The time is running out for the Conference to be held in Helsinki on establishing a zone in the Middle East free of weapons of mass destruction and their delivery vehicles. This gathering was envisaged by the international community in May 2010 in the context of the Review Conference on the Nuclear Non-Proliferation Treaty (NPT). The main reason for the postpone-ment are regional differences on security and arms control matters between the Arab countries, led by Egypt, and Israel, the only regional nuclear weapons state which is not party to the NPT. Nevertheless between October 2013 and September 2014 five informal multilateral meetings were held in the two Swiss cities of Glion and Geneva. Invited by Finnish Facilitator, Ambassador Jaakko Laajava, many key states of the region participated in those meetings. Iran only participated in the first gathering. One concern expressed in Tehran was that the pre-Helsinki meetings could be advertised as ‘mission accomplished’ and as a substitute for the actual Conference. At the same time Iranian officials emphasized that they would attend the Helsinki Conference once it was agreed upon.

Iran’s Foreign Policy, the Helsinki Conference, and the Arab Spring

Iran is a key factor when it comes to the prospects of establishing a New Helsinki Process. This has not only to do with the country's general importance in the entire Middle East/Gulf, but also with respect to its nuclear ambitions which are the focus of the ongoing talks between the Islamic Republic and the E3+3 (or P5+1 talks, i.e. the five permanent member states of the UN Security Council plus Germany). If both sides succeed in concluding a Comprehensive Nuclear Agreement by July 1, 2015, this would be an extremely important step in facilitating such a regional dialogue process. Of course, Israel and the Gulf states would also need to agree to the substance of such an accord whose major aim is to make sure in a verifiable way that Iran’s controversial nuclear activities can be assessed and trusted as peaceful. These countries have expressed fears that Tehran's nuclear capacity would make its foreign policy more assertive and interventionist. Thus, the nuclear aspirations of Iran, which is “sometimes described as the ‘Hegemon of the Gulf’” (Anthony Cordesman), are linked to its status in the region and its domestic and foreign policy profiles.

Against this backdrop, this issue builds on our framework presented in the previous POLICY BRIEF (No. 42) which conceptualized three Middle Eastern powers with regional ambitions as (self-)perceived hegemons – Iran, Saudi Arabia, and Qatar (see POLICY BRIEFS No. 44 and 45, respectively). This focus allows us to analyze major features of the region. Inspired by the analytical tools developed within the notion of hegemony, we examine the continuity and changes of these three actors’ status and foreign policies in the following respects:

- The patterns of regional conflict and their associated alliances which are driven especially by the competition between Tehran and Riyadh;
- The domestic contexts, i.e. the power structures and constellations; the economic and socio-demographic sources of the respective foreign policies; and the attempts to legitimize ambitious foreign policies in the context of a foreign policy culture shaped, in particular, by: a) the identity (self-conception, self-under-standing) of the three actors, i.e. their

Abstract

Based on the ‘Middle East Regional Hegemony Approach’ outlined in POLICY BRIEF No. 42, this issue examines the Islamic Republic of Iran as a perceived ‘Hegemon of the Gulf’. Derived from its rich civilization history, Iran upholds a traditional claim for regional supremacy. In the domestic realm, however, the Islamic Republic is confronted with economic, political, social, and demographic challenges of a magnitude that can potentially undercut its ambitions and the paramount goal of the ruling elite: regime stability.

Tehran’s domestic and foreign policy goals are underlined by two features: its active regional interventionism and the nuclear negotiations with the E3+3. While the Arab Peninsula is not of primary Iranian interest, stable influence in the Levant and a remarkable impact on Iraqi politics are the result of employing a broad scope of foreign policy tools and intensified ties with state and non-state actors. The nuclear talks provide the potential for a Comprehensive Nuclear Agreement, which will protect central elements of Iran’s nuclear activities and remove nuclear-related sanctions. Therefore, we argue that Tehran’s regime security would best be served by a less assertive foreign policy and a strong determination to close the nuclear file. Common regional interests cry out for an interest-based strategy of cooperation between Iran, its regional neighbors, and the international community. This could have positive repercussions on the Helsinki Conference on a WMD/DVs Free Zone in the Middle East.

This POLICY BRIEF builds on the contributions of two Academic Peace Orchestra Middle East workshops held in Vienna on September 8-10, 2012, and in Istanbul on May 27-29, 2013, with participants from China, Egypt, France, Germany, Hungary, Iran, Israel, Lebanon, Russia, Saudi Arabia, Turkey, the United Kingdom, the United States, and Yemen. The Working Groups on the Arab Spring have been generously funded by the Friedrich Ebert Stiftung.

Lars Berger, Bernd W. Kubbig, and Erzsébet N. Rózsa in Cooperation with Gülden Ayman, Meir Javendanfar, and Irina Zvyagelskaya

An Assertive and Besieged ‘Hegemon of the Gulf’
The Islamic Republic of Iran at a Critical Juncture

ACADEMIC PEACE ORCHESTRA MIDDLE EAST
POLICY BRIEF
FOR THE MIDDLE EAST CONFERENCE ON A WMD/DVs FREE ZONE
NO. 43 • DECEMBER 2014
motives/interests, basic principles, and objectives; and b) the scope of and preference for their foreign policy instruments; and
• assessing the results of the foreign policy implementation in terms of successes and failures of the three regional actors.

