

Summary of Discussions

SWP / Nixon Center Working Group
"Iran and its Neighbors: Diverging Views on a Strategic Region"

2nd Colloquium, Berlin, May 29-30, 2003
at Stiftung Wissenschaft und Politik

With the conclusion of the war on Iraq, the U.S. has now shifted its attention to its new "neighbor" Iran. In putting Iran on the Axis of Evil, the U.S. was crystallizing its concern, which is echoed by the EU, with Iran's (1) development of nuclear weapons (2) support of terrorist groups, such as Hezbollah, that are perceived as an obstacle to peace between the Palestinians and Israelis, (3) influence over the Shias, which could have a destabilizing effect, in post-war Iraq and (4) human rights. The question is, however, to what extent with the U.S. and EU be able to work together to change Iran's behavior.

Although Iran has been a relatively "model" signatory of the Nuclear Non-Proliferation Treaty, recent developments, such as Iran's latest machinations with the IAEA, strongly suggest that Iran is developing nuclear weapons. The EU seems prepared to countenance a nuclear capable Iran while the US, in contrast, is deeply fearful of such a development because believes that would be merely a precursor to Iran's possessing nuclear weapons. A nuclear-armed Iran is a concern for the entire world, especially the Middle East, because it will create proliferation pressures in the region and other countries, i.e. Egypt and Turkey, will try to "keep up."

The only real way to prevent Iran from covertly developing nuclear weapons is for Iran to agree to a verifiable freeze of its nuclear program. In order to convince the current leadership that abandoning a nuclear weapons program is in its interests, the West must offer Iran not only improved political and economic relations but also security guarantees. In particular, this approach would include an easing of US sanctions, which would permit much-needed financial investment in Iran's oil sector, which has seen production steadily decline over the last several, and development of a pipeline through Iran to get much needed natural gas from the Middle East (as an alternative to the virtual Russian monopoly on gas sold into Europe), the largest source of reserves, to Europe, the largest consumer. An easing of US isolation of Iran could also secure Iran's cooperation in an effective resolution of Caspian Sea issues. In the absence of obtaining Iran's voluntary cooperation, military action would be the only option remaining but because such action would involve the destruction of overtly civilian nuclear plants other non-nuclear weapon states in the NPT question its validity and adversely affect the US strategy of promoting democracy in the region.

With respect to Iraq, the U.S. has repeatedly instructed Iran not to get despite the fact that Iran has a clear interest in the new government of its [formerly] most dangerous neighbor. In particular, the U.S. does not want Iran, through its influence over the Shia community, to steer Iraq in the direction of a theocracy modeled on the Islamic Republic. However, the Iranians are unlikely to stay on the sidelines because they fear the emergence of an independent theological force in Najaf that legitimizes calls into question some of the legitimacy the clerics claims to have in the running of Iran. The EU thus far has not

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become directly involved in this particular dispute between the US and Iran, but it certainly could have a role to play as a voice of calm amidst all of the rhetoric.

The EU could also become more involved in efforts to stop support for terrorist groups, such as Hezbollah, that attack Israel. The US is much more sensitive to Iran's involvement in terrorism because of the US's close relationship with Israel. Nevertheless, the EU could do more to crack down on terrorist organizations, especially with regard to attacking the financial resources for such organizations. A common EU/US policy would make it more difficult for Iran to support the terrorist groups and more difficult for the groups themselves to operate.

It is clear that although the US and EU have common goals; there is a lot of room for increased coordination of policies in order to reach these goals. If the US and the EU develop a common strategy, it will make it more difficult for Iran to avoid responsibility for improving its domestic and foreign policies. It is true that it would be (1) politically painful for the US to do deal with the hardliners, in exchange for abandonment of WMD and improved human rights for Iranians, and (2) difficult for the EU to become more "political" and explicitly link the Trade and Cooperation Agreement to the improvement of Iranian policies. However, unless these key actors can somehow put merge their personal interests in order to achieve a larger goal, it will be difficult for anyone to convince Iran to change its behavior.

