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IRANIAN INFLUENCE IN THE SOUTH CAUCASUS AND THE SURROUNDING REGION

HEARING

BEFORE THE

SUBCOMMITTEE ON EUROPE AND EURASIA

OF THE

COMMITTEE ON FOREIGN AFFAIRS
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IRANIAN INFLUENCE IN THE SOUTH CAUCASUS AND THE SURROUNDING REGION

WEDNESDAY, DECEMBER 5, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EUROPE AND EURASIA,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:08 p.m., in room 2172, Rayburn House Office Building, Hon. Dan Burton (chairman of the subcommittee) presiding.

Mr. BURTON. We will now call the hearing to order.

This is a very important hearing, in my opinion. Some of them are not nearly as important as others, but this one is extremely important because Greg and I, the ranking member, and Jean, we are all concerned about the influence of Iran in the entire region, in the Caucasus and also in the Gulf Region.

So today we are here to discuss the influence, expanding influence in the South Caucasus, but we are also talking about—I intend to talk about some of the problems in the Persian Gulf region because that is of vital interest to us. If the Straits of Hormuz or the Persian Gulf or the Suez Canal are blocked in any way, it could have a devastating impact on the United States because we still get a large part of our energy from that region.

I traveled to Azerbaijan and Armenia in early September, and you have been over there, too, Greg?

Mr. MEEKS. Absolutely.

Mr. BURTON. Yeah. And I also stopped in Georgia and met in Tbilisi with President Saakashvili. When I talked to these leaders, Iran was one of the things that came up at the very beginning because they all feel the influence and the aggressive attitude underneath the cover, so to speak, of Iran.

In particular, I think Azerbaijan feels a great deal of concern, and when I talked to the President and the members of their Parliament and others there, it was readily apparent to me that they thought that there ought to be closer ties between Azerbaijan and the United States and Georgia, and hopefully Armenia, because Iran is really trying to destabilize or undermine those governments. We believe that is their long-term goal.

Iran has been involved in terrorism, as we know, for some time. It is hardly unique in that area. We have seen the Iranian regime operating through organizations such as the Republican Guard and employ such tactics around the globe, including right here in Washington, DC.

However, the proximity of the South Caucasus to Iran, as well as strong relationship Armenia, Azerbaijan, and Georgia have with both the United States and Israel, it increases the appeal of the Iranians for targeting those countries. I applaud those governments in the region for their vigilance against the Iranian threat. However, I am particularly concerned about the security at the U.S. Embassy in Baku, as the age and location of that facility leave our people there particularly vulnerable.

I often find myself comparing the geopolitics of the South Caucasus to a Gordian knot. The tangle of the historical and current events leaves countries in the region isolated from their neighbors. Unfortunately, such isolation can play into the hands of powers lying on the periphery of the region. Press reports and conversations that I had while I was in the region indicate that Iran is taking, or at the least has potential to take advantage of Armenia's regional isolation, and thus the country's economic dependence on their common border, to use Armenian banks and enterprises to skirt international sanctions.

The United States and our regional partners, including Armenia, must be vigilant by fully applying current laws and regulations and by amending sanctions as needed to close the loopholes. I hope the legislation that is currently pending in the Congress makes its way through rapidly, that will do just that.

Regarding energy, sanctions are an essential tool in our continued attempts to isolate the Iranian regime. However, we have to recognize that for many countries in this subcommittee's jurisdiction decreasing consumption of Iranian energy means increasing consumption of Russian energy. Such a chain reaction is not in the national interest of the United States.

The solution to this problem requires renewed American leadership, or partnership, to increase the development of resources that lie across the South Caucasus and Central Asia, as well as the infrastructure, the pipelines and other things needed to transport these resources.

I would also like to elaborate a little bit more about Bahrain. We have some people on the panel today that we will ask questions about Bahrain, and they have some intimate knowledge of some of the problems that have taken place there. And as I said before, the concerns that we have in the Caucasus and the whole region is only part of the concern that we feel for the region. Bahrain has been an ally of the United States for a long, long time. We have our 5th Fleet there. And the attempts by Iranians to work with dissident forces there in Bahrain to undermine that government is something that we must be concerned about.

I have talked to the leadership over there, and they are concerned about the problems that some of the people feel toward the government, and they have tried to work with them to solve that problem. But so far the problems have not all been solved, and for that reason they continue to try to work with them even though we know and they know from intelligence sources that Iran is stirring things up over there and trying to undermine that government.

Since we have a great relationship with that government, I think it is extremely important that we try to work with them, as long

as we have our 5th Fleet there, and it is vital to the United States interests that we do everything we can to solve that problem, the problems in that country, without giving Iran the ability to undermine and destroy that government.

In conclusion, let me just say that the South Caucasus is of extreme importance, and we have today with us a number of people from Azerbaijan. They have sent a delegation over here to follow this hearing because they are very much aware of how important it is that we illuminate the issue of Iranian expansionism or their attempt to expand their influence throughout the region.

The United States must not look weak in this entire region. We have to look strong. If we look like we are weak, it will give them the encouragement that they need to continue to move throughout that whole region. We are concerned, as my colleagues know, about Libya, we are concerned about Egypt, we are concerned about Syria, we are concerned about Azerbaijan, Armenia, Georgia, and the Gulf States, especially Bahrain right now.

So I will end up by just saying that this is going to be probably my last hearing as chairman of this committee, but my good friend Greg, and I am sure my other colleagues will do everything they can to make sure we continue to pursue this issue to make sure that not only the region is secure, but our interests, the United States of America's interests are safe as well.

[The prepared statement of Mr. Burton follows:]

Remarks of the Honorable Dan Burton
Chairman of the Subcommittee on Europe and Eurasia
Committee on Foreign Affairs
U.S. House of Representatives

Hearing on: "Iranian Influence in the South Caucasus and Surrounding Region"

*****As prepared for delivery*****

December 5, 2012

The purpose of this hearing is to better understand Iran's influence in the South Caucasus and the surrounding region. I traveled to Azerbaijan and Armenia in early September. In both countries I met with the President as well as the Speaker of Parliament, cabinet officials, and businesses leaders. I also had the opportunity to meet with Georgian President Misha Saakashvili while passing through Tbilisi. Iran was a common theme in all of these meetings as well as my meetings with our Ambassadors and their teams.

Iran was bound to come up. The Islamic Republic currently forms the southern border of a region long squeezed between three historic powers. However, it was the way in which Iran entered my conversations in the region that caused me to call this hearing. Iranian policy in the South Caucasus seeks to attack what it views as "soft" Western targets within easy reach of Tehran, to take advantage of regional geopolitical realities to undermine Western efforts to sanction Iran's nuclear weapons program, and to counter Western attempts to develop the region as an energy production center and transportation corridor.

Iranian sponsored terrorism is hardly unique to the South Caucasus. We have seen the Iranian regime, operating though organizations such as the Republican Guard, employ such tactics around the globe—including right here in Washington, DC. However, the proximity of the South Caucasus to Iran as well the strong relationship that Armenia, Azerbaijan and Georgia have with both the United States and Israel increases the appeal of targets in the region. I applaud governments in the region for their vigilance against this Iranian threat. However, I am particularly concerned about security at the US Embassy in Baku as the age and location of the facility leave our people there particularly venerable.

I often find myself comparing the geopolitics of the South Caucasus to a Gordian Knot. The tangle of historical and current events leaves countries in the region isolated from their neighbors. Unfortunately such isolation can play into the hands of powers lying on the periphery of the region. Press reports and conversations that I had while in the region indicate that Iran is taking—or at the least has the potential to take—advantage of Armenia's regional isolation and thus the country's economic dependence on their common border to use Armenian banks and enterprises to skirt international sanctions. The United States and our regional partners—including Armenia—must be vigilant by fully applying current laws and regulations and by

amending sanctions as needed to close loopholes. I hope that legislation currently working its way through this Congress will do just that.

Sanctions are an essential tool in our continued attempts to isolate the Iranian regime. However, we must recognize that for many countries in this Subcommittee's jurisdiction decreasing consumption of Iranian energy means increasing consumption of Russian energy. Such a chain reaction is not in the national interest of the United States. The solution to this problem requires renewed American leadership to increase the development of resources that lie across the South Caucasus and Central Asia as well as the infrastructure—the pipelines—needed to transport these resources to European consumers.

The Iranian threat in the South Caucasus reminds us of the strategic importance of this outpost of Europe, a region that the United States has attempted to integrate into the West since the fall of the Soviet Union two decades ago. After a couple weeks, I will not be here to see this project to its completion. It is my hope that my colleagues seated here, with the intellectual support of these witnesses, will finish the job.

Mr. BURTON. With that, I will yield to my colleague, Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman. And I want to thank you for holding, as you said, this most important hearing, and I also want to say to a degree sad, sad because this probably will be your last hearing here in the United States House of Representatives after almost 3 decades of service to our country, and we want to salute you for that.

Some, you know, may be with regret not having Dan Burton to kick around anymore, but we, indeed, are going to miss you. And I got to say that it has been an honor and a personal privilege for me to sit as the ranking member and to work with you over the last 2 years on this subcommittee.

Mr. BURTON. Thank you.

Mr. MEEKS. You have been a chairman that has been very fair and open, and we have worked together, and you are going to be missed here. And so I hope that as you retire you will enjoy a fruitful and prosperous life with your beautiful wife, who is here, and your family, and you have a great retirement, and maybe now you will have time to schedule that round of golf with Bill Clinton.

Mr. BURTON. That is an inside joke, folks.

Mr. MEEKS. Let me turn to the subject at hand. I believe we are dealing with an important question in the South Caucasus region, which represents a complex web of both regional alliances and conflicts, bitter rivalries, varying degrees of Western orientation, desperate economic trajectories, and a potential venue for instability and even violence.

In terms of viewing the South Caucasus region from the perspective of this subcommittee, it is important to note that some of our strongest instruments, the Euro-Atlantic institutions of NATO and the European Union, have a weak presence in this region and, therefore, are not as relevant as they are in the Balkans, for instance. Ultimately, this means that Europe and the United States have less leverage in the region. This allows other countries in the region to compete for political, economic, and military influence in the region.

And I am looking forward to hearing our witnesses discuss this issue today. I really want to hear what you have to say in this regards. I believe that Armenia, Azerbaijan, and Georgia represent trustworthy allies of the United States, but I realize full well that their bilateral relationships are complicated and that they have to take their immediate neighborhood into account also.

With only two open borders, and one of them being with Iran, Armenia faces the constant threat of isolation, and this is a core driver in managing Armenia's relationship with Iran. Azerbaijan has a sizable diaspora in northern Iran, but a vastly different strategic, social, and political orientation than Iran's leaders. Despite a potential religious kinship between Iran and Azerbaijan, Iran has historically sided with Armenia over the contested region of Nagorno-Karabakh. Furthermore, Azerbaijan enjoys a solid relationship with Israel, which further distances Baku and Tehran from one another.

Georgia has the strongest Western orientation in the region, and my sense is that this will remain intact even after their change of government. But like any other country, Georgia is seeking eco-

nomic opportunities everywhere, including potential trade or investment relations with Iran.

I believe there is a potential for Iran to exploit the complicated relationship between each of these countries and that the others in the region have significant regional interests that compete or overlap with Iran. Simultaneously, each of the South Caucasus nations play an important role in Western relations with Iran, particularly their ability to comply with international sanctions, and I think it is important for the United States policy toward the region to find ways to strengthen this compliance.

Russia appears to want to limit both the influence of the United States and Turkey in the South Caucasus, but it is unclear to me whether they also seek to minimize Iranian influence. I have followed with great interest Turkey's attempts to normalize relations with Armenia, and my sense is that such a step holds the greatest potential to improve both stability and prosperity in the region. Lifting Armenia's isolation would not only allow Yerevan greater independence from Iranian and Russian influence, it would also be mutually beneficial for Turkey and Armenia in a number of ways, and I am interested in hearing the panel's perspectives on whether this is an issue the Turkish and Armenian Governments might be able to reengage on.

What we can all agree on is this, as I conclude, is that it is in no one's interest to see a nuclear-armed Iran. And I look forward to exploring how the South Caucasus region can help the United States and Europe to prevent this outcome. We cannot have that as an outcome.

I anxiously await hearing the testimony of our witnesses. And again, Mr. Chairman, it has been a pleasure, and I think that this hearing is very timely at this date.

Mr. BURTON. Thank you very much. And I am sure my wife put you up to that nice comment, so I want to thank you for that as well.

Mr. Gallegly.

Mr. GALLEGLY. Thank you very much, Mr. Chairman. This is a special day for me as well, a bittersweet day after having had the honor to serve in the People's House for 26 years, and on this committee for 24 years, and had the honor of chairing this subcommittee.

I can't tell you what an honor it has been to serve with you, Dan, not only on this committee, but as next door neighbors in the Rayburn Building for many years, and for bringing this important issue before us today. I can't think of anything that seems to be more timely than bringing this issue up today.

I would like to also associate myself with a comment that our ranking member made, a good friend of mine. While I recognize that Mr. Burton does have a beautiful wife here in the audience today, I also have a beautiful wife in the audience here today as well. And we have had the great honor of having Dan at our home in California, and I am going to leave the porch light on for the two of you and hope that you will join us out West.

It has been an honor to serve with you, Jean. The three of us will be leaving Congress here in a few days. It may be quite a few

days with the way things are going on the Hill and over on the other side of town. Hopefully we will get through that.

But words can't express the honor that I feel for having had the opportunity to do so many of the things we have done, and this being our closing hearing. I want to make sure we have ample time for all of our witnesses today, so I will defer from an opening statement. I would like to place one into the record as a part of the hearing, and just thank you all for the friendship and the dedication you have shown this great country for all the years.