The research design outlined in Policy Brief No. 42 will now be applied specifically to Iran in this issue: our hegemony-related framework is aimed at understanding the context, motivations and results of the attempts of Iran (but also those of Saudi Arabia and Qatar) to align their internal interest in securing regime survival with the foreign policy goals in consolidating or expanding their mutually contested spheres of influence (we regard this term as more appropriate than the notion ‘power shift’). Our bottom line is: the status of all three relevant states as ‘true hegemons’ is in severe doubt and their policies of seeking regime survival through their quest for regional primacy/supremacy are suboptimal. Therefore, Iran, Saudi Arabia, and Qatar may come to realize, also with respect to the envisaged Helsinki Conference, that less competitive and less risky ways of maintaining and protecting regime security exist in the form of cooperative engagement.

The Domestic Setting: Escalating Challenges to Regime Survival

In contrast to booming Qatar and the manageable economic problems which Saudi Arabia is facing, the Islamic Republic of Iran is confronted with economic and financial challenges of a magnitude that can potentially undercut the paramount domestic goal of the ruling elite in Tehran: in maintaining regime stability. The structural deficits of the Iranian economy – bluntly displayed by Hassan Rouhani in the election campaign and as elected President – have been exacerbated by the densely knit “spider web” of international sanctions that Iran has to cope with. We have to leave it open whether externally imposed financial and economic constraints or the mismanagement of the former governments, especially that of Rouhani’s predecessor Mahmoud Ahmadinejad, have contributed more to the current miserable economic situation. Supreme Leader Ayatollah Ali Khamenei allowed Rouhani to run as a presidential candidate, win the election, and commence the nuclear talks with the E3+3 with the aim of easing sanctions. President Rouhani admitted at the time, “if sanctions are lifted or not lifted, we can naturally see its impact on the economy.”

Irrespective of whether or not all economic challenges are truly linked to the comprehensive sanctions regime, it became increasingly obvious that the Iranian economy was reaching a crisis point which required bold government action:

• Worsened overall economic situation: President Rouhani admitted that his government had inherited “serious economic problems”: in March 2013 the economic growth rate stood at minus 5.8 percent with inflation running at 43 percent. In addition, a budget deficit of approximately 40 percent was expected for the 2013/2014 budget year ending in March 2014. The Rouhani government has pointed out its successes such as reducing annual inflation to some 25 per cent and halting the decline of the Rial. Yet the roughly 20 per cent drop in oil prices to some $80 per barrel has caused deep concerns, since Iran needs an estimated oil price of some $140 per barrel to balance its budget.

• Reduction of oil exports: This regards 50 percent from some 2.5 million barrels in 2011 to about 1.25 million barrels by mid-2013. Out of 42 foreign firms, 27 had withdrawn from the energy sector in Iran by September 2012. The remaining companies have considerably reduced their commitment. This led to a 40 percent decrease of oil exports and a 45 percent reduction in repatriated revenue from oil which together with gas provides some 20 percent of Iran’s gross domestic product, 80 percent of its exports and 60-70 percent of the entire government income.

• Obsolescent infrastructure, production, and transportation of oil and gas: The aging extraction facilities and the transportation network hamper economic growth and urgently need to be modernized. This can only be done with foreign investment of an estimated magnitude of $300 billion over the next decade. Also, although the development of Iran’s off-shore South Pars gas field is very high on Tehran’s economic agenda, it has not developed the capability of exporting liquefied natural gas, because the technology needed is patented by American companies which...
are constrained by the especially tight “spider web” of U.S.-led sanctions. To be sure, Iran has the world’s second largest natural gas reserve and fourth largest oil reserve. But these major parameters can be quite misleading in view of the increasing gap between the availability of those resources on the one hand and the decaying capacity to utilize them on the other.1

It remains to be seen whether a deal between the E3+3 and Iran on the nuclear issues can be reached by July 1, 2015, which would freeze some of Iran’s nuclear activities in exchange for relieving nuclear-related sanctions. Such an outcome could gradually end the isolation of the Islamic Republic in exchange for viable guarantees that its nuclear program is peaceful. To what extent this can produce a significant improvement in Iran’s general economic performance, as long as structural weaknesses such as mismanagement and corruption remain untouched, needs to be seen. In any case, the “spider web” of international sanctions appears to have helped bring about a more constructive policy by President Rouhani and his government, while there are also first signs of good will in their external policies towards most of its Arab neighbors.

### Political, Social, and Demographic Instabilities

Compared to the autocratic systems of Saudi Arabia and Qatar which are ruled by families with largely undisputed leaders, the Islamic Republic of Iran is a hybrid political system in which autocratic features are mixed with (albeit constrained) democratic ones. This finds expression in a number of institutions, among them the president and the parliament, the malijs, which have a certain say in the security sector. The rivalries and political in-fighting within the heterogenous elite is a major characteristic of the political system in Iran. On the one side of the ideological divide stand the reformists and centrists (“pragmatic camp”) of which President Rouhani serves as the most recent prominent representative. On the other side of the political spectrum are the principlists or fundamentalists. These groups constitute the regime, which is headed by the unelected Supreme Leader and closely supported by other non-elected bodies such as the Islamic Revolutionary Guard Corps (IRGC). The IRGC together with Iran’s 16 intelligence agencies, which report directly to the Supreme Leader, are regarded as the most powerful organizations responsible for the protection and survival of the regime. One also has to include other non-elected bodies such as the judiciary, the Guardian Council, and the Assembly of Experts as regime stabilizers.