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Agenda and Key Points of Discussion:

Session I: Iran and the Middle East

1. *The Iranian regime sees the Shiites in Iraq as the biggest short-term threat to their authority*
 - The real threat to the Iranian regime is the emergence of a theological force in Najaf that legitimizes a secular regime and does not support Iranian theocratic interpretations of Islam.
 - While it is clear that Iran will have an influence on the future Iraqi government, the Shiites are not under Iran's control.
2. *The US is focused on ensuring a secular government in Iraq by supporting moderate Shias*
 - Unless the US administration in Iraq becomes much more effective it will not be able to easily influence the Shia population and overall success in Iraq could be threatened.
 - It would be a mistake if too much focus were placed on secularization because many of secular governments are very unpopular in the Middle East. Moreover, politics is often communicated through religious language.
3. *Iranian support of terrorism, via Hezbollah, is a continuing problem for the US, but not so serious for the EU.*
 - It is problematic when Iran supports terrorist activities because this has the strongest impact on US policy given that much of US policy towards Iran relates to Israel.
 - Iranians will eventually realize that there is no longer a point for them to be involved with such terrorism and back off. This could set stage of better relations with US. If Iran does not back off, the US will eventually respond.
 - The EU tends not to take the terrorism capability of Iran as seriously as the US.

Session II: Iran's Relationship to its Neighbors in Central Asia and the Caucasus

1. *Overall Iranian foreign policy is strictly geopolitics—no religious undertones or Shia/non-Shia element*
 - Iran is willing to go very far in ignoring "Muslim brothers" although this creates a bad image that plays badly with the public.
 - Iran supplied food, natural gas, etc. to Christian Armenia in its war against Muslim Azerbaijan.

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- Russia gave a strong commitment to Iran, in terms of military support and building nuclear plants, in exchange for Iran's keeping Chechnya off the agenda as an Islamic issue.
2. *A policy of engagement towards Iran, such as that employed by Russia, can be effective*
- Russia is very sensitive to Islamic threat and based its policy with Iran on how Russia could best prevent Iran from becoming a destabilizing factor.
 - Regular high level meetings between Russia and Iran and regular bilateral roundtables since the break-up of the Soviet Union allowed Russia a voice/criticism of Iran's behavior.
 - Russia's willingness to engage with Iran effectively secured Russia's interests in the region.
3. *The US has followed a policy of isolating Iran, in particular with respect to the development of the Caspian, with questionable success*
- Until 1994-5, when the US succeeded in pressuring Azerbaijan to exclude Iran Oil Co. subsidiary from consortium, Iran's position was more or less neutral. Today, Iran has become much more difficult and it is the only country opposing division of the Caspian Sea and its resources.
 - US policy not solely responsible for Iranian position, but no doubt that it has helped to make Iran less cooperative which has caused problems for other countries and western oil companies
4. *Since the rise of the Taliban, Afghanistan is an area where the US and Iran have compatible interests*
- Various agencies of the US and Iran began to have regular low-level contact under the auspices of UN (6 plus 2 group) in 1997.
 - The US worked with elements of the Iranian revolutionary guard when it was developing the relationship with the Northern Alliance.
 - The US needs the continued cooperation of Iran to strengthen Karzai in Kabul at the expense of Han in Herat; putting Iran on the Axis of Evil has threatened this cooperative effort.

Session III: Iran and the Problem of Proliferation

1. *General assessment is that Iran is 1- 3 years away from having a nuclear weapon*
- Through minimal, hard-to-detect diversions of fissile material from the civilian program, Iran could have 50-100 bombs by 2010.

