IRAN, ITS NEIGHBOURS AND THE REGIONAL CRISES

A MIDDLE EAST PROGRAMME REPORT

CHATHAM HOUSE

IRAN, ITS NEIGHBOURS AND THE REGIONAL CRISES

A Middle East Programme report

Edited by Robert Lowe and Claire Spencer

CHATHAM HOUSE

Chatham House (The Royal Institute of International Affairs) is an independent body which promotes the rigorous study of international questions and does not express opinions of its own. The opinions expressed in this publication are the responsibility of the authors.

© The Royal Institute of International Affairs, 2006.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical including photocopying, recording or any informations storage or retrieval system, without the prior written permission of the copyright holder. Please direct all enquiries to the publishers.

ISBN: 1 86203 174 6
ISBN-13: 978 1 86203 174 6

Cover design and typesetting by Matt Link

Map by Francesca Broadbent

Printed by Kallkwik

Cover photographs
Clockwise from top left:

An Iranian cleric stands in front of a picture of Jerusalem's Dome of the Rock and Hizbullah fighters during a meeting in support of Hizbullah at the Behesht-e-Zahra cemetery, outside Tehran, 26 July 2006. (AP Photo/Vahid Salemi)

Iranians celebrate after Iran beat Bahrain 1-0 in a World Cup qualifying match at the Azadi Stadium in Tehran on 8 June 2005, ensuring their qualifiction for the 2006 World Cup Finals in Germany. (AP Photo/Hasan Sarbakhshian)

A reactor building at Iran's Bushehr nuclear power plant. Iran and Russia signed a nuclear fuel agreement on 5 June 2005, paving the way for Iran to get its first reactor up and running. (Vahid Salemi/AP/EMPICS)

Shanghai Cooperation Organization guests, from left to right, Mahmoud Ahmadinejad, Pakistan President Pervez Musharraf, Afghanistan President Hamid Karzai pose at the Shanghai International Convention Centre, China, 15 June 2006. President Ahmadinejad invited China, Russia and other Central and South Asian nations to convene a special meeting in Iran to boost energy cooperation. (Elizabeth Dalziel/AP/EMPICS)

Iranian supreme leader Ayatollah Ali Khamenei in talks with Saudi Arabian Foreign Minister Saud al-Faisal, Tehran, 12 June 2006. (STR/AP/EMPICS)

The presidents of Iraq and Iran, Jalal Talabani and Mahmoud Ahmadinejad, at a press conference, in Tehran, 21 November 2005. President Talabani spent 3 days in Iran discussing bilateral and regional issues. (Fidan Serkan/ABACA/EMPICS)

Contents

Contributors

Rime Allaf, Associate Fellow, Middle East Programme, Chatham House
Ali Ansari, Reader in Modern History, University of St Andrews and Associate Fellow, Middle East Programme, Chatham House
Maha Azzam, Associate Fellow, Middle East Programme, Chatham House
Olivia Bosch, Senior Research Fellow, International Security Programme, Chatham House
Laura Cooper, Administrator, Middle East Programme, Chatham House
Fadi Hakura, Founder, Conkura Consulting and Associate Fellow, Middle East Programme, Chatham House
Christopher Hood, Director, Cardiff Japanese Studies Centre, University of Cardiff and Associate Fellow, Asia Programme, Chatham House
Ayesha Khan, Centre of International Studies, University of Cambridge and Associate Fellow, Asia Programme, Chatham House
Robert Lowe, Manager, Middle East Programme, Chatham House
Yiyi Lu, Associate Fellow, Asia Programme, Chatham House
Valerie Marcel, Senior Research Fellow, Energy, Environment and Development Programme, Chatham House
Yossi Mekelberg, Lecturer in International Relations and Politics of Development, Webster Graduate Centre, Regents College and Associate Fellow, Middle East Programme, Chatham House
James Nixey, Manager, Russia and Eurasia Programme, Chatham House
Gareth Price, Head, Asia Programme, Chatham House
Farzana Shaikh, Associate, Centre of South Asia Studies, University of Cambridge and Associate Fellow, Asia Programme, Chatham House
Nadim Shehadi, Associate Fellow, Middle East Programme, Chatham House
Gareth Stansfield, Associate Professor in Middle East Politics, University of Exeter and Associate Fellow, Middle East Programme, Chatham House
Claire Spencer, Head, Middle East Programme, Chatham House

The Middle East Programme at Chatham House undertakes research and analysis on the politics and international relations of the Middle East and North Africa. The programme also provides a forum for the discussion of Middle East affairs by hosting conferences, seminars and meetings with visiting speakers. For further information or to join the Middle East Programme meeting mailing list please email Robert Lowe.

Contact

Robert Lowe, Manager, Middle East Programme
rlowe@chathamhouse.org.uk
Tel: +44 (0)20 7957 5737

Executive Summary

The Middle East is bedevilled by crises. The war between Hizbullah and Israel, the conflict between Israelis and Palestinians, the instability in Iraq and the dispute over Iran's nuclear programme create a climate of deep unease. Iran is involved in all these crises, to a greater or lesser degree, and its regional role is significant and growing.

In applying pressure on Iran to cease support for Hizbullah, to refrain from hostility towards Israel, to resist meddling in Iraq and to abandon any thoughts of nuclear military capability, the United States hopes for the cooperation of Iran's regional neighbours. However, Iran has successfully cultivated relations with its neighbours, even those Arab and Sunni states which fear its influence, and is in a position of considerable strength.

Iran is simply too important – for political, economic, cultural, religious and military reasons – to be treated lightly by any state in the Middle East or indeed Asia. The wars and continued weaknesses in Afghanistan and Iraq have further strengthened Iran, their most powerful immediate neighbour, which maintains significant involvement in its 'near-abroad'. The US-driven agenda for confronting Iran is severely compromised by the confident ease with which Iran sits in its region.

Iran's pursuit of nuclear technology has recently dominated its relations with the Western powers, but not those with its regional neighbours. Understanding the dynamics of Iran's relations with its neighbours helps explain why Iran feels able to resist Western pressure. While the US and Europeans slowly grind the nuclear issue through the mills of the IAEA and UN Security Council, Iran continues to prevaricate, feeling confident of victory as conditions turn ever more in its favour.

Iran's domestic power structure is complex and Mahmoud Ahmadinejad is only one of a number of players. His dramatic millenarian rhetoric attracts headlines, but the broader governing polity does share his robust conviction that Iran is the linchpin of a wide region and can maintain firm independent positions.

Iran views Iraq as its own backyard and has now superseded the US as the most influential power there; this affords it a key role in Iraq's future. Iran is also a prominent presence in its other war-torn neighbour with close social ties, Afghanistan. The Sunni Arab states of Jordan, Egypt and the Gulf are wary of Iran yet feel compelled by its strength to maintain largely cordial relations while Iran embarrasses their Western-leaning governments through its stance against the US.

Syria and Iran enjoy an especially close relationship, as most clearly seen in their alliance against the US and Israel, and support for Hizbullah. Iran's relationship with Lebanon is long and intricate and the conflict between Israel and Hizbullah in July-August 2006 may be partly seen in the context of the broader struggle between Iran and the US/Israel. Israel certainly views Iran as its greatest threat and the tension between the two has increased.

The relationship between Iran and Turkey pivots between friendship and rivalry but Turkey favours good relations and the avoidance of further regional instability. Russia is a significant economic partner to Iran, is heavily involved in its nuclear programme, and tends to take the role of mediator at the international level.

The recent rapprochement between Iran and Pakistan remains ambiguous while Iran and India have notably improved ties, mostly on the basis of Indian energy needs. Energy security and economic ties also dominate Iran's relations with China and Japan.

Introduction

There is little doubt that Iran has been the chief beneficiary of the war on terror in the Middle East. The United States, with Coalition support, has eliminated two of Iran's regional rival governments – the Taliban in Afghanistan in November 2001 and Saddam Hussein's regime in Iraq in April 2003 – but has failed to replace either with coherent and stable political structures. The outbreak of conflict on two fronts in June–July 2006 between Israel and the Palestinians in Gaza, and Israel and Hizbullah in Lebanon has added to the regional dimensions of this instability.

Consequently, Iran has moved to fill the regional void with an apparent ease that has disturbed both regional players and the United States and its European allies. Iran is one of the most significant and powerful states in the region and its influence spreads well beyond its critical location at the nexus of the Middle East, Turkey, the Caucasus, Central Asia and South Asia. It is often viewed from a distant Western perspective or as the large and awkward non-Arab country dominating the eastern end of the Middle East. This report places Iran at the centre of its true neighbourhood and analyses its relations with key Asian and Eurasian states as well as with the Middle East. The strength of these relationships is a major factor in Iran's self-confidence and regional power.

Iranian regional foreign policy, which is often portrayed as mischievous and destabilizing, is in fact remarkably pragmatic on the whole and generally aims to avoid major upheaval or confrontation. Iran's core foreign policy concerns are:

- **regional hegemony, particularly economic and cultural, within its sphere of influence;**
- **an extension of the sphere of influence;**
- **regional stability;**
- **to see Iraq unified but unable to pose a military threat;**
- **an obsession with the US but uncertainty how to deal with it.**

This report focuses on Iran's position within its region, hence relations with the US and the West lie beyond its scope. However, the US is now a regional player. The invasions of Afghanistan and Iraq mean that the US and its allies are now prominent actors on the ground rather than external observers with only partial involvement. At the very least, US policies and actions create a context which influences the autonomy and behaviour of regional states. These must balance their own strategic and economic interests in relation to the new reality of the US presence and also to the stand-off between the US and Iran. The US's key regional policy concerns are:

- **the reconstruction of Afghanistan and Iraq as more peaceful, stable and democratic states;**
- **the defence of the security and regional interests of Israel;**
- **to contain the violence between Israel and Hizbullah and Israel and the Palestinians;**
- **global access to energy supplies in the Gulf;**
- **to contain and defeat the spread of terrorism;**
- **an obsession with Iran but uncertainty how to deal with it.**

In all of these areas, Iranian influence is seen as posing a strategic threat and, with the escalation of the nuclear issue and Israel's conflicts with its neighbours, even an existential threat to the US's own influence and hegemony across this key region. In galvanizing and intensifying international pressure against Iran's pursuit of nuclear technology since late 2005, the US has highlighted one of many challenges Iran presents to its broader regional interests and those of its closest international allies. Iran's military and financial support to Hizbullah in Lebanon and the success of Hizbullah's campaign against Israel in the summer of 2006 has merely confirmed the extent of Iran's regional reach.

This report seeks to shed light on what the regional crises – the Iranian nuclear dispute, the instability of Iraq, the Israel–Hizbullah conflict and the deteriorating situation in the West Bank and Gaza – illustrate about Iran's relations with its neighbours. The initial intention was to concentrate on the nuclear issue, but as fighting intensified in Gaza and Lebanon, it became apparent that the report would have greater value if it widened its scope to consider the other regional crises, all of which are connected and in all of which Iran is a major player.

The report is produced by the Middle East Programme with significant contributions from other regional and thematic programmes at Chatham House. The following questions are examined:

- **How strong is Iran's position and how is it shaped?**
- **What factors are motivating the alliances and positioning taking place between Iran and its neighbours in the Middle East and Asia?**
- **How do Iran's neighbours view its pursuit of nuclear technology?**
- **What reactions can be expected within the region if the US uses military force in attempting to control Iran's nuclear and regional ambitions?**

The contributors explore Iran's regional relations on a country-by-country basis. A recurring theme is the desire of most states to maintain good relations with Iran or, where the relationship is less strong, to avoid antagonization or any further deterioration. There exist a variety of reasons for this which have generally been strengthened by the turmoil in Afghanistan, Iraq, Palestine and Lebanon. Iran is in a powerful regional position and its cooperation and positive influence are needed to help douse the many fires currently alight. Were Iran to feel seriously threatened by outside forces, it does have the potential to inflame the region yet further.

Another main finding, especially since the outbreak of conflict in Lebanon, is that the nuclear issue is only one of a series of considerations motivating the policies adopted by Middle Eastern and Asian countries towards Iran. These states' perceptions of and relations with the Islamic Republic pre-date the forces unleashed in 2001 just as regional responses to the US-led military presence in the region incorporate pre-existing trends in their approaches to the West. The region is nevertheless adjusting to changed realities, on more than one front at once – economic and commercial, as well as political and strategic.

While the full impact of changes taking place across the Middle East and Asia is yet to be determined, one implication is clear: the complexity of regional relationships currently emerging highlights dimensions of the regional crises that neither the US nor the EU can afford to ignore. Focusing on Iran's nuclear capabilities alone – or extending criticism to include Iran's support for Hizbullah – will neither explain nor address the positions being adopted across the Middle East and Asia towards what many see as a struggle for the interconnected future of this wider region. Many in the West have failed to appreciate the complexities of Iran, its deep ties with its neighbours and its long-practised ability to influence its neighbourhood. The resolution of the many crises afflicting Iran's region will partly require an improvement in Iran's relations with the West through careful and patient diplomacy on both sides. Iran's intricate involvement in these crises and its self-confidence means that confrontation carries serious risks.

Iran

The reasons for the growth in Iran's regional influence are clear. Iran is the linchpin between the Middle East and Asia whose military weakness should not disguise the very real cultural, political and economic influence it wields. The US may have the upper hand in 'hard' power projection, but for all its ability to win military battles, the Bush administration has shown a lack of ability in planning for and mastering the subsequent peace. Iran has traditionally been a master of 'soft' power – the ability to use politics and culture to pursue its strategic interests. Its knowledge of the region, fluency in the languages and culture, strong historical ties and administrative skills have given Iran an advantage over the West. While the latter, both historically and currently, has sought to change and reform the Middle East, Iran tends to work with what it finds.

Iran's prominent location affords it huge opportunities but also makes it vulnerable in a region not noted for its stability. With seven land borders with neighbouring states and an additional six maritime borders in the Gulf, Iran has frequently had to manage the consequences, including flows of refugees, from neighbouring conflicts. Since 2001, and the US-led military missions in Afghanistan and Iraq, Iran has had good reason to be concerned about political instability in its neighbourhood. Too often, however, Western preoccupations with Iran's foreign policy intentions fail to recognize Iran's own security needs. The resurgence of the Taliban in Afghanistan to the east and the continuing insurgencies in Iraq to the west mean there is continued violence and uncertainty on Iran's borders.

The Iranian government is particularly aggrieved that its role in taking in and later repatriating large numbers of Afghan refugees since 2001–2 has been neither acknowledged nor rewarded by the US and its allies. Iranian leaders also argue that the strong links they have with the Shi'a religious leadership and the ruling majority Shi'a parties in Iraq have had positive and modifying effects on the political situation in Iraq rather than being a major source of instability, as claimed by Western governments and commentators.

Iran feels surrounded by crises unleashed or aggravated through Western military interventions. The US not only deploys forces in Afghanistan and Iraq, it also has access to bases in Turkey, Central Asia and the Persian Gulf. To the north-west of Iran, there is also instability in the Caucasus. A weakening of central government or a change of regime in Pakistan could pose a threat to Iran. Even though Iran is frequently depicted as a manipulator and instigator of violence in the broader Middle East, most recently through its military and financial support for Hizbullah and Hamas in their struggles against Israel, the Iranian regime is wary of provoking generalized chaos in the region because it is essentially conservative and seeks to maintain the status quo.

In this respect, the presidency of Mahmoud Ahmadinejad has added a complication to the dynamics of Iran's geopolitical aspirations by introducing a brand of millenarianism to the equation which even his own compatriots find alarming. This should not, however, distract from the underlying strategic advantages Iran possesses, and the fact that its regional posture owes much to its national interests and historical sense of imperial mission. A strong sense of nationalism has always coloured Iran's domestic as well as foreign policy stances. As a proudly non-Arab and Shi'a state, Iran has a collective sense of national particularity and isolation at times of rising regional tensions that has rivalled even Israel's perception of being encircled and under threat in a difficult neighbourhood. The danger lies in the risk that Ahmadinejad's confrontational politics will take succour from the perception of Western weakness in the region to become even more unshackled in ambition and, in mirroring those of his neo-conservative rivals in the US, engage in a provocation too far.

The ideology of Mahmoud Ahmadinejad

The sudden emergence of Mahmoud Ahmadinejad as President of the Islamic Republic and successor to the moderate Mohammed Khatami in June 2005 proved a considerable shock to the political community, not least within Iran itself. The new president appeared similarly surprised by his election and immediately interpreted it as part of his manifest destiny. According to this, his role was to create the 'Third Islamic Revolution', the Second Islamic Revolution having been represented by the seizure of the US embassy in 1979 which allowed the Islamists to consolidate their power after the initial overthrow of the Shah in 1978. Much like the original, the development and success of this revolutionary era had less to do with practical political measures, strategies and manipulation, and more to do with divine providence. For Ahmadinejad and his closest supporters, his election was an empowering moment which served to cement his political and ideological convictions.

For his opponents, many of whom are part of the traditional and largely conservative elite, Ahmadinejad's election was the worst of all possible worlds. Not only has he threatened their political and economic interests, but his ideological convictions and lack of flexibility have made him difficult to bend to their views, and well-nigh impossible to accommodate. His rhetoric has tended to inflame tensions and unsettle the domestic economy and private sector, while the wide-reaching changes he has introduced to official and ministerial appointments have upset the continuity of the public administration, even where – as in appointing a new oil minister the autumn of 2005 – he failed to gain acceptance for his preferred candidates. Far more serious in terms of Iran's external status has been Ahmadinejad's attitude towards the international community, and the West in particular. In contrast to the broadly accommodating tone of Khatami, Ahmadinejad's whole philosophy has favoured and promoted confrontation. His rationale is that there is nothing to be gained through any form of compromise that the West would exploit as weakness. Many of his opponents have grown concerned that this policy of confrontation is bereft of any underlying strategy other than being an end in itself.

