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Iran's Foreign Policy

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Summary

Iran's foreign policy is product of many (and sometimes conflicting) factors: the ideology of Iran's Islamic revolution; Iranian leadership's perception of threats to the regime and to the country; long-standing Iranian national interests; and the interaction of the Iranian regime's various factions and constituencies. Some U.S. observers believe that Iran wishes to overturn a power structure in the Middle East that Iran asserts favors the United States, Israel, and Sunni Muslim Arab regimes; such observers interpret Iran's foreign policy in this light. Others interpret Iran's foreign policy as far more practical than ideological—an attempt to protect Iran from U.S. or other efforts to invade or intimidate Iran or to change its regime. Meanwhile, Iran couches its support for Shiite and other Islamist movements as support for an “oppressed” underclass.

Iran employs a number of different tools in pursuing its foreign policy. Some Iranian policy tools are similar to those used by the United States and its allies—traditional diplomacy, the promotion of Iran's values and interests in international meetings, and supporting the election or political prospects of leaders and groups friendly toward Iran.

Other tools Tehran uses are more problematic to U.S. officials. Notably, Iran provides direct material support to armed groups operating in the Middle East and, to a lesser extent, elsewhere. Some of these armed groups oppose Arab governments with which Iran is at odds, while others have used terrorist tactics to intimidate or retaliate against Iran's regional opponents, particularly Israel. Iran also provides armed support to governments, such as those of Syria and Iraq, that are friendly toward Iran and face challenges from armed Sunni insurgent movements.

Iran's foreign policy addresses all regions of the world. However, its overwhelming focus is on the Near East region, including on U.S. operations and activities in that region. It is the Near East where all the various components of Iran's foreign policy interact. Iran's foreign policy also seems to be directed at influencing the policies and actions of big powers, such as those in Europe as well as Russia, that are active in the Near East—either as partners or antagonists of U.S. interests in that region. Much of Iran's foreign policy also appears intended to thwart or at least mitigate the effects of international sanctions imposed on Iran.

Some aspects of Iran's foreign policy might shift if the April 2, 2015, framework agreement between Iran and the United States and its partner negotiating countries to limit Iran's nuclear program is finalized. If finalized, the agreement would result in the removal of many of the international sanctions that have hobbled Iran's economy, and sanctions relief could open the way to a number of joint regional energy and transportation projects that have failed to advance. A finalized nuclear agreement could also provide Iran with additional incentive to temper its foreign policy so as not to trigger the reimposition of any international sanctions. However, some experts and officials argue that sanctions relief will provide Iran with more financial resources to fund policies and factions that most challenge the interests of the United States and its allies.

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Introduction

This report provides an overview of Iran's foreign policy, which has been a subject of numerous congressional hearings and of sanctions and other legislation for many years. The report analyzes Iranian foreign policy as a whole and by region. The regional analysis discusses those countries where Iranian policy is of U.S. concern. The report contains some specific information on Iran's relations with these countries, but refers to other CRS reports for more detail, particularly on the views of individual countries towards Iran. The report also makes reference to Iran's efforts to utilize its ties to various countries to try to mitigate the effects of U.S. sanctions. For more information on Iran sanctions and Congress' role on Iran sanctions and overall Iran policy, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

This report does not examine Iran's broader policy toward the United States, but identifies Iran's apparent perception of a threat from the United States as a constant theme that affects Iran's policy in virtually all regions of the world. Iran's perceptions of the United States are discussed in the "policy motivators" sections below. U.S.-Iran relations, including the potential for renewed diplomatic relations, are specifically addressed in CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman. That report also discusses the issues surrounding negotiations on a comprehensive nuclear agreement between Iran and the "P5+1" countries (United States, Britain, France, Russia, China, and Germany), as well as the potential for relief from international sanctions as part of such an agreement. This report does not address how a potential Iranian nuclear weapon factors into Iran's foreign policy.

Iran's Policy Motivators

Iran's foreign policy is a product of overlapping, and sometimes contradictory, motivations. In describing the tension between some of these motivations, one expert has said that Iran faces constant decisions about whether it is a "nation or a cause."¹ In other words, Iranian leaders weigh the relative imperatives of their government's revolutionary and religious ideology and the demands of Iran's interests as a country. Some of the factors that affect Iran's foreign policy actions are discussed below.

Threat Perception

Iran's leaders are apparently motivated, at least to some extent, by the perception of threat to their regime and their national interests posed by the United States and its allies.

- In spite of statements by U.S. officials that the United States does not seek regime change in Iran, Supreme Leader Ayatollah Ali Khamene'i has repeatedly stated that the United States has never accepted the Islamic revolution and seeks to overturn it through various actions (such as support for domestic opposition to

¹ Foreign Policy Association. "A Candid Discussion with Karim Sadjadpour." May 6, 2013. <http://foreignpolicyblogs.com/2013/05/06/a-candid-discussion-with-karim-sadjadpour/>.

- the regime), imposition of strict economic sanctions, or support for armed or other action by Iran's regional adversaries.²
- Iran's leaders assert that the U.S. maintenance of a large military presence in the Persian Gulf region and in other countries around Iran could reflect U.S. intention (and capability) to attack Iran if Iran pursues policies the United States finds inimical, or could cause military miscalculation that leads to conflict.³
 - Some Iranian official media have asserted that the United States not only supports Sunni Arab regimes and movements that criticize or actively oppose Iran, but that the United States has created or empowered radical Sunni Islamist extremist factions such as the Islamic State organization.⁴

Ideology

The ideology of Iran's 1979 Islamic revolution continues to shape Iran's foreign policy to some extent. Iran's revolution overthrew a secular authoritarian leader, the Shah of Iran, who the leaders of the revolution asserted had suppressed Islam and its clergy. The revolution established a clerical regime in which ultimate power was invested in a "Supreme Guide," or Supreme Leader, who combined political and religious authority.