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- Russia itself is having concern about Iran's program, realizing that they can't really control it.
2. *Some believe that Iran's possession of a nuclear weapon is justified*
- Many reformers, conservatives, the political elite and the opposition that lives abroad believe that arms control is not in Iran's national interest and its binds Iran in way that is no longer acceptable.
 - Many Iranians feel discriminated against because Iran is called a rogue state and put on the Axis of Evil even though they have thus far fully complied with arms control regimes...some question the point of further compliance.
 - Many believe Iran's international standing would be enhanced through a nuclear program, i.e. India and Pakistan
 - In recognition of Iran's "dangerous" neighborhood (3 nuclear-armed, non members of NPT, Israel, Pakistan and India, are neighbors of Iran) some think nuclear weapons are acceptable if they are seen as deterrent factors and not coupled with an aggressive foreign policy.
3. *Many states in the region will conclude that they have to act as if Iran has nuclear weapons and this could lead to a regional arms race*
- Proliferation pressures would increase in the region if Iran has a nuclear weapon. Other countries such as Egypt and Turkey would be under great pressure to develop their own nuclear weapons.
 - To reduce such proliferation pressures, the US and NATO will need to increase security guarantees to the Gulf States, Israel and Turkey, including an enhanced presence and perhaps a nuclear umbrella and missile defense.
4. *The existence of the NPT itself is under threat will be further threatened if Iran develops nuclear weapons*
- Many NPT members are already asking themselves if it makes sense to be members. The US development of mini-nukes violates the spirit of the NPT and creates more skepticism among member states.
 - The NPT and the additional protocol is not enough to stop Iran, they could develop weapons covertly or decide to leave the NPT as North Korea did
 - Many of those who would opt out of the NPT are technically capable of developing nukes very rapidly
 - The question is whether the NPT is truly achieving its goals and if not, why is there so much concern with preserving the NPT. The idea of a country leaving NPT is often viewed as so disastrous that some members are permitted to cheat.

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- Failure of NPT could have follow-on effects on CWC and other arms control treaties.
5. *One way to prevent Iran from developing nuclear weapons is for Iran to agree to a verifiable freeze of its alleged development efforts in exchange for concessions from the West*
- The West must convince the Iranian leadership that more transparency is in its interests and that it could count on improved political and economic cooperation with West.
 - Doing a deal with hardliners could be viewed as a pull back of efforts to engage reformers and run counter to democratic principles because the hardliners are unlikely to accept any deal which allow the US to continue to offer ideological support the reformers
 - The alternative is to wait and hope for a change of the regime and deal short- to medium-term instability.
6. *Military intervention in Iran is a high risk alternative give the current state of the region*
- Military action would adversely affect US strategy of promoting democracy in the region.
 - Although a powerful faction in Washington that wants to be tough with Iranians, there is no real desire for another major confrontation with another Middle Eastern country. Iraq and Afghanistan are both still unresolved.
 - However, the US is unlikely to accept an Iran that is nuclear capable and would be likely to consider allowing Israel to attack the nuclear capability of Iran.

Session IV: The Role of Iran and the Region for Global Energy Supply

1. *Rational for continuation of sanctions is due to a lack of incentive to do much else and inertia that goes with sanctions*
- History of sanctions indicates that sanctions removal will follow policy change in Iran.
 - Sanctions have primarily benefited non-US competitors, although they did inhibit development of the oil sector from 1985-1988.
2. *New investment is required to halt the decline of Iran's oil production in its ageing oilfields*
- The most significant barriers to foreign investment are Iran's lack of a consistent and attractive investment regime and political instability.

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- Declining world oil prices also act as a deterrent to investment in Iran because the oil there is increasingly expensive to extract.
 - Projects that do get approved go very slowly and the rates of return are insufficient to attract foreign companies.
3. *Iran can play an important stabilizing role in OPEC that is helpful to Europe and the US.*
- Iran is the #2 exporter in OPEC and this permits it to act as a counterweight to Saudi dominance.
 - The West needs to deal with Iran in a way to encourage it to act as a stabilizing factor.
4. *A pipeline is needed to transport natural gas from Iran and the Gulf in order to meet rising European demand and disrupt the Russian monopoly on supply.*
- EU is by far largest importer of natural gas and Russia's declining production will not be enough to meet the growing demand.
 - Iran has second largest natural gas reserves (after Russia) and is a link between the Gulf and the Caspian Sea.

Session V: Future Strategies for Influencing Domestic Development in Iran

1. *The EU and US need to work more closely and coordinate strategies in order to make it more difficult for Iran to avoid the demands of the international community*

- The EU is the largest donor to the region, but it is not active on a higher, political level that would be recognized by the U.S.
- The US should support EU Trade and Cooperation Agreement being negotiated with Iran as this could be a key lever to influence the behavior of the regime.

2. *If the EU and the US could develop a coordinated action plan for dealing with Iran, it would then be easier to get the Russians involved, and then the rest of the international community*