And with that, Mr. Chairman, I yield back.

Mr. BURTON. Well, without objection, we will put your written statement in the record. But I want to tell you, we are patting each other on the back here today because this is probably the last time we will get a chance to do that. But, Elton, you have been a great member, too, and I reciprocate. I really enjoyed it. And I am glad you are leaving the light on.

He has a beautiful house in California and an extra bedroom, so I may be going out there to spend a little bit of time.

Mr. GALLEGLY. The porch light is on.

Mr. BURTON. The porch light.

And Jean is going back to Ohio.

And, Jean, you have been a great person to work with, and we are going to miss you as well. Sure, we will yield to you.

Mrs. SCHMIDT. Well, first off, parting is such sweet sorrow. But I am only sorry that more people aren't here to listen to this panel on what I believe is one of the most critical national security issues that the world faces. And I am glad that Congressman Meeks will be carrying the banner for this very important region in the world.

It is important for a lot of reasons, but one of those reasons is the potential for energy, energy from Azerbaijan, to really free Western Europe from other alternative sources that may not be right for them or right for the world. And yet it is not in certain countries' best interest—Iran, Russia comes to light—for the pipeline to go through to bring natural energy, oil and gas resources to parts of the world that would like to have alternative sources

And so I think that it is important for Congress to keep an eye on this region and to make sure that the stability that has been in place continues and that these emerging markets are allowed to continue to grow and prosper, because I truly believe that they are a bright spot in the world's future.

I yield back.

Mr. BURTON. Thank you very much, and I will miss all you guys.

Ariel Cohen is a leading expert in Russia, Eurasia, Eastern Europe, and the Middle East. He serves as a senior research fellow in Russian and Eurasian studies and international energy policy at the Heritage Foundation.

And we are glad to have you here. Thank you very much.

Michael Rubin is a resident scholar at the American Enterprise Institute and a senior editor of the Middle East Quarterly. He was a former senior adviser at the Pentagon.

Thank you for being here.

Dr. Brenda Shaffer is a specialist on the Caucasus, ethnic policies in Iran, Caspian energy, energy and foreign policy, and Eastern Mediterranean energy issues. She previously served as the re-

search director of the Caspian Studies Program at Harvard University—should have been a Big Ten school, but we will settle—Harvard University. In January she will be a visiting scholar at Georgetown University Center for Eurasian, Russian, and Eastern European Studies.

Alex Vatanka specializes in Middle Eastern affairs with a particular focus on Iran. He joined the Middle East Institute as an adjunct scholar in 2007. He also lectures as a senior fellow in Middle East studies at the U.S. Air Force Special Operations School and at the Defense Institute of Security Assistance Management.

Want to welcome all of you, and we will start—I think we will start with you, Dr. Shaffer, since she is the prettiest gal at the table.

STATEMENT OF BRENDA SHAFFER, PH.D., SENIOR LECTURER, UNIVERSITY OF HAIFA

Ms. SHAFFER. Thank you very much. Thank you for the opportunity to testify in front of this committee.

We often think of Iran as a Middle Eastern country, but actually it sits in the crossroads of a number of regions, Southwest Asia, Central Asia, and the Caucasus. And actually the influence between Iran and the South Caucasus is two ways. Not only is Iran, as you pointed out correctly, extremely active in subversion in the region and destabilizing any of the countries that are pro-Western in the region, but also there is two-way influence because Iran itself is a multi-ethnic country.

So to understand any of Iran's policies in the region, we have to remember that half of the population of Iran isn't Persian; of that half of the whole of the population of Iran, a third is ethnic Azerbaijani. And this is really what drives Iran's policies in the region, is to destabilize Azerbaijan, to make sure that its own ethnic minorities cannot be attracted to Azerbaijan, cannot be thinking about breaking off from Iran or any type of other activity.

And for this reason, for instance, we find that the Islamic Republic of Iran is actually an ally of Christian Armenia in its struggle against Azerbaijan, and in fact the war effort, the occupation of Armenia, of 20 percent of Azerbaijani territory could not have taken place without Iranian supplies, Iranian support.

And in fact the ethnic minorities of Iran are located mostly in the border areas of Iran, so it affects Iran's relations with a number of neighboring states, with Pakistan, with Turkey, with Turkmenistan, with Iraq, because there is co-ethnics on each side of the border with the states that are Iran's neighbors.

Many of the top leaders of Iran are actually ethnic Azerbaijanis. Khamenei, the spiritual leader, is actually from Khomein on northwest Iran. When he goes to that area he speaks Azerbaijani. Mousavi, the head of the Green Movement, is also ethnic Azerbaijani. And despite the integration of Azerbaijanis into the leadership of Iran, all the non-Persian minorities are not allowed to use their language in schools, they are not allowed to use it in court, and the Azerbaijanis, among them a third of the population, women going into trials in courts in Persian and not understanding even what is happening in the court side.

The ethnic minorities have a variety of views toward Tehran, toward the state. Most of the Iranian Azerbaijanis I would say to date see themselves as citizens of Iran but would like a place also for their culture, not to separate from Iran, not to break up Iran, but to change, to change Iran. But a number of the other groups, for instance the Baloch, the Arabs, the Kurds, are really having an active, full-scale insurgency going on. We don't hear about it too much in the press, we don't hear about it too much from American officials, but real insurgencies where Iranian soldiers, when they go into the Baloch-populated areas, the Arab-populated areas of Iran, are seriously under threat.

I welcome and thank you, Mr. Burton, for being one of the only Members of Congress and U.S. officials who has actually tried to integrate Iran and South Caucasus policies, because again we tend to think about it, even think, for instance, in the National Security Council we have the Caucasus together covered with the Balkans, two regions that are completely different, the dynamics are completely different, there is no dominant power in the Balkans, where in the South Caucasus we have a region with huge influence of Turkey, Iran, Russia all competing in this region, and this region is vitally important for the outcomes in Russia-Iran, Iran and Turkey. So I thank you, first thing, for calling attention of integrating these two policies.

As part of that integration, I think U.S.-Iran policy could benefit if the South Caucasus was integrated into these policies. One issue pointed out is the sanctions regime. These countries are crucial to the sanctions regime, both on the negative and positive, meaning the countries like Azerbaijan that fully implement the sanctions are watchdogs for the United States, are doing a very important job, but the countries that don't implement the sanctions, it is a loophole, it is very dangerous. And I think especially we see this in the nongoverned territories, Nagorno-Karabakh, South Ossetia, Abkhazia, their financial institutions, moving of gold. It is a real black hole for the sanctions, and it is something that I hope the U.S. will pay attention to monitor and to close these gaps.

Another point is that the U.S. Congress, we should work harder to resolve these secessionist conflicts in the Caucasus. They also make the countries more vulnerable to Iranian influence, to Iranian destabilization issues. And I think one thing that the Congress, I could say, has not been so helpful is that for most of its history the Congress has earmarked money to the secessionist region of Nagorno-Karabakh. That is in violation of U.S. law. It would be as if you were earmarking money for Jewish settlements in the occupied West Bank, something the Congress even wouldn't do for an ally of the United States like Israel, let alone to earmark money for occupation of a territory that the U.S. law recognize as occupied territory.

I think also we should follow up in terms of monitoring the institutions like Voice of America that receive U.S. financial support to see if they can give more of a voice to the ethnic minority issue in Iran.

And I think we should be well aware, as you pointed out, that if there will be any sort of tightening of the sanctions, military action in the region, one of the first countries to be attacked by Iran,

and Iran has made this clear, is Azerbaijan. It is a long border, it is very porous, people are going back and forth. They are trying constantly to do terrorist events, and we must increase our security cooperation with Azerbaijan to make sure that they don't pay the price for being a neighbor of Iran.

Thank you.

[The prepared statement of Ms. Shaffer follows:]

December 5, 2012

Iranian Influence in the South Caucasus and the Surrounding Region

Prepared statement by
Dr. Brenda Shaffer
University of Haifa

Before the
House Committee on Foreign Affairs,
Subcommittee on Europe and Eurasia
United States House of Representatives

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

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

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

Iran: Realpolitik in the Caucasus

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

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

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

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

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

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

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

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

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

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

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

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

Multi-ethnic Iran's Azerbaijan problem

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

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

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

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

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

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

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

Multi-ethnic Iran

- Iran is a multi-ethnic state, and over fifty percent of its population is non-Persian. Azerbaijanis are the largest ethnic minority in Iran, comprising over a third of the country's population.

- Iran's ethnic minorities are concentrated in its border provinces, and these groups share cross-border ties with co-ethnics in the neighboring states of Azerbaijan, Turkey, Iraq, Pakistan, and Turkmenistan.

- Many prominent figures in Iran are ethnic Azerbaijanis, including Iran's spiritual leader, Sayyid Ali Khamenei, and the head of Iran's opposition Green Movement, Mir Hossein Mousavi.

- Even though Azerbaijanis share the Shiite faith and a long history of common statehood with Iran's Persian majority, Tehran does not allow Azerbaijanis in Iran to operate schools or universities in their native language or to use the Azerbaijani language in government institutions.

- In addition to shared ethnic and cultural ties, many Azerbaijanis from both sides of the border share family ties and engage in trade with each other.

- Among the approximately 25 million ethnic Azerbaijanis in Iran, there is a wide diversity of attitudes toward the Iranian state. Some Azerbaijanis comprise a core part of Iran's ruling elite, while others strive for language and cultural rights. But a growing segment of Azerbaijanis in Iran, especially young people who openly identify as Azerbaijanis, oppose Persian-centered rule and struggle against the ruling regime.

- In some of Iran's provinces with significant ethnic minority populations, such as the Kurdish and Baluch provinces, full-scale insurgencies are taking place and attacks on Iranian soldiers occur on a regular basis. In the Azerbaijani-populated provinces of Iran, more sporadic outbreaks against the regime related to tamer issues, such as environmental questions, are used to mobilize the ethnic Azerbaijanis to a nationalist agenda.

Prevention of Iran's acquisition of nuclear weapons

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

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

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[7] *FARS News Agency*, "Minister Appreciates Armenia for Defending Iran against Western Sanctions", November 11, 2012.
http://english.farsnews.com/newstext.php?nn=9107118390

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

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

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

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

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

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

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

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

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

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

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

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

Iran and the Caucasus

Mr. BURTON. We will now go to Mr. Cohen.

STATEMENT OF ARIEL COHEN, PH.D., SENIOR RESEARCH FELLOW, THE KATHRYN AND SHELBY CULLOM DAVIS INSTITUTE FOR INTERNATIONAL STUDIES, THE HERITAGE FOUNDATION

Mr. COHEN. Mr. Chairman, it is indeed with sorrow that I hear about your stepping down. I testified before you several times, and it was always a great pleasure. I was always very, very impressed by your knowledge, the knowledge of other members. And I am sorry to hear Ms. Schmidt and Mr. Gallegly are retiring.

The topic today is important indeed. The Islamic Republic of Iran has emerged as a major anti-status quo actor in the Middle East, threatening America's Sunni Arab allies along the so-called Shi'a Crescent, from Lebanon, via Syria and Iraq, to the Persian Gulf. Iran's implacable hatred of Israel and threats to wipe the Jewish State off the map are widely reported. What is less known are the threats Iran presents with its destabilizing influence in South Caucasus.

Our country worked for the last 20 years in a bipartisan fashion, in the first Bush, Clinton, and the second Bush administrations, to stabilize South Caucasus to have for the peoples of the region security, economic development, the rule of law, and democracy. Today all these American interests are threatened by Iranian attempts to export terrorism, destabilize neighboring Azerbaijan, bypass U.N. and E.U. Sanctions.

The energy development is also stalling because of Iranian policies objecting to the national sector regime for the Caspian, are preventing gas from Kazakhstan and Turkmenistan to traverse the Caspian Sea in pipelines and be shipped further west to Turkey and Europe. But the main current concern is Iranian export of terrorism into the South Caucasus.

The U.S. Embassy in Azerbaijan, which I visited in October and spoke to Ambassador Morningstar, and such "iconic" locations as McDonald's were all targeted by Iranian terrorist cells and were rounded up by Azeri security. The Qods—or "Jerusalem"—Force, the Iranian elite paramilitary organization of the Islamic Revolutionary Guard Corps, IRGC, is exporting the Islamic revolution by fostering militant Shiite movements, creating deterrence and retaliatory networks, destabilizing regimes unfriendly to Iran, and Azerbaijan is in their crosshairs.

The relationship with the United States, Western Europe, and Israel are irritating the Iranian leadership to the point that some of their statements are questioning the sovereignty of the country of Azerbaijan, reminding the Azeri leaders that in the distant past Azerbaijan used to be a province of the Persian empire.

Iran's anti-Israel agenda is brought to bear by targeting the Embassy of Israel, the Ambassador of Israel, and even local Jewish community leaders and a rabbi. These cells, too, were rounded by Azeri security.

In the broader geopolitical sense, the Iranian activity in South Caucasus is dangerous because they are aiming to bust the sanctions regime by developing their presence in Armenia and Georgia, possibly in Azerbaijan, by putting their front organizations, front

companies to acquire dual-use technologies and technologies with military applications to plan banking operations, very important for our Treasury effort, such as the Mellat Bank, a bank that is under U.S. Treasury sanctions and the British Treasury sanctions. Mellat Bank branch is operating out of Yerevan.

The Iranian drug trade is an especially pernicious activity that is targeting South Caucasus. While Iran is becoming increasingly a transit country for Afghan opium and heroin, Iran is running its own drug operation, such as methamphetamine production, supervised by pharmacists and professional chemists, and trying to run these with speedboats into Azerbaijan, et cetera.

I would like the rest of my presentation to be included in the record and just focus on our policy recommendations.