- In the early years after the revolution, Iran attempted to "export" its revolution to nearby Muslim states, but later muted those goals when Iran's policies encountered resistance in the region.⁵
- Iran's leaders continue to assert that the political and economic structures of the Middle East are heavily weighted against "oppressed" peoples and in favor of the United States and its allies, particularly Israel. Iranian leaders generally include in their definition of the oppressed the Palestinians, who do not have a state of their own, and Shiite Muslims, who are minorities in many countries of the region and are generally underrepresented politically and disadvantaged economically.
- Iran claims that the region's politics and economics have been distorted by Western intervention and economic domination, and that this perceived domination must be brought to an end. Iranian officials typically cite the creation of Israel as a manifestation of Western intervention that, according to Iran, deprived the Palestinians of legitimate rights.

² Khamene'i: "U.S. Would Overthrow Iranian Government If It Could—Media." *Reuters*, February 8, 2014.

³ Erik Slavin. "Iran Emphasizes Nuclear Reconciliation, Criticizes U.S. Military Posture in Persian Gulf." *Stars and Stripes*, March 5, 2014. <http://www.stripes.com/news/iran-emphasizes-nuclear-reconciliation-criticizes-us-military-posture-in-persian-gulf-1.271204>.

⁴ Ramin Mostaghim. "Iranians Rally to Support Iraq; Some Blame U.S. for Sunni Insurgency." *Los Angeles Times*, June 24, 2014. <http://www.latimes.com/world/middleeast/la-fg-iran-volunteers-militants-iraq-20140624-story.html>.

⁵ Soner Cagaptay, James F. Jeffrey, and Mehdi Khalaji. "Iran Won't Give Up on Its Revolution." *New York Times*, op-ed. April 26, 2015.

National Interests

Iran's national interests also shape its foreign policy, sometimes intersecting with and complicating Iran's ideology.

- Iran's leaders claim a right to be recognized as a major power in the Persian Gulf and, to a lesser extent, in Central Asia. Iranian leaders stress Iran's well-developed civilization and independence. This is often contrasted with the histories of the six Persian Gulf monarchy states (Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Bahrain, and Oman) that make up the Gulf Cooperation Council (GCC), several of which gained independence in the early 1970s. On this point, the leaders of the Islamic Republic of Iran make many of the foreign policy assertions and undertake many of the same actions that were undertaken by the former Shah of Iran and Iranian dynasties prior to that.
- In some cases, Iran has appeared willing to temper its commitment to aid other Shiites to promote its geopolitical interests. For example, it has supported mostly Christian-inhabited Armenia, rather than Shiite-inhabited Azerbaijan, in part to thwart cross-border Azeri nationalism among Iran's large Azeri minority. Iran also has generally refrained from backing Islamist movements in the Central Asian countries, reportedly in part to avoid offending Russia, its most important arms and technology supplier.
- Even though Iranian leaders accuse U.S. allies of contributing to U.S. efforts to structure the Middle East to the advantage of the United States and Israel, Iranian officials have sought to engage with and benefit from transactions with U.S. allies to try to thwart international sanctions.

Factional Interests

Iran's foreign policy often appears to reflect differing approaches and outlooks among key players and interests groups.

- By all accounts, Iran's Supreme Leader, Ayatollah Ali Khamene'i, has final say over all major foreign policy decisions. Khamene'i is widely considered an ideological hardliner who expresses deep-seated mistrust of U.S. intentions toward Iran. His consistent refrain, and the title of a book widely available in Iran, is "I am a revolutionary, not a diplomat."⁶ Leaders of Iran's Islamic Revolutionary Guard Corps (IRGC), a military and internal security institution created after the Islamic revolution, consistently express support for Khamene'i and ideology-based foreign policy decisions.
- Nevertheless, more moderate Iranian leaders and factions, such as President Hassan Rouhani and the still influential former President Ali Akbar Hashemi-Rafsanjani, argue that Iran should not have any "permanent enemies" and that a pragmatic foreign policy could result in easing of international sanctions and increased support for Iran's views on the Middle East. These views have drawn support from Iran's youth and intellectuals who argue that Iran should adopt a

⁶ http://www.nytimes.com/2014/11/21/world/middleeast/iran-us-nuclear-talks.html?_r=0.

- foreign policy that avoids isolation and achieves greater integration with the international community.
- Some Iranian figures, including the elected president during 1997-2005 Mohammad Khatemi, are considered reformists. They have argued for significant domestic reform, particularly a relaxation of restrictions on freedom of expression. Other reformist figures, such as former Prime Minister Mir Hosein Musavi, have remained in detention since the 2009 political uprising in Iran that protested alleged fraud in the 2009 reelection of president Mahmoud Ahmadinejad. However, even during his presidency, Khatemi was unable to alter Iran's foreign policy significantly because of the constraints on his authority imposed by the Supreme Leader.

Instruments of Iranian Foreign Policy

Supporting Armed Groups

As an instrument of its foreign policy, Iran supports a number of armed factions, some of which are named as foreign terrorist organizations (FTOs) by the United States. Iran was placed on the U.S. list of state sponsors of terrorism (“terrorism list”) in January 1984. The State Department report on international terrorism for 2013,⁷ released April 30, 2014, stated that in 2013 Iran “continued its terrorist-related activity,” principally by supporting Lebanese Hezbollah and Palestinian groups such as Hamas and Palestinian Islamic Jihad. Iran’s support for armed factions—which generally includes arms shipments, advice, training, and funding—is carried out by the Qods (Jerusalem) Force of the IRGC (IRGC-QF). The IRGC-QF is headed by IRGC Maj. Gen. Qasem Soleimani, who is said to report directly to Khamene’i.⁸

The range of armed factions that Iran supports are discussed in the regional sections below.

- Some Iranian-supported factions are opposition movements, while others are militia forces supporting governments that Iran is assisting, such as that of President Bashar Al Asad of Syria and the Iraqi government of Haydar Al Abbadi.
- Some armed factions that Iran supports have not been named as FTOs and have no record of committing acts of international terrorism. Such groups include the Houthi movement in Yemen (composed of Zaidi Shiite Muslims) and some Shiite opposition factions in Bahrain. The Houthis are currently conducting an armed offensive that has displaced the elected government of Abdu Rabbu Mansur Al Hadi.
- Iran opposes—or declines to actively support—some Islamist terrorist groups if the groups work against Iran’s core interests. For example, Al Qaeda and the Islamic State organization are orthodox Sunni Muslim organizations that Iran apparently perceives as significant threats.⁹ Over the past few years, Iran has

⁷ The text of the section on Iran can be found at <http://www.state.gov/j/ct/rls/crt/2013/224826.htm>.