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It seems that from the perspective of the elite the gravest threat to regime survival can emerge from the further tightening of sanctions leading to unrest in the population and less from attacks on its nuclear and missile-related facilities which may in fact result in a rally-around-the-flag effect. Again, a sustainable nuclear agreement can remove those fears; the conciliatory tone of President Rouhani and the temporary Geneva deal, reached in November 2013, have already reduced the possibility of such a military strike to a considerable extent. The regime – under the ultimate command of the Supreme Leader Khamenei – demonstrated in the era of former President Ahmadinejad that it is prepared and capable of brutally crushing opposition groups such as the reformist Green Movement in 2009 and punish activists by detaining them and by keeping leaders under house arrest.

At the same time the 2009 protests showed that the population as such is not a secure base for a power like Iran with regional ambitions. For the Iranian elite, the major challenge potentially lies within its own population, including its youth. With more than 60 percent of the country’s 73 million people younger than 30 years old, Iranian youth represent the largest segment of the population. After the 2009 presidential elections, Iranian young people, who are among the most active in the Muslim world, constituted the biggest bloc involved in the first sustained people power movement in the entire Middle East/Gulf for democratic change. Although the Tehran government regained control through its brutal oppression, the political demands of the youth have remained unchanged. With its explicit pro-Western orientation, this population bloc, constituting almost 40 percent of the electorate, probably remains the greatest threat to the current political system. As long as the Tehran government fails to reduce the unemployment rate which is especially high among this segment of the Iranian population, it remains vulnerable; at the same time a considerable segment of the Iranian youth is ‘co-opted’ by the regime, which provides free education and career possibilities to them.

**Derived from its long history and its geography, Iran – one of the largest (in seize and population) and oldest countries in the Middle East – “sees itself as uniquely qualified to determine, at the very least, the destiny of the Gulf subregion. Furthermore, it sees itself as one of only a handful of ‘natural’ states in the Middle East, which by virtue of being an old and territorially established civilization [...] can and should have influence beyond its borders.”**

In fact, in accordance with our assumption of maintaining regime security as the paramount objective, the ruling elite in the Islamic Republic of Iran has so far pursued a strategy of keeping the winds of change outside of its territory. Initially, the Arab Spring led the Iranian elite to state (with much satisfaction) that it was the Islamic Revolution of 1979 which had inspired what leading Iranian representatives called the ‘Islamic Awakening’ – when in fact the Iranian opposition/Green Movement and their crushed post-election demonstrations in 2009 constituted the main inspiration. Still, there was much discussion on the various pathways the Arab states in transition could follow, yet it was clear from the beginning that Iran with its system based on the velayat-e faqih, or the ‘rule of the jurisprudent’, was not regarded as a role model. This was especially true in the homogenous Sunni Muslim societies of North Africa – Tunisia, Libya, and Egypt – where Iran’s Shia identity, in spite of its claim of being an ‘Islamic’ as opposed to a

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**Iran’s Foreign Policy Culture/Identity – (I) Motives/Interests, Basic Principles, and Objectives**

Iran’s “drive toward regional supremacy” has been a feature of the foreign policies pursued by both the regimes of the Shah and the Ayatollahs. Derived from its long history and its geography, Iran – one of the largest (in seize and population) and oldest countries in the Middle East – “sees itself as uniquely qualified to determine, at the very least, the destiny of the Gulf subregion. Furthermore, it sees itself as one of only a handful of ‘natural’ states in the Middle East, which by virtue of being an old and territorially established civilization [...] can and should have influence beyond its borders.”

While the 1979 revolution added a layer of missionary zeal and anti-imperialist commitments, Iranian foreign policy has always been shaped by a strong Persian/Iranian nationalist undercurrent. Also, establishing spheres of influence is often regarded by the Iranian ruling elite as a kind of ‘forward defense’ and an attempt to break the country’s encirclement by hostile powers. ‘Victimhood’ and ‘fear of occupation’ are also part of Iranian identity; they are often activated by the ruling elite to legitimize its security policies. Our approach allows us to reduce the complexities associated with Iran’s foreign policy culture by focusing, first, on the overarching interest in regime security and the associated quest for regional primacy (especially in the context of the rivalry with Saudi Arabia); and second, by relating the elements of foreign policy identity to the interests of major segments within the Iranian elites which formulate and implement Tehran’s foreign and nuclear policy.

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‘Shia’ republic, prevented it to be considered a model at all.