Mahmoud Ahmadinejad is undoubtedly the most ideological president to occupy the post since the revolution of 1979. Both previous incumbents (Hashemi Rafsanjani, 1989–1997 and Mohammed Khatami, 1997–2005) tended to follow a pragmatic policy of détente, combined with a gentle easing of revolutionary fervour, especially in the international sphere. Ahmadinejad has openly condemned this approach and derided the period since 1989 as one in which the values and morals of the revolution were perverted and polluted by material corruption. While he has reserved most of his venom for the presidency of Khatami, his comments have also led to a serious deterioration of relations with Hashemi Rafsanjani, his main rival in the presidential campaign of 2005.

The source of Ahmadinejad's ideological fervour can be traced to a large extent to his own personal experience as a member of the *pasdaran,* or Revolutionary Guards. Like many of his supporters and closest associates who are now in their forties, Ahmadinejad is a child of the revolution and the war with Iraq from 1980 to 1988. His experience of war was the high moment of the first post-revolutionary years, when morality superseded material gain and Iranians were truly fraternal Muslims. For him, the war was far from being an event to be regretted and avoided, but was, for all its pain, a purifying moment which cleansed the corruption which had accrued during the previous regime. In this sense, Ahmadinejad came to see himself in effect as a literal adherent of Ayatollah Khomeini's revolutionary rhetoric.

Khomeini's argument that the revolution had been irrigated and hence blossomed through the blood of the martyrs who died in the war with Iraq was not purely metaphorical. Similarly, there was nothing remotely philosophical about Khomeini's pronouncement that Iranians must create a country fit for the return of the Hidden Imam which some, including Ahmadinejad, interpreted as meaning that Iranians needed to develop a utopian state.[1] Ahmadinejad's obsession with the return of the Hidden Imam, as well as his occasional pronouncements about his personal proximity to him,

[1] According to Twelver Shi'ism, the Hidden Imam (Muhammad al-Mahdi) is the Twelfth and final Shi'a Imam. In 939 the Mahdi disappeared from view and entered a state of occultation. He will reappear as the saviour of humankind and bring justice to the world.

have provoked ridicule, derision and horror in almost equal measure among concerned opponents in Iran. These beliefs are nevertheless central to Ahmadinejad's apocalyptic world-view.

In his return to the founding principles of the Islamic Republic, Ahmadinejad can best be described as emblematic of Iran's neo-conservative movement. His reliance on the power of divine providence can be seen in his description of Israel and the United States as ungodly and unjust states that will inevitably collapse. Contrary to some external perceptions, Ahmadinejad does not believe he needs to do anything to encourage this collapse but, since it is inevitable, there is no need to talk to or engage with these states either.

Such religious convictions blend well with the other streams of nationalist and anti-colonial thought which also pervade Iranian politics. Indeed arguably, for all Ahmadinejad's overt religious convictions, he has had to present himself as a defender of Iran's national rights and has used the nuclear crisis to good effect in this regard. How well this has been received within broader Iranian opinion is a matter of debate, but the exploitation of nationalist sentiment, and the view that Iranians have a durable (and unchanging) history, as well as an inherently imperial role in the region, have undoubtedly landed on receptive ground.

This sense of historic mission and durability has persuaded Iranian policy-makers that they can sit out this period of Western presence in the region, and that inevitably the Western powers will leave and Iran will be left to benefit from the mess they have created. This view has two consequences. On the one hand, it encourages the more strategic of those in Iran's foreign policy establishment to engage constructively with the regional players with a view to preparing the political terrain for later. On the other hand, it has encouraged a degree of complacency and arrogance with respect to the West. Both these characteristics can be witnessed in Iranian policy towards Iraq.

The complexities of Iran's leadership

Despite the prominence of Ahmadinejad, the Iranian political system does not give complete political control to the presidency. Following in the footsteps of Ayatollah Khomeini, the Supreme Leader, Ayatollah Khamenei, is clearly at the very top of the domestic power structure, but the actual exercising of power is less certain. In many ways, the Iranian regime reflects a constant jockeying for influence between different interest groups, personalities and institutions. Even though most core policy positions – such as the inadmissibility of foreign interference in Iran's domestic affairs or foreign policy – are shared and constant, the articulation and shaping of the detail of policy often gives rise to intense rivalry.

There are nevertheless two main arguments regarding the actual dynamics of power in Iran, especially over the nuclear issue. The first is that Khamenei is ultimately in charge, with Ali Larijani, who succeeded Hassan Rohani in late 2005 at the head of the National Security Council, effectively playing the role of foreign minister. Ahmadinejad's role is to manage domestic policy and maintain popular support for the nuclear issue through gestures and speeches. As the main negotiator on behalf of Iran in international circles, Larijani articulates the details of Iran's position, but overall responses and initiatives emerge from and are the result of a collective effort, overseen by Khamenei. The weakness in this system is that Ahmadinejad still retains a wrecking capacity through his public pronouncements, but his own appointed Foreign Minister, Manouchehr Mottaki, has no real power and is merely a spokesman for officially agreed policy.

The second argument is that this picture has now been complicated by other elements feeding into the structure. The most prominent of these is the new Strategic Council for Foreign Relations which was established by Khamenei on 25 June 2006. The profile of the Council's membership suggests that Khamenei has become increasingly unhappy with Ahmadinejad's approach to foreign policy issues. To counterbalance this, the Supreme Leader has turned to political figures associated with the 'reformist' trend that enjoyed brief prominence under the Khatami presidency. Most notably, Kamal Kharrazi, the previous foreign minister, was appointed to head the Council, while another

appointee is Kharrazi's own predecessor as foreign minister, Ali Akbar Velayati. Kharrazi can nominate a further five members to the Council, suggesting that its reformist character is likely to be further strengthened in the future.

The Council has been tasked with making strategy and thinking broadly about foreign policy, at a higher level than that of the day-to-day business of the Foreign Ministry. The very creation of this institution illustrates the deterioration of the relationship between Khamenei and Ahmadinejad, through adding a new instrument of policy coordination to the system with which the president will have to contend. Ahmadinejad's protégé, Foreign Minister Mottaki, also faces the constraint of having his two predecessors effectively overseeing his post. Even though the Council has still to prove itself, the move indicates that Khamenei is trying to wrest control over foreign policy away from the extreme positions towards which Ahmadinejad and his hardline supporters have been attempting to take it.

Iran and its region

Iraq provides a microcosm for Iranian policy towards its 'near-abroad'. It is by far the most tense of the areas of involvement, although this is largely a result of recent Western intervention. Iraq has been simmering over the past three years, and with the added regional complications of conflict in Lebanon, Gaza and the West Bank, the emerging dynamics of these situations could well result in an unforeseen escalation. In its historical context, Iran's policy towards Iraq cannot be understood outside the experience of the Iran–Iraq war. Central to Iranian strategy is the conviction that no military threat can be allowed to re-emerge from Iraq as it did in the 1980s, and this is an issue over which no Iranian government will compromise. Much else that has emerged in Iraq is, however, open to negotiation, although the clear preference of the Iranian leadership is for a sympathetic Iraqi government, devoid of US support and military presence, overseeing a loosely federal structure, heavily penetrated by Iranian economic and political interests.

In a positive sense, the case of Iraq shows the exemplary way in which Iranians have been able to exploit an anarchic situation with a view to preparing a favourable environment. They have been particularly active among the Shi'a communities in the south and the Kurds in the north, providing logistical, financial and military support to key allies. Much of this was initially achieved with the tacit approval of the Coalition forces, particularly in the south, where the proliferation of non-governmental organizations funded and set up with Iranian assistance was seen as a stabilizing force in the aftermath of Saddam Hussein's overthrow. Subsequently, and especially since Ahmadinejad's election, British and US officials have been more openly critical of Iranian influence in Shi'a areas, accusing Iranian 'agents' of training and supplying Iraqi militias with arms. This reflects Ahmadinejad's own approach to coordinating with the Coalition forces in Iraq. Since he and his supporters regard Iraq as a Western fiasco which will result in their departure from the region sooner rather than later, Ahmadinejad sees no reason to liaise or communicate with foreign forces at all.

This was most evidently seen in the attempts at a dialogue between the US ambassador in Iraq and the Iranians. While Ayatollah Khamenei apparently supported the talks, Ahmadinejad took the unusual step of disagreeing with the Supreme Leader and stating that talks were unnecessary. In the event, the talks collapsed under the weight of diplomatic pressures, but Ahmadinejad's intervention was nonetheless striking and revealed much about the dynamics of internal Iranian politics. The consequence of this souring in relations has been a rise in tensions between the Coalition powers and Iran, in particular the Revolutionary Guards (accused of supporting anti-Coalition militias), with the development of a proxy war which has spilled over into the Iranian province of Khuzestan.

Iran seems increasingly bound to its relationship with Russia and China, viewing these two as mentors and protectors – and important commercial partners – in the continued crisis with the Western powers. Although both countries have agreed to support the conciliatory international

offer made to Iran in May 2006, this may now be superseded by the UN Security Council resolution endorsed by both at the end of July 2006. While both Russia and China have so far endorsed a peaceful and diplomatic solution to the nuclear crisis, it still remains unclear how far they will go in support of economic and political sanctions.

From the Iranian perspective, there is undoubtedly some domestic concern at Iran's growing dependence on Russia in the historical sense that Russia is an unreliable ally, and it would be wrong to suggest that relations with these two powers are determined by anything more than coincidental strategic interests. This is also echoed in Iran's opportunistic but wary approach to its relations with China. For this reason, the recent political and diplomatic dynamics of the relationship between Russia, China and Iran should not be interpreted as a strategic shift in Iran's priorities and world-view. Iranian aspirations, cultural affinities and economic needs remain very firmly wedded to the West.

Iran has been developing a relationship with India which is dictated largely by the latter's need for Iranian oil and gas. Iranian relations are strong with Turkey, mainly on account of their cultural and linguistic affinity (around 25% of Iranians, the Azeris, speak a Turkic language), while their political relationship has greatly improved since 2003 in their shared apprehensions over the presence of Coalition forces in Iraq.

While the 'strategic' alliance with Syria has been strong and constant, this, for the Iranians, is in reality little more than a paper alliance intended to deter the Israelis. Iran believes that Syria is vital in maintaining support for Hizbullah in its confrontation with Israel, but it remains doubtful whether Syria could effectively withstand an Israeli military attack on its own. Iran supports Hizbullah politically and militarily and values the organization's ability to hurt Israel. Iran's fairly disinterested response to the fighting between Hizbullah and Israel in July–August 2006 reflects its desire to remain disassociated with the trouble and avoid any regional escalation. Popular sympathy with the Lebanese is strong but the war has received little attention in Iran, where the nuclear issue remains the most significant.

Relations between Iran and the states of the Arabian peninsula remain cordial if strained, especially over the latter's fears that the consequences of failed diplomacy over the nuclear issue could spill over into the Persian Gulf. Ahmadinejad's public rhetoric and defiance of the US have also not helped soothe Arab leaders' concerns over his particular brand of revolutionary revanchism, which they fear may infect their own populations, with serious consequences for the domestic stability of the pro-Western Gulf Arab states. Ahmadinejad's bold statements about Israel and the United States have also highlighted the limitations of 'moderate' Arab diplomacy towards the creation of a Palestinian state, and have made Ahmadinejad an increasingly popular symbol of resistance in the Arab street.

The greatest Arab fear is of a Shi'a crescent emerging from the ashes of Iraq. The possibility that Iran will, over the longer term, be the chief beneficiary of the war on terror is a major concern, particularly among those countries with large Shi'a populations, such as Bahrain and Saudi Arabia. Some of these fears are misplaced, but they exist nonetheless. For all Ahmadinejad's grandstanding, and in the absence of the imminent return of the Hidden Imam, it is highly unlikely that a unified Shi'a crescent will emerge. Iranians themselves are not particularly interested in this prospect, but are more immediately concerned by the prospect of a US military strike against Iranian nuclear installations which would be devastating not just for Iran but for the entire Persian Gulf region and probably beyond.

Oil: a weapon in Iran's arsenal

While the Minister of Oil and other Iranian officials have repeatedly ruled out the use of oil as a political weapon, Ayatollah Khamenei warned Western nations on 4 June 2006 that attempts to punish Tehran would jeopardize the shipment of energy from the Persian Gulf. However, he added that Iran would not be the initiator of war.[2]

Economic interdependence binds Iran and the world's oil importers. In 2003, before the surge in oil prices, the Iranian government depended on oil exports for 60% of its revenues. The oil markets depend on Iran's exports of 2.7 million barrels per day (mb/d). Should these exports be disrupted by an attack or interrupted by Iran, other producers with spare capacity would not be able to provide the market with the necessary shortfall. Total spare capacity is now estimated to be 1.1–1.6 mb/d, a far cry from the 2002 levels of 6 mb/d.

Should consumers be spared Iran's use of the oil weapon and the disruption of Iran's exports due to a military confrontation, energy markets are unlikely to be satisfied by Iranian exports in the short to medium term. Investments in Iran's energy sector were limited in 2005 by power struggles between the Majlis, the Guardian Council and the Ministry of Oil, with each institution seeking to influence key decisions relating to the sector. On the agenda were reform bills intended to restructure the relationship between the government and the National Iranian Oil Company (NIOC), as well as a review of the costly programme to subsidize domestic energy consumption. These were designed by NIOC and the Ministry to give the cash-starved national oil industry greater organizational and financial means to expand oil and gas production.

President Ahmadinejad's election in June 2005 threw the sector into deeper confusion. He was favourable to alternative means of reforming the subsidy system, but having campaigned on a promise to clean the oil industry of corruption, he threatened to remove hundreds of NIOC and Ministry employees. For months, the uncertainty lingered. The president's first three candidates for the post of Oil Minister were turned down by the Majlis, on the grounds that they were insufficiently qualified. The 6-month leadership vacuum took its toll on the sector: management hesitated to initiate investments and decisions were delayed. Since then, the escalation of tensions with the United States has kept away the investors on which the energy sector depends to deliver planned production expansion.

The nuclear background

Iran's nuclear ambitions date back to the pre-revolutionary era of the Shah in the 1960s. Official pronouncements since then have rarely strayed from a stated policy of seeking nuclear technology for civilian energy purposes alone; Iran signed the Nuclear Non-Proliferation Treaty (NPT) in 1968 and an associated Safeguards Agreement with the International Atomic Energy Authority (IAEA) that came into force by 1974. After a lull caused by the war with Iraq during the 1980s, from the early 1990s Iran's nuclear programmes were revived.

Since then, international suspicions have mounted that Iran's nuclear ambitions are aimed at acquiring dual-purpose nuclear technology, with the civilian programme shielding a covert strategy to develop the capability to enrich uranium to weapons grade. In August 2002, evidence of hidden uranium enrichment plants passed to the IAEA by an Iranian opposition group, the National Council of Resistance of Iran, was compounded by circumstantial, if not conclusive, evidence of samples of enriched uranium uncovered by IAEA inspectors themselves.

Although the Iranian government conceded in early 2003 that the enrichment facilities at Natanz and Arak did in fact exist, this belated admission cast doubt on the reliability of the government's previous nuclear disclosures. As further circumstantial evidence, reporting gaps and inconsistencies

[2] Speech of Ayatollah Ali Khamenei at a memorial ceremony marking the 17th anniversary of the departure of Ayatollah Khomenei. *www.khamenei.ir/EN/News/detail.jsp?id=20060604A.*

emerged, in June 2003 the IAEA declared Iran to have failed in its nuclear reporting requirements, although it stopped short of reporting it to be in breach of its obligations under the NPT.

To stem the growing crisis, in which the US administration sought to refer Iran to the UN Security Council for what it argued was Iran's non-compliance with the NPT, a novel agreement was reached in October 2003 whereby a troika of European states (the UK, France and Germany, referred to as the EU-3) undertook to negotiate directly with Iran on behalf of the international community. The continuing absence of any direct diplomatic relations between the US and Iran, broken off in the course of the Tehran hostage crisis of 1980, gave the Europeans a leading role, but not necessarily the bargaining power to deliver on Iran's own security concerns. These concerns were increasingly linked to the US military presence in Afghanistan from 2001 and Iraq from 2003.

The arrangement reached was that in return for Iran's suspension of its nuclear activities and adherence to the Additional Protocol – an extension of the IAEA's Safeguards Agreement of the NPT allowing for a more intrusive IAEA inspection regime – the EU-3 would explore options to assist Iran to develop a purely civilian nuclear programme, together with trade initiatives. From the outset, however, the subsequent two years of talks were dogged by the atmosphere of mistrust that had initially given rise to the agreement. Revelations in February 2004 by the architect of Pakistan's nuclear programme, A.Q. Khan, that his network had provided nuclear plans and equipment to Iran, as well as to North Korea and Libya, since the late 1980s, heightened fears that Iran was continuing to prepare the path for a return to uranium enrichment for nuclear weapons purposes.

Following the Iranian parliament's passing of a bill in October 2004 which approved the resumption of enrichment activities, the mounting crisis prompted a further agreement between Iran and the EU-3, reached in Paris in November 2004: Iran undertook to suspend nuclear enrichment in return for more specific and detailed proposals by the EU-3. The hope was that moves to assist Iran in its purely civilian nuclear energy programme through proposals to build and supply a light-water reactor, which does not require weapons-grade enriched uranium for fuel, would give Iran sufficient incentive to extend its voluntary suspension into a complete renunciation of the quest to acquire domestic nuclear capability.

As the then chief Iranian negotiator, Hassan Rohani, has since revealed, this was never an option the Iranians could, or would entertain.[3] The dispute from the Iranian perspective was not solely about Iran's nuclear ambitions, but hinged on the issue of Iran's sovereign and national rights. In an era when neither India nor Pakistan (openly nuclear capable from 1998), much less Israel, has been penalized for developing nuclear weapons outside the constraints of the NPT, Iranian negotiators stuck by the argument that Iran's right to engage in nuclear enrichment for civilian nuclear purposes was non-negotiable under the terms of both the NPT and, until early 2006, the Additional Safeguards Agreement adhered to in 2003.

