



Middle East Institute

Iranian Influence in the South Caucasus and the Surrounding Region

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Chairman Burton, members of the committee and ladies and gentlemen.

Thank you for inviting me to testify before you today.

My focus this afternoon is on Iran's policies toward the South Caucasus. I will provide a brief assessment of Iran's foreign policy behavior in this region of the world and how it impacts the interests of the US and her allies and partners.

First, let me set the regional scene. Iran has deep roots in this region. Much of the South Caucasus region was historically part of or heavily influenced by the Persian Empire. In some aspects, cross-border ties remain significant. Today, there are over twice as many ethnic Azerbaijanis in Iran (estimated at around 20 million people) than in the Republic of Azerbaijan. One of the largest Armenian Diaspora communities is also found in Iran (estimated at around 80,000 people).

Iran's reach and influence

The close historical, ethnic and religious ties (particularly the shared Shia Islam with Azerbaijan) should on paper make this region fertile ground for Iranian influence. Nonetheless, Tehran's record in this region is at best mixed.

The record is mixed for one key reason: The three countries of the region - Armenia, Azerbaijan, and Georgia - view their large southern neighbor through very different lenses. Accordingly, relations range from intimate (Armenia) to cordial (Georgia) to complicated and often outright hostile (Azerbaijan).

Before assessing Tehran's relations with these three states, let me say something about a fundamental factor that shapes Iran's posture toward the South Caucasus. That pertains to Iran's relations with Russia. In my view, the regime in Tehran appears to be extremely deferential toward Russian interests in the South Caucasus, a region that Moscow still considers to be part of it "Near Abroad."

Why is this reality the case? Given Iran's international isolation, the ruling clerical-military elite in Tehran appear to prioritize Russia as the periodic – albeit unreliable – supporter of Iran and have therefore opted not to challenge Moscow's policies in the South Caucasus and in Central Asia.

This is of course to the detriment of long-term Iranian national interests. But the Islamist regime in Tehran is above all driven by its own narrow set of political goals which are overwhelmingly rooted in a desire to ensure the regime's survival at the cost of undermining Iran's national interest. I believe this is the most plausible explanation behind Tehran's inclination to accommodate Russia above and beyond, and a conclusion which is commonly accepted by independent observers in Tehran.



In fact, across the wider Caucasus region, Iran's posture has either been mute toward Russian assertiveness or Tehran actively complements Moscow's pursuit of its strategic objectives. For example, the Iranian regime – a self-declared guardian of Muslim peoples – remained conspicuously silent during Russian military campaigns in the Muslim republic of Chechnya.

More recently, Tehran barely reacted after Russia invaded Georgia in August of 2008. Elsewhere, Iranian policies have actively complemented Russian objectives. The best example of this is Tehran's close ties with Armenia, a close ally of Russia, at the expense of Iranian-Azerbaijani relations.

In other words, if Russian interests are at stake, Iran prefers to either align its policies with those of Moscow (as is the case with Armenia) or stay out of Russia's path (as is the case with Georgia).

Iran-Azerbaijan standoff

Among the three South Caucasian states, Azerbaijan has been the one where immediate Russian interests are *least* sensitive. This reality, combined with the fact that Azerbaijan is closest to Iran on ethnic and religious terms, has turned Baku into Tehran's primary target. For that reason, Iran-Azerbaijan relations are presently the most turbulent in the region.

When Azerbaijan first emerged as an independent state in 1991, Tehran was hopeful that this new Shia-majority country would be open to Iranian overtures and Tehran's Islamist and anti-Western political model.

This was not the case then in 1991 and the appeal of the Iranian Islamist model has only weakened in the meantime, a feature which has been a constant irritant in Iranian-Azerbaijani relations over the course of the last 21 years.

In fact, Baku early on chose a pro-Turkish and Western-oriented position. This continues to frustrate Tehran as one of Baku's strategic goals is to become a close regional partner of the United States.

Meanwhile, as Azerbaijan has matured politically and become wealthier thanks to oil and gas export revenues, it has clearly also become bolder in pursuing its foreign and national security interests. This is best exemplified by Baku's decision to forge close ties with Israel and knowing full well that this would anger and further complicate relations with Tehran.



Azerbaijan has been steadfast and argues that Iran has no basis to criticize its ties with the Jewish state given that Tehran has long ignored Baku's pleas to shun Armenia or otherwise accommodate Azerbaijani security interests.