In a very simplified way, the aforementioned two main segments within the Iranian political elite differ not only in their domestic, but also in their international outlook. The reformists and centrists are internationalists who attach relevance to Iran’s wealth and global standing, and to the well-being of the average citizen. In contrast, the principlists or fundamentalists, including the revolutionaries, are committed to enforcing Islamic rule, contributing to a successful struggle of the Muslim world against the values of the Western world incarnated in the ‘Great Satan’ United States and the ‘Small Satan’ Israel. Saudi Arabia enters the scene not only in its own right as the major regional rival, but also as the official and at times tacit ally of the United States and Israel, respectively. So far this Iran-led opposing camp can claim to have developed to a certain degree a powerful regional appeal. It “contributes to Iranian power because it is a useful tool to pressure pro-US Arab states, constraining their margin of manoeuvre.” But this does not mean that this anti-Western attitude especially among Shia Arabs automatically translates into accepting the Iranian political system of the guardianship of Islamist jurists (velayat-e faqih).

**Iran’s Foreign Policy Culture/Identity (II) – The ‘Tool Box’ with Old Elements and New Priorities**

For Iran, the dramatic developments, which began unfolding in early 2011, have provided new opportunities and challenges for regime security and the related quest for regional supremacy. Especially in the Levant, the Arab Spring has considerably increased the opportunities for politicizing the sectarian Sunni-Shia cleavage as a means of expanding strategic spheres of influence. This translates into Tehran’s active interventionism. Nevertheless, the traditional presence of the United States remains an additional factor driving Tehran’s foreign policy in general and its military strategies in particular. In this respect, the nuclear Interim Agreement between Iran and the E3+3 with the United States as Tehran’s most powerful counterpart and protector of both Israel and the Gulf states is most relevant. This accord, which opened a new chapter in the negotiations after ten years of stalemate, should be seen in the context of Iran’s overall military efforts. It has the potential of impacting positively in the short-term of the New Helsinki Process and in the mid- and long-term on the entire regional security architecture.

**1) Tehran’s Active Interventionism as the First Element of Its New Security-related Profile**

In order to pursue its regional security interests and to consolidate and expand its sphere of interests, the strategy of the Islamic Republic prior to and during the Arab Spring has been characterized by the following features:

- Tehran employed *a broad scope of foreign policy tools from soft to hard power instruments* (diplomatic, financial/economic, sociocultural, and military) characteristic of a ‘true hegemon’ – despite severe economic problems. This included energy (connecting neighboring countries into its electrical and hydrocarbon networks) and finance/trade. Tehran’s investment in the region was higher than its trade activities, although it can “rarely” be regarded as the “most important foreign investor in any regional state.”

In addition, Tehran’s military support in terms of supplying not only weapons, but also experience and expertise through training and advisers (such as for Hezbollah) “has remained very strong” and – indicating a clear trend with respect to Iran’s active interventionism – has even increased due to the opportunities and challenges associated with its engagement in the Syrian Civil War.

- Tehran maintained, and even intensified, *its ties in turmoil situations with state- and non-state actors* in Lebanon, Syria, and Iraq, and probably less so, if at all, in Bahrain and Yemen. The so far relatively stable alliance, the ‘front of the Resistance’, has consisted of the Hezbollah in Lebanon, the Bashar al-Assad regime in Syria, Palestinian Islamic Jihad, various Shia militias, and the government of former Iraqi Prime Minister Nuri al-Maliki; it remains to be seen how the relations between the Tehran leadership and the successor government of Haider al-Abadi who took office on September 8, 2014, develop in Iraq. The stability of military-to-military contacts during the dramatic developments of the Arab Spring is credited to the remarkable continuity of the leading person in charge of

>>Especially in the Levant, the Arab Spring has considerably increased the opportunities for politicizing the sectarian Sunni-Shia cleavage as a means of expanding strategic spheres of influence. This translates into Tehran’s active interventionism.<<
Can Tehran define its security without Hezbollah and its pragmatic ally in Damascus? President Hassan Rouhani seemed to signal flexibility emphasizing the wish of the Syrian people for elections.

**Tehran’s Uncertain Influence on the Arab Peninsula**

In Bahrain and Yemen the success of Iranian policy is difficult to assess, since it is somewhat controversial whether the Islamic Republic has been meddling in the internal affairs of Bahrain by supporting the Shia protests against the Sunni rulers. The same applies to Yemen where Iran has long been accused of supporting the Houthi rebellion, military means included. Nevertheless, both countries are part of the Saudi-Iranian rivalry (see also POLICY BRIEF No. 44 on Saudi Arabia). King Hamad in Manama and then-President Ali Saleh in Sanaa justified the violent crackdown of protests in Bahrain and the Yemeni government’s military engagement against the Houthis with Iran’s apparent involvement. King Hamad stated in April 2011 that “the legitimate demands of the opposition were hijacked by extremist elements with ties to foreign governments in the region.”

In any event the Arab Peninsula does not rank that high on Tehran’s agenda as it does for Saudi Arabia. Also, the fate of the following countries dealt with below is considered to be much more important for Iran’s own regime survival and its assertive foreign policy in consolidating and expanding its sphere of influence.

**Iran’s Stable Influence in the Levant**

The early Arab Spring appeared to herald the end of Iranian ascendancy in that part of the Arab world. “Over the last decade, by cleverly using various levers of influence, Iran saw its standing rise in the Middle East. By tapping into popular grievances, supporting Hezbollah’s ascendancy, reaching out to Hamas and maintaining close ties to Syria, the Islamic Republic is a key player in the Levant. […] At the same time, one should not overestimate Iranian influence.”