The U.S. Government needs to expand anti-terrorism and drug trafficking cooperation between the U.S. and the three South Caucasus States, neutralizing Iranian subversive activities; focus Intelligence Community efforts on collecting and neutralizing Iranian sanction-busting activities in financial and technology transfer sectors in the region; cooperating with our Western European and other allies; uphold the interests of small South Caucasus countries when attempting to construct an effective Iran policy, which leads to elimination of Tehran's nuclear weapons program; sustain Caspian energy projects, and help European countries in diversifying their energy supplies by connecting them to energy resources of the Caspian Sea and Central Asia region. And specifically we should support and help Turkey and Azerbaijan and Europe to finalize the TANAP and Nabucco West projects.

Finally, we should develop a comprehensive interagency soft power strategy, including broadcasting, including exchanges to powerfully support the Iranian opposition, including that of the Iranian Azerbaijanis, and leading to a victory of democratic forces in Iran.

As Professor Blank of the U.S. Army War College wrote,

> "The administration has hitherto treated South Caucasus as an afterthought or as an overflight issue on the road to Afghanistan. Such neglect is dangerous and misconceived. The mounting threats in the Middle East, Iran, and the Caucasus show how vital it is that the U.S. strengthen pro-Western regimes, for if we continue to neglect the Caucasus, this neglect will quickly become malign, and malign neglect invariably generates not only instability, but also protracted violence."

By its aggressive action, Iran is endangering the fragile equilibrium in the strategically sensitive region which is important for U.S. interests. America should remain vigilant to deter violence, extremism and terrorism practiced by the Islamic Republic against America's friends and allies in the Caucasus. Thank you so much.

Mr. BURTON. Thank you, Doctor.

[The prepared statement of Mr. Cohen follows:]

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CONGRESSIONAL TESTIMONY

Iran Threatens U.S. Interests in the South Caucasus

Testimony before the
Subcommittee on Europe and Eurasia,
Committee on Foreign Affairs,
U.S. House of Representatives

December 5, 2012

Ariel Cohen, Ph.D., Senior Research Fellow, Russian and Eurasian Studies and
International Energy Policy,
The Heritage Foundation

Iran Threatens U.S. Interests in the South Caucasus

Prepared Remarks before the
Subcommittee on Europe and Eurasia,
Committee on Foreign Affairs,
U.S. House of Representatives

Ariel Cohen, Ph.D., Senior Research Fellow, Russian and Eurasian Studies and International Energy Policy,
The Heritage Foundation

Chairman Burton, Members of Congress, Ladies and Gentlemen:

My name is Ariel Cohen. I am the Senior Research Fellow in Russian and Eurasian Studies and International Energy Policy at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Thank you for inviting me to testify before you today on the Iranian threats to U.S. interests in the South Caucasus.

The Islamic Republic of Iran (IRI or Iran), has emerged as a major anti–status quo actor in the Middle East, threatening American Sunni Arab allies along the so-called Shi'a Crescent from Lebanon, via Syria and Iraq, to the Persian Gulf. Iran's implacable hatred of Israel and its threats to wipe the Jewish State off the map are widely reported. What is less well known is the destabilizing influence of the Islamic Republic in the South Caucasus.

The South Caucasus is located between the Black Sea and the Caspian Sea, neighboring Central Asia to the east, the Middle East (Iran and Turkey) to the south, and Eastern Europe to the west, hence connecting Europe and Asia. It also plays a key role in connecting Central Asia to the world via the Black Sea and Mediterranean ports. Home to ancient civilizations and populated by Christians, Muslims, and Jews, the South Caucasus is also the area where Russia, Iran, and Turkey meet.

The United States has worked hard over the last twenty years to encourage development of this strategically important region. American interests in the South Caucasus include security, energy and economic development, and democratization. Thus far, our track record in achieving these goals is decidedly mixed.

Security in the region is threatened by Iranian attempts to export terrorism, destabilize neighboring Azerbaijan, and bypass U.N. and E.U. sanctions. Since the launch of the Baku-Tbilisi-Ceyhan Main Oil Export Pipeline in 2006, no gas export pipeline from the Caspian has been completed; no Turkmen or Kazakhstani gas is transiting the region for exports; and the level of democratization leaves much to be desired.

Since the collapse of the USSR, Washington has sought to prevent Russia and Iran from re-establishing dominance in this region, especially as the importance of Caspian energy resources – oil and gas – is increasing. "Given that the region involves the Russians, Iranians and Turks, it is inevitable that the global power [the U.S. – A.C.] would have an interest as well," U.S. Secretary of State Hillary Clinton remarked during her visit to the region in July 2010. The U.S. long-term strategy has been to ensure the independence of Azerbaijan, Armenia, and Georgia, allowing for markets to develop and the rule of law to thrive, while sustaining democratization and promoting regional integration.[1] Since the era of bipartisanship on South Caucasus during the Clinton and Bush Administrations, there is a reversal in U.S. attention to and achievements of these policy goals.

Importantly, Iran is endangering the U.S. strategy through the export of terrorism, sanction busting, subversion through soft power application, and cultivating close relations with Armenia while posing a threat to the stability and development of the pro-Western and pro-American country of Azerbaijan.

Iran, the Prime Exporter of Terrorism. Iranians are responsible for at least two recent (2012) and documented terrorist attacks on U.S. and Israeli targets in Azerbaijan, and one in Georgia. Iranian networks and agents targeted the U.S. Embassy in Azerbaijan and "iconic" locations such as McDonalds.

They also targeted the Israeli Ambassador to Baku, the Israeli embassy building, a rabbi, and a number of prominent members of the Azerbaijani Jewish community leaders and their center in Baku.

Georgian security services have disarmed a bomb, apparently planted by Iranian agents, targeting an Israeli diplomat. Georgia is allowing Iranians to travel to their country visa-free. These attacks are a part of a global wave of terror, which includes planned or executed attacks on the Saudi and Israeli Embassies in Washington, D.C., New Delhi, Bangkok in Thailand, and Burgas in Bulgaria, as well as Kenya and Cyprus.

The Qods (or "Jerusalem") Force, an Iranian elite paramilitary organization of the Islamic Revolutionary Guard Corps (IRGC), is exporting the Islamic revolution by fostering militant Shiite movements, creating deterrence and retaliatory networks, and destabilizing unfriendly regimes. Officially, the Qods Force is a part of the IRGC's five known branches, alongside the ground forces, the navy, the air force (in parallel with the regular tri-services), and the brutish Basij street militia.[2] In reality, the Force enjoys a great degree of autonomy and is directed by the Supreme Leader. Iranian student activists compared IRGC to the Soviet KGB and the Nazi SS, calling it "the agent of order for a harsh ideological regime and its agent of oppression".[3]

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[1] Inessa Baban & Zaur Shiriyev, "The U.S. South Caucasus Strategy and Azerbaijan," *Turkish Policy Quarterly*, Vol. 9 No. 2, pp. 94-95, http://www.turkishpolicy.com/dosyalar/files/93-103.pdf (accessed December 2, 2012).
[2] Kevjn Lim, "Iran's Secret Weapon," *The National Interest*, http://nationalinterest.org/commentary/irans-secret-weapon-7313?page=1 (accessed December 2, 2012).
[3] Sarah Akrami and Saeed Ghasseminejad, "The terrorist organization behind the power of the mullahs", *Jerusalem Post*, May 22, 2012, http://www.jpost.com/LandedPages/PrintArticle.aspx?id=271045The terrorist organization behind the power of the mullahs (accessed December 3, 2012)

A 2010 U.S. Department of Defense report indicates that the Qods Force "clandestinely [exerts] military, political, and economic power to advance Iranian national interests abroad," making the Force the spearhead of Iran's foreign policy.

The Qods Force has been accused of masterminding or supporting some of the most prominent attacks against Western and Israeli targets over the past three decades. Its role was decisive in launching Hezbollah, the Shiite militant group that is responsible for the death of over 240 American Marines and numerous American diplomats and intelligence officers in Lebanon in the 1980s, and attained notoriety for its massive rocket attacks on Israeli civilians in the Second Lebanon War of the summer of 2006.

Little wonder, then, that international attention has in recent years focused on Qods Force Major General Qassem Soleimani, the enigmatic operator who runs the "handpicked elite of an already elite ideological army." Ali Alfoneh, an Iran scholar specializing in the IRGC at the American Enterprise Institute, wrote that although lacking formal qualifications, Soleimani rose through the ranks due to his reputation for gutsiness during tough times.

In his current role, Soleimani replaced Ahmad Vahidi in the late 1990s. Vahidi went on to become Iran's defense minister. Soleimani's personal connection to Supreme Leader Khamenei, which dates back to before the 1979 revolution, may have facilitated his ascendancy.

It is no wonder that Iran's leaders, who believe that independent Azerbaijan belongs within the Persian orbit, turned to Soleimani and the Qods Force. The Iranian intelligence services have been operating on Azeri soil as far back as the mid-1990s.

In 1997, members of the Islamic Party of Azerbaijan were tried for spying on behalf of Iran. In 2007, Said Dadasbeyli, an Azeri cleric and alleged leader of a group known as the "Northern Mahdi Army" was accused of receiving assistance from the Qods Force and plotting to overthrow the secular government. The Azerbaijani authorities believed he had provided Iran with sensitive intelligence on the American and Israeli embassies in Baku.

In October 2009, two Lebanese Hezbollah operatives and their four local Azerbaijani assets were charged with plotting to attack the U.S. and Israeli embassies. In January 2012, three men were accused of planning to assassinate a rabbi and a teacher working at a Baku Jewish school.

Iran's Anti-Israel Agenda. The fact that the Iranian intelligence services have prioritized Israeli and Jewish targets inside Azerbaijan may be interpreted as a signal to the Azerbaijani government that Tehran is upset by the close Azerbaijani-Israeli cooperation. In the past, Iran undertook a number of diplomatic steps to signal its ire to Baku about the relationship with Israel. For the Iranian Islamist Shi'a dictatorship, neighboring, predominantly Shi'a Azerbaijan is far too secular, too pro-Western, and too pro-Israel.

Secular Azerbaijan is not the model Iran wants to see at its northern border: a prosperous, energy-exporting, Western-oriented and Israel-friendly, majority-Muslim country. Iranian-

Azerbaijani relations are further complicated by rising Azerbaijani nationalism inside Iran, where over 25 percent of the population is ethnic Azeri.

Unconstitutional discrimination against the Azerbaijani language as a language of public discourse and education in Iran continues to poison Azeri-Persian ties.

It is no wonder that Iranian policies are making Azerbaijan's leadership feel threatened. I believe that they should also engender greater concern among U.S. foreign policy makers.

Sanction Busting. Iranian attempts to circumvent the sanctions regimes imposed by the U.N., the U.S., and the E.U. in an attempt to pressure Tehran away from developing nuclear weapons target the South Caucasus. These include illegal banking operations and the proliferation of "front" companies engaged in the acquisition of sensitive, dual use, or outright military technology. All three South Caucasus countries are involved in trade with Iran, but Armenia, the closest to Tehran, is the principal concern for U.S. policymakers, law enforcement, and the intelligence community.

According to Armenian press reports, Iranians use Yerevan real estate to launder money and achieve liquidity outside of the country.[4] An additional aspect of the Iranian-Armenian cooperation, which may violate the sanctions, is the Meghri hydroelectric plant along the Arax River between the two countries. On November 8, 2012, Armenia broke ground for the long-planned US$330 million 130-megawatt plant, which will be built by an Iranian company, and Iran will use the electricity generated by the project for the next 15 years. Afterwards, ownership of the plant will be transferred to Armenia. In 2011, Armenia and Iran also agreed to an oil product pipeline planned to run from the city of Tebriz to the Armenian border, to supply Armenia with Iranian fuels.

Bypassing Banking Sanctions and Acquiring Technology. Last August, news agencies reported that the Iranian regime was attempting to expand its banking relationships in Armenia as a convenient location to avoid international sanctions. Mellat Bank, an Iranian financial organization sanctioned by the U.S. Treasury for helping to finance imports for Iran's nuclear proliferation activities and suspected by the British Treasury of violating international sanctions, operates in Yerevan.[5] Other Iranian banks connected to illicit military-industrial, economic, and financial activities by the regime also attempt to operate in Armenia in order to bypass international law enforcement. While the Government of Armenia has denied these reports, according to the Armenian press, their adherence to international banking sanctions against Iran has been questioned by Western officials.

Richard Giragosian, director of the Yerevan-based Regional Studies Centre (RSC) says that Iran looks at the South Caucasus as a region where it can procure "critical elements" for its nuclear effort that the sanctions have restricted: "Many [Iranian] Revolutionary Guard units have

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[4] Justin Vela, "Iran May Look North to Skirt US Sanctions," Hetq, November 25, 2012, http://hetq.am/eng/articles/20897/iran-may-look-north-to-skirt-us-sanctions.html (accessed December 2, 2012).
5 "Shareholders to intervene in Bank Mellat v HM Treasury Iran sanctions Supreme Court challenge," Global Banking and Finance Review, http://www.globalbankingandfinance.com/Investing/Shareholders-to-intervene-in-Bank-Mellat-v-HM-Treasury-Iran-sanctions-Supreme-Court-challenge.html, (accessed December, 2, 2012).

pursued over the past several years setting up joint ventures with foreign partners — front companies — designed to pursue technical spare parts for military use and nuclear centrifuge development." Front companies of this type were closed in recent years in Dubai and Kuala Lumpur. "There is new concern that Armenia, Georgia, and other countries may become attractive for such a pursuit."[6]

The Iranian Drug Trade Threatens the South Caucasus. The South Caucasus is increasingly becoming a prime drug transit destination for the Iranian drug trade, directed and protected by the Quds Force and Hezbollah.