What was in dispute, however, was the means adopted by the Iranians to try to convince the international community that this was all they intended. In a speech reported in September 2005, Hassan Rohani himself revealed that the Iranian negotiating team had frequently used tactics of delay, prevarication and dissimulation with the Europeans in order to make progress on technical preparatory work for a return to nuclear enrichment.[4]

By August 2005, this assertion had been borne out. Following the election of Mahmoud Ahmadinejad to the Iranian presidency, Iran announced unilaterally that its suspension of nuclear activity would not be permanent and that activities at the Esfahan uranium conversion facility would resume by the end of the summer. Shortly afterwards, the Iranians rejected EU-3 proposals to provide a light-water reactor. President Ahmadinejad's first speech at the UN General Assembly in September 2005 made it clear that Iran would not accept the supply of fuel for its nuclear

[3] Philip Sherwell 'How we duped the West, by Iran's nuclear negotiator', *Daily Telegraph*, 5 March 2006.

[4] Ibid. The precise date of the Rohani speech is unclear but it preceded the inauguration of Mahmoud Ahmadinejad as president in August 2005.

programme from third countries. He also re-emphasized Iran's peaceful intentions and opposition to nuclear weapons in the Middle East, stating that 'in accordance with our religious principles, pursuit of nuclear weapons is prohibited'.[5]

Elsewhere in the UN system, however, this assertion was not widely believed. On 24 September 2005, the IAEA adopted a further resolution – with 22 votes in favour, 1 (Venezuela) against and 12 abstentions – which found that Iran's reporting failures constituted 'non-compliance' with its Safeguards Agreement and gave rise 'to questions that are within the competence of the Security Council'.[6] Even though the nature of Iran's 'non-compliance' was disputed, this resolution effectively blocked Iran's return to the negotiating table and opened the way for more direct suggestions, by both the EU-3 and the US, that the IAEA report Iran's nuclear activities to the UN Security Council.

The re-election of George W. Bush to the US presidency in November 2005 also saw a return to themes first aired in his 'axis of evil' speech in January 2002.[7] In addition to alleged nuclear transgressions, the US renewed references to Iran's role as a regional sponsor of terrorism, primarily through its support for Hizbullah in Lebanon and the armed wing of Hamas in Palestine. US officials also attributed the increased instability in Iraq's Shi'a-dominated southern provinces to Iranian agents supplying weaponry and training to Iraqi militants. Of similar importance to US interests in Iraq were concerns that the new government being formed following the Iraqi national elections of 15 December 2005 would comprise a majority of Shi'a religious-based parties, strongly influenced by alliances with the regime in Tehran, where many had spent years in exile.

A major US preoccupation has been protecting the security of Israel, the country assumed to be first in line if Iran were to develop or acquire nuclear weapons. In this respect, Ahmadinejad's statements from the second half of 2005 that Israel should be 'wiped out' and that the Holocaust was a historical fabrication have played into the hands both of members of the Israeli government and of pro-Israeli supporters of the Bush administration who argue that Iran represents the greatest threat to US and Israeli interests in the Middle East.

Alongside the fears of Iran's nuclear intentions have been concerns about the country's increased conventional weapons capability. Iran's armoury includes a new generation of Shahab-3 missiles, unveiled in 2005, with a range of 1,300 km. These missiles could reach Israel, but the possibility of nuclear warheads being attached is still a long way off. The Shahab-4, currently under development, is expected to have a range of up to 2,000 km, while pursuit of space technologies (ostensibly for civilian satellite purposes) has added to uncertainties about Iran's intentions as well as its technical capacity to see its plans through.

Iranian strength through the 2006 stand-off

The underlying hardening of positions by the US and Iran effectively set the tone for the nuclear stand-off that dominated the first half of 2006. The change of presidency in Iran has seen a continuation of Iran's evasiveness on the diplomatic front, but a hardening of official language and positioning. The renewal of George Bush's presidency in the US concentrated efforts to counter Iran's influence, focusing primarily on the nuclear issue and encompassing both diplomatic openings and threats of sanctions, without excluding the ultimate use of force.

From mid-July 2006 the context changed again, as the opening of the G-8 summit of world leaders was overshadowed by the outbreak of war between Hizbullah and Israel. This provided the G-8 with a more immediate crisis to respond to than the discussion tabled for its summit on whether to refer Iran to the UN Security Council. Israel, the US and UK were swift to see the hands of Iran and Syria in both the timing and support of Hizbullah's actions.

[5] Address by Mahmoud Ahmadinejad at the 60th session of the UN General Assembly, 17 September 2005. *www.un.org/webcast/ga/60/statements/iran050917eng.pdf.*

[6] *www.iaea.org/Publications/Documents/Board/2005/ gov2005-77.pdf.*

[7] *www.whitehouse.gov/news/releases/2002/01/20020129-11.html.*

It is unlikely that Iran initiated the 12 July Hizbullah raid, but few doubt that Hizbullah acts without at least reference to and the sanction of its main financial, military and ideological backer. The broadening of the conflict was also consistent with Iran's attempts to match its own strategic interests with those of other actors, both within and beyond the Middle East. In early 2006, for example, Iranian negotiators used the prospect of reaching agreement with Russia over the provision and recycling of nuclear fuel to stall the growing convergence of opinion between the US and EU-3 that Iran should be referred to the UN Security Council for its continuing lack of transparency with IAEA inspectors.

Since September 2005, when the IAEA declared Iran in breach of its IAEA Safeguards Agreement, Iran has consistently failed to answer all the IAEA's questions about its nuclear technology activities. This sustained lack of substantive progress increased concerns about Iran's intentions. The failure in negotiations with Russia on alternative uranium enrichment capabilities culminated in the IAEA reporting its concerns to the UN on 8 March 2006. This effectively opened the way for the US and EU-3 to act on their threat to refer Iran to the UN Security Council.

Despite the combined pressure of the US, France and the UK on their fellow permanent members, neither China nor Russia agreed to a resolution that would be legally binding. Both countries resisted the assessment that Iran posed a threat to international peace and security, which would have permitted the US to consider itself authorized, as in the earlier case of action against Iraq in 2003, to take military action against Iran without referring the matter back to the UNSC. As a result of this resistance, on 29 March, the UNSC issued only a statement, not a resolution, requiring Iran to comply with its IAEA reporting requirements within a month.

Under pressure, the Iranian regime has been consistent in responding to international demands with both defiance and stronger reaffirmations of Iran's sovereign rights. In large measure this has worked in Iran's favour. Ignoring the late April deadline set by the UNSC statement, President Ahmadinejad announced to a large Iranian rally on 11 April 2006 that Iran had successfully produced enough enriched uranium to have 'joined the group of countries with nuclear technology'.[8] Even though proof of this remains to be verified and in any event Iranian production would fall significantly short of the several thousand functioning centrifuges required to reach weapons-grade nuclear capability, the symbolic impact of Ahmadinejad's public assertiveness was immense.

Having deflected threats of economic and political sanctions and other (presumed military) 'measures' through US and EU-led efforts from the start of the year, by late May 2006 the US had been persuaded by the EU-3 to offer Iran a written list of incentives to change its position, and only a verbal and unpublicized communication of the negative consequences should it fail to renounce its nuclear ambitions. In an even more radical change of tack, US Secretary of State Condoleezza Rice also offered direct negotiations with Iran, reversing a 27-year diplomatic stand-off, conditional on independently verifiable proof that Iran had ceased all nuclear enrichment activities with immediate effect.

Iran's reaction to this was predictable. While welcoming as constructive the list of incentives delivered to Tehran in person on 6 June 2006 by Javier Solana, the EU's High Representative for Common Foreign and Security Policy, Iranian officials rejected the EU-3/US deadline of 26 June as allowing insufficient time to consider their legal and political ramifications. In response to President Ahmadinejad's public declaration on 21 June that Iran would respond to the proposals by late August, the US and EU shifted the deadline to 5 July, and then to 12 July to correspond with the start of the G-8 summit; neither deferment was to any avail. To add insult to injury, Iran's Supreme Leader, Ayatollah Khamenei, also responded to the US offer of direct talks by declaring at the end of June that 'negotiating with America does not have any benefit for us and we do not need such negotiations'.[9]

[8] Speech by President Ahmadinejad, Mashhad, 11 April 2006. *www.news.bbc.co.uk/2/hi/middle_east/4900260.stm*.

[9] 'Iran says will not benefit from talks with US', Reuters, Tehran, 27 June 2006.

Even as the US and EU tried to revive attempts in July 2006 to gain UN agreement on a more robust international position towards Iran, the spectre of a UN Security Council resolution identifying Iran as an imminent threat to international peace and security continually failed to materialize. With the Israel–Hizbullah conflict taking centre stage from mid-July, the consequences of Israel's failure to defeat Hizbullah by military means appeared only to reinforce Iran's position as a regional focal point for resistance to US-led policy in the Middle East. The Iranian regime may have adopted a low profile at the onset of the conflict, but it is able to exploit the weaknesses of US diplomatic efforts to resolve the crisis, the better to enhance its own regional advantage over the longer term.

On 31 July, the UN passed Security Council Resolution 1696, by 14 in favour to 1 (Qatar) against, in which it was concerned that the IAEA 'was still unable to provide assurances about Iran's undeclared nuclear material and activities after more than three years, [and] demanded that Iran suspend all enrichment-related and reprocessing activities, including research and development, and gave it one month to do so or face the possibility of economic and diplomatic sanction to give effect to its decision.'[10] This resolution is significant for being partially under Chapter VII auspices of the UN Charter, resting on Article 40 which aims 'to prevent an aggravation of the situation', and in the event of non-compliance, intending to adopt only non-military measures (under Article 41) upon further consideration. The end of August is another critical period in UN Security Council deliberations.

[10] *www.un.org/News/Press/docs/2006/sc8792.doc.htm#.*

Iraq

The geopolitical jugular

If the US were to attack Iran, then it would do so knowing that its forces in Iraq would be at an even greater risk than they currently are. Any US attack against Iran would expose the US presence in Iraq to retaliatory destabilizing interventions by Tehran. Such interventions could take a variety of forms, but would most likely be focused upon increasing the activity of Shi'a militias in Iraq and facilitating increases in general insurgent attacks against the Multi-National Force (MNF). Such a development would place the British contingent of the MNF, based in Basra, in a desperately perilous situation. US policy-makers would also need to consider the threat to the American national interest resulting from a disruption of Iranian oil exports of 2.7mnb/d.

Washington's biggest security headache, as it considers whether to embark upon an assault against the Islamic Republic, is neither Iran's ability to fight in the airspace, nor even in the streets of its border towns (if the US were indeed to surprise most analysts and attempt a land invasion). The greatest threat to the US is Iran's ability to further destabilize the already chaotic public spaces of Iraq.

It is useful at this point to consider political realities in contemporary Iraq. Even though elections were held in December 2005, and a new government with a four-year lifespan has been formed, albeit somewhat belatedly, the political structure and characteristics of Iraq are far from what the US administration would deem to be in keeping with an 'ideal' model.

The first hope of the 'ideal' model was that Iraq would be a bastion of secular democracy. This has clearly not happened. Even if it is accepted that Iraq is on the pathway to becoming democratic in a Western sense (and this is a big assumption), the most influential political group in Iraq are those who identify themselves as Shi'a Muslims, who follow one of several religiously based political parties.

The second hope, even expectation, of the US was that Iraq would be united by a strong and vibrant sense of Iraqi nationalism. Whether Arab Sunni, Arab Shi'a, Turkmen, Kurd or Assyrian, it was taken for granted that all would subscribe to a cohesive sense of Iraqi-ness. This did not happen. Instead, ethno-sectarian identities rapidly established themselves as the principal means of social organization and political mobilization. This fracturing of the political space in Iraq, combined with the chaotic devolution of power, opened up fissures which could be exploited by neighbouring powers and other formations such as Salafi-Jihadi militants. In this complex environment, Iran and other states would find it easy to create networks of patronage and build a portfolio of locally effective parties, militias, and organizations which could all be influenced to act in their interests.

The third hope was that the emergence of a democratic Iraq would take place relatively quickly. Over three years after the removal of the Ba'th regime from power, it is clear that Iraq is far from stable and will almost certainly require the MNF to remain for some time in order to prevent absolute collapse, possible fragmentation, and the continuing strengthening of the forces of radical Islamism deemed inimical to US interests.

Iran's backyard

The great problem facing the US is that Iran has superseded it as the most influential power in Iraq. This influence has a variety of forms but all can be turned against the US presence in Iraq with relative ease, and almost certainly would heighten US casualties to the point where a continued presence might not be tenable. Sources in Iraq are already warning that the major cities (including Basra and Baghdad) have witnessed a rise in the activities of Iranian paramilitary units and the recent bout of violence and instability in Basra is now considered to be a small display of what would happen if Iran itself was targeted.
If Basra is considered in more detail, it becomes clear that the influence of Iran over the city's

political and militia leaders is very strong indeed. What is currently happening in Basra can be best described as a turf war between different Shi'a parties jockeying for the best position from which to exert control over the political and economic spheres. By controlling who is appointed to the office of Governor, or who heads the local police force, a political party is able to influence social forces in the city and particularly job appointments.

This can clearly be seen with the *Fadilah* party, a branch of the Sadr Movement which rivals Muqtada al-Sadr. Previously, when a *Fadilah* member was the Minister of Oil, the oil-fields of Basra were guarded by *Fadilah* personnel. Their definition of 'guarding' also included 'smuggling', with *Fadilah* generating vast sums from being in a position to exploit its position as the guardian of the fields. With a new oil minister, and Prime Minister Nuri al-Maliki placing Basra under a state of emergency, *Fadilah* has lost this ability for now. However, the problem does not just lie with the chastened *Fadilah*. Rather, it is likely that every political party is involved in some way in generating revenue through illegal means, and the unrest in Basra is a product of this, as parties and militias vie for supremacy in the black market.

It is clear that the Supreme Council for Islamic Revolution in Iraq (SCIRI) and associated Badr Army are making considerable political gains in Basra. This is particularly important because the SCIRI vision for Basra is quite different from that of *Fadilah*. The latter is focused almost wholly on Basra itself, possibly because this is where, until recently, its power base existed. *Fadilah* leaders talk about Basra almost in terms of autonomy, if not independence, from Iraq with the city taking its place as 'the' northern Gulf city.

SCIRI has a much broader view of Basra's position in Iraq – which would be for it to become the focal point for an expansive 'Region of the Centre and the South' – basically, a super-province including Basra and the two holy cities of Najaf and Karbala. This scenario is probably of most interest to the geopolitically savvy Iranians, and SCIRI's increasing prominence almost certainly comes hand in hand with enhanced Iranian support. From the perspective of Iran, SCIRI is also the most 'controllable' of the Iraqi Shi'a parties, especially when compared with the Sadr Movement, or *Fadilah*. Maintaining influence in Iran's backyard of southern Iraq is of paramount importance to Tehran.

It is very easy for Iran to undertake a policy of determining the political colouring of the south of Iraq by influencing the political parties. Virtually every Iraqi Shi'a party now has strong links with Tehran. SCIRI's orientation towards Tehran is well documented – indeed, SCIRI was formed in Tehran in 1982 and its Badr Army was itself a product of Iranian Revolutionary Guard training and even staffing. Even Muqtada al-Sadr – a figure deemed by many pundits to be an 'Iraqi' nationalist and not an Iranian stooge – is, in fact, also part of the Iranian patronage network in Iraq. Muqtada's *Jaish al-Mahdi* may now be several hundred thousand strong and is itching for the opportunity to be unleashed upon both the Arab Sunni insurgents and the Multinational Force. It is the *Jaish al-Mahdi* that would probably be the recipient of the numerous Iranians who have apparently already signed up for martyrdom attacks against US forces, should the time come.

Furthermore, it is not only in the south that Iran can make its presence felt in Iraq. The Iranian presence is keenly felt in Iraq's Kurdish cities, including Suleimaniyah and Erbil. Currently relatively peaceful, the Kurdistan region remains vulnerable to Iranian and Turkish interventions and it is not inconceivable that this one relative success story of the regime change could be turned into a dangerous and volatile region, like the rest of Iraq. Also, Iran is perfectly capable of supplying and supporting insurgent groups of an Arab Sunni hue – even those associated with Al-Qaeda – and these groups would be more than happy to accept any assistance to take the fight to the US.

How do Iraqis view the possible existence of an Iranian strategy to order affairs in its 'backyard'? The answer depends on which Iraqi is asked, but it is fair to say that the members of the religious establishment and even of prominent political parties may be viewing Iranian intrigues with some concern. At the highest levels of religious authority in Shi'ism sit the Grand Ayatollahs, and the first

among several equals is the Najaf-based cleric Ali al-Sistani. With a theological outlook dictated by 'quietism' – basically, the separation of the spiritual and political realms – Sistani finds himself opposed by Iranian-based clerics that follow the alternative approach of the *velayat-e faqih* – the rule of the clerics. Several Iranian-based Ayatollahs may be well placed to succeed Sistani if anything untoward happened to him, including Kazim al-Haeri of Qom. If this happened, the political landscape of the centre and south of Iraq would change overnight.

There is also a struggle for supremacy in the Shi'a world between the most prominent of the religious centres, and especially Najaf and Qom. During Saddam's rule, Najaf was virtually off limits as a centre of pilgrimage and Qom benefited greatly. However, the situation has changed and Najaf is again the pre-eminent city. Maintaining this trend, and keeping control of Najaf away from the clutches of Iran, must surely be on the minds of the learned men of the religious establishment.