Azerbaijan-Israel relations, however, are more than merely a knee-jerk response to Iranian policies. The Azerbaijanis argue that they too need allies they can turn to meet their diplomatic, economic and military needs, and Israel is judged as both a resourceful and reliable partner.

Despite repeated vocal Iranian objections, Azerbaijani-Israeli relations remain solid. In February 2012, Azerbaijan signed a \$1.6 billion defense deal with Israel that included air defense systems, intelligence equipment and unmanned aerial vehicles.

In my discussions with an array of political figures in Azerbaijan – from government officials to key opposition figures - I found very little disagreement on the issue of Baku's close ties with Israel. At the heart of the matter is an Azerbaijani desire across the political spectrum for the development of the country's capabilities and specifically in regards to finding a settlement to the frozen Nagorno-Karabakh conflict.

As Iran's "Big Brother" approach and pressure toward Baku has failed to deliver, Tehran is now instead seeking to incentivize Baku with a new wave of promises of cooperation. This latest approach has been very noticeable in the last few months, most likely indicating that Tehran is hoping to prevent further fallout with its immediate neighbors.

The latest overtures toward Baku need to be seen in the context of Iran's already isolated position due to its nuclear program and UN resolutions and sanctions. Nonetheless, despite such Iranian offers, deep suspicion in relations is highly unlikely to go away in the foreseeable future.

Perhaps more important than any other factor, Baku shows no sign of wanting to abandon its pro-US position or its ties with Israel and certainly shows no sign of wanting to adopt policies that would appease the ruling elite in Tehran.

The impact of Iranian behavior on US interests and its partners

Throughout the 1990s, one of Tehran's key objectives across the Caucasus and Central Asia was to prevent an increase of US influence. This is still an objective, but Tehran's resources are limited and it is now far more likely to out-source to Russia and China and regional collective organizations – such as the Shanghai Cooperation Organization – to realize this objective. This shift is also a reflection of the undoubted failure of the Iranian Islamist message, even in countries such as Azerbaijan, with a Muslim and Shia majority.



However, this equilibrium could shift if the Iranian nuclear standoff continues and if radical entities within the Iranian regime opt to increase anti-US activities in the South Caucasus as a way to challenge or confront the US and its allies. There have been some recent signs to justify such concerns.

Earlier in the year, Azerbaijani officials reported the arrest of individuals charged with planning to attack US and Israeli and Jewish targets. As recently as 9 October 2012, Azerbaijan sentenced 22 people charged with spying for Iran's Islamic Revolutionary Guards Corps (IRGC) and plotting to carry out attacks against American and Israeli targets in Azerbaijan. These realities point to Azerbaijan as a potential battle-ground in Iran's stand-off with the US and her allies.

On the question of Iranian influence and activities in the South Caucasus, Armenia and Georgia pose different challenges for US policy makers.

Given that its borders with Turkey and Azerbaijan have been closed since 1993, Armenia has become reliant on Iran and Georgia as its sole avenues to world markets. Iran is also a principal trading partner for Armenia and Yerevan's economic interests are already harmed by the sanctions imposed on Iran. It would appear that both Armenia and Iran would have an incentive to circumvent international sanctions imposed on Iran, although this is strongly denied by the Armenian authorities.

In the case of Georgia, it is again about whether Iran can use the country to circumvent international sanctions. Since 2010, Iran-Georgia relations have warmed and a visa-free regime has been established between the two countries, increasing the flow of Iranian tourists and investment to Georgia. The bulk of this traffic can be expected to be legitimate as Iranian investors and tourists look for new and affordable destinations and particularly since traditional destinations such as those in Europe and in the United Arab Emirates have become less accessible. At the same time, the greater Iranian access to Georgia is highly likely to be exploited by Iran's intelligence services for operational purposes although there is very little concrete material in this regard in open sources.

In conclusion, let me say that Iran's influence in the South Caucasus does not match its proximity or historical ties to the region. Tehran insistence on building relations on an ideological and anti-Western platform is a failed policy. This is best symbolized by the poor state of relations between Iran and Azerbaijan. And it goes beyond bilateral ties. Thanks to its ideological intransigence, Tehran has removed itself as a contender in Caspian Basin energy bonanza. When Tehran has been able to make inroads in the region - specifically in Armenia and less so in Georgia - it has done so overwhelmingly because those states lack alternatives and not because of a convincing Iranian message.

Mr. Chairman, Ranking Member, and members of the Committee, thank you again for the opportunity to appear before you today.