Drug dealers using high-speed motorboats, night goggles, grenades, automatic assault rifles, and machine guns are breaching the borders of Azerbaijan, and may be laundering their ill-gotten gains in the casinos of the region. Iranian producers of methamphetamines use industrial chemical production lines supervised by professional pharmacists and chemists to produce ultra-pure meth for export.

Hezbollah's ratlines through the Bekaa Valley in Lebanon, Syria, Turkey, Europe, and South America make it a drug pushing terrorist organization with global reach, busy opening the doors to cooperation with drug cartels for distribution deals. The porous borders and corrupt customs officers of the Caucasus have created an additional trafficking route via the Black Sea and air routes to Western Europe.[7]

Caspian Sea Delimitation. Iran is subverting the delineation of the Caspian Sea, causing significant delays in off-shore energy development there. The Soviet-Iranian Treaties of 1921 and 1940 did not provide marine boundaries or delineation lines, and therefore, these treaties do not apply to today's situation, especially after the demise of the Soviet Union.

By resisting the partition of the Caspian Sea and construction of a modern hydrocarbon pipeline infrastructure, as proposed in the past by American government and international energy companies as well as Azerbaijan, Iran is blocking the ability of land-locked Newly Independent States such as Azerbaijan, Kazakhstan, and Turkmenistan to gain revenue and develop properly.

To put it simply, Iran's leaders don't care about the well-being of the peoples of the neighboring states. It has bountiful oil and gas resources to the south and ample access to the Persian Gulf and the Arabian Sea/Indian Ocean. Applying their zero-sum approach, the Iranians believe that it is in their interest to limit the Caspian oil and gas supply to European and Western markets.

In July 1998, Russia and Kazakhstan signed an agreement on the delimitation of the northern part of the Caspian Sea in order to exercise their sovereign rights to subsoil use. On November 29, 2001, and February 27, 2003, Kazakhstan and Azerbaijan signed an agreement on the delimitation of the Caspian Sea. Kazakhstan, Azerbaijan and Russia signed an agreement on the

[6] Vela, "Iran May Look North to Skirt US Sanctions".
[7] Joby Warrick, "In Iran, Drug Trafficking Soars as Sanctions Take Bigger Bite," *The Washington Post*, November 1, 2012 (accessed December 2, 2012).

delimitation of adjacent sections of the Caspian Sea on May 14, 2003.[8] Thus, Kazakhstan, Azerbaijan, and Russia recognize the national sector regime in the Caspian, while Iran resists the partition.

Turkmenistan, intimidated by Iran, has also not signed the national sector regime. The lack of this regime makes it difficult to build underwater pipelines for oil and gas. Turkmenistan could be sending its gas west via Azerbaijan's rapidly developing export pipeline system for sale in Turkey and Europe. However, as a result of Iran's intransigence, almost all of Turkmenistan's gas is sent to China, and Kazakhstan is equally unwilling to commit to an oil or gas cross-Caspian pipeline as long as Iran resists the settlement of the Caspian Sea's legal regime.

Iranian claims to the Azerbaijani national sector in the Caspian have already led to dangerous incidents that had the potential to escalate. In 2001, Iran—a known sponsor of terrorism—began an aggressive campaign to claim a greater portion of the Caspian Sea and its resources. Its leaders asserted that Iran has territorial and treaty rights to as much as 20 percent of the Caspian Sea surface area and seabed, significantly more than its long-recognized sector comprising about 12 to 14 percent.[9]

Tehran's use of air and naval forces to threaten a seismic research ship working for a Western company in Azerbaijan's Caspian Sea sector has jeopardized, in addition to energy production, Western investments and the economic development of the post-Soviet states in that region.

Iran's use of military force to assert its claim to part of Azerbaijan's sector of the Caspian Sea undermines security and the future of Caspian oil and gas development. Iran not only has violated its neighbor's air space and territorial waters, but on one occasion even massed ground troops on the border.

These aggressive actions were a blatant violation of international law. On July 23, 2001, an Iranian warship and two jets forced a research vessel working on behalf of BP in the Araz-Alov-Sharg field out of that sector. That field lies 100 kilometers (60 miles) north of Iranian waters. Due to that pressure, BP immediately announced that it would cease exploring that field, which it did by withdrawing the research vessels. This aggressive policy has not changed since.

Soft Power Competition. Finally, Iran is concerned about Western pop culture influence, which is palpable in neighboring Azerbaijan, as well as with the easy reach of casinos and beaches in the resort of Batumi, Georgia, on the Black Sea. Azerbaijan's victory in the 2011 Eurovision song contest; hosting Eurovision in 2012 as well as concerts by Jennifer Lopez; Rihanna; and Shakira; and hosting the under-17 Women's World Cup Soccer Tournament may all be interpreted as points scored in the soft power competition with the Islamic Republic. It is no accident that Iranians come in droves to relax in Baku, and not vice versa.

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[8] T. Jafarov, "Iran to Consider Determination of Iranian Part of Caspian Sea," *Trend*, November 19, 2012, http://en.trend.az/regions/iran/2089495.html, (accessed December 2, 2012)

[9] Ariel Cohen, "Iran's Claims Over Caspian Sea Resources Threaten Energy Security," Heritage Foundation Backgrounder No. 1582, September 5, 2002, http://www.heritage.org/research/reports/2002/09/irans-claim-over-caspian-sea-resources-threaten-energy-security.

The payback is harsh: Iranian-trained and -paid mullahs are indoctrinating Azerbaijanis living in the villages and towns along the Iranian border. One of the main complaints: they convince families to pull their daughters from the state-run, co-ed education system and encourage early marriages for girls—as early as 12 or13As part of putting forward the argument for a more militant, severe interpretation of Islam and more rigorous adherence to Sharia, these mullahs preach polygamy, forbidden by Azerbaijani law. Azeri government officials justifiably complain that the barrage of propaganda is undermining the secular regime in the country.

Conclusion. On the bilateral level, the U.S. has strong economic and strategic interests in the Caspian and the South Caucasus. Without Georgia and Azerbaijan, the Northern Distribution Network, which supplies the U.S. and NATO troops in Afghanistan, would lack its Caucasus leg. An American partnership with Azerbaijan answers Washington's need to consolidate its presence in the South Caucasus–Caspian Sea region and isolate Iran.

As Professor Stephen Blank of the U.S. Army War College recently wrote,

> The administration has hitherto treated the South Caucasus as an afterthought or as an overflight issue on the road to Afghanistan. Such neglect is dangerous and misconceived. The mounting threats in the Middle East, Iran, and the Caucasus show how vital it is that the U.S. strengthen pro-Western regimes.... For if we continue to neglect the Caucasus, this neglect will quickly become malign. And malign neglect invariably generates not only instability but also protracted violence.[10]

Around the region, the U.S. needs to:

- Expand anti-terrorism and drug trafficking cooperation between the U.S. and the three South Caucasus states, neutralizing Iranian subversive activities in the region;
- Focus intelligence community efforts on collecting and neutralizing Iranian sanction-busting activities in financial and technology transfer sectors;
- Uphold the interests of small Southern Caucasian countries when attempting to construct an effective Iran policy which leads to elimination of Tehran's nuclear weapons program;
- Sustain energy projects and help European countries in diversifying their energy supplies by connecting them to the energy resources of the Caspian Sea–Central Asia region. Specifically, the U.S. should help Turkey and Europe to finalize the TANAP and Nabucco pipeline projects;[11]

[10] Stephen P. Blank, "US Should Work to Strengthen Relations with Azerbaijan," *The Hill*, November 2, 2012, http://thehill.com/blogs/congress-blog/foreign-policy/265427-us-should-work-to-strengthen-relations-with-azerbaijan (accessed December 3, 2012).
[11] Baban and Shiriyev, "The U.S. South Caucasus Strategy and Azerbaijan," pp. 103-104.

- Develop a comprehensive interagency soft power strategy to powerfully support the Iranian opposition, including that of Iranian Azerbaijanis, and leading to a victory of democratic forces in Iran.

By its aggressive actions, Iran is endangering the fragile equilibrium in the strategically sensitive region, which is important for the U.S. interests. America should remain vigilant and deter the violence, extremism and terrorism practiced by the Islamic Republic against America's friends and allies.

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Mr. BURTON. I think we will now go to you, Michael.

STATEMENT OF MICHAEL RUBIN, PH.D., RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE

Mr. RUBIN. Thank you very much. Mr. Chairman, Honorable Members——

Mr. BURTON. Incidentally, before we do, Dana Rohrabacher, Congressman Rohrabacher from California has joined us. He is a valuable member of the Foreign Affairs Committee. And the next ranking member from New York, thank you for coming. We appreciate. He is going to be the ranking member of the full committee.

So we are pleased to have both of you here today. Thank you.

And with that we will go ahead with your statement. And if we could keep your statements to 5 minutes, it would be great.

Mr. RUBIN. Mr. Chairman, Honorable Members, thank you for the opportunity to testify.

Iranian officials sometimes quip that they play chess while Americans play checkers. Increasingly this appears to be the case in the Caucasus and the surrounding region. While many American policymakers focus on Iranian influence and activity in Afghanistan and the broader Middle East and perhaps describe the Islamic Republic as a regional power, the Iranians themselves now describe themselves as a "pan-regional power." Iranians have a sense of near abroad over the former domains of the Persian Empire as strong as that of Russian nationalists who pine to exert their influence over the states of the former Soviet Union. Azerbaijan, Armenia, and Georgia are front and center in this conception.

Iranian strategy is multifaceted, combining both terror campaigns and soft power. Beyond headline-grabbing bombings and assassination plots, the Islamic Republic seeks to expand its reach through education and with charities.

Within the Caucasus, the Islamic Republic concentrates its subversion efforts at Azerbaijan. Azerbaijan is one of only three countries beyond Iran—Bahrain and Iraq being the others—which is majority Twelver Shiite. Because these countries' success challenge the claim that the Islamic Republic's rule is divinely inspired, Tehran subverts them. Baku's rejection of religious populism and its mosque-state separation contrast sharply with Iran's theocracy. The fact that Azerbaijanis enjoy a greater life expectancy, are more literate, and because of recent sanctions on Iran enjoy greater purchasing power than Iranians embarrasses the Iranian clergy. It is hard for the Supreme Leader to claim that he presides over a near-perfect Islamic system as the deputy of the messiah on Earth when secular governments outperform him.

As I detail in my written testimony, Iran has sought to undermine Azerbaijani territorial unity and sponsored anti-Western political parties. After attempts to send radical missionaries into Azerbaijan failed, Tehran shifted to provide scholarships to train Azerbaijani clerics in Iran. This has been a tactic which has paid long-term dividends to the Islamic Republic in other countries, like Bahrain.

Iranian authorities also utilize charities to expand their influence. Of myriad Iranian charities, the Imam Khomeini Relief Committee is the regime's chief aid organization abroad. With assets

supplied by the Supreme Leader, the committee sponsors programs similar to those conducted by Western NGOs, but while the committee's activities might look at first sight benign, its track record is sinister. In 1997 its office provided cover for surveillance against the U.S. Embassy in Tajikistan. In 2010 the U.S. Treasury Department designated the committee's branch in Lebanon to be a terrorist entity. With both Revolutionary Guard and Relief Committee funded from the same trough, it is likely that the committee offices in Azerbaijan now also provide cover for Revolutionary Guard activities.

Is Armenia the weak link, however? For American policy, Armenia is the weak link. It increasingly provides the central pivot for a Russia-Iran access which undermines both U.S. interests and national security. In 2008 U.S. diplomats concluded that Armenia shipped Iran weaponry which the Islamic Republic used to kill Americans in Iraq.

Whereas the Armenian Government has long sought to keep its banking cooperation with Iran outside the limelight, Armenia's warm embrace of Iran is apparent. Sanctioned Iranian banks appear to operate in Yerevan. In October 2011 the Iranian press reported that a member of Armenia's Nuclear Energy Organization suggested that Iran had enticed several Armenian nuclear scientists to work in Iran's nuclear program.

While the Armenian-American community is vibrant, it is unfortunate that organizations representing the diaspora in the United States do not do more to encourage change in the Armenian Government's behavior. By ignoring Armenia's pro-Iranian orientation, Armenian-American community—the community squanders an opportunity to build a true strategic partnership between Washington and Yerevan.

What worries me looking into the future is this: The strategic situation has never been more perilous. The recent Georgian elections threaten to radically reorient Georgia, which under President Saakashvili has been reliably pro-Western. A reorientation of Georgia's relationship with Iran might accompany its shift to Moscow.

Georgia is not the only company in play. While there remain sectarian tensions between Turkey and Iran, it would be a mistake for American policymakers to assume Turkey will cooperate with the West regarding Iran. To dismiss Turkish outreach to Iran, such as the gold for gas scheme, as simply economic opportunism misses the point.

Across administrations, U.S. strategy is too often reactive rather than proactive. Alas, the absence of a coherent U.S. strategy to counter and roll back Iranian influence in the Caucasus increasingly proves the Iranian chess and checkers quip correct. Thank you very much.

Mr. BURTON. Thank you very much, Doctor.

[The prepared statement of Mr. Rubin follows:]

"Iranian Influence in the South Caucasus and the Surrounding Region"

Michael Rubin, Ph.D.
Resident Scholar, American Enterprise Institute
House Foreign Affairs Committee
Subcommittee on Europe and Eurasia
December 5, 2012

An Iranian attempt to assassinate Israeli diplomats in Georgia last February and a subsequent plot to target Americans in Azerbaijan demonstrate the reality of the Islamic Republic's terror sponsorship and reach. This should not surprise. The Islamic Revolution was about ideology. Infusing the speeches of revolutionary leader Ayatollah Ruhollah Khomeini and written into the founding statute of the Islamic Revolutionary Guard Corps (IRGC) is the call to export revolution. In recent years, senior Iranian officials have reinforced the notion that the Islamic Republic cannot limit itself to soft power strategies as it tries to influence neighbors. For a number of reasons, both strategic and historical, the Caucasus is front-and-center in the Islamic Republic's attempts to expand Revolutionary Guards operations.