⁸ http://www.newyorker.com/reporting/2013/09/30/130930fa_fact_filkins?printable=true¤tPage=all.

⁹ <http://nationalinterest.org/blog/the-buzz/iranians-are-terrified-irans-isis-nightmare-10856>.

expelled some Al Qaeda activists who sought refuge there after the September 11, 2001, attacks against the United States. As discussed below, Iran is actively working against the Islamic State organization, which opposes Asad of Syria and the Abbadi government in Iraq. One Sunni FTO, Hamas, has received Iranian support in part because it is an antagonist of Israel. Hamas is not actively fighting against any government that Iran supports, although Hamas leaders left Syria in 2012 because of Syrian President Asad's use of armed force against mostly Sunni protesters.

Table I. Major Iran or Iran-Related Terrorism Attacks or Plots

| Date | Incident/Event | Likely/Claimed Perpetrator |
|--------------------|--|---|
| April 18, 1983 | Truck bombing of U.S. Embassy in Beirut, Lebanon. 63 dead, including 17 U.S. citizens. | Factions that eventually formed Lebanese Hezbollah claimed responsibility. |
| October 23, 1983 | Truck bombing of U.S. Marine barracks in Beirut. 241 Marines killed. | Same as above |
| December 12, 1983 | Bombings of U.S. and French embassies in Kuwait City. 5 fatalities. | Da'wa Party of Iraq—Iran-supported Iraqi Shiite militant group. 17 Da'wa activists charged and imprisoned in Kuwait |
| September 20, 1984 | Truck bombing of U.S. embassy annex in Beirut. 23 killed. | Factions that eventually formed Lebanese Hezbollah |
| May 25, 1985 | Bombing of Amir of Kuwait's motorcade | Da'wa Party of Iraq |
| June 14, 1985 | Hijacking of TWA Flight 847. One fatality, Navy diver Robert Stetham | Lebanese Hezbollah |
| April 5, 1988 | Hijacking of Kuwait Air passenger plane. Two killed. | Lebanese Hezbollah, seeking release of 17 Da'wa prisoners in Kuwait. |
| March 17, 1992 | Bombing of Israeli Embassy in Buenos Aires. 29 killed. | Lebanese Hezbollah, assisted by Iranian intelligence/diplomats. |
| July 18, 1994 | Bombing of Argentine-Jewish Mutual Association (AMIA) building in Buenos Aires. | Same as above |
| June 25, 1996 | Bombing of Khobar Towers housing complex near Dhahran, Saudi Arabia. 19 U.S. Air Force personnel killed. | Saudi Hezbollah, a Saudi Shiite organization active in eastern Saudi Arabia and supported by Iran. Some assessments point to involvement of Al Qaeda. |
| October 11, 2011 | U.S. Justice Dept. unveiled discovery of alleged plot involving at least one IRGC-QF officer, to assassinate Saudi Ambassador in Washington, DC. | IRGC-QF reportedly working with U.S.-based confederate |
| February 13, 2012 | Wife of Israeli diplomat wounded in Delhi, India | Lebanese Hezbollah |
| July 19, 2012 | Bombing in Bulgaria killed five Israeli tourists. | Lebanese Hezbollah |

Source: State Department Country Reports on Terrorism, various press.

Other Political Action

- Iran's support for opposition and other factions is not limited to IRGC-QF provision of arms and training. A wide range of observers report that Iran has provided funding to political candidates in neighboring Iraq and Afghanistan in an effort to build political allies in those countries.¹⁰

¹⁰ See, for example, <http://www.newsweek.com/what-are-iranians-doing-iraq-303107>. Also reported in author conversations with U.S. and Iraq and Afghan officials, 2009-2015.

- Iran has reportedly provided direct payments to leaders of neighboring states in an effort to gain and maintain their support. For example, in 2010 then-President of Afghanistan Hamid Karzai publicly acknowledged that his office had accepted direct cash payments from Iran.¹¹
- Iran has established some training and education programs that bring young Muslims to study in Iran. One such program, headed by Iranian cleric Mohsen Rabbani, is focused on Latin America, even though the percentage of Muslims there is low.¹²

Diplomacy

At the same time that it funds and trains armed factions in the region, Iran also uses traditional diplomatic tools.

- Iran has an active Foreign Ministry and maintains embassies in almost all major countries with which it has formal diplomatic relations.
- Iran actively participates in or seeks to join many different international organizations, including those that are dominated by members opposed to Iran's ideology and/or critical of its domestic human rights practices. For example Iran has sought to join the U.S. and Europe-dominated World Trade Organization (WTO). It has also sought to join such regional organizations as the South Asian Association of Regional Cooperation (SAARC) and the Shanghai Cooperation Organization (SCO) that groups Central Asian states with Russia and China.
- Iran participates actively in multilateral organizations that tend to support some aspects of Iranian ideology, such as its criticism of great power influence over developing states. From August 2012 until August 2015, Iran holds the presidency of the Non-Aligned Movement, which has about 120 member states and 17 observer countries. Iran hosted a summit of the movement in August 2012, when it took over the rotating leadership.

Near East Region

The overwhelming focus of Iranian foreign policy is on the Near East region, as demonstrated by Iran's employment of all the various instruments of its foreign policy, including deployment of the IRGC-Qods Force. All the various motivations of Iran's foreign policy appear to be at work in its actions in the region, including its efforts to empower Shiite communities that fuel sectarian responses. Iranian steps to aid Shiites in Sunni-dominated countries often fuel responses by those governments, thus aggravating sectarian tensions.¹³

¹¹ <http://www.theguardian.com/commentisfree/2010/oct/26/iran-cash-payments-to-afghanistan>

¹² <http://www.crethiplethi.com/subversion-and-exporting-the-islamic-revolution-in-latin-america/islamic-countries/iran-islamic-countries/2012/>

¹³ Statement for the Record. U.S. Director for national Intelligence James Clapper. Senate Armed Services Committee, February 2015, p. 14.