But now Tehran’s only hybrid ally Hezbollah seemed to be out of step with the democratic and inward-looking enthusiasm of the protests engulfing many Arab capitals. In Syria, Tehran’s only government ally was in danger of succumbing to domestic unrest. Yet, at the time of this writing, Tehran has not lost influence in the Levant, but it could be argued to have further expanded its ability to shape developments on the ground: for Assad’s continued hold of power the decisive help of Hezbollah was crucial.

Assad’s regime benefited in particular from the Obama administration’s initial reluctance to get involved in another military conflict in the region. This found expression in Obama’s hesitation in ordering a military strike in response to the repeated and escalating use of chemical weapons against civilians by Syrian troops. President Obama’s embrace of a new and focused bilateralism with Moscow on regional issues allowed the U.S. administration and the Russian regime to claim on the one hand diplomatic victory in the form of Syria’s joining the Chemical Weapons Convention. On the other hand both Moscow and Washington had Damascus initiate the process of destroying the country’s chemical weapons stockpile – an issue most pertinent to the Helsinki Conference. Nevertheless, there is “compelling confirmation” that chlorine gas was used “systematically and repeatedly” as a weapon in villages in northern Syria earlier this year and there was a spate of new allegations on the use of chlorine gas in August 2014. To be sure, the basic differences between the American and Russian approach to the Syrian conflict are evident. While the U.S. insists on the lack of legitimacy of Assad and demands his stepping down, Russia emphasizes Assad’s positive role in fighting the Islamic State of Iraq and al-Sham (ISIS).

Hezbollah’s involvement in the Syrian Civil War is at least in part due to its anti-Israel alliance with the Syrian regime and the Islamic Republic. But the Party of God is not Tehran’s proxy anymore, it has evolved into a partner with its own interests and agenda, at least in part: the militia has sought to justify the intervention in the Syrian Civil War by pointing to the Lebanese Shia living in the border areas under permanent threat from extremist Sunni rebels in the neighboring country, but Hezbollah’s involvement in Syria is obviously driven also by the self-serving interest in maintaining the trusted supply-line of weapons via Damascus.

Given its partner status, the question arises whether Hezbollah can be trusted to contribute to Tehran’s regime security, i.e. by going beyond its role as an extended deterrent and attack Israel for instance in retaliation for Israeli attempts to destroy Iranian nuclear facilities. Can Tehran define its security without Hezbollah and its pragmatic ally in Damascus? President Hassan
Rouhani seemed to signal flexibility emphasizing the wish of the Syrian people for elections. Here the Iranian president is indicating that the fate of Assad in Damascus will not impact on regime stability in Tehran. Nevertheless, it remains to be seen whether especially the United States as the most important western power will need Iran to discuss “discreetly and frankly […] possible power-sharing scenarios with Iran – including those under which Mr. Assad might stay in office for some finite period.”

**Tehran’s Remarkable Influence on Iraqi Politics**

Iran’s influence in Iraq has increased steadily since the fall of the regime of Saddam Hussein, benefiting from U.S. policy mistakes and eventual withdrawal. “Iran has always been heavily involved in Iraq as neighbor, key trading partner, and perennial potential threat.” Tehran’s efforts on behalf of the increasingly authoritarian government of Nuri al-Maliki have heightened tensions between the country’s Sunni and Shia communities – and so had the de-Ba’athification process in post-2003 Iraq. As in other parts of the region, those tensions allow extremist movements such as al-Qaeda and the Islamic State of Iraq and al-Sham to flourish. But as one Iranian scholar has pointed out, these developments cannot be in the interest of Iran which rests on “an independent, unified, and democratic Shia-led Iraq” that is able to “maintain consensus among Shia, Sunni, and Kurdish factions”.

In any event, the ongoing instability in Iraq demonstrates that withdrawal of the United States from (parts of) the region does not necessarily translate into Iranian success, as the recent emergence of ISIS shows.

The United States started in August 2014 to intervene militarily, initially on a unilateral basis with airstrikes, but since mid-September Washington has also been the leader of a broad anti-ISIS coalition, which Iran decided not to join mainly because the Assad regime in Syria was excluded. Tehran has shown interest in militarily cooperating with Washington to fight ISIS, but the Obama administration seemed to be concerned that even the appearance of working with the Islamic Republic would signal to the Gulf states that the U.S. would allow Iran to become even more influential as a result of the Iraqi crisis. Nevertheless, Tehran responded militarily by sending at least three battalions of its Quds Forces, the elite overseas branch of the Revolutionary Guards, to aid in the battle against ISIS, whose rapid territorial gains seemed to have caught Iranian officials by surprise. The fact that the Commander of the Quds Forces, Major General Qassem Suleimani, travelled in June 2014 to Baghdad to help manage the growing crisis, shows the paramount importance of Iraq for Iran. The Iranian elite became nervous when the city of Mosul fell to ISIS in June 2014. It remains to be seen how the relations between the two countries develop under the new Iraqi Prime Minister al-Abadi; he was, however, the choice of the Obama administration and not that of the regime in Tehran, thus indicating a loss of influence in this important respect.