If this struggle for theological supremacy were the only factor in understanding Iran's approach to Iraq, then it probably would only be of interest to academics who are fascinated by Shi'a intrigues. However, there is an additional, and for the US and UK very threatening element that has to be considered regarding Iran's presence in Iraq. This is the often overlooked fact that it is Iran, not the US, and certainly not the UK, that is the most influential 'external' power in Iraq today, with an unparalleled ability to affect stability and security across most of the country.

There exists a very real possibility that, if the US attacks Iran, then Iran will inflict a devastating defeat upon the US in Iraq, and also take the fight to the US across the Middle East. Even now, the Multinational Force is struggling to influence political developments in the south and central Euphrates regions of Iraq, where there is a predominantly Shi'a population, and the Arab Sunni insurgency continues to be a deadly presence inflicting catastrophic losses upon the nascent Iraqi security forces and their US backers. These situations could be magnified by Iranian intervention, to the point that the coalition might conceivably be forced to evacuate Iraq, leaving Iran not only as the undeniable formative force in Iraq, but also as the undisputed hegemon in the Gulf.

The view from Iraq

How does Iraq view the possible acquisition of nuclear weapons by Iran – a state with which it fought a terrible war in the 1980s, and which is now the most powerful regional power in the Gulf? It is a difficult question to answer – after all, 'Iraq' as a meaningful state-construct has little utility beyond appearing on the official letterheads of President Jalal Talabani and Prime Minister Nouri al-Maliki, with the government of national unity rarely living up to the ideals of its fine name.

The view from Iraq, however, is in keeping with most of the Arab world outside the Gulf – i.e. why should Iran not have a nuclear weapon? There is little apparent danger that any such weapon would be deployed against Iraq, especially as Iraq is now dominated by Shi'a parties and movements, and it is unrealistic to think that Iraq could pose a threat to Iran at any time in the foreseeable future. Rather, Iraqis tend to view Iran's bomb as a 'Muslim bomb', balancing against it the fact that Israel possesses nuclear weapons, and that the US presence in the region continues unabated.

But Iraqis also recognize that they are caught between the geopolitical wishes of two powers, both of which have to be satisfied. The US maintains a dominant presence on their territory, and retains a formative influence over Iraq's development and integration into the international community. The wishes of the US, therefore, cannot be ignored. But the problem is that the same argument can be applied to the Iran–Iraq relationship. In terms of pure influence, Tehran now has more than Washington and, more importantly, its ability to affect Iraq exists at the level of the street in addition to the more confined spaces of the Green Zone. Furthermore, the ability of Iran to influence Iraqi decision-makers is very well developed, not only among the Shi'a leadership, but also with the Kurds, and to a lesser extent, the Sunnis. Caught between such immovable forces, the Iraqi government may find itself having to say one thing to the US, but in effect, taking pragmatic actions that are more satisfying for Iran.

Syria

The Syrian–Iranian alliance has been thrust to the fore as a crucial dynamic in Israel's war with Hizbullah in July-August 2006. One of the strongest shared interests between the two countries is Hizbullah's capacity to trouble the Israelis on their northern border, and it is probable that both Syria and Iran knew in advance of Hizbullah's raid into Israel on 12 July. It is less certain that either country directed the action. Israel and the US have laid much of the blame for the hostilities on Syria and Iran, accusing them of funding, supplying, training and encouraging Hizbullah to act as their proxy in a conflict with Israel. The two countries do undoubtedly have influence over Hizbullah and the negotiation of a ceasefire or release of the Israeli captives would most likely come about with Syrian–Iranian involvement. The Iran–Syria–Hizbullah axis has confirmed its potency as an opposition force to US–Israeli regional strength.

Origins of a close relationship

Much is made of the apparent intensification of links between Syria and Iran, as if they had suddenly and only recently developed as a counterweight to American and European pressure on simultaneous fronts (Lebanon in the case of Syria, and the nuclear development facilities in the case of Iran). This would be to forget years of a steady, mutually beneficial relationship which officially began with the Islamic Revolution in 1979. Unofficially, however, Syria had been nurturing relations with members of the Iranian opposition from the 1970s. This was due to two main factors: its discomfort with the Shah's warm relationship with Israel, and its growing distrust of the rising Iraqi Ba'th party, its main competitor on the Arab nationalist scene.

Importantly, the Syrian regime also benefited from its good relations with a number of Lebanese Shi'a leaders, especially the charismatic and influential Imam Musa al Sadr (who was born in Iran). In a bid to help further legitimize the government of Hafez Asad – an Alawi and not considered to be a mainstream Muslim by many Sunnis, including the Muslim Brotherhood movement – Sadr issued a fatwa in 1973 declaring Alawis to be part of the Shi'a sect. Since Syria's constitution called for the president of the republic to be a Muslim, this was meant formally to close the debate.

As Syria became embroiled in the Lebanese civil war in 1976, Asad continued to give support to Sadr's faction, Amal. The other major Shi'a group which was to be formed in later years, Hizbullah, also benefited from official Syrian patronage, and from the good relationship between Syria and Iran after the Islamic Revolution and Ayatollah Khomeini's return to Tehran, both of which Asad immediately praised.

Saddam Hussein's attack on Iran in 1980 met with the blessing and backing of Western powers and all the Arab Gulf states. Asad, however, did not hesitate to break with the Arab League's quasi-consensus and to side with Iran, a decision that precipitated years of isolation and financial drought for Syria as fellow Arabs turned away. At the same time, events in Lebanon deteriorated catastrophically with the Israeli invasion in 1982, dragging Syria even deeper into the quagmire. As different militias continued to fight, Syria facilitated the consolidation of Iranian influence in Lebanon, and in particular the formation of Hizbullah, which proved to be instrumental in fighting Israel and in pushing it out of Lebanon in 2000.

For years, Syria preferred to bear being cut off from the rest of the Arab world for the sake of supporting Iran, especially as long as the Iran-Iraq war continued. During those years, Iraq funded militants hostile to the Syrian regime, including the Muslim Brotherhood, and allowed arms and militias across the border. Syria, for its part, had shut down its side of the Iraqi–Syrian oil pipeline, receiving in return subsidized oil from Iran. Syria was also able to provide Iran with military spare parts and with logistical help for Iranian fighter jets needing to refuel in friendly territory. Trade developed significantly between the two countries, cut off as they were from most of their other traditional markets. There was also a flow of Iranian visitors to important Shi'a shrines in Syria, bringing Syria much-needed tourism income.

Syria's political isolation vanished suddenly in 1990 as Iraq invaded Kuwait in August. Understanding the importance of an inclusive effort to liberate Kuwait, especially from the Arab world, the US courted Hafez Asad and managed to secure significant Syrian military participation. In return, the US was to sponsor peace talks between Arab countries and Israel (starting with the Madrid Peace Conference of October 1991) and pull Syria out of its isolation. There was now less need for Syria to rely on isolated Iran as its ally, and relations between the two countries seemed to go into a hiatus and out of the headlines.

Relations under the new regimes

However, the underlying Syria–Iran relationship never wavered, and the long-term vision remained, especially as Hizbullah intensified its anti-Israeli struggle in the late 1990s. When Hafez Asad died in 2000, after the peace talks with Israel had come to a grinding halt and mere weeks after Israel's withdrawal from Lebanon, Syrian–Iranian relations seemed to enjoy a revival.

The new Syrian president, Bashar Asad, apparently trying to establish his credentials as a convincing leader in the region, took advantage of the start of the Palestinian intifada to declare renewed Syrian support for militant groups in the region. The leader of Hizbullah, Hassan Nasrallah, became a regular visitor to Damascus (which had not been the case during the elder Asad's time) and ties between Hizbullah and Syria seemed to become even closer.

Direct Syrian–Iranian relations also thrived through a personal relationship. Bashar Asad and Iranian President Mohammed Khatami met several times. More importantly, the election of Iranian President Mahmoud Ahmadinejad, at a time when Iran and Syria are increasingly being singled out by the US in a special 'axis' of troublemaking in the region, has given new impetus to the relationship, and Bashar Asad was the first foreign leader to visit Tehran after Ahmadinejad's victory. When the latter reciprocated by visiting Damascus in January 2006, he made a point of meeting with the leaders of most militant groups, including Hizbullah, Hamas and Islamic Jihad. The message was clear: Iran and Syria would remain united in their support of these movements, withstanding pressure from the West.

The Iranian Foreign Minister, Manouchehr Mottaki, pointedly visited Damascus very shortly after the outbreak of fighting between Hizbullah and Israel in July 2006 and President Ahmadinejad warned Israel that if it attacked Syria, it would face a 'staunch response' from the Muslim world.[1]

Positions on Iraq

Iran and Syria had different responses to the invasion of Iraq: the Syrian regime vociferously opposed the invasion, perhaps fearing a domino effect that would claim Syria as its next victim, while Iran was much more subdued in its criticism and made no secret of its joy when Saddam Hussein was captured in December 2004.

While the US continues to accuse Syria of fuelling the Sunni insurgency in Iraq, there are clear advantages for the Syrian regime in increased Iranian influence in Iraq, distinguishing Syria from other Arab governments who are fearful of Iran. A number of Iraqi Shi'a politicians have strongly criticized Syria in the past couple of years, in line with US accusations that Syria has not done enough to seal its border with Iraq and stop the flow of insurgents.

However, as Iran steadily becomes the biggest influence in Iraq, it is likely that such criticism will die down, especially as Iran and Syria will work jointly to keep Iraqi Kurdish aspirations limited to a Kurdish region within federal Iraq (a goal also shared by Turkey). The Syrians are extremely interested in the future status of Kirkuk as they eagerly await the reopening of the oil pipeline from Kirkuk to Banyas on the Syrian coast. Syria would like to see Shi'a-Iran-backed control of the city, but might also settle for Kurdish control as the Kurds have few other export options than through Syria.

[1] *Iran's role in crisis still murky*, BBC News, 24 July 2006. *www.news.bbc.co.uk/2/hi/middle_east/5210874.stm*.

Strategic alliance sustained

As Iran's nuclear programme continues to make headlines in the media, Syria has repeatedly defended Iran's right to pursue such a programme. As if to stress the importance of their long relationship, former Iranian President Hashemi Rafsanjani, during a trip to Syria in April 2006, made a point of visiting the grave of Hafez Asad in his birthplace, Qurdaha. Such a detour, several hours from Damascus, is certainly not part of the usual routine for visitors to Syria.

The nuclear issue does not affect Syria directly for the time being. While there is a mutual defence treaty binding the two countries, it is unlikely that it would be upheld literally should one of them be targeted militarily. Rather, it would most likely be groups like Hizbullah that would form the material embodiment of this military support.

Military action against Iran is therefore unlikely to drag Syria into open conflict, but would make its influence over Lebanese and Palestinian militant groups even more valuable. Syria could encourage such groups to make some degree of trouble, however insignificant this would be in the bigger picture. Indeed, it seems both countries are still counting on the US focusing on its predicament in Iraq, and on a lack of international consensus on Iran's nuclear rights. Furthermore, while the possibility of an Israeli strike remains on the table, it still seems distant and would be partially countered by destabilization in the Palestinian territory and Lebanon.

Iran and Syria are clearly not prepared to let regional events pressure them into changing their positions. On the contrary, they seem determined to develop their working relations to a new level, especially as the situation in Iraq continues to evolve in Iran's favour. While subject to different pressures on their respective agendas, they are being pushed closer together and are adopting an increasingly confrontational tone towards their critics.

Lebanon

If there is an emerging anti-US front in the Middle East led by Iran, Syria, elements in Iraq and a sprinkling of radical Islamic groups, then Hizbullah in Lebanon is an integral part of that front and Lebanon is again at the fault lines of confrontation between Iran and the US, just as it was in the 1980s. This has been violently illustrated by the outbreak of heavy fighting between Hizbullah and Israel in July 2006.

Part of the role that Hizbullah is playing in the present confrontation with Israel is led by its regional agenda in coordination with Syria and Iran. Iran has already threatened to retaliate against Israel in response to any US or Israeli threat and has announced that it would consider an attack on Syria as an attack on itself. In a way, the Syrian–Iranian alliance is an offshoot of both countries' lengthy interaction with Lebanon. Iran will continue to provide support to Hizbullah because its ability to irritate Israel and the US makes it a valuable ally in the wider struggle.

Deep-rooted relations

Lebanese–Iranian relations are deep-rooted and complex, not least because of the intricate links between Lebanon's Shi'a population and the largest Shi'a state in the region. Religion, however, is not the only basis of the relationship; many issues such as policy towards the West, modernism and revolution have witnessed parallel developments in both contexts.

In the sixteenth century, Shah Ismail declared mainstream Imami twelver Shi'ism the official religion of the Safavi state in Iran and invited Shi'a clerics from Jabal Amel, now in South Lebanon, to educate and convert the population. Many of the clerical class in Iran are descendants of or are related to this transnational network of scholars and men of religion whose centres were Najaf in Iraq, Qom and other cities in Iran and Jabal Amel. The Shi'a of Lebanon form an integral part of the network that transcends state boundaries.

Thus when Imam Musa al Sadr, the leader of the Shi'a revival in Lebanon, came to Lebanon from Iran in 1957 to take up the leadership of the community, he was in fact settling with the family of his ancestors who had originally emigrated from there and were spread around the Shi'a world. Sadr was a progressive Islamic scholar in his student days and had many contacts with the political opposition to both the Shah and the clerical establishment. His presence in Lebanon also attracted many Iranians who formed a network that later became influential in the country. Had he not been kidnapped in Libya in 1978, he would have played a major role in the Iranian Revolution and its aftermath.

Throughout the 20th century, Lebanon was an important centre for Iranians of all political tendencies. This included clerics as well as secular students who came to study either at the Jesuit or American universities in Beirut. The unsuccessful Shi'a-led insurgency against the British in Iraq in the 1920s drove Shi'a clerics, some of Iranian origin, to seek refuge in Lebanon. Many Iranian dissidents were based in Lebanon in the 1950s and after the Shah's White Revolution in 1963, religious and radical groups such as the Mujahideen-e Khalq and Fedayeen Khalq, gravitated towards Beirut.

Despite the presence of Iranian opposition movements in Lebanon, the Lebanese state also had close relations with the Shah's regime. The strong ties with Lebanon applied to a very wide spectrum of Iranian society, including the Bahais, the Shah's regime and its intelligence arm Savak, the left wing opposition that trained with the Palestine Liberation Organization (PLO) and the Islamic opposition that was attracted to Lebanon by Imam Musa al Sadr. There were various overlaps in these deep and complex ties. Beirut was a diverse city where the works of revolutionaries such as Che Guevara were published alongside radical religious texts. Ayatollah Khomeini himself toyed with the idea of moving to Beirut in 1968 after the establishment of the Ba'th regime in Iraq.

One of the Iranian exiles, Mostafa Chamran, a founder of the Liberation Movement of Iran, was instrumental along with Musa al Sadr in the creation of the Shi'a Amal movement in Lebanon in 1975. Another, Ali Akbar Mohtashemi, a disciple of Khomeini, moved to Lebanon from Najaf in the late 1960s and was to play an important role in setting up Hizbullah in the 1980s.

Lebanon's Shi'a population was thus always in tune with developments in Iran and many supported the Iranian revolution. Splits emerged within both the Shi'a of Lebanon and the Iranians over the question of support for the Palestinians. In the growing tension between the Lebanese Shi'a population and the PLO, the former bore the brunt of Israel's retaliation against terrorist attacks from South Lebanon. This exacerbated many of the divisions within the Shi'a community. Mostafa Chamran became increasingly critical of Amal for not being revolutionary enough, just as he had previously been critical of Imam Musa al Sadr for the same reason.

The dual nature of Hizbullah

The first government in revolutionary Iran contained several men who had been in Lebanon, including Ibrahim Yazdi, Sadeq Qotbzadeh, and Musa al Sadr's nephew, Sadek Tabatabai, who became the Iranian government official spokesman. Mostafa Chamran returned to Iran from Lebanon and became Minister of Defence. He also helped set up the Revolutionary Guards or Pasdaran some of whom were sent back to Lebanon. Others with Lebanon links were Mohammad Montazeri, Jalaldin al Farsi, and Ali Akbar Mohtashemi, the revolution's ambassador to Damascus. One of the causes of the rift which emerged between the Iranian government and its more radical opponents was the crisis in Lebanon between the Shi'a and the Palestinians. Clashes between the Shi'a in Lebanon and other groups including Palestinians were also influenced by the growing tension between Iran and Iraq. Lebanon became as much part of internal post-revolutionary Iranian politics as Iran was part of internal Lebanese politics.

The creation of Hizbullah in Lebanon reflects this internal political struggle both within the Amal movement and within the Iranian regime. The first signs were apparent when the Shi'a of South Lebanon offered little resistance to the Israeli invasion of 1982 which aimed to remove the PLO from Lebanon. The precursor of Hizbullah, Islamic Amal, was born out of a disagreement between the Iranians and Nabih Berri, the then leader of Amal, over the question of Amal joining a US-sponsored National Salvation Committee. The matter was brought to the attention of Mohtashemi who was then Iranian Ambassador in Syria and who supported Hussayn Mussawi, a critic of Berri who had split from the movement to create Islamic Amal. A Council of Lebanon was created in Tehran to arbitrate on Lebanese affairs and it is this council that went on to create Hizbullah, trained by Iranian Revolutionary Guards based in the Bekaa valley.

Hence Hizbullah's creation reflects as much divisions within the Lebanese Shi'a community as much as it does different trends within post-revolutionary Iran. This also became a factor in Syrian–Iranian relations because Syria feared that Hizbullah would boost Iranian influence in Lebanon at the expense of its own influence with the more mainstream Amal movement. There was often fighting between Amal and Hizbullah, especially during the Camps Wars of the mid-1980s in which Amal fought the PLO with Syrian help.