The Arab States of the Persian Gulf

Iran has a 1,100-mile coastline on the Persian Gulf and Gulf of Oman. The Persian Gulf monarchy states (Gulf Cooperation Council, GCC: Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates) are a key focus of Iran's foreign policy. These states, all controlled by Sunni-led governments, have cooperated extensively with U.S. policy toward Iran, including by hosting significant numbers of U.S. forces at their military facilities and procuring U.S. missile defense technology that the United States promotes as a coordinated defense against Iran's missile forces. These facilities would be critical to any U.S. air operations against Iran in the event of a regional conflict. At the same time, the GCC states generally do not try to openly antagonize Iran and, although all the GCC states enforce international sanctions against Iran, they also all maintain relatively normal trading relations with Iran.

Figure I. Map of Near East



Source: Created by CRS.

Virtually all of the GCC leaders have expressed concerns that a comprehensive nuclear deal could lead to a broader U.S.-Iran rapprochement and possibly weaken the U.S. commitment to Gulf security. After a round of nuclear talks with Iran in early March 2015, Secretary of State Kerry met with senior GCC officials to brief them on the talks and reportedly reassure them that the United States remains committed to GCC security. At the same time, the GCC states gave cautious support to an April 2, 2015, framework for a comprehensive accord as having the potential, if finalized, to lower tensions in the region.¹⁴ In announcing the framework, President Obama stated that he had invited the leaders of the GCC to Camp David to discuss regional security issues. At the summit, which is to be held May 13-14, 2015, the United States might make additional commitments to GCC security or offer sales of sophisticated new weaponry in part to calm the apparent concerns of the Gulf rulers.¹⁵

Saudi Arabia¹⁶

Iran and Saudi Arabia have long represented opposing interests in the region. Iranian leaders assert that Saudi Arabia seeks hegemony for its brand of Sunni Islam and that Saudi Arabia is working with the United States to deny Shiite Muslim governments and factions influence in the

¹⁴ http://www.washingtonpost.com/world/middle_east/saudi-king-give-cautious-nod-to-iran-nuclear-deal/2015/04/03/aeb04901-e608-4735-8bf3-4dfd71c4c74d_story.html.

¹⁵ Paul Richter and Alexandra Davis. "U.S. Promises to Beef Up Defense Aid to Persian Gulf Allies." *Los Angeles Times*, April 7, 2015.

¹⁶ For detailed information on Saudi Arabia's policy toward Iran, see CRS Report RL33533, *Saudi Arabia: Background and U.S. Relations*, by Christopher M. Blanchard

region. Saudi Arabia, for its part, has used the claim of an Iranian quest for regional hegemony to justify military intervention in Bahrain in 2011 and in Yemen in 2015. Some of the region's conflicts, discussed below, are often described as “proxy wars” between Saudi Arabia and Iran because of each country's tendency to back rival sides. The one exception might be Iraq, where both Iran and Saudi Arabia back the Shiite-dominated government, although Iran does so much more directly and substantially. At the same time, it can be argued that each country has tended to exaggerate the influence of the other, leading to actions that have fueled the apparently expanding Sunni-Shiite conflict in the region.

The Saudis also repeatedly cite past Iran-inspired actions as a reason for distrusting Iran; these actions include encouraging violent demonstrations at some Hajj pilgrimages in Mecca in the 1980s and 1990s, which caused a break in relations from 1987 to 1991. Some Saudis accuse Iran of supporting Shiite protesters and armed groups active in the Kingdom's restive Shiite-populated Eastern Province. In the aftermath of the JPA, the Saudi government invited Foreign Minister Mohammad Javad Zarif to visit the Kingdom, and Zarif and Saudi Foreign Minister Saud bin Faysal Al Saud met in New York at the margins of the September 2014 U.N. General Assembly. Deterioration in Iranian-Saudi relations over Iraq and Yemen in the months since have precluded further rapprochement to date.

Although Saudi Arabia's positions are often taken to represent those of all GCC states toward Iran, there are sometimes sharp differences within the GCC on policy toward Iran. Iran's relations with all the other GCC states—and these differences in approach from Saudi Arabia—are discussed in sections below.

United Arab Emirates (UAE)¹⁷

Like Saudi Arabia, the UAE tends to take hardline positions on Iran's nuclear program and its influence in the region. However, UAE relations with Iran are also heavily influenced by the large population of Iranian expatriates in Dubai emirate, as well as the UAE's close business ties to Iran, and territorial disputes over the Persian Gulf islands of Abu Musa and the Greater and Lesser Tunb islands in the Persian Gulf. The Tunbs were seized by the Shah of Iran in 1971, and the Islamic Republic took full control of Abu Musa in 1992, appearing to violate a 1971 UAE-Iran agreement to share control of that island. The UAE has sought to refer the dispute to the International Court of Justice (ICJ), but Iran has insisted on resolving the issue bilaterally. (ICJ referral requires concurrence from both parties to a dispute.) In the aftermath of the November 2013 interim nuclear agreement (Joint Plan of Action, JPA) and a visit to Iran by the UAE's Foreign Minister, the two countries reportedly made progress toward resolving the islands dispute and Iran reportedly removed some military equipment from them.¹⁸

The UAE and Iran maintain relatively normal trade and diplomatic ties, and Iranian-origin residents of Dubai number about 300,000. In accordance with long-standing traditions, many Iranian-owned businesses are located in Dubai emirate (including branch offices of large trading companies based in Tehran and elsewhere in Iran). These relationships have often triggered U.S.