The expectation of pragmatic and focused, interest-based cooperation between the U.S. and Iran as well as between Tehran and Riyadh to counter the common threat in the form of ISIS did not become reality; however, coordination between American and Iranian military activities have been reported. At the same time, the Supreme Leader has repeatedly warned the United States of any form of intervention in Iraq. At the time of this writing it is not clear whether these developments have had any impact on the nuclear negotiations between the E3+3 and Iran.

2) The Nuclear Interim Agreement of November 24, 2013 as the Second Element of the New Security-related Profile

Tehran’s military doctrine as well as its existent, developing, and planned capabilities and activities are in the first place targeted against the United States with its strong presence in the region – this is in stark contrast to Saudi Arabia, Iran’s major regional rival, and Qatar, which have to base their security ultimately on the United States. As perceived by the U.S. Department of Defense, “Iran’s grand strategy remains challenging U.S. influence while developing its domestic capabilities to become the dominant power in the Middle East.” The United States is across the board and by all standards superior to the forces of Iran whose military doctrine and programs are primarily defensive and aim at deterring adversaries from invading the country (which is even acknowledged in the Pentagon’s assessment). Therefore, Tehran’s conventional army, navy, and air force are seen as strong enough to create major problems for any invasion of Iranian territory. They are not designed (not to mention capable) to win
any non-nuclear weapon state party to the NPT.”

Following successful implementation of the final step of the comprehensive solution for its full duration, the Iranian nuclear programme will be treated in the same manner as that of any non-nuclear weapon state party to the NPT.”

The final step of a comprehensive solution, which the parties aim to conclude negotiating and commence implementing no more than one year after the adoption of this document, would:

• Have a specified long-term duration to be agreed upon.
• Reflect the rights and obligations of parties to the NPT and IAEA Safeguards Agreements.
• Comprehensively lift UN Security Council, multilateral and national nuclear-related sanctions, including steps on access in areas of trade, technology, finance, and energy, on a schedule to be agreed upon.
• Involve a mutually defined enrichment programme with mutually agreed parameters consistent with practical needs, with agreed limits on scope and level of enrichment activities, capacity, where it is carried out, and stocks of enriched uranium, for a period to be agreed upon.
• Fully resolve concerns related to the reactor at Arak, designated by the IAEA as the IR-40. No reprocessing or construction of a facility capable of reprocessing.
• Fully implement the agreed transparency measures and enhanced monitoring. Ratify and implement the Additional Protocol, consistent with the respective roles of the President and the Majlis (Iranian parliament).
• Include international civil nuclear cooperation, including among others, on acquiring modern light water power and research reactors and associated equipment, and the supply of modern nuclear fuel as well as agreed R&D practices.

Of special relevance are of course Iran’s nuclear activities. All Iranian governments have insisted on their “inalienable right” (Art. IV of the NPT) to pursue their activities for strictly peaceful purposes. Nevertheless, there is clear skepticism within the international community, expressed in a most distinctive way in the November 2011 report by the International Atomic Energy Agency (IAEA). According to this report the Agency “is unable [...] to conclude that all nuclear material in Iran is in peaceful activities.” In addition, the IAEA concluded with regard to a possible military dimension of the program that “Iran has carried out activities relevant to the development of a nuclear explosive device [...] under a structured programme and that some activities may still be ongoing.” This statement reflects suspicions that Iranian governments have been seeking the status of a nuclear weapon state or at least the status of a near or virtual nuclear country with partial capability of ‘weaponization’, i.e. of manufacturing nuclear warheads on its ballistic missiles. The specific points of concern, expressed by the Pentagon of the Obama administration based on the November 2011 IAEA report, were dealt with in the nuclear Interim Agreement.

As part of the Joint Plan of Action agreed upon in Geneva, the Iranian side agreed
• to stop enriching uranium above five percent – a level usually considered as insufficient for producing weapons-grade material;
• to refrain from installing new centrifuges, operating those idle prior to the
Interim Agreement, and building new enrichment plants;
• to dilute its stockpile of uranium enriched to 20 percent or convert it into oxide so that it is not usable for making nuclear bombs;
• not to produce fuel for the Arak heavy water plant which could generate plutonium as another path to a bomb, not to install additional reactor components there or put the plant into operation;
• to refrain from reprocessing spent fuel to extract plutonium and built reprocessing plants; and
• to let IAEA inspectors monitor the Natanz enrichment facility and the Fordo underground plant on a daily basis in order to guard against cheating, and provide managed access to centri-fuge assembly plants, rotor production workshops as well as uranium mines and mills.

On the E3+3 side the United States agreed to provide the Islamic Republic $6 billion in sanctions relief of which $4.2 billion would be in oil revenues frozen in foreign banks (this specific relief can be accomplished by an executive order without consulting the U.S. Congress).