When Hizbullah was formed, its aim was to drive Israel out of Lebanon as a first step towards its annihilation. The revolutionary fervour was communicated through its umbilical cord to Iran. But that same link also helped engender the other face of Hizbullah – what became known as the party's integration into Lebanese politics. After the end of the Iran–Iraq war in 1988, Iran under President Rafsanjani developed a more inward-looking foreign policy. A similar process was happening within Hizbullah, which gradually toned down its rhetoric and increased its focus on domestic Lebanese affairs.

Thus in 1992 Hizbullah participated in Lebanese elections for the first time and gradually issued more moderate statements pertaining to the particularities of Lebanon's multi-religious make-up. At the same time, Hizbullah refrained from conducting operations inside Israel, thus emphasizing its Lebanese agenda. Hizbullah's legitimacy as a resistance movement was also enhanced when, after another Israeli invasion in April 1996, it sat at the same table as US, French, Lebanese, Syrian and Israeli representatives as part of the French-initiated South Lebanon Monitoring Group. Israeli unilateral withdrawal from the areas it occupied in South Lebanon in May 2000 further enhanced Hizbullah's popularity and it was given full credit for the withdrawal.

The Lebanese political system faced a major challenge in responding to Hizbullah's success and decided to try to integrate it further and hand it a political victory while preventing it from making gains at the expense of other parties, especially Amal. Thus although Hizbullah has rarely taken part in an electoral contest, it has been allowed, through the electoral list system, to have its share of seats in parliament. The process of Hizbullah's integration in Lebanese politics culminated in its participation in government for the first time when the party took two seats in the new cabinet in 2005.

Lebanon as the frontline again

In the 1980s Lebanon was the arena in which a US–Iranian confrontation was played out. In the aftermath of the Israeli invasion of Lebanon in 1982, radical elements among the Lebanese Shi'a resisted the US agenda with Iranian support while the mainstream Amal movement accepted it. The US withdrew with its French and other Western allies in the Multinational Force (MNF) in 1983 after the attacks on the US and French embassies, then the US Marines' barracks and the long saga of the foreign hostage crisis. This was the end of an era of Western protection and Lebanon became the frontline in a proxy Iranian–US war which also involved several regional players, including Syria, Iran, Iraq and Saudi Arabia, which all competed to fill the vacuum left by the withdrawal of the MNF. This episode finally ended when Syria was given control of the country in 1991 as recompense for joining the allied coalition to oust Saddam Hussein from Kuwait.

Pax Syriana, with Western blessing, lasted until April 2005 when Syria withdrew its troops from Lebanon in response to mass demonstrations in Beirut after the assassination of former Prime Minister Rafic Hariri. Syria had accused Hariri of lobbying for the international pressure that led to UNSC resolution 1559 calling for Syrian withdrawal from Lebanon and the disarmament of Hizbullah and Palestinian groups allied to Syria. This international effort was facilitated by Syria's opposition to the Iraq War of 2003. Thus Syrian control over Lebanon started with its participation in the 1991 Gulf War on the side of the US and ended when it opposed the next Iraq war in 2003.

The US, driven out of Lebanon by Iran and Syria in 1984, returned in 2004 and is again in confrontation with Iran. The confrontation could well be played out again on Lebanese soil. Indeed it could be argued it has already begun with the Israeli attacks on Lebanon in July 2006 which have the implicit support of the US. A regional anti-US alliance has emerged, composed of Iran, elements in Iraq and Syria, and a number of radical Islamic groups, the foremost of which is Hizbullah.

The region has returned to the atmosphere of the 1980s. In 2005, President Bashar Asad of Syria, addressing his allies in Lebanon, called on them to defeat another '17th of May' agreement – a reference to the US attempt to broker a Lebanese-Israeli peace deal in 1983.[1] On 13 July 2006, the day after Israel's assault on Lebanon was launched, Israel's army chief of staff, General Dan Halutz, said his military would target infrastructure and 'turn back the clock in Lebanon by 20 years'.[2]

Paralysis in Lebanon

The division in Lebanon is mainly between those who benefited from the international intervention through UNSC 1559 and Syria's allies, including Hizbullah and President Emile Lahoud, who lost out

[1] *The New York Times*, 6 March 2005.

[2] *The Guardian*, 13 July 2006.

after Syrian withdrawal. The problem is that with Hizbullah in government and a President hostile to the government, the choice is between confrontation and paralysis. With the spectre of the last civil war still hanging over them, the Lebanese have so far chosen paralysis.

The government of new Prime Minister Fouad Siniora began with a confrontation with Hizbullah and Amal cabinet ministers over the proposal to ask the UN for an international tribunal to judge those involved in the Hariri assassination and to expand the international investigation to include other attacks that targeted anti-Syrian journalists and politicians. This resulted in the Shi'a ministers walking out without resigning, causing paralysis in the cabinet. With a President and a parliamentary majority hostile to each other, the collapse of the government could mean a constitutional deadlock. The speaker of parliament, Nabih Berri, also head of the Amal movement, then proposed a process of 'National Dialogue' to resolve outstanding issues, foremost of which is the disarming of Hizbullah. This process is also tantamount to paralysis of both the legislative and the executive which are effectively made redundant as decisions are taken by consensus in a dialogue that is extra-constitutional. The blockage is not limited to just the major issues ensuing from UNSC 1559, but also extends to issues such as the government's reform programme.

The Hizbullah–Israel conflict of 2006

Internally, Hizbullah had adopted a moderate and conciliatory tone, in which it assured its Lebanese interlocutors within the national dialogue that its agenda was purely confined to Lebanese objectives. But this was always accompanied by threats over the regional confrontation with the US agenda. Sheikh Naim Qassem, deputy head of Hizbullah, declared that 'any American or Israeli attack against the peaceful Iranian nuclear facilities will be a huge mistake and will lead to huge reactions'.[3]

Mahmoud Ahmadinejad, the President of Iran, has supporters with Lebanese connections in his entourage, and Hizbullah has been influenced by Iran's more radical stance. This, combined with the threat of a US or Israeli military strike against Iran and Iranian threats of retaliation against Israel, had suggested the possibility of the action taking place on the Lebanese–Israeli border. Tensions have been high in the whole region because of the Sunni–Shi'a confrontation in Iraq and the deteriorating situation in Palestine.

Seyyed Hassan Nasrallah, the leader of Hizbullah, did not veil his threats. He reiterated in a speech in May 2006 that Hizbullah was in the possession of well over 12,000 missiles that could hit at targets in the heart of Israel.[4] Israel also made its position clear. Verbal escalation in May and June further heightened the tension created by border incidents over the past two years. The scale of Israel's reaction after the capture of two of its soldiers by Hizbullah on 12 July probably came as a surprise to Hizbullah itself. Hizbullah has captured Israeli soldiers in the past; in 2003–4 such an incident was followed by a limited exchange of fire and a negotiated prisoner swap. It is possible that Hizbullah initially wanted a straightforward prisoner swap with Israel on the latest occasion too, but now that Israel has escalated the conflict, Hizbullah is committed to a much greater fight.

The military capability of Hizbullah is not known with certainty. Numbers include anything between 10,000 and 20,000 rockets and missiles aimed at Israel. Most of these were presumed to be short-range Katyushas that could threaten only the settlements in northern Galilee. Reports that Hizbullah also possessed the longer-range Fajr-3 missiles capable of reaching Haifa and Tiberias were verified by the attacks in July 2006. At the time of writing it is not known for certain whether Hizbullah is also equipped with Zelzal-2 short-range ballistic missiles with a 200km range that would include Tel Aviv, Jerusalem and Beersheba. Hizbullah's arms do constitute a deterrent and have proved capable of inflicting damage on Israeli cities and claiming lives, but their limited payload and inaccuracy means they have less significance in an all-out war.

Hizbullah has risked its position within Lebanon by attacking Israel. It will be blamed by some Lebanese for dragging the country into a destructive war. There was also a risk that the war would

[3] Interview with Sheikh Naim Qassem, *Aljazeera.net*, 2 July 2005.

[4] Seyyed Hassan Nasrallah, Al-Manar TV, 23 May 2006.

decrease Hizbullah's popularity with its constituency in South Lebanon and the rest of the country and cause internal splits within the movement itself. However, the overwhelmingly disproportionate Israeli reaction has created the opposite effect. The criticism of Hizbullah will be counterbalanced internally by the fact that Hizbullah's arguments for retaining its arms have been strengthened. These are based on the existence of an Israeli threat, the incapacity of the Lebanese government to protect the population and the lack of support Lebanon would receive from the international community in the case of Israeli aggression. All these arguments have been proved correct.

Given the dual nature of Hizbullah – both Lebanese and Iranian – the war with Israel is inescapably linked with Iran and the broader region and hence there is a danger of regional escalation of the conflict.

Israel

All revolutions adopt a radical foreign policy and none more so than the Iranian Revolution in 1979. One of the instant effects of this change was the transformation of Israel in Iran's eyes from a close ally to a sworn enemy. Overnight Israel was branded by Ayatollah Khomeini as the 'Small Satan', a state which he regarded with just a little less animosity than the United States, the 'Big Satan'. As a result, since the 1980s, Iran has been involved indirectly in promoting anti-Israeli militancy, both in Lebanon and Palestine.

The rapidly escalating rift between Iran and Israel soon fed into the Israeli–Palestinian conflict, creating a triangle in which Iran encouraged Palestinian militancy and opposed any peaceful solution between Israel and its neighbours. To complicate matters even further, the recent election victory of Hamas, the like-minded, Iran-inspired and sponsored Islamic fundamentalist militant movement, enhanced Israel's perception of the Iranian threat. Iran was the first state to congratulate Hamas after its victory, and immediately invited a senior Hamas delegation to visit Tehran. While the European Union and the United States froze their aid to the Palestinian Authority, Iran's Foreign Minister Manouchehr Mottaki announced a donation of $50 million to help the newly elected Hamas government.

In addition, since the 1980s Iran has provided substantial amounts of training, weapons, political and diplomatic support as well as organizational and financial aid to its proxy in Lebanon, the anti-Israel, Shi'a guerrilla movement Hizbullah. This continued despite Israel ending its occupation of parts of Lebanon in 2000, and created a constant irritation along Israel's northern border, for which Israel has held Iran responsible. During the crisis in Lebanon in July-August 2006, the situation has escalated dramatically: Hizbullah's accumulation of extensive caches of rockets and missiles with a greatly increased range (possibly up to 200 km) has arguably disturbed the balance of power. Whereas previously the threat posed by Hizbullah was limited to northern Israel, the increased range has given it the potential to pose a major threat to Israeli security, by launching constant rocket attacks on targets much deeper within Israel, striking at towns and villages including Haifa, the third biggest city in Israel.

In the course of the conflict, Hizbullah has proved its ability to provoke a limited war in which it has managed to sustain a campaign of attacks on Israel. Israel, despite its considerable military might, has found it difficult to eradicate the threat posed by Hizbullah, and was slow to detect the location of rocket launchers and the ammunition dumps themselves. The current campaign has also illustrated how quickly an incident on the border can escalate into a much larger-scale conflict with the potential to draw in other regional players, namely Syria and Iran.

The Iranian threat

The Iranian nuclear programme has added a completely new and very dangerous dimension to the troubled relationship between Iran and Israel. In conjunction with inflammatory rhetoric from Iran's President Ahmadinejad, the probability of Israeli military action against Iran's nuclear installations increases as every day goes by without the international community ensuring that Iran stops enriching uranium.

In December 2005, the head of Mossad, Meir Dagan, warned the Knesset Foreign Affairs and Defence Committee that Iran's nuclear programme was close to reaching the point of 'technical independence', where Tehran would no longer need external or international help to enrich uranium for use in atomic weapons.[1] Meanwhile the Vice Premier, Shimon Peres, concluded that Iran was 'single-handedly the world's most serious security threat'.[2] Israel's conclusions differ little from those of Washington, namely that Iran has become the greatest threat to stability in the Middle East.

[1] *The Jerusalem Post*, 27 December 2005.

[2] Interview with Israel Radio, 24 January 2005. Reported by the Embassy of Israel to the USA. Available at *www.israelemb.org/sanfran/News&Media/Week_in_Review/2005/0128.htm*.

Nonetheless, Israel, beyond its genuine concerns about Iran developing weapons of mass destruction and its intentions, has always had an interest in internationalizing the problem. Israel's current policy is to present the threat of a nuclear Iran as a challenge to the international system as a whole. Prime Minister Olmert announced in a recent interview that Israel should not be at the forefront of this conflict, and emphasized the danger posed by Iran to the 'well-being of Europe and America just as much as it is for the state of Israel'.[3] Israel's then Defence Minister, Shaul Mofaz, himself born in Iran, stated that 'of all the threats we face, Iran is the biggest. The world must not wait. It must do everything necessary on a diplomatic level in order to stop its nuclear activity.'[4] As much as Mofaz emphasized the need for an international diplomatic effort, given the threat that Israel perceives in Iran's nuclear programme and its leaders' intentions, it is hard to imagine that if diplomatic efforts fail, Israel will stay idle.

A rapid deterioration in relations between Israel and Iran followed the election of Mahmoud Ahmadinejad in June 2005. A few months later, addressing a conference in Tehran on 'The World Without Zionism', Ahmadinejad called for Israel to be 'wiped off the map' – the first time for many years that such a high-ranking Iranian official had called for the Jewish state's obliteration.[5]

Iran's hostility to Israel could be regarded as toothless, were it not in the midst of a vigorous effort to enrich uranium and develop a missile delivery capability with a range enabling it to reach every part of Israel. Iran has developed the Shahab-3 and Shahab-4 missiles, with ranges of 1,300 km and 2,000 km respectively – enough to reach Israel. More recently it was reported that Iran had purchased longer-range missiles, BM-25s, from North Korea, with a range of 2,500 km. Moreover, Iran is developing a missile that can carry a nuclear warhead.

The crisis in Lebanon has proved that militant fundamentalist groups have the potential to acquire military technology with devastating capabilities and that such groups may pose a credible threat through their willingness to use such weapons on civilian populations. Iran's pursuit of such technology, combined with its continued support of regional proxies such as Hizbullah, reinforces the threat that such technology might fall into the hands of rogue, non-state actors, with terrible consequences.

It remains to be examined what policy options are open to Israel in the face of this danger. While the probability of Iran attacking Israel with nuclear weapons should be regarded as low, one should not discount it completely. Moreover, a greater danger to Israel and to other Western countries is the transfer of knowledge and technology to terrorist groups by rogue elements within the Iranian regime, which might end in a non-conventional terrorist attack. In either case Israel has to weigh the dangers and its response to them.

Israel's options

The most unlikely Israeli policy option is that of staying idle and relying on its Arrow-2 ballistic missile defence system, which is already on high alert. There is a consensus among decision-makers in Israel that the Iranian threat is existential in nature, hence it must be removed before the nuclear programme can reach the point of no return. The one, and probably the only, benefit of keeping a low profile is that the more discussion there is about the Iranian nuclear project, the more voices are heard in the international community about Israel's assumed nuclear capability. A call for Israel to give up its nuclear weapons has even come from a friendly Arab leader, King Abdullah of Jordan, not to mention from more critical voices around the world. This is an almost inevitable consequence of the efforts to put an end to the development of nuclear weapons in Iran. Israel, which has never signed the Non Proliferation Treaty, seems to believe that it can shrug off any attempt to link the two issues. Israel is more concerned that if Iran is allowed to obtain nuclear weapons, a number of Arab states are likely to seek such weapons as well.

[3] Interview with *Time* magazine, 9 April 2006.

[4] *The Guardian*, 25 April 2006.

[5] *The New York Times*, 27 October 2005.

A second policy option, which for now seems to be the one preferred by Israel, is to encourage the international community to act before it is too late. Israel openly emphasizes the merit of diplomatic efforts, whether through the European Union or the UN Security Council, to stop Iran's military nuclear programme. Such action would spare Israel from confronting Iran directly. However, there is little doubt that if diplomatic efforts should fail to persuade Iran to comply with its international obligations, then Israel would expect the international community to resort to force.

If the international community fails to halt Iran's nuclear programme, Israel might resort to a third policy option of using force against Iran's nuclear sites. Since Israel has no diplomatic leverage on Iran and cannot hurt it economically, the decision-makers in Jerusalem might come to believe that the only option left open for Israel in such a situation would be a military strike, probably by air.

This is a very dangerous scenario with far-reaching regional and international implications, but one which might gather momentum if Israel senses that the Iranian nuclear project is developing too fast with no adequate international response. Israel has insufficient military capability to completely destroy Iran's nuclear programme, but its air force has, according to some defence analysts, the means to cripple it. Israel would destroy the weak spots, such as the Natanz uranium enrichment plant and the conversion plant at Esfahan. This would be a very complex operation which would require the Israeli Air Force to stretch its resources to the limit, as well as necessitating cooperation from a third country for a refuelling stopover. A successful attack would delay the Iranian nuclear programme for a few years.

There is no doubt that the international community, while it might welcome the result were such an operation to be successfully carried out, would condemn Israel for acting unilaterally. Israel would face international criticism; some countries might recall their ambassadors; some might even sever diplomatic ties. There would be calls, especially from the Arab world and probably beyond, to punish Israel. Israel traditionally believes that these kinds of responses are always short-lived. As in the past, the tacit satisfaction from seeing a lessening of the danger of WMD proliferation in the Middle East, as was the case when Israeli bombers destroyed the Osirak nuclear reactor in Iraq in 1981, would outweigh the anger over Israeli unilateralism. From an Israeli perspective, such a risk might be worthwhile to prevent Iran from acquiring nuclear weapons.

A fourth option, which has not found support among Israeli decision makers, is to change the country's nuclear doctrine from one of ambiguity to openness, while accepting that other countries, including Iran, may acquire a nuclear capability. The main reason for doing this would be that it might become more difficult, if not impossible, to stop others from developing nuclear capabilities, should they be determined enough. In this case Israel should clarify and define its response in the event of a nuclear attack, supported by international guarantees. Deterrence of this sort might not work at the same level it did during the Cold War, but on a state-to-state level it would still be satisfactory.