¹⁷ For detailed information on Iran-UAE relations, see CRS Report RS21852, *The United Arab Emirates (UAE): Issues for U.S. Policy*, by Kenneth Katzman

¹⁸ <http://archive.defensenews.com/article/20140115/DEFREG04/301150034/Source-UAE-Iran-Reach-Accord-Disputed-Hormuz-Islands>.

concerns about the apparent reexportation of some U.S. technology to Iran,¹⁹ although the UAE has said it has taken extensive steps, in cooperation with the United States, to reduce such leakage.

Qatar²⁰

Within the GCC, Qatar appears to occupy a “middle ground” between the anti-Iran animosity of Saudi Arabia, the UAE, and Bahrain, and the consistent engagement with Iran exhibited by Oman. Qatar generally refrains from issuing publicly critical statements on Iran. Unlike the UAE, Qatar does not have any active territorial disputes with Iran. Yet, Qatari officials reportedly remain wary that Iran could try to encroach on the large natural gas field it shares with Iran, fueled by occasional Iranian statements such as one in April 2004 by Iran’s deputy oil minister that Qatar is probably producing more gas than “her right share” from the field. He added that Iran “will not allow” its wealth to be used by others.

Bahrain²¹

Bahrain is about 60% Shiite-inhabited, and many Bahraini Shiites are of Persian origin, but the government is dominated by the Sunni Muslim Al Khalifa family. In 1981 and again in 1996, Bahrain publicly accused Iran of supporting Bahraini Shiite dissidents in efforts to overthrow the ruling Al Khalifa family. Bahrain has consistently accused Iran of supporting radical Shiite factions that are part of a broader and mostly peaceful uprising begun in 2011 by mostly Shiite demonstrators.²² State Department reports on international terrorism in recent years have stated that Iran has attempted to provide arms and other aid to Shiite militants in Bahrain. However, some outside observers—including a government-appointed commission of international experts called the Bahrain Independent Commission of Inquiry—have suggested that Iran’s support for the Shiite uprising has been minimal.²³ On several earlier occasions, tensions had flared over Iranian attempts to question the legitimacy of a 1970 U.N.-run referendum in which Bahrainis opted for independence rather than for affiliation with Iran.

Kuwait²⁴

Kuwait’s position on Iran is similar to that of Qatar; Kuwait cooperates with GCC efforts to contain Iranian power, but does not demonstrate enthusiasm for military or other forms of action against Iran’s regional interests. About 25% of Kuwaitis are Shiite Muslims, and Iran supported Shiite radical groups in Kuwait in the 1980s as a means to try to pressure Kuwait not to support the Iraqi war effort in the Iran-Iraq War (1980-1988). After Saddam Hussein’s regime invaded Kuwait in August 1990, Kuwait pursued ties to Iran as a counterweight to Saddam. Kuwait’s

¹⁹ <http://www.nytimes.com/2008/04/02/washington/02UAE.html?pagewanted=print>.

²⁰ For detailed information on Iran-Qatar relations, see CRS Report RL31718, *Qatar: Background and U.S. Relations*, by Christopher M. Blanchard.

²¹ For detailed information on Iran-Bahrain relations, see CRS Report 95-1013, *Bahrain: Reform, Security, and U.S. Policy*, by Kenneth Katzman.

²² <http://www.aljazeera.com/news/middleeast/2014/01/bahrain-accuses-iran-training-rebels-201413144049814960.html>

²³ <http://middleeastvoices.voanews.com/2011/11/bici-report-iran-not-linked-to-bahrain-protests/>

²⁴ For detailed information on Iran-Kuwait relations, see CRS Report RS21513, *Kuwait: Governance, Security, and U.S. Policy*, by Kenneth Katzman.

concerns about Saddam were apparently so great that it hosted the U.S.-led force that invaded Iraq in 2003, even though the military ousting of Saddam was widely considered likely to bring pro-Iranian Shiite Muslim factions to power in Iraq. And Kuwait has continued to cooperate extensively with the Shiite-dominated government in Baghdad despite Saudi and other GCC criticism of the government's marginalizing Sunni Iraqis. Kuwait's Amir Sabah al-Ahmad Al Sabah visited Iran in June 2014.

Oman²⁵

Of the GCC states, the Sultanate of Oman is closest politically to Iran. Oman officials assert that Oman remains grateful for the Shah's sending of troops to help the Sultan suppress rebellion in the Dhofar region in the 1970s, and that the gratitude has transcended the change in regime in Iran.²⁶ Sultan Qaboos made a state visit to Iran in August 2009, coinciding with protests against alleged fraud in the reelection of then-president Mahmud Ahmadinejad. The visit appeared to tacitly align Sultan Qaboos with Iran's regime and against the protesters in Iran. Qaboos visited again in August 2013, reportedly to explore concepts for improved U.S.-Iran relations and to facilitate U.S.-Iran talks that led to the JPA. Oman subsequently hosted U.S.-Iran nuclear talks in November 2014; it was the only GCC state to do so, thus demonstrating Oman's support for a comprehensive nuclear deal with Iran. In March 2014, Iranian President Hassan Rouhani visited Oman, the only GCC state he has visited since taking office.

Omani reluctance to damage relations with Iran has manifested itself in several ways. Unlike Saudi Arabia and some other GCC states, Oman reportedly has not materially supported any factions fighting against the Assad regime in Syria. Nor did Oman join the Saudi-led Arab intervention against the rebel Zaidi Shiite Houthi movement in Yemen that began in March 2014.

Iranian Policy in Iraq and Syria: Islamic State Crisis²⁷

Iran's policy has been to support the Shiite-led government in Iraq and the Alawite-led, pro-Iranian government in Syria. That policy has come under strong challenge from the Islamic State organization, which threatens the Iraqi government as well as that of Iran's close ally President Bashar Al Asad. The United States and Iran have worked in parallel, although separately, to assist the Iraqi government against the Islamic State organization. However, the United States and Iran hold opposing positions on the regime of Asad in Syria.