Iranians proudly trace their country's lineage back to the Persian Empire, yet most Iranians feel history has been unkind. In the last two centuries – a flash in the pan to the Islamic notion of history – Iran has lost half its territory. The 1828 Treaty of Turkmenchay confirmed the loss of what today are Azerbaijan, Armenia, and Georgia to the Russian Empire. From an Iranian perspective, these collectively constituted not a peripheral province but rather the second most important region, one over which the crown prince would always rule as governor. This does not mean that the Iranians seek to reacquire lost territory; they do, however, see it as their near abroad and believe they a natural right to dominate the Caucasus economically, politically, and diplomatically.

Iranian Strategy and Soft-Power

Export of Revolution remains a core Iranian goal. In 2008, former President Mohammad Khatami suggested that Khomeini's push to expand the Islamic Revolution beyond Iran's borders was more symbolic than real, and geared more to building Iran up as an example to emulate rather than a call for subversion abroad. "What did the Imam want, and what was his purpose of exporting the revolution? Did he wish us to export revolution by means of gunpowder or groups sabotaging other countries?" Khatami asked rhetorically, before declaring that Khomeini "meant to establish a role model here, one in which people should see that in this society, the economy, science, and dignity of man are respected…."[1]

Iranian authorities were furious. Not only had Khatami tacitly acknowledged that the regime sanctioned Iranian terror support, but he also diluted a pillar of the revolution. Seventy-

[1] "Khatami: Dar Zamineh-e tahrif andisheh-ha-ye hazirat-e Imam 'alam khatar mikonam" [Khatami: I Find Danger in the Distortion of His Excellence the Imam's Thoughts], Emrooz (Tehran), May 3, 2008.

seven members of parliament demanded the Intelligence Ministry punish Khatami for his comments.[2] Lest anyone accept Khatami's revisionism, then-Judiciary Chief Ayatollah Mahmoud Hashemi Shahroudi reinforced Tehran's commitment to export revolution. Speaking to the armed forces, he declared the IRGC to be "the hope of Islamic national and Islamic liberation movements."[3] The Iranian government has even been so bold as to include a line-item for "resistance" in its budget.[4]

This does not mean that the Supreme Leader and the IRGC will not sometimes check the drive to export revolution. Iranian officials, for example, give Islamists in both Chechnya and Dagestan a wide berth so as to avoid antagonizing Moscow, whose support Tehran values for its nuclear program. Still, the State Department should not assume that pragmatism means Iran's leadership is open to compromise for peace. For the Islamic Republic's ideologues, pragmatism involves temporarily subordinating certain ideological goals to pursue others. Rather than identify formulas for peace, the regime uses pragmatism to find new and creative ways to undermine enemies.

While journalists focus on headlines involving violence and terrorism, the Iranian strategy is more sophisticated, especially in its use of soft-power. Too often, American policymakers misconstrue soft-power. When Harvard Professor Joseph Nye, Jr., coined the term, he did not suggest soft power should be exclusive of hard power. The Islamic Republic provides a useful example of how adversaries can combine hard and soft power strategies.

Beyond head-grabbing bombings and assassination plots, the Islamic Republic seeks to expand its reach through education and with charities. Iran provides educational scholarships in order to indoctrinate clergy in surrounding states and to radicalize the next generation. Charities not only serve as a mechanism to win hearts and minds, but the IRGC will also often leverage Iranian aid organizations to support terror operations.

Afghanistan provides a useful example to demonstrate how Iranians leverage education. In Kabul, Ayatollah Asif Mohseni, a figure beholden to Tehran because his religious credentials are not recognized in Najaf, founded Khatam al-Anbia University. Its professors are trained in Iran, Iranian officials set its curriculum, and regime-approved publishers supply its library. In 2010, the budget for that single Iranian-backed university was greater than the Afghan government's entire higher education budget. While the Armenian government is more opaque, the Iranian government operates a branch of the Islam Azad University in Armenia and may subsidize other programs.

Subverting Azerbaijan

Within the Caucasus, the Islamic Republic concentrates its subversion efforts at Azerbaijan. Azerbaijan is one of only three countries beyond Iran—Bahrain and Iraq being the

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[2] "Jamayeh-i Avari Imza 'Alebeh Khatami," ["Gathering Signatures Against Khatami,"] E'temad (Tehran), May 7, 2008

[3] "Iran's Forces Are Models of Resistance," Press TV (Tehran), May 22, 2008.

[4] Flatow v. Islamic Republic of Iran, 999 F. Supp. 1 (D.D.C. 1998),

others—which is majority Twelver Shi'ite. Because these countries' success challenges the claim that the Islamic Republic's rule is divinely-inspired, Tehran subverts them.

Azerbaijani success is especially threatening to the Islamic Republic of Iran because of the links between the two peoples. Millions of Azeris reside in Iran—more than twice as many as live in independent Azerbaijan. Ali Khamenei, Iran's Supreme Leader, is ethnically Azeri. Baku's rejection of religious populism and its mosque-state separation contrast sharply with Iran's theocracy. The fact that Azerbaijanis enjoy a greater life expectancy than Iranians, are more literate, and, because of recent sanctions on Iran, enjoy greater purchasing power embarrasses the Iranian clergy. It is hard for the Supreme Leader to claim that he presides over a near perfect Islamic system as the deputy of the messiah on earth when secular governments perform better.

Beyond outright terrorism, such as the recent alleged Iranian plot to attack the Eurovision finals in Azerbaijan,[5] the Islamic Republic has employed a number of strategies to undercut Azerbaijan's pro-Western and secular orientation. Even prior to Azerbaijan's independence from the Soviet Union, Iranian missionaries operated in rural Azerbaijan. Iranian authorities helped support the fiercely anti-American Islamic Party of Azerbaijan in the early years of Azerbaijani independence but, after that group—true to the Hezbollah model so often employed by Iranian proxies—began sponsoring a militia, Azerbaijani authorities cracked down, arresting party leaders and banning Iranian broadcasting from Azerbaijani territory.[6]

The Iranians may have been down, but not out. To reverse the old saying, if they could not bring Muhammad to the mountain, they instead would bring the mountain to Muhammad. Instead of sending missionaries to Azerbaijan, they arranged scholarships to bring young Azerbaijani students to Qom where they could indoctrinate them into the Iranian regime's interpretations of Shi'ite Islam. This has been a tactic which has paid long-term dividends to the Islamic Republic. Because Saddam Hussein made it so difficult for foreign students to study in Najaf in the 1980s and 1990s, for example, a generation of Bahraini clerics traveled to Qom for study. Many of these same clerics today are at the forefront of the Bahraini Shi'ite uprising against the Bahraini royal family.

At the height of the Armenia-Azerbaijan war over Nagorno-Karabakh, Iranian authorities sought to exploit and radicalize many Azerbaijani refugees seeking refuge in Iran. Perhaps because training clerics and indoctrinating refugees pays only long-term dividends, Tehran has turned to other strategies to undercut Azerbaijani stability; Azeri authorities accuse Iran of promoting separatist ambition among Azerbaijan's Talysh minority. Iranian academics have, for example, sponsored an International Talysh Association to support "oppressed" Azerbaijani Talysh.[7]

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[5] "Azerbaijan Jails 4 for Eurovision Plot," *Hürriyet Daily News*, December 3, 2012.

[6] Igor Rotar, "Islamic Fundamentalism in Azerbaijan: Myth or Reality?" *Jamestown Foundation Prism*, Aug. 31, 2000.

[7] Jonathan Eric Lewis, "Replace Turkey as a Strategic Partner?" *Middle East Quarterly*, Spring 2006; Vladimir Socor, "Talysh Issue, Dormant in Azerbaijan, Reopened in Armenia," *Eurasia Daily Monitor*, May 27, 2005.

Iranian authorities also utilize charities to expand their influence. Of myriad Iranian charities, the Imam Khomeini Relief Committee (IKRC) is the regime's chief aid organization abroad. With assets supplied by the Supreme Leader, the Committee sponsors programs similar to those conducted by Western NGOs for orphans, the disabled, and the elderly, and it also provides food aid, blankets, fuel, sponsors medical clinics, and offers interest-free loans.[8] It also spreads influence in a way few Western organizations could, sponsoring mass weddings for those for whom the price of weddings would otherwise put marriage out of reach.[9]

While IKRC's activities might look benign, its track record is more sinister. In 1997, its office provided cover for surveillance against the U.S. Embassy in Tajikistan.[10] In 2010, the U.S. Treasury Department designated the IKRC branch in Lebanon to be a terrorist entity for its aid and assistance to Hezbollah.[11] With both the IRGC and IKRC funded from the same trough, it is likely that IKRC offices in Azerbaijan,[12] not only in Baku but also in provincial towns like Lankaran, Ganja, and Göychay, may also provide cover for IRGC operations.

The United States can take solace in the fact that Azerbaijan remains a steady ally. While fears of Iranian encroachment should not derail U.S. pressure to support democratization and respect for human rights in Azerbaijan, U.S. officials should also recognize that the Islamic Republic will seek to hijack legitimate protest, as it does in Bahrain. Nevertheless, Iranian penetration of Azerbaijan remains unfulfilled, largely because of Baku's recognition of the Iranian threat and also because Iran's oil dispute with Azerbaijan in the Caspian Sea remains a major irritant in bilateral relations. The Azerbaijani people remain largely pro-Western and unwilling to accept Iranian domination.

Is Armenia is the weak link?

The same cannot be said for Armenia. Ties between Iran and Armenia run deep, and predate Iran's Islamic Revolution. Armenians form the bulk of Iran's sizeable Christian community. While the Islamic Republic will broker no Sunni mosque in Tehran, an Armenian cathedral sits in the heart of the city. The southern Isfahan neighborhood of Julfa is a veritable "little Armenia" with Armenian churches and schools dotting roads and alleys. Even Iranian soldiers, when they fancy a drink stronger than the local Coca-Cola knock-off, will head into Armenian pizzerias for some homemade vodka. Anti-Turkish posters and banners are a fixture of

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[8] Ali Alfonch and Ahmad Majidyar, "Iranian Influence in Afghanistan: Imam Khomeini Relief Committee," AEI Middle East Outlook, July 2010.

[9] "Jashan-e Komiteh-e Emdad Baraye zawjha-ye Afghan." ("Relief Committee Celebration for Afghan Husbands.") Fararu.com, May 24, 2012.

[10] Author was an intern based at the U.S. Embassy in Tajikistan at the time.

[11] "Fact Sheet: U.S. Treasury Department Targets Iran's Support for Terrorism Treasury Announces New Sanctions against Iran's Islamic Revolutionary Guard Corps-Qods Force Leadership," U.S. Treasury Department, August 3, 2010.

[12] "Hamayat az Moharoman-e Jomhori Azerbaijan," "Support for the Disadvantaged of Azerbaijan," Imam Khomeini Relief Committee, http://www.emdad.ir/beinolmelal/dafater/azarbayjan.asp (Accessed December 3, 2012).

many Armenian neighborhoods, in Isfahan and elsewhere. In 2011, Armenian television purchased Iranian soap operas from Islamic Republic of Iran Broadcasting.[13]

There is nothing necessarily wrong with cultural links between Iran and Armenia. The problem for the United States is that Armenia provides the central pivot for a Russia-Iran Axis which increasingly undermines both U.S. interests and national security. In 2007, Yerevan State University awarded Iranian President Mahmoud Ahmadinejad its gold medal. "Armenia and Iran will be relatives eternally," Ahmadinejad declared upon receiving his honorary doctorate.[14]

In 2008, U.S. diplomats concluded that Armenia shipped Iran weaponry, which the Islamic Republic used to kill Americans. John D. Negroponte, then deputy secretary of state at, expressed his "deep concerns about Armenia's transfer of arms to Iran which resulted in the death and injury of U.S. soldiers in Iraq" to Armenian President Serzh Sargsyan.[15]

Whereas the Armenian government has long sought to keep its banking cooperation with Iran outside the limelight, Armenia's warm embrace of Iran is readily apparent. Indeed, sanctioned Iranian banks operate in Yerevan.[16] Other Iranian businesses continue to dot the Armenian capital. While Iranians can get visas on demand upon arrival in Armenia, the Iranian Foreign Minister now pressures his Armenian counterpart to allow completely visa-free travel for Iranians into Armenia. This could greatly facilitate Iranian efforts target Western interests not only in Armenia, but also in neighboring Georgia. In October 2011, a member of Armenia's Nuclear Energy Organization suggested that Iran had enticed several Armenian nuclear scientists to work in Iran's nuclear program.[17]

While the Armenian-American community is vibrant, it is unfortunate that organizations representing the Armenian Diaspora in the United States and the congressmen who partner with them do not do more to encourage change in the Armenian government's behavior. They need not drop their advocacy for recognition of the Armenian genocide but by ignoring Armenia's pro-Iranian orientation, the Armenian-American community squanders an opportunity to build a true strategic partnership between Washington and Yerevan.

Could Georgia and Turkey Shift into Tehran's Camp?