The main problem with such an option is that the proliferation of nuclear technology and materials will increase the likelihood of such expertise and equipment ending up in the hands of rogue or terrorist elements not bound by the same rules of the game that state actors, even Iran, abide by. This option is worth contemplating if it is conceded that diplomatic efforts are doomed to fail, yet the price of war is too high. In this case open deterrence would help to regulate the threats and dangers. It might also be a phase towards negotiating arms control in the Middle East and the eventual removal of all weapons of mass destruction.

Jordan

Jordan views Iran's progress towards nuclear capability and increased regional influence with great concern. The effect on Jordan of Iranian actions is mainly indirect, but sensitivities both within the kingdom and in relation to its position in the region could make the implications serious. The majority of Jordan's population is of Palestinian origin and deeply linked to developments in the occupied Palestinian territory. Islamist groups, both domestic and foreign, also pose an underlying threat to the kingdom's stability. These worries are considerably exacerbated by ongoing turbulence on both sides: to the west, the Hamas victory and further deterioration of stability in Gaza and the West Bank; to the east, the ongoing violence and uncertainty in Iraq. Jordan would therefore be greatly alarmed by an escalation of tensions over the Iranian nuclear issue and further instability in the region.

Jordan has supported Iran's right to a civil nuclear programme, warned against the use of force to resolve the crisis and argued the need for a nuclear free region. As regional armed conflict could be disastrous for Jordan, it strongly supports a diplomatic resolution to the stand-off with Iran. King Abdullah warned in March 2006 that 'a strike against Iran would cause the whole region to explode'.[1]

Jordan and Iran have experienced difficult relations since 1979. King Hussein had been friendly with the Shah and was naturally wary of the Shi'a theocratic regime that replaced him. Jordan supported Iraq in the 1980–88 war with Iran, thus ensuring a period of cold hostility between the countries. The accession of King Abdullah led to a more conciliatory approach which coincided with Mohammed Khatami's efforts to reach out to the Arab states, and relations warmed from 1999. Jordan then prevented operations in its territory by the Iranian opposition group, Mujahideen-e-Khalq. Since 1999, tensions have periodically emerged over the smuggling of weapons to the Palestinians in the West Bank via Jordan, most recently in April 2006. Jordanian authorities have arrested Hizbullah and Hamas members carrying out the smuggling and claimed that Iran, as the producer of the weapons, was jeopardizing Jordan's security and interests. Iran, mindful of the need to avoid antagonizing its regional neighbours, has no desire to fall out with Jordan, as was evident in the rare visit of Foreign Minister Manouchehr Mottaki to Jordan in May 2006.

Of increasing significance in the relationship between Jordan and Iran is the country which separates them, Iraq. The instability and uncertainty which have plagued Iraq since 2003 provide opportunities, and raise great concerns, for Iraq's immediate neighbours. Iran's vastly superior influence in Iraq means it is better placed than Jordan to guide, and gain from, Iraq's future course. As an almost uniformly Sunni nation, Jordan is alarmed by the prospect of growing Shi'a strength and ties in the region, as famously expressed by King Abdullah in December 2004 when he warned of the development of a Shi'a 'crescent' – a relationship between Iran, an Iraq with an Iranian-influenced Shi'a government, Syria (Iran's ally) and Hizbullah in Lebanon – 'that will be very destabilizing for the Gulf countries and for the whole region'.[2] Should Iran gain nuclear weapons capability, its power in the region would increase even more dramatically.

The security of Iraq worries Jordan more directly. Jordan borders the chaotic Iraqi province of Anbar and fears a spill-over of violence. Jordan has vital economic interests in Iraq and trade with Iraq declined by 50% in 2005.[3] As a close ally of the US, Jordan hopes for the success of the US project in Iraq. The failure of this project, or even Shi'a dominance and strong Iranian influence in Iraq, would be bad for Jordan. There are already large numbers of Iraqi refugees in Jordan and deteriorating security, chaos, and splits within the state of Iraq could lead to a further influx, but Jordan is neither well equipped nor willing to take them.

[1] Interview with AFP, 15 March 2006. Available at *www.middle-east-online.com/English/jordan/?id=15997*.

[2] MSNBC Hardball with Chris Matthews, 8 December 2004. Transcript available at *www.jordanembassyus.org/hmka12082004.htm*. See also interview in the *Washington Post*, 8 December 2004.

[3] Mohammad K. Shiyyab, 'The dangers of instability', *Bitter Lemons*, Edition 14, Vol. 4, 20 April 2006. *www.bitterlemons-international.org*.

The Jordanian government is very pro-Western and close to the US, hence arousing domestic Islamist opposition as well as the danger of terrorism. The threat emanates from within the kingdom and also from either side: to the east where there is a growing threat from groups based in Iraq, as proved by the Amman bombings carried out by Iraqis which killed 60 in November 2005; to the west and at home from the growing influence of Islamism among Jordanians, Palestinians and Jordanians of Palestinian origin. Before moving to Iraq, the Jordanian Abu Musab al-Zarqawi was active among Jordan's own Islamists who have challenged the Jordanian authorities, most notably at Ma'an in 2002, and who are a growing threat, in part because of events in Iraq and Palestine. Zarqawi played a major role in stirring up sectarianism in Iraq. If the Sunni–Shi'a split deepens in Iraq, it could be reflected in divisions among the neighbours as Iran lines up against Sunni states, notably Saudi Arabia and Jordan.

Egypt

Egypt's relations with Iran can best be described as asymmetrical. From Iran's perspective, its relationship with Egypt is informed by the fall-out from its wider relationship with the Arab bloc and to some degree by its relationship with the US. Egypt, on the other hand, tries hard to project itself as the main regional power and as such sees itself in competition with Iran, especially after the demise of Iraq.

There were some attempts at rapprochement between Egypt and Iran following the severing of diplomatic ties in 1980. Egypt sent a trade delegation to Tehran in November 2000 in an attempt to thaw their relationship via commerce, and continued to pursue contact in international forums. The problem for Egypt has been that while it recognized that both countries would benefit from a resumption of diplomatic ties, Iran's regional policy continued to place the Egyptian government in a difficult position both locally with its own population and internationally with Egypt's main sponsor, the US.

Nothing illustrates this better than the way in which Iran responded to Egypt's demand that it rename a Tehran street known as Islambouli (honouring the assassin of President Sadat) before Mubarak would accept an invitation from Khatami to visit in 2004. Iran did change the name of the street, but called it Muhammad al-Durri in honour of a Palestinian boy killed by the Israeli army, thus highlighting Egypt's pro-peace and pro-US stance, which Egypt finds so embarrassing in the context of local perceptions. Needless to say, Mubarak's visit never took place.

There are three main areas of tension between the two countries which impinge on their perception of themselves as rival regional powers. The first, and by far the most important, is the issue of Palestine. Egypt has tried hard to cultivate an image of itself among its own population and the Arab street at large, as essentially the sensible nationalist power, on the one hand defending the rights of the Palestinians while at the same time, adapting to the new world order of a single superpower and the reality of the Israeli state. The problem for Egypt has always been that its own population continues to support a more radical view of the Palestine issue and harbours a deep sense of enmity towards Israel. Iran's consistent radical rhetoric on the issue merely serves as a continuous source of embarrassment to the Egyptian regime before its own population on this issue. One of the best examples of this is the way in which Iran offered to continue to support the Hamas government in the face of a Western boycott which essentially forced both the Saudi and Egyptian governments to be less vocal in their support of the US position during the visit of Condoleeza Rice in February 2006.

What is at stake for the Egyptian government is not opposition to a particular aspect of its foreign policy, but the implicit attack on the legitimacy of the Mubarak regime that this populist Iranian stance implies, because of the centrality of the Palestine issue to the Egyptian street. For example, the scathing attack made by the Egyptian government organ, *Al-Ahram*, against the Iranian president after his remark about the obliteration of the state of Israel, is a strong indication of the depth of the insecurity felt by the Mubarak regime on this issue. What is interesting is that the newspaper did not rebut the argument of the Iranian president, but rather tried to depict him as an unsophisticated student leader out of his depth on the international scene.

The way in which Egypt reacted to the nuclear crisis is a subset of this basic issue. Once again Iran presented itself as the only champion standing up for the right of Muslims to acquire a technology already in the possession of their enemy, Israel. It is interesting that Egyptian state newspapers have been roughly supportive of Iran's stance, and until the Rice visit, this support found echoes in the statements of Egyptian officials. On the other hand, this crisis offered an issue on which the Iranian government could approach the Egyptian regime for support, although ultimately the Egyptian government would not be able to oppose the policy of the US in this sphere.

The second issue is democratization. While the limitations of the theocratic system in Iran are well rehearsed in the West, the fact remains that aside from Israel, it is the only state in the region where the population votes on a regular basis for a parliament that wields power and where it is possible for a complete outsider to get voted into the highest office. For Egypt, still ruled by the same president for the past 25 years, who may be succeeded by his son as the next president for life, this comparison can be uncomfortable. To some degree, this relates to the issue of appealing to the populist mood at large in the region. On the other hand, the Egyptian government tries to counter this with the message that Iran is foreign, Shi'a and possibly untrustworthy. This may assuage its own population, but it must remain an irritant that Iran seems to be further along the reform agenda that the US is trying to force on Egypt than the Mubarak regime.

For example, the supposedly conservative theocratic establishment in Tehran issued a fatwa in 2000 that females could lead all-female congregations in mosques, a move which in another context would have been hailed in the West and which would be vehemently opposed by the Sunni establishment. On a more general level, the regime in Tehran came to power as a result of a popular revolt against an autocratic government, and offers an example of a functioning Islamist model. As such, it continues by its very existence to cast a threatening shadow over all the autocratic regimes in the region that are opposed to the popular Islamist trend, including that of Mubarak.

Finally, there is tension over Iran's spreading influence in the region. While Egypt's foreign policy has migrated from influencing the street to courting the regimes in the region over the past five decades, Iran's has gone the other way. This is particularly the case where there are large Shi'a populations. For Egypt, the most dangerous is Iraq, which with the eclipse of Sunni power has essentially moved closer to the Iranian sphere of influence. Egypt fears that after a withdrawal of US troops, Iraq could openly move closer to Tehran, thus creating a regional power bloc with which Egypt could not compete. However, Egypt is also concerned about rising Shi'a unrest in Bahrain and the Eastern Province of Saudi Arabia.

The Gulf Cooperation Council States

There are strong links between Iran and its Arab neighbours across the Gulf and political relations are cordial thanks to the efforts of the previous Iranian president, Mohammed Khatami. However, the presidency of Mahmoud Ahmadinejad has caused unease among the Gulf Cooperation Council (GCC) states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – which are anxiously watching Iran's progress towards nuclear capability. These states strongly oppose Iran gaining nuclear weapons capability because of their desire for regional stability and their wariness of their large non-Arab neighbour across the water.

The GCC states view Iran's nuclear activity as a threat to the security of the Gulf and the Middle East and also point out that some of the Iranian nuclear plants are much nearer the Arab shore of the Gulf than Tehran, thus raising concerns about environmental hazards. In May 2006, the GCC met in Riyadh and expressed its concerns about Iran's nuclear activity, asking Iran to be transparent and only to intervene in Iraq to help bring the disparate groups together[1]. The GCC cannot be seen to support the bombing of another Muslim state but is quietly keen that the US puts pressure on Iran to end its nuclear ambitions and curb its regional power.

The Arab countries of the Gulf have historical fears of Iranian and Shi'a regional strength and this was partly why they supported Iraq in the long war with Iran in the 1980s. Iran's emergence as a winner in the current Iraq conflict has heightened old GCC anxieties that it will become the regional hegemon. Saudi Arabia is especially concerned and while it denies any interest in acquiring nuclear capability, were Iran to do so, the rumours of Saudi interest in Pakistani and Chinese technical nuclear expertise may prove well founded.

Tensions between Iran and Arab Gulf countries have limited the potential for cooperation on energy matters. Arab members of OPEC and Iran have systematically blocked each other's candidates for the post of Secretary-General. Technical information exchange has also been poor for the management of the South Pars field shared with Saudi Arabia and Qatar. The increase in Iranian nationalist rhetoric during Ahmadinejad's period in office has also contributed to a cooling of relations. The Iranian president's statements on energy matters have ambiguously suggested a politicization of the country's energy policy. Such positions are not in tune with those of the Arab producers, and notably of Saudi Arabia, which seek to reassure markets that they are reliable suppliers of energy. This and other underlying structural tensions retain the potential to undermine the relationship, should the political climate worsen.

The sizeable Shi'a populations along the western littoral of the Gulf are a source of discomfort to their uniformly Sunni governments, especially those of Bahrain, Saudi Arabia and Kuwait. The areas inhabited by Shi'a are of great strategic and economic value because they contain huge oil reserves. The majority of the population of Bahrain and the Eastern Province of Saudi Arabia are Shi'a and there has long been suspicion of Iran's efforts to extend its sphere of influence through these groups and threaten the stability of the governing regimes. This is of crucial concern for both Bahrain and Saudi Arabia since such local minority opposition cannot be labelled as a straightforward terrorist security threat.

There are deep educational and mercantile links between Iran and the small Gulf states, especially Bahrain, Kuwait and the UAE, and particularly with the Shi'a populations there. There are some political links between the Bahraini Shi'a and Iran, especially as a number of the former are of Iranian origin, but links between the Shi'a in Saudi Arabia and Iran are less clear.

Shi'a make up almost 70% of the Bahraini population and the unemployment rate among them is double that of the national rate. There is a strong belief among the Shi'a that they suffer from widespread discrimination under the Sunni-dominated government. Iran historically claimed Bahrain as its territory, although the claim was formally dropped in 1970. The Shi'a Islamic Revolution in Iran

[1] *Khaleej Times*, 7 May 2006.

in 1979 raised fears in Bahrain of Iranian interference as part of a mission to spread the revolution and the 1980s saw Iranian sponsorship of subversive activities and attempted coups by Shi'a groups. In the mid-1990s, Bahrain again accused Iran of attempting to undermine its government when the island state was troubled by disturbances as Shi'a protested against political marginalization and social disadvantage. Mohammed Khatami's presidency marked a dramatic improvement in relations between the countries and in 2003 he became the first Iranian president to visit Bahrain.

Despite recent liberal political reforms in Bahrain, sectarian tensions remain. The monarchy continues to doubt the loyalty of its Shi'a subjects and is suspicious of their affinity with co-religionists in Iran and Iraq. Fears of increased Shi'a assertiveness have been considerably increased by the gains made by the Shi'a in Iraq. However, this suspicion is based on a misconception because there are considerable political and spiritual differences between the Shi'a of Bahrain (and Saudi Arabia) and the Shi'a of Iran and Iraq which mean that the relationship between the groups is less straightforward. Discontent among the Shi'a of Bahrain and Saudi Arabia is more the result of ongoing economic and political frustration than influences from Iran and Iraq.[2]

Shi'a probably make up around 15–20% of the population of Saudi Arabia, although the figure increases to around 75% in the oil-rich Eastern Province.[3] The Wahhabi religious establishment denounces Shi'a as heretics and they have suffered discrimination in worship, in employment and in the professions, military, government and oil industry. Saudi Arabia has accused Iran of involvement in terrorist activities. The Saudi rulers believe they have done much to assuage Shi'a sensitivities in the Eastern Province, for example permitting the public observance of the day of Ashura in 2003 and increasing financial support, but remain suspicious that the Shi'a there look to Iran for inspiration and support. With the improved flow of funds and resources from Riyadh, the Shi'a themselves have become keener to promote their Saudi and Arab identities and were offended by Egyptian President Hosni Mubarak's claim in April 2006 that 'Most of the Arab Shi'a are loyal to Iran, not to the countries they are living in.'[4]

Another source of tension between Iran and the Arab Gulf states is the disputed ownership of Abu Musa and the Tunbs, small islands of great symbolic value in a strategic location in the Gulf. The islands were occupied by Iran in 1971 and are claimed by the UAE with the strong support of all GCC countries. The dispute remains cool but does periodically bubble to the surface with an inflammatory gesture or statement from one or other side.

[2] *Bahrain's Sectarian Challenge*, International Crisis Group, 6 May 2005.

[3] Figures for the Shi'a population of Saudi Arabia are difficult to obtain and fluctuate greatly. Those given here are best estimates taken from a number of sources.

[4] Interview with *Al Arabiya*, 8 April 2006. Quoted by *www.aljazeera.net*, 10 April 2006.

Turkey

Turkey and Iran enjoy a rather challenging relationship oscillating between friendship and rivalry. Following the Iranian Islamic Revolution of 1979, bilateral relations were frosty and restrained. Mutual suspicions and recriminations were the rule rather than the exception. The US, Turkey and Israel shared a strategic triangular partnership culminating in the Israeli–Turkish military agreement of 1996.

Ties improved dramatically after Turkey's conservative democratic AKP party – Justice and Development Party – came to power in November 2002. Recorded trade between Turkey and Iran has quadrupled since then while cooperation on security has expanded considerably. Both countries have also expressed deep dissatisfaction over developments in Iraq.

Turkey has long preferred stability in its Caucasian and Middle Eastern neighbourhoods. This is in line with the famous dictum of Republican Turkey's founding father Kemal Atatürk: 'Peace at home, peace in the world.' Turkey has exhibited deep respect for international rules and global institutions. It has been a loyal and reliable member of NATO and has assiduously implemented commitments under the Non-Proliferation Treaty. Recent developments in Turkey's European Union (EU) accession process have ensured greater alignment in the foreign policies of Turkey and the EU.