Iraq²⁸

In Iraq, the U.S. military ousting of Saddam Hussein in 2003 benefitted Iran strategically by removing a long-time antagonist and producing governments led by Shiite Islamists who have longstanding ties to Iran. Until the Islamic State organization's capture of Mosul and other Iraqi cities in June 2014, Iran had strongly backed the government of Prime Minister Nuri al-Maliki, a

²⁵ For detailed information on Iran-Oman relations, see CRS Report RS21534, *Oman: Reform, Security, and U.S. Policy*, by Kenneth Katzman

²⁶ As reported in author conversations in Oman and with Omani officials, 1988-2015.

²⁷ For information, see CRS Report R43612, *The "Islamic State" Crisis and U.S. Policy*, by Christopher M. Blanchard et al.

²⁸ For more information, see CRS Report RS21968, *Iraq: Politics, Security, and U.S. Policy*, by Kenneth Katzman.

Shiite Islamist who Tehran viewed as loyal and pliable. Maliki supported most of Iran's regional goals; for instance, Maliki allowed Iran to overfly Iraqi airspace to supply the Syrian military fighting rebels there.²⁹ The June 2014 offensive led by the Islamic State organization threatened Iraq's government and Iran responded quickly by supplying—to both the Baghdad government and the *peshmerga* force of the autonomous Kurdistan Regional Government (KRG)—IRGC-Qods Force advisers, intelligence drone surveillance, weapons shipments, and other direct military assistance.³⁰ Iranian leaders also supported U.S. efforts to help a more inclusive government take office in 2014 by backing the appointment of Abadi as Prime Minister and thus abandoning their longtime ally, Maliki.³¹ U.S. officials, including Secretary of State John Kerry, have said that Iran's targeting of the Islamic State, if effective, contributes positively to U.S. efforts to assist the Iraqi government.

Still, many aspects of Iranian policy in Iraq reportedly trouble U.S. policymakers. Iran helped establish many of the Shiite militias that fought the United States during 2003-2011. During 2011-2014, the Shiite militia factions had been evolving into political organizations, but more recently Iran has helped reactivate and empower some of them to support the Iraq Security Forces (ISF) against the Islamic State. The militias that Iran reportedly works most closely with in Iraq include As'aib Ahl Al Haq (League of the Righteous), Kata'ib Hezbollah (Hezbollah Brigades), and the Badr Organization. The Mahdi Army of Moqtada Al Sadr (renamed the Peace Brigades in 2014) was supported extensively by Iran during the 2003-2011 U.S. intervention in Iraq but has sought to distance itself from Iran in the more recent campaigns against the Islamic State. Kata'ib Hezbollah has been named a Foreign Terrorist Organization (FTO) by the United States. Iran also reportedly has moved some of its missiles and long-range rockets into Iraq to assist Iraqi and Shiite militia operations against the Islamic State.³² The participation of some Shiite militias has increased tensions with Iraq's Sunnis because some Shiite militia fighters have carried out reprisals against Sunnis after recapturing Sunni-inhabited territory from the Islamic State.

Syria³³

On Syria, there apparently has been no U.S.-Iran cooperation against the Islamic State at all. The United States has stated that President Bashar Al Asad should leave office as part of a negotiated political solution to the conflict. Iran's policy is to try to keep Asad in power because he has been Iran's closest Arab ally and because Syria is the main transit point for Iranian weapons shipments to Hezbollah; both Iran and Syria have used Hezbollah as leverage against Israel to try to achieve regional and territorial aims. U.S. officials and reports assert that, to try to prevent Asad's downfall, Iran is providing substantial amounts of material support to the Syrian regime, including funds, weapons, IRGC-QF advisors, and recruitment of Hezbollah and other non-Syrian

²⁹ Michael Gordon, "Iran Supplying Syrian Military Via Iraqi Airspace," *New York Times*, September 5, 2012.

³⁰ "Iran News Agency Reports Death of Iranian Pilot in Iraq." Radio Free Europe/Radio Liberty. July 5, 2014.

³¹ Babak Dehghanpisheh. "Iran Dramatically Shifts Iraq Policy to Confront Islamic State." *Reuters*, September 2, 2014.

³² Eric Schmitt. "Iran Sent Arms to Iraq to Fight ISIS, U.S. Says." *New York Times*, March 17, 2015.

³³ For more information on the conflicts in Syria, see CRS Report RL33487, *Armed Conflict in Syria: Overview and U.S. Response*, coordinated by Christopher M. Blanchard

Shiite militia fighters.³⁴ Some experts say the Iranian direct intervention has, at least at times, gone beyond QF personnel to include an unknown number of IRGC ground forces as well.³⁵

At the same time, some experts assess that Iran might be willing to abandon Asad, as it abandoned Maliki in Iraq, if a relatively pro-Iranian figure can be identified to replace Asad.³⁶ In December 2012, Iran announced a six-point plan for a peaceful transition in Syria that would culminate in free, multiparty elections; the plan was rejected by Syrian rebels because it provided for Asad to compete in 2014 elections, which he ultimately won under conditions that the international community called neither free nor fair.

Israel: Iran's Support for Hamas and Hezbollah³⁷

The Islamic revolutionary regime in Iran opposes Israel as what it asserts is an illegitimate creation of the West and an oppressor of the Palestinian people and other Arab Muslims. The position of Iran's current regime differs dramatically from that of the pre-1979 regime of the Shah of Iran. Israel and the Shah's regime had relatively normal relations, including embassies in each other's capitals and an extensive network of economic ties.

Supreme Leader Khamene'i has repeatedly called Israel a "cancerous tumor" that should be removed from the region. Iran's open hostility to Israel—manifested in part by its support for groups that undertake armed action against Israel—fuels assertions by Israeli leaders that a nuclear armed Iran would constitute an "existential threat" to the State of Israel. Iran's support for armed factions on Israel's borders could represent an Iranian attempt to acquire leverage over Israel. More broadly, Iran might be attempting to disrupt prosperity, morale, and perceptions of security among Israel's population in a way that undermines the country's appeal to those who have options to live elsewhere. The formal position of the Iranian Foreign Ministry is that Iran would not seek to block an Israeli-Palestinian settlement but that the process is too weighted toward Israel to yield a fair result.