The strategic situation has never been more perilous. The victory of Bidzina Ivanishvili's Georgian Dream party in October 2012 elections threatens to radically reorient the Republic of Georgia which, under President Mikheil Saakashvili has been reliably pro-Western. While Western press has focused on the antipathy between Saakashvili and the Kremlin, a reorientation of Georgia's relationship with Iran might accompany its shift to Moscow. It is conceivable that

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[13] "Kodam Keshvarha Moshtare Saryarha-ye Irani Hastand?" ("Which Countries Are Customers of Iranian Soap Operas?"), *Alef.ir* (Tehran), August 9, 2011.
[14] "Ahmadinejad YSU Guest," Yerevan State University, October 22, 2007.
[15] Eli Lake, "WikiLeaks: Armenia sent Iran arms used to kill U.S. troops," *The Washington Times*, November 29, 2010.
[16] "Recent OFAC Actions - June 16, 2010," U.S. Treasury Department, http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20100616.aspx
[17] "Eda'ye Mohajerat-e Daneshmandan-e Hasteh-aye Armenisten beh Iran," ("Alleged Emigration of Nuclear Scientists from Armenia to Iran"), *'Asr-e Iran*, October 30, 2011.

Tbilisi could become in the near future an uninviting and perhaps even dangerous city for Western interests.

Georgia is not the only country in play. While there remains sectarian tension between Turkey and Iran, it would be a mistake for American policymakers to assume Turkey will cooperate with the West regarding Iran. To dismiss Turkish outreach to Iran—such as Turkey's recent gold for gas scheme—as simply economic opportunism misses the point. Likewise, the dispute between Turkey and Iran over the situation in Syria is temporary. Just three years ago, Turkish Prime Minister Recep Tayyip Erdoğan was hosting joint cabinet meetings with Syria, and inviting Syrian President Bashar al-Assad to vacation with him on the Turkish Mediterranean coast.

Today, Turkey and Iran share many interests: They are both supporters not only of Hamas, but also of its most militant faction, and both embrace increasingly extreme rhetoric toward Israel. Turkish and Iranian leaders coordinate closely on international efforts to restrict free speech to prevent criticism of Islam. Turkey is almost alone in joining Latin America's increasingly anti-American alliance of Nicaragua, Venezuela, Ecuador, and Bolivia in providing Iranians visa-free entry. The United States should not count on Turkey's intelligence service to monitor and report upon Iranian operatives traversing Turkey. Hakan Fidan, Turkey's intelligence chief, makes little secret of his preference for Tehran over Washington, raising questions both about the wisdom of U.S. intelligence sharing with Turkey, and the possibility that technology shared with Turkey—such as F-35 Joint Strike Fighter coding and software—might leak to American enemies. In 2010, the Turkish daily *Hürriyet* reported the Turkish and Chinese Air Forces had conducted joint war games without first alerting the Pentagon or NATO. Such exercises would not have been possible without Tehran's cooperation; the Chinese fighters had refueled in Iran.[18]

Conclusion

Iranian officials often quip that they play chess while Americans play checkers. The IRGC and Qods Force have global reach, and will confront the United States wherever they can, so long as they can do so an maintain plausible deniability. As Iran's nuclear program increases tension and sanctions strain the Iranian economy, the Caucasus and surrounding regions will increasingly become targets for Iranian influence and, perhaps, Iranian terrorism. Not only will the Islamic Republic continue to target the Republic of Azerbaijan and exploit its warm ties with Armenia, but Iranian authorities will also increasingly try to leverage leadership changes and ideological solidarity in Georgia and Turkey. Across administrations, U.S. strategy is too often reactive rather than proactive. Alas, the absence of a coherent U.S. strategy to counter and roll back Iranian influence in the Caucasus increasingly proves the Iranian quip correct.

[18] "Chinese Warplanes Refueled in Iran en route to Turkey," *Hürriyet Daily News*, October 11, 2010.

Mr. BURTON. Mr. Vatanka.

STATEMENT OF MR. ALEX VATANKA, ADJUNCT SCHOLAR, MIDDLE EAST INSTITUTE

Mr. VATANKA. Thank you very much. Chairman Burton, members of the committee, thank you very much for having me here this afternoon. It is an honor to join you.

I wanted to focus on Iran's failures to project its influence in the South Caucasus region, if I may. As has been said, Iran has deep roots in this part of the world. It is the giant neighbor to the south after all. Much of the South Caucasus has at one time or another been under Iranian influence or been part of the Persian Empire. Therefore cross-border, that is to say people-to-people ties remain strong.

By most estimates there are some 20 million people in Iran that are ethnic Azerbaijani. Just to remind everyone, that is over twice as many as you have in the Republic of Azerbaijan. One of the largest Armenian diaspora communities anywhere in the world is also to be found in Iran, estimated at some 80,000.

But I would argue that while Iranian civilization is close to the peoples of the region, the world views and goals of the Islamist regime in Tehran have no appeal.

I think we have to deal with three key facts when assessing Iran's influence in the South Caucasus. First, because the Islamist regime in Tehran is beholden to Russia and Moscow's support oftentimes that it provides to Iran in places like the U.N. Security Council, the Iranians are very worried about upsetting Russia's interests in the South Caucasus. This is best reflected by Iran's position in regards to Armenia and Georgia, where Russian interests are strongest. I have provided more detail in my testimony and provided some examples.

Second, I think where we have a failure, it is Iran's so-called big brother approach, which I think is heavily tainted with an ideological syndrome. So I would quickly say it is not just that Iran doesn't want to be active in the South Caucasus because it fears that the Russians might be upset, but it is also because of a failure of its model as a political invitation that has extended over the last 20 years to these three countries, particularly Azerbaijan.

In Azerbaijan, where Russian interests are least sensitive, in my view, Iran has also failed to gain any traction. This is thanks to—excuse me—where Iran has basically insisted on Baku sharing its anti-American and anti-Western positions, and this is a call which the authorities in Azerbaijan have repeatedly over the last 2 decades rejected.

I think Baku would have been far more open to Iranian overtures if Iran did not insist on this anti-Westernism as a common platform, but I am afraid to say that seems to still be the case if you listen to the latest statements coming from Tehran.

One of the best examples of how Iranian intervention in Azerbaijan have failed to result or produce results for Tehran is this Iranian insistence that Azerbaijan walk away from its relations with the State of Israel. In doing so not only does Iran want to impose this ideological will on a smaller and pro-Western neighbor in Azerbaijan, but it also fails to recognize the needs of Baku.

In my conversations with diverse voices in Azerbaijan, I was constantly reminded of the fact that the State of Israel provides material support to Baku as the country develops and looks to enhance its international position.

What can an internationally isolated Iran in turn offer Azerbaijan? The answer to that is very little, at least while Tehran pursues the policies that it is pursuing at the moment.

Let me also say this. This is widely recognized to be a problem, but those nonideological actors in Tehran, they see the problem. The trouble is they are not in the driving seat, so they are just banging their heads against the wall, saying, we are losing on the regional level. And the narrow sets of interest, Iran Ayatollah Supreme Leader Ali Khamenei are calling the shots to the detriment of the national interests of the country of Iran.

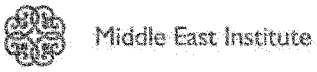
Let me just very briefly say a few words about the Iranian influence that does exist. This refers to Armenia and Georgia. It is very important to recognize that overwhelmingly we are talking about economic cooperation and trade between Iran versus Armenia and Georgia. These countries are not looking to—it is very important to emphasize this—these countries are not looking to hear the Iranian political message of anti-Westernism. They look to Iran, particularly Armenia, out of simple necessity and the geographic reality that they have to deal with. But whenever they can they have preferred Western partners, particularly look at Armenia's continued pursuit of better ties with Turkey.

In conclusion, let me very briefly say that the South Caucasus, when you measure the Iranian influence there, simply does not match the proximity of Iran and historical ties that that country has with the region, and this can be, as I said, overwhelmingly blamed on Iran's insistence on this anti-Western platform that it continuously seeks and will not get from the three States of the Caucasus.

Final point I will make, and I am running out of time, I say the only real negative driver that I can see changing the status quo is if the Iranian standoff with the U.S. and the international community continues, there is a likelihood that radical elements in Tehran, and we have already heard this, will look at the region, particularly Azerbaijan, as a platform and a battleground to confront the United States and its allies.

Chairman Burton, members of the committee, thank you very much for your time.

[The prepared statement of Mr. Vatanka follows:]



Iranian Influence in the South Caucasus and the Surrounding Region

Testimony before the House Committee on Foreign Affairs

Subcommittee on Europe and Eurasia

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

Thank you for inviting me to testify before you today.

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

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

Iran's reach and influence

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

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

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

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

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

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

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

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

Iran-Azerbaijan standoff

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

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

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

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

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

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

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

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

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

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

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

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

The impact of Iranian behavior on US interests and its partners

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

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

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

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

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

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

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

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

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Mr. BURTON. First of all, before I take my time, I want to congratulate Mr. Engel on being the ranking Democrat. He is going to be a powerhouse here on the committee for the next couple of—well, maybe 6 years. So congratulations. You have worked hard for it, and you deserve it.

One of my concerns and the reason I wanted to hold this hearing is because we have been focusing on Iran's nuclear program. We have been talking about the threat that that presents to the entire region and how Israel would have to respond to that in the event that they continue with that program.

But one of the things that is not being discussed is what this hearing is about today, and that is the subversive movement by Iran to undermine governments in the entire region. Our hearing today is on the Caucasus and that whole region, but I want to go into a broader area. Bahrain is one of the areas that I am very familiar with because I was in the Persian Gulf region recently. It is not under this committee's purview, but it fits into the overall problem that we see.

So I would like to start with you, Dr. Rubin, and ask you what you think of Iran's underground movement to try to undermine those governments to gain more and more influence and how extensive is it. And I would like for you to include Azerbaijan, that whole region, Georgia, Armenia, and I would like for you to also interject into your comments, and I will let your other colleagues speak as well, what is going on in Bahrain and in the Persian Gulf.

Mr. RUBIN. Sir, I spent 14 years in a Quaker school, and when I was being schooled in the Quaker school we always learned that multiculturalism was always about appreciating our differences. But fundamentally multiculturalism isn't about walking into a sushi restaurant and ordering a mojito. It is ultimately about different peoples thinking in very, very different ways.

When it comes to Iran, we need to recognize that both in the constitution and in the statute of the Islamic Revolutionary Guard Corps is the imperative to export revolution. In the year 2008 the former President, Mohammad Khatami, said, well, when we talked about export of revolution, what we meant is to build ourselves up into a soft-power power which everyone around could emulate, and it was actually the Revolutionary Guard and the hardline judiciary which shot him down and said, no, export of the revolution is fundamentally about insurgency. I have detailed this in my written testimony.

Now, when it comes to the Iranian strategy, I already talked about the soft-power strategy of trying to infiltrate countries through charities. We also have the infiltration in through the media as well.

Within Bahrain there is a special problem, and I highlighted this, the parallels in Azerbaijan. In Bahrain's case, because of Saddam Hussein's crackdown in Iraq over the decades, most Bahraini clergy, instead of going to Najaf and Karbala to study, ended up going to Qom in Iran where the Iranians tried to indoctrinate them. I would hazard to guess that there is not a single village mullah under the age of 55 in Bahrain who hasn't studied in Iran, and that is going to be a problem which will take generations to work out of the system.

Now, many of the grievances in Bahrain are real, but that doesn't mean that the Iranians aren't trying to take advantage of them. As you know, earlier this year I went to Bahrain, and when I was meeting with oppositionists, I found many of the younger opposition to be quite sincere. Some of the older opposition, from the days of the 1981 fighting, what they were saying to me in English versus what we Googled them saying to the Persian press in Persian was radically different as to the status of the U.S. 5th Fleet headquarters and so forth. So we do have a constant problem in which many of the people working on behalf of Iranian interests——

Mr. BURTON. But what did they say? You said you spoke to them in Persian.

Mr. RUBIN. Okay. When they spoke in English, they would talk about how we genuinely want reforms and that so long as the reforms occur, the United States of course would be welcome to keep the 5th Fleet headquarters in Bahrain. Not when I spoke to them in Persian, but when we Googled their names in Persian to call up what they had said to the Iranian press, they talked about how the colonial vestige of the American satan must be expelled forthwith. So a slight difference in tone between what they were saying in English and what they were saying in Persian. That is constantly a problem, of course, in the Middle East, as you know, where interlocutors will be told one thing and they will be told another subsequently.

When it comes to television, most Bahrainis will listen to Iranian television and radio almost exclusively. Most Bahraini Shiites I should say. Now, when it comes to the Bahraini—the media—oftentimes what the Iranians will do is distribute cell phones, distribute video cameras, and urge students to be stringers. If you can film anything of interest, send it back, and we will give you a salary. This encourages people to film greater unrest. Instead of having one Voice of America correspondent in the area, imagine having 500 Voice of Iran correspondents in the area, and this is ultimately the problem we have.

Mr. BURTON. Mr. Rubin, we will proceed with that. I want to give you all a chance to respond. But Mr. Rohrabacher has to catch a plane, he has got to go back to California, and he is going to be very active in this region in the next couple of years I understand.

So, Mr. Rohrabacher, we will recognize you so you can catch your plane.

Mr. ROHRABACHER. Thank you very much. And I would like to especially thank Ms. Schmidt and Congressman Burton for the hard work they have put in over the last 2 years and actually many more years than that, and just thank you both for laying the stage. Whoever is going to be coming next will be able to pick up something and carry the flag, and I hope whoever that is, it could be me, who knows, will do half as good a job as you guys have done. So thank you very much.

I would like to thank the panel and thank the chairman for this particular hearing. I think that Americans' understanding of what is going on in Iran and around Iran is so limited and so cliched that it really is a threat to making the policies that we need to

make that will benefit the United States as well as benefit the cause of world peace.

Most people only know that the mullahs in Iran are oppressive to their own people and have said they are going to wipe out Israel, and that is it. And most people think all Iranians are Persians, and today's testimony is going to be of great assistance in laying the foundation for perhaps new policies that will be approached in the coming year.