Notwithstanding the developing warmth in relations, the Turkish foreign policy and defence establishments are uneasy about Iranian acquisition of nuclear technology. They fear that a nuclear Iran may upset the delicate balance of power in a combustible region, where no single country looks dominant. At the same time, Turkey does not wish to undermine the recent improvement in bilateral relations with Iran. Given this delicate balancing act, Turkey has supported diplomatic efforts, especially by the EU troika, to find a diplomatic solution to the nuclear stalemate. But the Turkish Republic has declared unequivocally that its territory or airspace will not be used in any military operations against Iran.

Matters are complicated by the triple issues of energy security, EU accession and Turkey–US ties. By 2010, it is expected that 19% of Turkey's natural gas supplies will be obtained from Iran and 58% from Russia.[1] Turkey has ambitions to become an energy corridor for Iranian, Russian and Central Asian oil and gas to Europe, the Middle East and further afield. Thus Turkey is aware of the need for good relations with Iran to realize its regional ambitions and to maximize its diversification of energy sources.

Turkey has coordinated, and in some cases subordinated, its political, economic and foreign policy interests to those of the EU within the context of the EU accession process. As a country with sizeable and strong professional armed forces, it has contributed critically to collective EU efforts to promote security and stability on Europe's notoriously unstable southern flank, encircling the Balkans, the Caucasus and the Middle East. Should Turkey's accession prospects be derailed, then Turkey is likely to pursue far more independent and nationalistic foreign and defence policies, including with regard to Iran. This could be to the substantial and fundamental detriment of vital EU interests.

The third complicating factor is the Turkish–US relationship, which nose-dived after Turkey's parliament refused to allow the US military to use Turkish territory for the war in Iraq in March 2003. While the Turkish government is making noticeable efforts to improve ties with the US, the apparent refusal of the US military to undertake action against the PKK (Kurdish Workers' Party) bases in the Kandil Mountains of Northern Iraq is fuelling sentiments against US foreign policy, especially *vis-à-vis* Iran.

[1] *Turkey: Country Analysis Briefs*, Energy Information Administration, US Department of Energy, July 2005, *www.eia.doe.gov/emeu/cabs/turkey.html*.

According to a recent public opinion poll by the International Strategic Research Organization (USAK), a staggering 94% of Turks oppose US military intervention in Iran, while 83% are of the opinion that the US has no intention of closing PKK camps in Iraq, a view which has directly affected popular attitudes concerning US policy on Iran.[2] Unsurprisingly, Pew Research found in a survey published in June 2006 that only 12% of Turks today have a favourable view of the US, compared with 53% in 2000. Even more revealing, 61% of the Turkish public oppose Iran's acquiring nuclear weapons, yet 60% view the US military presence in Iraq as a 'greater danger to world peace'; only 16% regard Iran in the same way.[3]

Israel, the US, the EU and Turkey share threat perceptions of a nuclear-armed Iran, but disagree on the means by which to tackle the matter. Naturally, the frequency of diplomatic visits has increased. Turkey has welcomed a long list of US and Israeli officials in 2006, including CIA Director Peter Goss, FBI Director Robert Mueller, US Secretary of State Condoleezza Rice and Israel's Chief of Staff Lieutenant-General Dan Halutz. The head of Turkey's National Security Council, Yigit Alpogan, visited Washington in January 2006 and expressed Ankara's unhappiness at the lack of transparency surrounding Iran's nuclear research. Discussions centred on defining Turkey's role in containing Iran's nuclear ambitions.

However, despite the official visits and intelligence-sharing, the underlying geopolitical dynamics affecting Turkey have not changed. In response to those dynamics, the Republic has adopted a cautious diplomatic approach – namely encouraging Iran to cooperate with the IAEA – combined with a muscular defence and security posture. Considering the real possibility of a nuclear-capable or nuclear-armed Iran and the necessity of diversifying energy sources, Turkey has announced plans to build five nuclear-powered stations, the first of which should become operational by 2012. These stations are expected to generate 10% of the country's energy needs over the next two decades.

Turkey may feel obliged to join a nuclear arms race with Iran to maintain power parity with its powerful neighbour on the basis of the doctrine of mutually assured destruction. This doctrine entails that the widespread and debilitating destructiveness of nuclear explosions encourages self-restraint on the parties possessing those weapons. It is possible that Iran and Turkey may be governed by this time-honoured doctrine of the Cold War era.

To the Turks, diplomacy and military action seem for the moment to be ineffective mechanisms to thwart Iranian ambitions for nuclear weaponry. Furthermore, Turkey does not wish to see additional instability in the Middle East beyond Iraq nor hostile relations with its Iranian neighbour. Building Turkish nuclear capability appears to be the only logical and credible long-term option at present.

[2] *Turks don't trust US, against attack on Iran*, *Turkish Daily News*, 25 March 2006, *www.turkishdailynews.com.tr/article.php?enewsid=39033.*

[3] *America's Image Slips, But Allies Share US Concerns Over Iran, Hamas,* Pew Global Attitudes Project, Pew Research Center, 13 June 2006, *www.pewglobal.org./reports/display.php?ReportID=252.*

Russia and the Former Soviet States

Russia's Janus-like position between Iran and the West is born of history as much as it is a reflection of the current impasse. The factors influencing Russia's contradictory policies towards Iran – its most important ally in the Middle East – have been discernible since Soviet times; Moscow's relationship with the Shah was founded on commercial interests, with a total trade turnover of approximately US$1 billion by the time of the 1979 Islamic Revolution.

In the 1980s and 1990s this strategic partnership had its vicissitudes – down as Ayatollah Khomeini followed a path of opposing both 'East' and 'West', and down again during Russia's occupation of Afghanistan and two wars against the breakaway Muslim region of Chechnya – particularly the first in 1994–6. But the relationship was more frequently on the up as both countries, to different degrees, endeavoured to oppose assertive US behaviour and influence in the Persian Gulf and Caspian Sea. Since the late 1990s, however, the central issue of Russian–Iranian cooperation has been Russian technical assistance to Iran's nuclear project.

Bushehr and the nuclear issue

The cornerstone of Russia's nuclear cooperation with Iran is at Bushehr – a power plant construction deal worth eight hundred million dollars to Russia (with more mooted for new projects upon completion).[1]

The presence of approximately 1,000 Russian and Ukrainian engineers and technicians in Bushehr testifies to the scale of the assistance and is, for many, the gravest cause of concern to the international community. The 'human factor' – the transfer of technical know-how from Russian scientists to a new generation of Iranian nuclear experts is seen as an especially significant security threat. The weak export control over dual-use technology is a parallel danger emanating from within Russia itself. Small scientific research institutes, tempted by money and operating below the eye of the law – some of which have already been hit with sanctions by the US in 1999 – could conceivably assist Iran in acquiring dual-use technology.

The Russian government has always justified its advanced technical cooperation with Iran on the grounds that it believes Iran's nuclear ambitions are civilian-oriented only, but it has also stated that it conducts its affairs to further its own ends. Despite claims to the contrary, Russia's position – like that of the US – is not based upon the extent to which Iran is obeying the letter of the NPT, rather on an assessment of the threat emanating from Tehran. Russia has genuine proliferation concerns and no interest in Iran possessing a nuclear bomb – even with current missile delivery platforms, Iran could reach targets in southern Russia if it chose to do so.

Nor has Russia acceded to all of Iran's demands over energy and technical-military assistance, having refused Iran's request for a sturdier heavy water reactor and gas centrifuges in the 1990s and anti-aircraft missiles in 2001. More broadly, the Islamicization of the guerrilla movement in Chechnya and concerns over Middle East-inspired terrorist acts in major Russian cities mean that some Russians' perceptions of Iran have shifted from being a purely US- and Israel-directed threat to representing a danger to Russian domestic security as well. An increasing anxiety in Moscow that Iran may become a nuclear state means the balance between commercial and security interests is ever more difficult for Russia to maintain and its already precarious international respectability is slipping away.

Russia as mediator

Content though it is to be playing both ends against the middle, the possibility of an oncoming storm is reluctantly forcing Russia into a clear and irreversible choice between Iran and a probable – if loose – Western coalition. Russia says it believes that the solution to the problem lies with the

[1] V.A. Orlov and A. Vinnikov, 'The Great Guessing Game: Russia and the Iranian Nuclear Issue', *The Washington Quarterly*, Vol. 28, No. 2, p. 51.

IAEA. It does not want to use its UN Security Council veto and does not want to back a new UN resolution (it abstained from the September 2005 vote, declaring Iran to be in violation of its IAEA safeguards). However, it knows a new resolution probably cannot be avoided and so it will push instead for the most ambiguous wording possible – wording that will, it hopes, avoid all mention of economic or military punitive action.

The current impasse has given Russia a further chance to prove its credentials as a leading player on the world stage, especially during its 2006 G8 Presidency. Russia is anxious to give the impression of influence and dreams of new respect as an international mediator. This ambition came closer to realization when, in February 2006, it put its key offer to Iran on the table – to enrich uranium on Iran's behalf on Russian soil, ensuring stricter control over the destination of dual use materials. The EU-3 and the US indicated that such an arrangement might be acceptable, but Iran rejected it, claiming this energy fuel supply could be cut off and thus was not guaranteed. Russia had no choice but to say Iran's reaction was 'absolutely no help to those who want to find peaceful ways to solve this problem'.[2]

There were indications, from both Russian and Iranian sides, that in spite of the failure to agree where to process the uranium, the February 2006 talks extended beyond the nuclear issue and on to broader energy cooperation. This included speculation that Russia was trying hard to persuade Iran that were the latter to cease its insistence on a full nuclear cycle, Russia could provide Iran with multiple reactors, not just the controversial one nearing completion at Bushehr. A second solution proposed by Russia is the creation of an international centre, in which Iran would be involved, to assist in aiding countries to acquire nuclear energy. However, this has been met with little enthusiasm by either Iran or the West.

The Russian government's attempts to reassure the West have often been unconvincing at best. In 2005, President Putin, after meeting Iranian security chief Hasan Rohani in Moscow, announced that 'the latest steps taken by Iran have convinced us that Iran does not intend to produce nuclear arms.'[3] This meeting resulted in Russia signing a deal to provide Iran with the nuclear fuel needed to power the Bushehr plant with the stipulation that the spent uranium would be returned to Russia. More recently, Defence Minister Sergei Ivanov attempted to reassure the West that Iran only has medium-range missiles and not intercontinental ballistic missiles and Foreign Minister Sergei Lavrov stated that the West over-reacts to the Iranian nuclear question and entreated it not to make decisions in haste.[4] Furthermore, Sergei Kiriyenko, Head of Russia's Federal Atomic Energy Agency, has said that Iran's declaration of unilateral 3.5% uranium enrichment was both expected and not a cause for concern when details are unknown and 80% enrichment is required for weaponization.[5]

But, in spite of its rationalizations and rhetoric, the Kremlin has become increasingly worried about Iran's hard-line stance, in general since Ahmadinejad's accession and in particular with Iran's declaration that it has now successfully enriched uranium. Some low-level Russian officials have even begun talking about economic sanctions, but in the event of an armed conflict, Russia has resolutely affirmed it would maintain neutrality and would not use its armed forces on either side. It advocates a political solution and does not wish to add fuel to the fire.

Non-nuclear issues

Arms sales, trade including oil and gas, Caspian Sea delimitation, transport links, Israel and broader strategic geopolitical considerations all form part of the complex Russia-Iran relationship. Russia is the second largest arms supplier in the world after the US and its arms contracts with Iran in the

[2] Sergei Lavrov, News briefing, Moscow, 13 March 2006, Russian Agency of International News, *www.rian.ru/world/foreign_russia/20060313/44239499.html.*

[3] Putin's statement from Kremlin, 18 February 2005, *www.cnn.com/2005/WORLD/meast/02/18/iran.russia/.*

[4] Press conference, Moscow, 12 April 2006, Russian Agency of International News, *www.rian.ru/world/foreign_russia/20060412/45722466.html*.

[5] *Eurasia Daily Monitor*, Vol. 3, Issue 74, Jamestown Foundation, 17 April 2006.

1990s had a significant impact on relations at a time when Russia badly needed the hard currency. Putin's negation of the 1995 Gore-Chernomyrdin agreement that Russia would not enter into any further arms deals with Iran heralded a more assertive approach and the end of a short-lived, cooperative post-9/11 security agenda.

More widely, Russia is involved in gas exploration in southern Iran, an Iranian satellite programme and Iranian civil aviation – resulting in bilateral trade hitting $2.4 billion in 2005.[6] In the Caspian Sea, Iran's position – demanding an equal share (one-fifth) of territorial waters and energy exploration rights while only possessing 13% of the coastline – will never be accepted by Moscow, which has formed better relationships on this issue with the other three littoral states. Transport links, albeit potential rather than actual, are of high significance to the relationship. Russia has aspirations for a more direct link to the Persian Gulf and is investing in a rail connection via Azerbaijan to Astara in northern Iran and on to the city of Qazvin in the hope of generating billions of dollars of revenues for both countries.

It is also worth noting that the presence of over a million Russian speakers in Israel engenders still further confusion and contradiction in the Russian government's hitherto cosy foreign policy towards Iran. Ultimately however, old strategic habits die hard. Ostensibly, the most influential motive of all for the Russian government's thus far cooperative relationship with Iran is a Cold War-style, anxious attempt to prevent its own exclusion from the Middle East regional security agenda and to counterbalance rising US (and in places, Turkish) power in the Middle East, Central Asia and the South Caucasus.

An international consensus that tolerates Russian–Iranian nuclear cooperation is ever more unlikely and Putin's preference for good relations with everyone is an increasingly difficult trick to pull off. But Russia is a key factor in Iranian nuclear ambitions – it has no other realistic source of nuclear energy assistance. With this calculation in mind, and in spite of the diversity of views, Russia may be about to decide that the costs of supporting Iran have begun to outweigh the benefits. Nonetheless, Moscow could well continue to send softly encouraging messages to Tehran and to try to maintain its nuclear relationship on the quiet or at a lower level, or if there is a very serious crisis, it may simply try to resurrect the relationship later on.

Janus, the Roman god with two faces looking in opposite directions, also symbolized change and transition. As Russia's Iran face reluctantly withdraws, much of its influence in Middle East is further diminished.

Other Former Soviet States

Russia has often viewed the Middle East through the lens of its policy towards the Caucasus and Central Asia. Two of the three countries of the South Caucasus region – Armenia and Azerbaijan – share short borders with Iran.

Armenia's traditionally close relations with Iran are under threat because Russia's relatively strong economic position has enabled it to acquire some of Armenia's Iranian-linked assets – notably an Armenia–Iran gas pipeline and a power station in Hrazdan.

Meanwhile, the antagonistic relationship between Iran and **Azerbaijan** shows little sign of improvement after recent calls for a reunification of 'true Azerbaijan' which includes a large area of northern Iran, heavily populated (according to various estimates) by some 12–25 million ethnic Azeris, whose human rights, Baku argues, are routinely violated.

[6] S. Walker, *Moscow and the Mullahs,* Russia Profile, 28 March 2006, *www.russiaprofile.org*. See also V. Esveev for a similar figure, *www.washingtoninstitute.org/templateC05.php?CID=2457*.

Georgia, the other South Caucasus state, has been developing links with Iran in response to its worsening relations with Russia. Fearing Russia may hike gas prices or even cut off supplies in the light of political developments such as possible accession to NATO and Western foreign policy orientation, Georgia has sought and found alternative supplies. It began receiving natural gas supplies from Iran, albeit erratically, in January 2006.

Of all the countries of Central Asia and the South Caucasus, **Turkmenistan**, with its unpredictable president Saparmurat Niyazov, has the closest relationship with Iran. At one time they took similar positions on Caspian Sea delimitation though these have since diverged. Now, more importantly, Turkmenistan is the second largest gas producer in the former Soviet Union, while Iran is a major gas importer. The two countries reached an agreement to increase volume and price of gas imports in April 2006 and there are significant oil and gas pipeline and electricity grid connections.

Afghanistan

Since the fall of the Taliban government in December 2001, Afghanistan's relations with Iran have significantly improved although strains remain. Historically Iranian interference in Afghanistan's internal affairs has soured the relationship between the two countries since the time of the withdrawal of the Soviet Union from Afghanistan in 1989. During the Soviet occupation, despite supporting the Afghan demands for the removal of Soviet forces, Iran, unlike Pakistan, Saudi Arabia and the US, played a negligible role in the realization of these objectives.

The Soviet withdrawal and US disengagement in Afghanistan coincided with the end of the Iran-Iraq war, allowing Iran to play a more active role as Afghanistan subsequently descended into a state of collapse and fragmentation with mujahideen groups and political parties battling to take control of Kabul. Iran and Pakistan (sponsored by Saudi Arabia) took advantage of the political vacuum to carve out 'spheres of influence,' by supporting and financing different groups along regional ethnic and sectarian lines. Pakistan aligned itself to the Pushtun Sunni Islamists (i.e. Taliban) and to rival these, Iran backed the Shi'a, Persian-speaking and Turkic groups (i.e. the Northern Alliance, Hizb-i-Wahdat), ultimately playing out a proxy war on Afghan soil to prevent one or the other from gaining geopolitical dominance.

In the autumn of 2001 Iran displayed cooperative signs towards Afghanistan. It supported the US military action against the Taliban, whom Iran had actively opposed since 1995. It also participated in the post-war Bonn Conference of December 2001 at which the transitional governing authority for Afghanistan was established. Despite these positive moves, Iran has at the same time been suspected of undermining the Karzai government, supporting regional warlords, specifically Ismail Khan of Herat, and aiding the escape of Al-Qaeda leaders through its 580km-long shared border with Afghanistan. The US is suspicious of the dichotomy in Iran's behaviour towards Afghanistan and the US coalition in Iraq. Iran in turn, is opposed to the US presence in the region and wary of US encirclement; this complicates its policy towards Kabul.