Iran's leaders routinely state that Israel presents a serious threat to Iran and that the international community applies a "double standard" to Iran as compared to Israel's presumed nuclear arsenal. Iranian diplomats point out in international meetings that, despite apparently being the only Middle Eastern country to possess nuclear weapons and not being a party to the Nuclear Non-Proliferation Treaty, Israel does not face internationally imposed penalties as a consequence. In identifying Israel as a threat, Iran's leaders cite Israeli official statements that Israel retains the option to unilaterally strike Iran's nuclear facilities. Iran also asserts that Israel's purported nuclear arsenal is a main obstacle to achieving support for a weapons-of-mass-destruction (WMD) free zone in the Middle East.

³⁴ Details and analysis on the full spectrum of Iranian assistance to Asad is provided by the Institute for the Study of War. "Iranian Strategy in Syria," by Will Fulton, Joseph Holliday, and Sam Wyer. May 2013.

³⁵ Will Fulton, Joseph Holliday, and Sam Wyer, "Iranian Strategy in Syria," Institute for the Study of War, May 2013.

³⁶ As reported in author conversations with European and U.S. experts on Iran and Syria in Washington, DC, 2014-2015.

³⁷ For more information, see CRS Report R42816, *Lebanon: Background and U.S. Policy*, by Christopher M. Blanchard; CRS Report R41514, *Hamas: Background and Issues for Congress*, by Jim Zanotti; and CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti;

Iran's material support for militant anti-Israel groups has long concerned U.S. administrations. For at least a decade, the annual State Department report on international terrorism has repeated its claim that Iran provides funding, weapons, and training to Hamas, Palestinian Islamic Jihad—Shiqaqi Faction (PIJ), the Al Aqsa Martyrs Brigades (a militant offshoot of the dominant Palestinian faction Fatah), and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC). All are named as foreign terrorist organizations (FTOs) by the State Department. Iran has long supported Lebanese Hezbollah, which is an FTO and which portrays itself as the vanguard of resistance to Israel. In November 2014, a senior IRGC commander said that Iran had provided Hezbollah and Hamas with training and Fateh-class missiles, which enable the groups to attack targets in Israel.³⁸

Hamas³⁹

The annual State Department report on terrorism has consistently stated that Iran gives Hamas funds, weapons, and training. Hamas seized control of the Gaza Strip in 2007 and now administers that territory. Although it formally ceded authority over Gaza in June 2014 to a consensus Palestinian Authority government, Hamas retains de-facto security control over that territory. Its terrorist attacks using operatives within Israel have significantly diminished in number since 2005, but Hamas continues to occasionally engage in armed action against Israel, using rockets and other weaponry supplied by Iran. Israel and Hamas came into conflict in late 2008-early 2009; in November 2012; and during July and August, 2014.

The Iran-Hamas relationship was forged in the 1990s as part of an apparent attempt to disrupt the Israeli-Palestinian peace process through Hamas's suicide bombings and other attacks on buses, restaurants, and other civilian targets inside Israel. However, Hamas's position on the ongoing Syria conflict caused the Iran-Hamas relationship to falter. Largely out of sectarian sympathy with the mostly Sunni protesters and rebels in Syria, Hamas opposed the efforts by Assad, backed by Iran, to defeat the rebellion militarily. The rift apparently contributed to a lessening of Iran's support to Hamas in its 2014 conflict with Israel as compared to previous Hamas-Israel conflicts in which Iran backed Hamas extensively. Since the latest Hamas-Israel conflict, Iran has apparently sought to rebuild the relationship with Hamas by providing missile technology that Hamas used to construct its own rockets and by helping it rebuild tunnels destroyed in the conflict with Israel.⁴⁰ Some Hamas leaders have reportedly welcomed some form of rapprochement with Iran, perhaps because of financial difficulties the organization has faced since the military leadership in Egypt began closing smuggling tunnels at the Gaza-Sinai border in 2013.

Hezbollah⁴¹

Lebanese Hezbollah is arguably Iran's most cherished protégé movement in the region. Hezbollah has acted in support of its own as well as Iranian interests on numerous occasions and in many ways, including through acts of terrorism and armed action. The relationship began when

³⁸ "Iranian General: Palestinians Have Longer-Range Missiles." *The Times of Israel*, November 12, 2014.

³⁹ For more information, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti

⁴⁰ Stuart Winer. "Iran Boasts of Rocket Aid to Palestinians, Hezbollah." *The Times of Israel*, February 3, 2015; and, <http://www.wsj.com/articles/iran-rekindles-relations-with-hamas-1429658562>.

⁴¹ CRS Report R41446, *Hezbollah: Background and Issues for Congress*, by Casey L. Addis and Christopher M. Blanchard.

Lebanese Shiite clerics of the pro-Iranian Lebanese Da'wa (Islamic Call) Party began to organize in 1982 into what later was unveiled in 1985 as Hezbollah. As Hezbollah was forming the IRGC sent advisory forces to help develop Hezbollah's military wing, and these IRGC forces subsequently became the core of what is now the IRGC-QF.⁴² Iran's political, financial, and military aid to Hezbollah has helped it become a major force in Lebanon's politics. According to State Department terrorism reports, Iran has provided hundreds of millions of dollars in support of Hezbollah and has trained thousands of Hezbollah fighters at camps in Iran. The 2014 U.S. intelligence community worldwide threat assessment stated that Hezbollah "has increased its global terrorist activity in recent years to a level that we have not seen since the 1990s," but the 2015 worldwide threat assessment, delivered in February 2015, did not repeat that assertion. A January 2015 press report detailed U.S. intelligence involvement in a primarily Israeli operation that killed Imad Mughniyah, the leader of Hezbollah's terrorism wing, in 2008.⁴³