Let me just note, and, Mr. Chairman, for the record I have a copy of H. Con. Resolution 137, which is a resolution that I submitted earlier this year which basically states that the people, that the Azeri people who we have heard in testimony number up to 20 million in Iran, that those Azeri people have a right of self-determination to determine what their status will be in the future, whether it is a status as part of Azerbaijan or whether it is a part of Iran or whether it is a sovereign country of their own. And that resolution, while it didn't go many places here on Capitol Hill, it certainly was an area of discussion in that part of the world.

And let me just note, I believe in the right of self-determination not only for the Azeri people, but for all the peoples of that region and of the world. It is a part of the things that we as Americans are supposed to believe in because our Declaration of Independence was a declaration of the rights of people to determine self-determination that God has given every person, not just Americans.

I also am very grateful to the panel today for pointing out the complications of Iranian policy to the various, not just Israel, but the other conflicts in the region as well, especially dealing with Armenia and Azerbaijan.

I think that we owe a great deal of debt to the Government of Azerbaijan for being willing to step up to this threat from the mullah regime and not cower before it. And that type of courage, I hope, would be—would actually inspire those of us in the United States who are engaged in policymaking to understand that the mullah regime needs to be treated for what it is.

The Mullah regime is a gangster regime that murders its own people and threatens the peace and civility of an entire region of the world. And we should be looking for allies in that part of the world, and not just Israel, but other countries of the—other countries in that region to try to isolate and, yes, empower the people of Iran to win their freedom against this gangster regime. Whether it is promoting self-determination or the right to self-determination or just pure democracy, we should—the Iranian mullahs should not be on the offensive, they should be on the defensive, because they do not represent anything but an evil force in their own country and in that region.

So, Mr. Chairman, I had my say. Maybe there is someone who has 45 seconds to comment on that on the panel. Thank you.

There you go. Mr. Cohen. You have got 15 seconds.

Mr. BURTON. If you have a comment, go ahead.

Ms. SHAFFER. I think it is very important that you mentioned Iran's policies toward the conflicts in the region, because I think we can learn really how—how there is such a gap between Iran's rhetoric of Islamic solidarity, helping oppressed peoples and its activities in actuality. And, I mean, Iran should be the poster child of

helping Muslims around the world, but in its close region, it helps Armenia against Azerbaijan, it helps Russia against Chechens, it bowed out of Tajikistan for Moscow's interest.

And even when it tries to explain its hostility toward Azerbaijan, it says, well, it is about Israel. To tell the truth, Azerbaijan and Israeli relations actually came to "frutation" only about 4 to 5—5 years ago did they establish close cooperation. Iran has been trying to undermine Azerbaijan stability and supporting its adversaries in the region since the beginning of independence.

Again, it goes back to this ethnic issue. Just as you have brought attention of Congress on the multiethnicity of the Iran, Iranian leaders, the first day in the Tehran Times when the Soviet Union broke up, the first article was not about what a great opportunity to expand Islamic fundamentalism and Islamic influence, it was, we must be careful that the ethnic hand won't come over the border the other way. And this is what drives Iranian policy in the region.

Mr. ROHRABACHER. We have people in Belujistan, we have people who are Azeris, we have many different groups of people who deserve their freedom who are now under the thumb of the mullah dictatorship. We should be on the side of democracy and freedom in Iran, and that would solve a lot of our other problems.

Thank you very much.

Thank you, Mr. Chairman.

Mr. BURTON. Thank you, Mr. Rohrabacher.

Mr. Engel.

Mr. ENGEL. Thank you very much, Mr. Chairman. I won't take the whole time.

I want to start by, first of all, telling you how much I have appreciated our friendship through the years, and from the time we both served on the Western Hemisphere Subcommittee, first you as chair and me as ranking member, then me as chair and you as ranking member, we have always been friends, and you have always been a gentleman and a very good student of foreign policy. And it has just been a pleasure working with you, and personally I am going to miss you. So I hope you will come back and visit.

I hope your district and the country understands how—what a patriot you are and how much you care. Even when we've disagreed on things, I never have had doubt for one moment that you didn't say anything that you didn't believe. That you—you are a patriot, you are a tremendous American, and you really love this country. And, you know, we love you; even on this side of the aisle we are going to miss you.

And I want to say something to you're my good friend, dear friend, Jean Schmidt. Going to miss you, too, my cochair of the Albanian Issues Caucus and someone that I have gotten to know very well. We have traveled together, as Mr. Burton and I have, and we have gotten to know our families on a personal level. And I'm going to miss you very, very much. And you, too, are a great patriot and amazing woman, amazing woman.

I don't know, I tell a little tale out of school, we are—when we are traveling abroad, we always have these big, strong Marine guys or whatever following us and taking care of us and whatever. And Congresswoman Schmidt is an avid runner. She competes in all

kinds of classical marathons, thank you. And I want to tell you, those Marine guys that are less than half her age, they couldn't hold a candle to her when she gets up at 4:30 in the morning and is ready to do running. So we are going to miss you, Jean. Please keep in touch. And honored to call both of you my friend. So thank you.

I wanted just to ask anyone who can answer just one question. It involves the relationship with Azerbaijan and Israel. There had been reports, I guess it must have been 6 or—6 months ago to a year, I guess, where there was talk that Azerbaijan had agreed to let Israel use its bases in case Israel felt it had to make a strike on Iran to destroy Iran's nuclear capability. There seemed to be, whether it was our State Department or someone somewhere, went public on it. And it seemed to me that it undermined any kind of deal that Azerbaijan and Israel have had.

I am wondering if any of you can shed some light on that for me and, you know, just tell me your thoughts. Because I have to tell you, my thoughts were I was disappointed when I thought on the U.S. side that we were—we were sort of bringing that to light. I was—I thought that was something that was better left unsaid.

Yes, Ms. Shaffer. Dr. Shaffer.

Ms. SHAFFER. I think this shows the power, also the negative power, of the Internet. Here a guy wrote an article, who, by his own biography, had served as an advisor to Yasser Arafat, for instance, when he was in Lebanon, an article based on six unnamed sources—I can understand an article that has a couple unnamed sources and some people on the record—six unnamed sources, two independent scholars—in my opinion, independent scholars are either unemployed or on the payroll of someone they don't want to mention—and this creates noise all over the world as if it is the reality, and everyone else has to respond to it.

I think there has been a big disinformation campaign going on in a number of media sources that are trying to break apart the friendship between Israel and Azerbaijan. It makes a lot of people—and trying to make Azerbaijan pay in the Muslim world for its close friendship to Israel. And I think these articles that are always, you know, talking about military cooperation here, military cooperation there. If you show a map, there is a lot of countries that Israel is going to have a military attack on Iran. There is a lot of countries it has to pass over before it gets to Azerbaijan. Azerbaijan is a landlocked country. So that would mean that its planes were flying over Turkey, Georgia, a number of other countries, before it reached Azerbaijan.

This really isn't about Azerbaijan and Israel. I think that we have to be very careful with many of these—the impact of these articles, which we really don't know who is behind them and why—I mean, if a student of mine wrote paper with six unnamed sources, I wouldn't give them a very good grade.

Mr. ENGEL. Yes. Dr. Cohen.

Mr. COHEN. I am not sure if it is the purview of this committee or the full committee, but as that publication hurt U.S. policy and U.S. relations with both Israel and Azerbaijan, I am wondering if an investigation can be made as to whether U.S. sources were involved in leaking this information; or, alternatively, maybe it was

commissioned by the Iranian regime. And because what Dr. Shaffer mentioned the connections of the author to Yasser Arafat, and I am personally aware of those connections, he is not hiding them. It could be it was done on behalf of the Islamic Republic here in Washington, which also raises very serious questions as to the influence of that.

Mr. Chairman, if I may go back to the Bahrain issue? If you look at the map, Bahrain is there across Iran on the shores of the Persian Gulf. As Dr. Rubin said, Bahrain has 70 percent Shia majority. Some Iranian officials claim that Bahrain is a 14th province of Iran. This is kind of rhetoric that we heard by Saddam Hussein which led to the war in Kuwait. So this is a highly explosive territorial claim, and if, through its military power or through subversion, and supporting the Shia radicals in Bahrain, Iran overthrows the current regime and establishes hold on Bahrain, then it can close the Persian Gulf from both sides, which has tremendous implications for energy traffic—40 percent of all oil in the world is shipped through the Persian Gulf—and it establishes an Iranian bridgehead on the southern or eastern shore of the Persian Gulf aimed right at Saudi Arabia.

So geopolitically, purely looking at the map, and understanding that such a step would unfortunately prevent the Fifth Fleet to continue being there, this is a development that Iranians are pursuing, and that is extremely dangerous to our national security interest, to the interests of the Kingdom of Saudi Arabia, and to our allies in the Persian Gulf.

Mr. BURTON. Thank you very much.

Mr. Meeks.

Mr. MEEKS. Let me also join the chorus to say to Jean that we will miss you. I was just thinking before Eliot, when he was talking about our travel together, and the fact that you outrun everybody, and also the fact that we have gotten to know one another on these trips and talked about family, and friends, and life and what it really means, and your dedication as a true patriot to our great country of ours. So we are going to miss you and the service that you have rendered here in the United States Congress, and I want to wish you well in your future endeavors.

Let me now go to the witnesses.

As I indicated in my opening statement, it seems to me influence is stronger when you divide and conquer. It seems to me if you can divide folks up in the region, et cetera, then you can have more influence. And that is what my concern is, to a large degree, in the South Caucasus. And that is why I will just open up with this question.

I have been watching, because I think it is extremely important, if we could get Turkey and Armenia to have a better relationship, to move that tighter together, because if you have them divided, et cetera, that helps weaken the relationship.

So my question, first question, is, do you think that there's any prospect maybe in—because I always have the statement that there is—there is two of the oldest forms of relationships between countries. One is trade or economic engagement, and the other is war. I like trade and economic engagement much better than war to try to have relationships. So I was wondering whether or not did

you see any prospect for increased economic engagement in between Armenia and Turkey and—or would the relaxation of the closed border between Turkey and Armenia or even the normalization of diplomatic relations in the region, would that make a difference? Would you see that being possible anytime soon in any—I am one to believe the glass is half full all the time, but I would like to get your viewpoints.

You can start. go ahead.

Mr. VATANKA. I will be very brief, if I may.

As far as I can see, the Turks have already said they are interested in that kind of a development vis—vis Armenia. And Armenians, as I stated earlier, definitely are trying to expand in terms of their partners that they have in the region. But I am not sure about the timing right now. Certainly I think the Turks have their hands full with everything going on in the region, specifically in Syria. So I am not sure if they are going to do something as radical as that, because that is going to be perceived, at the very least, as a radical step in Baku. And Turkey does not want to walk away from its very close ties with Azerbaijan.

So that is how I see it. I think timing here is very important. Secondarily, you want to make sure those areas understand the motive, that this is not going to be done at their sort of cost.

If I may just very quickly, two points I also wanted to make in terms of Israel and Bahrain. First, when I was in Azerbaijan, there were two messages that pretty much stood out for me very clearly. One was the Israel-Azerbaijan relationship which is not just about Iran. It is a key factor, but it is more about developing Azerbaijan's diplomatic, economic, and political clout on the international stage, Israel being forthcoming. So that, I think, is an important factor to remember.

But number two, equally important, Azerbaijan, as far as I could see, is not interested in becoming battleground and certainly doesn't want to be involved in a war with Iran. It will play its role, as far as I could see, as an international partner in terms of maintaining the sanctions and so forth, but it is not going to sort of stick its head out because it certainly doesn't feel comfortable in that regard.

On Bahrain, the thing to remember—again, I was in Bahrain this year. And one of the issues, again, that stood out clearly, there is some genuine grievances on the ground, and I heard Bahraini officials admit to that. So there are things, reform, that needs to be done on the ground.

Where the Iranian danger comes in if there is a vacuum, because whenever Iran has really succeeded under a regional level has been where there has been a vacuum. We have seen that in Lebanon in the 1980s. We saw that with the creation of strength in Hamas in the 1990s. That is what the Iranians are very good at, to come in and fill vacuums.

The important thing for the United States is that opposition in Bahrain, at least the moderate voices in the Bahraini opposition, don't feel the need that there is only Iran to turn to. United States, I think, can play an important role in that regard.

Ms. SHAFFER. Mr. Meeks, I think you are correct that the conflicts create vulnerability to the countries, but more for Iranian in-

fluence, for Russian influence. And for precisely this reason, the normalization between Turkey and Armenia and the opening of the Turkish-Armenian border has to take place in a greater regional context, meaning if you just look at Turkey-Armenia, you say, okay, fine, they trade, yes, there can be many benefits. But we have to use this border issue as a means to further resolve the Nagorno-Karabakh complex, because if one border happens, but still the conflict between Armenia and Azerbaijan continues, we don't have peace in the region, we won't have that kind of stability we want to achieve.

In fact, today Armenia occupies 20 percent of Azerbaijan's territory. The only nonmilitary means, the only thing Armenia wants that it doesn't have, is actually the trade with Turkey. Therefore, we have to use that lever for some movement in the peace process to really—you know, maybe not the whole resolution for Armenians to leave a few of the occupied districts to show some sort of sign of the process moving forward. And so to put peace, again, peace on two sides of Armenia's borders, because if not, all we are doing is putting war closer and closer in the region.

Mr. RUBIN. Representative Meeks, I certainly agree with the desire that there would be some sort of rapprochement, but, in the larger context, I really don't think it would be enough, given the recent changes in Turkey.

Turkish and Iranian leaders coordinate closely on international efforts to restrict free speech that criticizes Islam. Hakan Fidan, Turkey's Intelligence Chief, makes little secret of his preference to Tehran over Washington, which raises questions about intelligence sharing, especially when it comes to some of the coding and technology for the F–35 Joint Strike Fighter.