Weary of outside interference and aware of the importance of regional cooperation to Afghanistan's recovery, in December 2002 the Afghan government initiated the Kabul Declaration on Good-Neighbourly Relations with its six immediate neighbour states (Iran, Pakistan, China, Uzbekistan, Turkmenistan and Tajikistan). For these states the reconstruction of Afghanistan is an opportunity to influence the future development of the country, for example through cooperation in trade and ensuring a political role for favoured leadership of ethnic groups. In January 2003, landlocked Afghanistan, which had principally used Pakistani ports for export, sought new trade routes with Iran. New agreements with Iran guaranteed Afghanistan virtually tax free access to Iranian ports, specifically the port of Chahbahar. Afghanistan, India and Iran signed an agreement to upgrade roads and build a railway from Chahbahar to the western Afghan border.

Iran is one of Afghanistan's most reliable trade partners, and through these economic activities its ties and influence over Afghanistan's western provinces bordering Iran, particularly Herat, continue to grow. Iran's exports to Afghanistan amount to $500 million per year and it has pledged a generous reconstruction package to help rebuild Afghanistan's infrastructure. This includes plans to provide electricity to western Afghanistan through a multi-million dollar project and also, with the assistance of Turkmenistan, to provide natural gas to Herat city. Iran is thus a very significant player in the economy of western Afghanistan and is steadily increasing its influence.

Iran claims that Afghanistan is not doing enough to encourage the return of Afghan refugees in Iran, estimated at around one million. It has intensified the pressure by withdrawing the right of Afghan refugees to free education. Iran has also signalled its power to influence Afghanistan's minority Shi'a population, mainly through its support for the pro-Shi'a Hizb-i-Wahdat, which is known to be wary of its status under the predominantly Sunni Pashtun dispensation. In voting

among Afghan refugees in Iran for last year's presidential elections, Hamid Karzai was almost defeated at the hands of his Shi'a Hazara rival, Mohammad Mohaqiq, who polled 40% of the refugee vote against Karzai's 44.4%.

Kabul's ties with Iran cause some concern in Washington, particularly as US–Iranian tensions escalate over Iran's nuclear programme. Karzai's diplomatic dilemma is how to continue to build on regional cooperation with Iran, its influential and valuable neighbour, without antagonizing the US, its biggest supporter and sponsor. Afghanistan has chosen to remain neutral and avoid taking sides in the US–Iran dispute. Nevertheless in May 2006, Karzai made an official visit to Iran and met with Ahmadinejad, despite an earlier planned trip being cancelled under US pressure. For Afghanistan, there is concern that alienating Iran may not only disrupt the current burgeoning economic cooperation, but might also lead once again to Iranian interference in Afghanistan and use of the Shi'a population to destabilize the current political equilibrium and create unrest in the western provinces.

Pakistan

The extent of the rapprochement between India and Pakistan remains ambiguous. General Musharraf and senior Pakistan officials have publicly accused India of fuelling the current crisis in Baluchistan, claiming that India is using it as an opportunity to forge a new anti-Pakistan alliance involving Iran and Afghanistan. However, the scope for Iran's involvement in such an alliance is likely to be limited by domestic concerns. Iran fears the risk of an irredentist movement among its own Baluch minority in southeast Sistan province and is reluctant to further inflame its six million Sunnis, who are also concentrated in southeastern regions, where they are said to be mobilizing under the leadership of the militant Sunni group, Jundullah, and looking for Western (i.e. US) support against the Shi'a regime.

While Iran may well be concerned over India's close relations with Israel, which date back to the early 1990s, they are not seen as directly threatening the pursuit of Iranian interests. This is in contrast, notably, to Pakistan's recent rapprochement with Israel. This may be because, unlike Pakistan, India is not regarded by Iran as an integral part of a global community of Muslim states, and partly because India's policy of non-alignment (however much in tatters this might be today) has more successfully endeared it to Iran in ways that Pakistan's close alliance with the US has not. This would explain why Iran remains more suspicious of Pakistan's rapprochement with Israel, which it regards as evidence of Pakistan's tacit support for a broader US strategy to co-opt Muslim states and secure Israel's dominant place in the Middle East.

Pakistan's relationship with Iran is even more confusing. The two US allies enjoyed warm relations during the Cold War, but the relationship deteriorated from 1979. The Iranian revolution also highlighted the religious difference between Shi'a-dominated Iran and Sunni-dominated Pakistan. The revolution coincided with an Islamicization drive led by General Zia ul Haq, which attempted to enforce a narrow Sunni interpretation of Islam on Pakistan.

Zia's initiative bolstered Sunni extremists, and Iran responded by supporting Shi'a militants within Pakistan. In the 1980s and 1990s, Pakistan became a battleground between Iran-sponsored Shi'a militants and Pakistan- and Saudi-sponsored Sunni radicals. General Zia's close ties with the US, Pakistan's support for the Taliban in the 1990s and warming relations between India and Iran further contributed to poor relations.

With the Taliban ousted, one of the main obstacles to improved ties was removed, and Pakistan has taken the lead in pushing for the construction of the gas pipeline to India. But suspicions persist. Iran remains concerned over strong US–Pakistan relations while Pakistan suspects that Iran (though primarily India and Afghanistan) is supporting militants in Baluchistan. Many in Pakistan accept the

view that India has jettisoned the idea of building a pipeline from Iran (which would traverse Baluchistan) and is therefore happy to foment trouble in the province to teach Pakistan a lesson for continuing to encourage militancy in Kashmir. Afghanistan, it is argued, is happy to cooperate with India to show Pakistan what it feels like to have nosy neighbours.

But, as with India, there is a nuclear sub-text to this relationship. In 2005 Pakistan admitted that the head of its nuclear programme, A.Q. Khan, had supplied Iran with centrifuges to enrich uranium. Few observers believe that he was acting alone and most assume that members of the government or military must have sanctioned the transfers. The bulk of the transfers are thought to have been made in the early 1990s. Following the Soviet withdrawal from Afghanistan, US interest in Pakistan waned, and in 1990 the US imposed sanctions on Pakistan because of its own nuclear programme. In this context, the sale of nuclear components to Iran makes more sense. Despite tense relations between the two countries, for Pakistan the deal served as both a source of revenue and a means of irritating its erstwhile ally, the US. And it looks as if Iran could serve again as a convenient excuse to allow Pakistan to defy the US - this time with regard to talks on the gas pipeline. Musharraf has indicated that Pakistan has no intention of suspending these merely to please the Bush administration.

India

While energy plays a key role in Iran's relations with South Asia, overlapping ethnic and religious identities, regional stability and rivalry between India and Pakistan play at least as important a role in determining policies and attitudes. Although India's civilian nuclear deal with the US is a key short-term consideration for India, the current tendency to view India's relationship with Iran through the prism of the nuclear deal with the US ignores a range of other issues – most notably the status of Afghanistan – which determine Iran's relations with India and Pakistan.

Iran's relationship with India and Pakistan will remain multi-layered. The ethnic and religious overlaps between Iran, Pakistan and Afghanistan will continue to cause tensions, in which India is likely to remain involved. However, India's growing economic clout could work to reduce tensions if regional economies can be more successfully integrated (possibly through making organizations such as SAARC, the South Asian Association for Regional Cooperation, more effective) and if regional leaders demonstrate the political will to harness the immense economic potential at the disposal of their people.

At the heart of the energy issue is a proposed gas pipeline running from Iran to India, via Pakistan. The pipeline has been mooted since 1998 when BHP Petroleum and the National Iranian Gas Company announced the discovery of vast gas deposits in South Pars, which they intended to transport to Multan in Pakistan and eventually, possibly, to India. Initially, tension between India and Pakistan acted as the main obstacle to construction of the pipeline; India was unwilling to rely on Pakistan for its energy supplies.

As the US turned against Iran, it turned against the idea of the pipeline, while at the same time the issue of energy security moved up the political agenda in India. When George Bush visited India in March 2006, he offered India access to civilian nuclear power. The former Petroleum Minister, Mani Shankar Aiyar, was a keen supporter of the Iran pipeline, but shortly before George Bush arrived in India, he was removed from his post. Thus, the drivers behind India's decision to vote against Iran in the IAEA became clear to many on both the left and the right in India. The US, they argued, had bribed India with access to nuclear power to gain its support against Iran and, perhaps, as part of a broader US strategy to contain China as the rising power in Asia.

Unsurprisingly, the Indian government takes a different stance, and it is certainly clear that India's relationship with Iran is much more complex. While the timing of Aiyar's dismissal was widely

construed at the time as making it easier for Indian officials to pursue a nuclear energy deal with the US, it seems more likely that Aiyar was a casualty of the internal dynamics of the Congress Party. India argues that its opposition to Iran in the IAEA in no way supports any military action against Iran. In early March, Prime Minister Manmohan Singh stated that 'confrontation should be avoided at all costs. For this to be possible, time must be given for diplomacy to work'.[1]

While India may well oppose military action, the issue of nuclear power has been a long-standing irritant in relations between the two countries. Iran criticized India's own nuclear development, though India was not beholden to the same set of standards, never having signed up to the NPT. Iranian criticism of India's policy towards Kashmir also irked India. At the same time, the fact that Iranian centrifuges appear to have originated from Pakistan, coupled with India's broader strategic aim of regional stability, help explain its decision to vote against Iran at the IAEA.

Constantly playing second fiddle to China in the quest for energy security, India has found its attempts hindered by its geography – in the form of the Himalayas – as well as by its poor relations with its neighbours. While India faces energy shortfalls today, its primary concern is that greater production shortages in the future will prevent it from maintaining strong growth rates. In this context, India does not view the civilian nuclear deal with the US as a replacement for the Iran pipeline project. While this may be the case in the short term, India has a far longer time horizon, and it will remain an attractive market for Iranian gas. Furthermore, neither the deal with the US nor the Iran pipeline is by any means finalized. Indeed, in early April, Condoleezza Rice admitted that even if Congress passed the nuclear deal, there were no guarantees that the Iran–India pipeline would not go ahead.

But Iran's relationship with India is not just about energy. Iran and India have not been long-standing allies. Prior to the Iranian revolution, pro-US Iran and non-aligned/Soviet-leaning India viewed each other with suspicion. Although the revolution worsened Iran's relations with the US, it did little to bolster its relationship with India. The turning point came in the 1990s when the two countries found themselves backing the Northern Alliance against the Pakistan-backed Sunni Taliban in Afghanistan. Ties between India and Iran were also strengthened at this time by a mutual understanding based on Iranian neutrality over the question of Kashmir in exchange for India's opposition to the US embargo against Iran. By 2003, the countries were planning joint military exercises, and Indian state-owned oil companies were increasingly active in Iran. In 2004, the state-owned Indian Oil Corporation signed a Memorandum of Understanding with Petropars to develop the North Pars gas field, while India's largest private company, Reliance, is involved in the establishment of a Rs96bn liquefied natural gas (LNG) terminal in Iran, along with BP Amoco and the National Iranian Oil Company.

[1] Reply by Dr Manmohan Singh to the Lok Sabha debate on India's vote at the IAEA on Iran's nuclear programme, March 6, 2006. Quoted in *www.indianembassy.org/newsite/press_release/2006/Mar/22.asp.*

China

China and Iran have enjoyed a cordial relationship since the 1970s and this relationship has been strengthened in the past few years. Economic ties between the two countries have developed steadily. In 1998, bilateral trade was only $1.2 billion. By the end of 2005, it had reached $10 billion. In 2004, China imported over 13 million tonnes of oil from Iran, accounting for 11% of its total oil imports. Although energy is the main component of the trade and investment between China and Iran, bilateral economic ties are not restricted to this area. More than 100 Chinese firms now operate in Iran. Chinese companies have been involved in many infrastructure projects in Iran, building motorways, airports, jetties and metro lines, and Chinese consumer goods have also found an expanding market in Iran.

The political relationship between Beijing and Tehran is also strong. The two countries issued a joint communiqué agreeing to establish a 'friendly cooperative relationship' during President Khatami's visit to China in 2000. China and Iran maintain that, as developing countries, they share similar views on many regional and international issues. In 2005, Iran was granted observer status in the Shanghai Cooperation Organization, which could potentially provide an additional mechanism for Sino-Iranian cooperation. Above all, both countries believe that a good relationship with one another is in their long-term strategic interest. After 9/11, as mistrust between Iran and the US deepened, Iran attached greater importance to developing closer relations with China. Chinese companies have sold weapons and weapons technology to Iran since the 1980s and the US has accused China of assisting in the development of Iran's missile systems. As a result, Chinese companies have faced US sanctions. Most recently six Chinese companies were sanctioned by the US in December 2005 for allegedly selling missile goods and chemical weapons materials to Iran.

The aspect of China-Iran relations that has attracted most attention since the eruption of the Iran nuclear crisis has been the energy deals. As the fast-growing Chinese economy increasingly depends on imported oil and gas to sustain itself, China has stepped up its efforts to acquire energy supplies from overseas, including the Middle East. In March 2004, China's state-owned Zhuhai Zhenrong Corporation signed a deal to import 110 million tonnes of Iranian LNG over 25 years. The deal is worth approximately $20 billion. In October 2004, one of China's major state oil companies, Sinopec, signed an MoU with Iran to buy 250 million tonnes of LNG over 25 years. In return, Sinopec obtained a 50% stake in developing the Yadavaran oilfield, which is believed to be able to produce 300,000 barrels per day. The deal is valued at $100 billion. China is also believed to be interested in constructing a pipeline in Iran to transport oil to the Caspian Sea, so that eventually it can gain direct pipeline access to Iranian oil via Kazakhstan.

Because of China's hunger for energy and its recent deals with Iran, many observers assume that Beijing's position towards the stand-off is shaped by its need for Iranian gas and oil. This implies that Beijing would not support the imposition of sanctions on Iran. At the same time, China's attitude is also driven by a desire to counter US unilateralism and global hegemony while China also has an interest in maintaining goodwill within the Islamic world to deal with the largely Muslim region of Xinjiang.

But while there are arguments which suggest that China would back Iran, it is also clear that China's trade with the US is many times greater than that with Iran. While Iranian oil is important to China, it is not so important that Beijing would endanger relations with the US because of it. Beijing has many reasons to maintain a good relationship with the US, and it can ill afford to be seen as openly endorsing nuclear proliferation for its own narrow national interests.

But the specific strategic interests facing policy-makers in Beijing are only part of a wider policy of greater involvement in international affairs, which requires demonstrating that China is a responsible member of the international community. First, China is keen to prevent nuclear proliferation, which it does not view as conducive to its security, and Beijing has been actively involved in preventing nuclear proliferation, notably in Northeast Asia. The development of nuclear

weapons by Iran will negatively affect non-proliferation efforts elsewhere in the world, including in China's vicinity. Beijing therefore has good reasons to defend the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

China relies on the Middle East for roughly half of its oil imports, hence stability in the region is as much a concern for China as it is for other countries. However, if action against Iran triggered a wider destabilization of the Middle East the consequence for China in terms of energy supply would be far more serious than the mere loss of Iranian oil.

China needs to show that it adheres to the basic principles which underpin its foreign policy and that it is consistent in applying these principles. It has a clearly articulated and widely publicized position on issues such as how disputes between different nations should be settled, how security threats should be countered, and what role unilateralism should play in international affairs. Beijing's white paper on arms control published in September 2005 stated its policy on non-proliferation very clearly: 'All states should resort to political and diplomatic means to solve the proliferation problem…Proper solutions to proliferation issues should be sought out through dialogue instead of confrontation, and through cooperation instead of pressuring.'[1]

Finally, Beijing also needs to be on the side of the majority of international opinion, to win as many friends as possible, and to avoid making enemies. This has been a consistent goal of Chinese foreign policy, but it has taken on even greater urgency in recent years as China's economic rise has led to concerns about its future political aspirations. Beijing has been at pains to refute the 'China threat' charges and to reassure the world that it will follow a peaceful development path. Now more than ever, Beijing needs to show that it is a force for the pursuit of peace, justice and a more democratic international order. No matter what action China takes as the Iran nuclear crisis evolves, it will be action which in Beijing's judgement serves this broader agenda.

Japan

Japan's relationship with Iran is similarly pragmatic and, as with China, Japan's desire to maintain relations with the US and to play a wider global role underpins its attitude to the crisis. Japan's pragmatism towards Iran has stemmed from its reliance on oil. It imports oil from Iran at volumes similar to China (15%), making it Japan's third largest source of oil after Saudi Arabia and the UAE. Owing to its reliance on imported oil, and particularly since the oil crises of the 1970s, Japan has tended to steer a course that attempts to maintain good relations both with the oil-producing nations and with the US. This has led Japan to play a delicate diplomatic game in dealing with Iran. US lobbying attempted to derail a Japanese consortium's participation in the development of Iran's giant 3–6 billion-barrel onshore oilfield Azadegan, but only succeeded in delaying it. The challenge of maintaining relations with Iran in the face of American opposition is further intensified by Iran's nuclear programme. Japan has limited its nuclear programme to civilian energy uses and has condemned those that develop nuclear weapons or consider doing so, owing to its first-hand experience of the use of nuclear weapons.

In recent years leading Japanese politicians have made a number of official diplomatic visits to Iran, some of them related to the awarding of significant loans and grants to help with economic development and cultural heritage in the country. Iranian representatives, including President Khatami in 2000, have also made visits to Japan. These activities have further strengthened the relationship between the two countries at a diplomatic level.

Japan's preference for peaceful resolutions to international disputes and its reliance on Iranian oil mean it is likely to find itself in a difficult position once again if the current crisis escalates. However, the balancing act that Japan has to perform, coupled with the good relations it enjoys with Iran as well as the US, may provide it with the opportunity to perform a brokering role in the ongoing negotiations.

[1] ***China's Endeavours for Arms Control, Disarmament and Non-Proliferation*, 1 September 2005. Text available at *www.chinadaily.com.cn/english/doc/2005-09/01/content_474248.htm.***

IRAN AND ITS REGION

CHATHAM HOUSE