-Karabagh. These allocations are in violation of U.S. law, since they support settlement activity in occupied territories. Congressional allocations to Nagorno-Karabagh are equivalent to the idea of earmarking funds for Israeli settlements in the occupied West Bank, clearly an action that Congress would not take. However, annually Congress approves the earmark to the occupied Nagorno-Karabagh.

In the unfolding developments over Iran's nuclear program, policymakers should keep in mind this rivalry between Russia and Iran in the sphere of natural gas supplies. Moscow, while sharing strategic cooperation with Tehran, encourages the non-resolution of the conflict between Iran and the West in order to insure that Iran is “in a strategic box” and that its gas riches cannot be exported to markets in Europe and compete with the Russian supplies.

The Obama Administration should evaluate the activities of Voice of America and other media outlets that it funds to see how they can be best used to voice the concerns of Iran’s ethnic minorities. The United States should encourage international human rights institutions to monitor the state of Iran’s ethnic minorities and to study their grievances against the regime in Iran. Research of trends and activities of Iran’s ethnic minorities should be integrated into analytical work on Iran.

Dr. Brenda Shaffer is a specialist on the Caucasus, ethnic politics in Iran, Caspian energy, energy and foreign policy, and Eastern Mediterranean energy issues. Dr. Shaffer is a faculty member in the School of Political Science in the University of Haifa. From January 2013, she will be a visiting scholar at Georgetown University's Center for Eurasian, Russian and Eastern European Studies. Dr. Shaffer previously served as the Research Director of the Caspian Studies Program at Harvard University. Among her recent articles are "Natural gas supply stability and foreign policy" (*Energy Policy* 2012) and "Caspian energy phase II: Beyond 2005" (*Energy Policy* 2010). She is the author of the book *Energy Politics* (University of Pennsylvania Press, 2009). She is also the author of *Border's and Brethren: Iran and the Challenge of Azerbaijani Identity* (MIT Press, 2002).