In an agreement concluded between Iran and the IAEA on November 11, 2013 after the first round of productive talks in Geneva between Tehran and the E3+3, the Islamic Republic agreed to offer ‘managed access’ to the Gachin mine in Bandar Abbas, and to the heavy water production plant near Arak, but not to the nuclear reactor under construction there. In addition, Tehran committed itself to providing information on all new research reactors and on identifying 16 sites designated for the construction of nuclear power facilities. The agreement also enjoined Iran to clarify its position on additional enrichment facilities and on laser enrichment technology.22

An Assessment of the Nuclear Interim Agreement and the Possibility for Closing the Nuclear File

This Geneva accord, the implementation of which began on January 21, 2014 was accompanied both in the U.S. Congress and in the Iranian majlis by efforts to raise the stakes, i.e. by introducing a new set of sanctions and by signing a bill accelerating the nuclear program, respectively, if Congress adopts new legislation. These activities in both parliaments indicate that the Geneva Nuclear Interim Accord faces opposition by non-compromising factions in both countries; the bill in Iran had been signed in late December by two-thirds of the majlis.

Nevertheless, the negotiations with the E3+3 and with the IAEA went on – and can be regarded as a milestone, although the deadline of July 20, 2014 could not be met. Yet the parties agreed on November 24, 2014, to extend the negotiations a second time until July 1, 2015. This accord would include lifting all nuclear-related sanctions, allowing Tehran to retain a limited uranium enrichment program (which would be strictly monitored by the IAEA), and providing the prospects of cooperation between the E3+3 and Iran in the civilian nuclear area.

“There is no question that considerable progress was made” on crucial issues, among them an understanding about how Iran’s soon-to-be-finished heavy-water reactor near Arak would be modified to reduce its output of plutonium; there was also discussion about turning the Fordo underground plant near the holy city of Qum into a research and development facility.24 But the parties could not agree especially on the scope and technological infrastructure of Iran’s uranium enrichment activities.25 Probably due to negotiation tactics, both sides increased their demands towards the end of the last round of talks. The E3+3 insisted that Tehran drastically reduce its current enrichment capacity of 10,200 operating first generation centrifuges. By contrast, the Iranian negotiators were pushing for enrichment activities of industrial scale.

The approaches of both sides have remained different especially in this respect: while Iran stresses its (future) civilian needs, Tehran’s six counterparts emphasize security-related arguments, especially the breakout time for Iran to produce a nuclear weapon. Theoretically, the number of centrifuges mentioned above would allow Tehran to manufacture a double-size Hiroshima nuclear bomb in about two to three months – from the E3+3’s point of view this time span is to be extended as long as possible. The breakout capability depends on a number of additional factors, among them the size of Iran’s inventory of nuclear fuel, the frequency and intrusiveness of IAEA inspections, and the ability to detect secret facilities. The unproductive zero option for enrichment is no longer on the table (thus Iran’s insistence on its “inalienable right” to

»Reaching a Comprehensive Nuclear Agreement has the potential of altering the Iranian-American relationship, the role of the United States in the Middle East/Gulf and of re-shaping the entire political landscape of the region – provided that it overcome the enormous obstacles, not only in Saudi Arabia, but in the U.S. and in Iran (and certainly in Israel) as well: a strategy that pursues in parallel the nuclear issue and improves external relationships with its Arab neighbors might help ‘sell’ the accord [...]«
endnotes


8. Under Ahmadinejad, Iran made huge efforts beyond the region to expand its security and economic agreements particularly with members of the Nonaligned Movement in Asia and Africa. From the Pentagon perspective in Washington Iran “seeks to increase its stature by countering U.S. influence” in the region. (U.S. Department of Defense [2012] Annual Report on Military Power of Iran, Washington, D.C. [typescript], p. 2.) But since Rouhani came into office, Tehran has reduced its commitments at least in Latin America, because it does not want to annoy the United States as the most important power in the E3+3 talks.


centrifuges in ways that would take considerable time to reverse, and limits on output that could be verified by international inspectors."

Reaching a Comprehensive Nuclear Agreement has the potential of altering the Iranian-American relationship, the role of the United States in the Middle East/Gulf and of re-shaping the entire political landscape of the region – provided that it overcomes the enormous obstacles, not only in Saudi Arabia, but in the U.S. and in Iran (and certainly in Israel) as well: a strategy that pursues in parallel the nuclear issue and improves external relationships with its Arab neighbors might help ‘sell’ the accord, especially to Saudi Arabia. It would certainly help if the Rouhani government intensified its good will tours to its Arab neighbors. It remains to be seen whether this strategy meets the domestic power constellation in Iran. It could turn out that a deal sharpens the differences between the regime and the government over a number of issues, including the role of Iran as a regional hegemon. In fact, the fundamentalists might want to have an assertive regional policy in exchange for ‘concessions’ in the nuclear area.

Last but not least, a successful Comprehensive Nuclear Accord between the E3+3 and Iran as well as a related agreement between the IAEA and Tehran would be an immediate big push for the Helsinki Conference – provided that Israel’s concerns could be addressed. The accords in fact would be utterly important contributions for making a new conference process a reality, since the only nuclear weapon power in the Middle East could be less fearful and more constructive towards reaching compromise-oriented agreements not only on procedures and format, but also on substance.