In 2010, what concerns me most is that Turkish and Chinese Air Forces conducted joint war games over the—over Turkey without first alerting either NATO or the Pentagon. And, of course, the Chinese fighter jets couldn't have gotten to Turkey if they hadn't stopped first and refueled in Iran.

What I see now beyond just the issue of the Turkish-Armenian dispute is that Iran feels that it is about to deliver us a coup de grace, because they have Armenia in their camp, increasingly they seem to have flipped Turkey in many ways, they are very optimistic about what the future will bode with regard to Georgia, which only leaves only Azerbaijan behind, which leads me to think that even if you do have some rapprochement between Turkey and Armenia, that we are going to have a much hotter time in the region over the months and perhaps year to come.

Mr. COHEN. Just to follow up on this, Armenia enjoys a historic and strategic relationship with Russia. It has very strong ties with Iran. So two out of three major powers in the Caucasus are in the Armenians' corner. On the other hand, Turkey, historically, is supporting Azerbaijan and made it clear to Armenia, after the memoranda was signed back in 2010, I believe—2010 or 2009—in 2009, that Turkey will link the opening of the border to progress on the Karabakh issue. And we understand it because countries support their allies. In the case of Turkey, Azerbaijan is an ally.

But I also want to support what my colleague Mr. Rubin said about Turkish-Iran relations. Those relations are developing. And

doubling of trade by 2015 between Turkey and Iran while Iran is under international sanctions is proclaimed again and again as a strategic goal of the Turkish Republic, which raises a question how our ally, Turkey, is playing a policy or conducting a policy that appears to be contradicting our sanctions against Iran.

Mr. MEEKS. And I know I am out of time, but just following up on that, though, it seems to me—and this is what I also stated in the opening statement—that when you look at some of our allies, whether it is Turkey in particular and others, they look at their national interests, and they are dependent upon either Russia or Iran for their oil or their—you know, their resources. So they go back and forth because they need it. And one or the other could be bad for us, et cetera, if they are completely dependent upon it. So people are looking at what they have in their particular regions.

What I would think, then, in order to eliminate some of that—and I throw that question out as my last question for now, then I yield to the chair and to Jean—is my thought is what could we do to help transit from the Caspian so that we can get oil into these regions so they are not dependent on Russia or Iran? And what do you see the United States doing, or how we can be more helpful to make sure that transit exists so that they can get the resources they need with regards to what they need for their vital necessities?

Mr. COHEN. Sir, these are very important questions. And on oil, the United States took a principled and active position both under Clinton and George W. Bush to promote the Baku-Tbilisi-Ceyhan main oil export pipeline—Ceyhan is a port in Turkey. That pipeline is at capacity of about 1 million barrels a day, but because of the Iranian obstructionist position on delineating and demarcating the Caspian, additional oil pipelines cannot be built from Kazakhstan, for example, and they are going to have to ship that oil into the Baku-Tbilisi-Ceyhan pipeline by tanker.

On gas, the same Iranian position prevents gas from going from Turkmenistan or, in the future, from Kazakhstan into Azerbaijan and then into Turkey. But today the TANAP Pipeline, the Trans-Anatolian pipeline, between Azerbaijan, Georgia, and Turkey, is going to join a pipeline that will supply additional gas and also natural gas from Kurdistan, from Northern Iraq; can be pumped into Turkey and then further to the European markets.

Additionally, Turkey has excellent relations with Sunni Arab countries, many of which are exporters both of oil and liquid natural gas, like Qatar. So Turkey has its sources of both oil and gas, and if Turkey wasn't so disruptive in its relationship with Israel, there could be a place of discussing the Israeli and Greek Cypriot offshore gas fields supplying some gas to Turkey in the future.

Unfortunately, the Turkish leadership today is at the head of the crowd that is bashing Israel and supporting the terrorist organization Hamas, including its latest attacks on Israel with rockets. And right now I think Turkey shot itself in the foot by excluding itself from the east Mediterranean gas development of Israel and Cyprus.

Thank you.

Mr. BURTON. Before we go to my good friend Jean, let me just say that you have been an outstanding panel, and I hope that we

can get the information you are giving us today out to everybody, because I don't think the things you are telling us today are widely known. And so we really appreciate you being here.

Jean.

Mrs. SCHMIDT. Thank you. And I want to continue on Congressman Meeks' discussion about oil. Forty years ago—and I can't believe I can say 40 years ago—when I was studying Middle East politics, I had a professor that said the reason why the Middle East is important is a three-letter word, and that is called "oil." And it still is.

And as we look at the emerging markets of Azerbaijan and Kazakhstan, we see oil-rich, natural-gas-rich countries that really want to not just continue the development of these energy resources, but also distribute it into areas that, quite frankly, are good for international security, which I am talking about is Western Europe, which right now has to get their energy sources from places that aren't so popular.

But in reading your testimony, Mr.—Dr. Cohen, I—I am getting a deeper understanding as to why Iran doesn't want this. Iran doesn't want it for a multitude of reasons. One, it doesn't want these countries to continue to develop and become more Western and more attractive for business, international business, to come to their borders; but also because it is not in Iran's best interest to have anybody else pumping these supplies.

So it is in Iran's best interest, it seems, to be subversive in all of these countries in any single way that they can, including trying to make Turkey not be as friendly to the United States as I believe Turkey wants to continue to be, to be disruptive by not allowing the Caspian Sea to be open enough to allow these pipelines to go through.

And so really what we—we have to do not just as the United States, but as an international body, in my view, is apply international pressure to allow these new countries to develop.

And the other thing that I am thinking of when I am looking at this—maybe I am wrong in this, and please tell me—is it is not in Russia's best interests either. You know, Russia lost its—some of its best parts of itself 20 years ago, when you look at Kazakhstan and Azerbaijan and the fact that they are free. And they can do what they want to do. It is not in Russia's best interest for these countries to make money and become emerging markets that can be world players. And so of course Russia, in my view, is looking at Iran to smother them and hurt them.

And am I right or am I wrong in this? And what as an international body should the international body be doing in the—concretely to allow that pipeline to go through? Because I truly believe it is in the best interests of the world for it to start pumping energy quickly.

Mr. COHEN. Yes, ma'am. Clearly the increase of supply of oil and gas, and now gas is becoming a globally transshipped commodity in the form of LNG, liquid natural gas, it is very much in the interests of every developed economy, every developing economy that is not hydrocarbon rich.

And you are absolutely right. There is a confluence of interest between Russia and Iran. These two countries form a north-south

axis, whereas Kazakhstan, Turkmenistan, and countries all the way east to China and West to Europe comprise an east-west axis, the corridor through which oil, gas, but also industrial goods, ideas, and information can flow.

The Russian situation is not dissimilar. The Russian situation in Europe with gas is similar to Iranian or Saudi situation with oil. It is all about market share.

Mrs. SCHMIDT. Right.

Mr. COHEN. So if you have Azerbaijani gas, Turkmen gas competing with the Russian gas in European markets, or, for that matter, Qatari LNG, or LNG from Algeria or Nigeria, it will drive the Russian market share down, it may drive the prices down. And Europe is really at a—at a crossroads, because they need to decide whether to go with natural gas or they continue with coal and continue with nuclear. So gas plays a strategic energy role in Europe right now.

And you asked about what can we do.

Mrs. SCHMIDT. That is the most important question of all.

Mr. COHEN. A $64-trillion question.

We did not coordinate enough with Western Europe. Western Europe by itself, especially now with the economic crisis, is not really focused enough on ensuring that east-west pipelines will go through.

I think the EU lost to the Russians on Nabucco, the big pipeline that was supposed to carry gas from the Caspian through Turkey into Western Europe. But TANAP is a good, smaller alternative to Nabucco, with a spur, a side pipeline, most probably what is called West Nabucco, which is a pipeline to Austria.

We could have done more, especially when the regime, the leader, changed in Turkmenistan. I had conversations with senior State Department officials saying, let us invite the new leader, Gurbanguly Berdimuhamedow—the new—Turkmenbashi—the new President, to Washington. And there was a huge pushback because they wanted for the Foreign Minister to visit, then they wanted the Prime Minister to visit. Then they were concerned, justifiably so, about human rights in Turkmenistan. In the meantime, Mr. Putin was there in 2 weeks signing deals. The Chinese now are the principal buyer for Turkmen gas.

So I do not want to present it as only a zero-sum game, but this is a game of immense and intense competition between the buyers of these natural resources.

Ms. SHAFFER. Yes. Russia and Iran have been allies in trying to make sure that less and less oil from the Caspian region reaches international markets; unsuccessful, thanks to really strong U.S. policy efforts in the early days after the Soviet break-up.

But where actually Russia and Iran are rivals is the question of natural gas, and I talk about this in depth in my testimony. The only country that really has the volume that could—to be a true rival to Russian dominance in a number of markets in Europe is Iran. And now because of the conflict between Iran and the West, Iran is in a box.

It really helps us understand Russia's kind of policy on Iran. Sometimes it is with us, sometimes it is against us on the sanctions, because basically what Iran's interest is that Iran—Russia's

interest on Iran is that there is no war, no peace; no resolution of the conflict, no ending of the nuclear Iranian nuclear; on the other hand, no full-scale war, because it is in Russia's interest that the Iran volumes are locked up in Iran and don't reach outside markets and compete with Russia.

We saw this even—for instance, Iran opened the pipeline to Armenia to supply gas. Gazprom bought up this pipeline, even though what does it matter to the—a pipeline between Iran and Armenia, Armenia is not a large market, just to make sure the Iranian gas doesn't transit through Armenia and end up in European markets.

Mr. COHEN. Let me add about Iran. I have been watching Iranian oil and gas industry for a long time. With this regime, because this is a highly ideological regime that does not allow private property of natural resources, doesn't allow Western investment, that creates such an oppressive atmosphere inside the country that a lot of Iranian engineers, scientists, doctors leave the country. This regime is not really capable to be a good steward of Iranian natural resources in a way like Saddam Hussein was not a good steward of the Iraqi natural resources.

What we are facing in terms of the economic and developmental interests of the West, of the newly industrialized countries of Asia, and from the point of view of the Iranian people themselves is a recognition that is often lacking that this particular ideological Islamist dictatorship, Shia militant dictatorship, is working against best interests of their own people as well as against the economic interests of potential buyers of Iranian natural resources. They don't negotiate well. They don't have the legal base to allow Western investment. And, yes, they are under sanctions and will be, God willing, until such time as they reverse their nuclear military program.

Mr. BURTON. Thank you, Jean, Mrs. Schmidt.

Let me just end up by saying I want to thank my colleague, my buddy here for about 20 years, for being such a good friend.

And I want to thank you once again for being such a great panel. I really, really appreciate it.

The one thing I hope—and I know we have C–SPAN here, and I hope this is transmitted to our State Department—it sounds to me like where Azerbaijan is concerned, where the Persian Gulf is concerned, and Bahrain, as well as the other Persian Gulf countries, as well as the entire region, Turkey and everything else, it is extremely important that our State Department doesn't drop the ball. They need to be extremely involved right now, and I hope the administration realizes.

One of the things that I am concerned about—and my colleague and I have some differing opinions on some of these things. One of the things I am concerned about right now is we are so concerned about the financial cliff that we are losing sight of something that may be of greater importance in the next 5 or 10 years, and that is if everything goes awry in the Middle East, we could be shutting off some of our lights here because of a war that would get out of hand. So our State Department and people like you need to be listened to. We need to be involved. And I want to thank you once again for being here.

And I want to thank our friends from Azerbaijan and Bahrain and others who are here today for attending.

And with that, we stand adjourned.

[Whereupon, at 3:35 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Subcommittee on Europe and Eurasia
Dan Burton (R-IN), Chairman

December 5, 2012

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs' Subcommittee on Europe and Eurasia, to be held in **Room 2172 Rayburn House Office Building (and available live on the Committee website at http://www.hcfa.house.gov):**

DATE: Wednesday, December 5, 2012

TIME: 2:00 p.m.

SUBJECT: Iranian Influence in the South Caucasus and the Surrounding Region

WITNESSES: Ariel Cohen, Ph.D.
Senior Research Fellow
The Kathryn and Shelby Cullom Davis Institute for International Studies
The Heritage Foundation

Michael Rubin, Ph.D.
Resident Scholar
American Enterprise Institute

Brenda Shaffer, Ph.D.
Senior Lecturer
University of Haifa

Mr. Alex Vatanka
Adjunct Scholar
Middle East Institute

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Europe and Eurasia* HEARING

Day *Wednesday* **Date** *December 5, 2012* **Room** *2172*

Starting Time *2:08pm* **Ending Time** *3:35*

Recesses [ ] (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___)

Presiding Member(s)

Dan Burton, Gregory Meeks, Eliot Engel, Dana Rohrabacher, Jean Schmidt, Elton Gallegly

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [ ]
Stenographic Record [✓]

TITLE OF HEARING:

Iranian Influence in the South Caucasus and the Surrounding Region

SUBCOMMITTEE MEMBERS PRESENT:

Dan Burton, Gregory Meeks, Elton Gallegly, Eliot Engel, Jean Schmidt

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

Dana Rohrabacher

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Chairman Burton's Opening Remarks
Witness Statement of Brenda Shaffer, Ph.D., Senior Lecturer, University of Haifa
Witness Statement of Ariel Cohen, Ph.D., Senior Research Fellow, The Kathryn and Shelby Cullom Davis Institute, The Heritage Foundation
Witness Statement of Michael Rubin, Ph.D., Resident Scholar, American Enterprise Institute
Witness Statement of Alex Vatanka, Adjunct Scholar, Middle East Institute
Written Testomony for the Record by Emanuele Ottolenghi, Senior Fellow, Foundation for Defense of Democracies

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:35pm*

JBH
Subcommittee Staff Director