**Conclusions and Recommendations**

This Policy Brief has examined the foreign policy and especially the nuclear aspirations of Iran which is “sometimes described as the ‘Hegemon of the Gulf’”. This was done in the context of the domestic challenges, its regional competition especially with Saudi Arabia and with respect to two features of its new security-related profile: its active interventionism and its negotiations with the E3+3 on nuclear issues – a Comprehensive Nuclear Agreement will protect central elements of Tehran’s nuclear

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13. Transcript of interview highlights with Hassan Rouhani, op. cit.; see also related article in Financial Times, November 30/December 1, 2013.
17. See arab news (Riyadh), September 16, 2014.
22. The term ‘managed access’ denotes the ground rules for IAEA inspections that permit host countries to provide information they consider to be proprietary or secret, such as military technology, while allowing inspectors to collect needed information.
25. The same holds true for the so-called “possible military dimensions”, i.e. “the possible existence in Iran of undisclosed nuclear related activities involving military related organizations, including activities related to the development of a nuclear payload for a missile [...]” (IAEA Board of Directors [2011], p. 7). By November 24, 2014 Iran had implemented three of the five measures as agreed upon in its deal with the IAEA in May 2014. For a critical assessment of this probably exagerated problem see Tariq Raul and Robert Kelley (2014) ‘Nuclear Verification in Iran’, Arms Control Today, 44(7): 12-13.
The most conflict-ridden areas of the world. The developed, embedded, and institutionalized in the region. At the same time, the Academic Peace Orchestra Middle East (APOME) is the follow-up project of the “Multilateral Study Group on the Establishment of a Missile Free Zone in the Middle East”. The Academic Peace Orchestra Middle East is a classical Track II initiative: it consists of some 100 experts – mainly from the Middle East/Gulf, one of the most conflict-ridden areas of the world. The ORCHESTRA is meeting regularly in working groups (CHAMBER ORCHESTRA UNITS) on specific topics in the context of a workshop cycle from 2011-2014. The main goal of this initiative is to shape the prospective Middle East Conference on the establishment of a zone free of weapons of mass destruction and their delivery vehicles agreed upon by the international community in May 2010.

Further Reading


• The Economist (2014) The revolution is over: The new Iran and the prospects for a nuclear deal, Special Report, November 1, 1-16.

Against the backdrop we strongly recommend especially to the E3+3 and Iran to reach such a Comprehensive Nuclear Agreement from which both sides will benefit if they both make concessions. If successful and adequately communicated to the vital players in the region, it can change the entire political landscape and in fact become the foundation of a more cooperative security structure in the entire Middle East/Gulf. More specifically, in view of Iran’s key role in the region and the to-be-verified concessions as part of a Comprehensive Nuclear Agreement, Tehran will be in a formidable position to also act as a central and constructive player in a New Helsinki Process. This will put Israel on the spot far more and the pressure on the sole nuclear weapon state will grow to embark on a path towards disarmament in this area.

A less assertive Iran will also improve its position in its immediate neighborhood. Since we have concluded that Iran is by our standards not a ‘true hegemon’ whose successes should not be exaggerated (the same applies to the fears of other countries in the Middle East/Gulf), its regime security would best be served by a less risky policy with stronger cooperative features at the expense of the pronounced competitive one with respect to Saudi Arabia. Beyond the Helsinki Conference the common threats such as Islamist radicalism in the region cry out for an interest-based strategy of cooperation.

We conclude that the Islamic Republic is at a fundamental juncture in terms of both its identity and its policy principles. It probably cannot be both: the besieged and, at the same time, assertive ‘Hegemon of the Gulf’ with both its regional and nuclear policies as an increasing liability – or the actor that drastically improves the economic base as the central precondition for regime survival. For Iran, with its “talent for exhausting counter-players” as the only way to “shape an order,”31 genuine hegemony is simply too costly. The Rouhani government has realized this dilemma and decided to pursue policies that imply a farewell to the “Myth of Grandeur,” from “national pride and an exaggerated perception of self importance.”32

About the Academic Peace Orchestra Middle East (APOME)
The ORCHESTRA is the follow-up project of the “Multilateral Study Group on the Establishment of a Missile Free Zone in the Middle East”. The Academic Peace Orchestra Middle East is a classical Track II initiative: it consists of some 100 experts – mainly from the Middle East/Gulf, one of the most conflict-ridden areas of the world. The ORCHESTRA is meeting regularly in working groups (CHAMBER ORCHESTRA UNITS) on specific topics in the context of a workshop cycle from 2011-2014. The main goal of this initiative is to shape the prospective Middle East Conference on the establishment of a zone free of weapons of mass destruction and their delivery vehicles agreed upon by the international community in May 2010. For this reason, these experts develop ideas, concepts, and background information in a series of POLICY BRIEFS which are the results of intense discussions within the CHAMBER ORCHESTRA UNITS. In this framework, the broader normative Cooperative Security Concept will be further developed, embedded, and institutionalized in the region. At the same time, the ORCHESTRA meetings serve as venues for confidence building among the experts. The networking activities of PRIF’s Project Group are documented by the ATLAS on Track II research activities in or about the Middle East/Gulf region.

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Layout: Anke Maria Meyer

The Academic Peace Orchestra Middle East wishes to thank its generous sponsors, the Foreign Ministry of Norway, the Swiss Federal Department of Foreign Affairs, the Friedrich Ebert Foundation, and the Protestant Church of Hesse and Nassau.