Hezbollah's attacks on Israeli forces in southern Lebanon contributed to an Israeli withdrawal in May 2000, and Hezbollah subsequently maintained military forces along the border. Hezbollah fired Iranian-supplied rockets on Israel's northern towns during a July–August 2006 war with Israel, including at the Israeli city of Haifa (30 miles from the border)⁴⁴ and in July 2006 hit an Israeli warship with a C-802 sea-skimming missile. Iran bought the C-802 from China in the 1990s and almost certainly was the supplier of the weapon to Hezbollah. Hezbollah was perceived in the Arab world as a victor in the war for holding out against Israel. Since that conflict, Iran has resupplied Hezbollah to the point where it has, according to Israeli sources, as many as 100,000 rockets and missiles, some capable of reaching Tel Aviv from south Lebanon, as well as upgraded artillery, anti-ship, anti-tank, and anti-aircraft capabilities.⁴⁵ In the context of the conflict in Syria, Israel has carried out occasional air strikes inside Syria against Hezbollah commanders and purported arms shipments via Syria to Hezbollah. In January 2015, Hezbollah attacked an Israeli military convoy near the Lebanon-Israel-Syria tri-border area, killing two Israeli soldiers and making it the deadliest Hezbollah attack on Israeli territory since 2006. However, these incidents have not, to date, escalated into a broader Israel-Hezbollah conflict.

In part as a consequence of its military strength, Hezbollah now plays a major role in decision-making and leadership selections in Lebanon. The Lebanese Armed Forces (LAF) rarely acts against Hezbollah's forces or interests. However, there has been vocal criticism of Hezbollah within and outside Lebanon for its active supports for its other key patron, Assad, against the Sunni-led rebellion in Syria. That involvement, reportedly urged and assisted by Iran, has diluted Hezbollah's image as a steadfast opponent of Israel by embroiling it in a war against fellow Muslims.

⁴² Kenneth Katzman. "The Warriors of Islam: Iran's Revolutionary Guard." *Westview Press*, 1993.

⁴³ http://www.washingtonpost.com/world/national-security/cia-and-mossad-killed-senior-hezbollah-figure-in-car-bombing/2015/01/30/ebb88682-968a-11e4-8005-1924ede3e54a_story.html.

⁴⁴ "Israel's Peres Says Iran Arming Hizbollah," *Reuters*, February 4, 2002.

⁴⁵ IAF Chief: Israel Will Destroy Hezbollah Bases in Lebanon, Even Ones in Residential Areas." *Reuters/Jerusalem Post*, January 29, 2015.

Yemen⁴⁶

In recent years, Yemeni leaders have claimed that Iran is trying to destabilize Yemen, whose former President Ali Abdullah Saleh resigned in January 2012 following an uprising. Iran has reportedly been supporting Shiite rebels in Yemen—a Zaydi Shiite revivalist movement known as the “Houthis”—with arms and other aid. A senior Iranian official reportedly told journalists in December 2014 that the Qods Force has a “few hundred” personnel in Yemen training Houthi fighters.⁴⁷ In September 2014, the Houthis and their allies seized key locations in the capital, Sana’a, and took control of major government locations in January 2015, forcing Saleh’s successor, Abd Rabu Mansur Al Hadi, to flee to Aden. The Houthis and their allies subsequently advanced on Aden, prompting Saudi Arabia to assemble a ten-country Arab coalition, with logistical help from the United States, to undertake military action to stop the Houthi advance.⁴⁸ Saudi officials explained their military action as, in part, an effort to stop Iran from expanding its influence in the region.

Despite the Saudi assertions, there is debate over the extent to which the Houthi advance represents Iranian national policy. By all accounts, Iran’s support for the Houthis has been far less systematic or large-scale than its support to the government of Iraq or to Assad of Syria. Most observers describe Iran’s influence over the Houthis as limited, and claim that the Houthi military action against President Hadi began with no specific prompting from Iran. On April 20, National Security Council spokesperson Bernadette Meehan told reporters that, “It remains our assessment that Iran does not exert command and control over the Houthis in Yemen,” and an unnamed U.S. intelligence official reportedly said, “It is wrong to think of the Houthis as a proxy force for Iran.”⁴⁹ Still, after taking over Sana’a, the Houthis and Iran agreed on direct flights between the two countries and Iranian special forces were allowed to conduct an operation in Yemen that freed an Iranian diplomat captured by Sunni militants in 2012. Iran also harshly criticized the Saudi military campaign and might be seeking to increase its military support to the Houthis, at least in part as an apparent attempt to frustrate Saudi foreign policy.⁵⁰ The United States augmented its naval presence off the coast of Yemen with an aircraft carrier in mid-April 2015, in part to try to prevent any additional Iranian weapons shipments to Iran. The Iranian ship convoy turned around rather than confront the U.S. Navy, but subsequently began challenging some U.S. and other commercial container ships transiting the Strait of Hormuz. The challenges caused the United States to begin accompanying U.S. and British-flagged commercial shipping moving through the Strait.

⁴⁶ For more information, see CRS Report R43960, *Yemen: Civil War and Regional Intervention*, by Jeremy M. Sharp

⁴⁷ “Iranian Support Seen Crucial for Yemen’s Houthis.” *Reuters*, December 15, 2014.

⁴⁸ Ali al-Mujahed and Hugh Naylor. “Yemen Rebels Defy Saudi-led Attacks.” *Washington Post*, March 28, 2015.

⁴⁹ Ali Watkins, Ryan Grim, and Akbar Shahid Ahmed, “Iran Warned Houthis Against Yemen Takeover,” *Huffington Post*, April 20, 2015.

⁵⁰ Michael Shear and Matthew Rosenberg. “Warning Iran, U.S. Sends Two More Ships to Yemen.” *New York Times*, April 21, 2015.

South and Central Asia Region

Iran's relations with countries in the Caucasus, Central Asia, and South Asia vary significantly, from close relations with Afghanistan to animosity with Azerbaijan. Regardless of any differences, most countries in these regions conduct relatively normal trade and diplomacy with Iran. Some countries in these regions, such as Uzbekistan and Pakistan, face significant domestic threats from radical Sunni Islamist extremist movements similar to those that Iran characterizes as a threat to regional stability. Such common interests create an additional basis for Central and South Asian cooperation with Iran.

Most of the countries in Central Asia are relatively stable and are governed by authoritarian leaders, offering Iran little opportunity to exert influence by supporting opposition factions. Afghanistan, by contrast, is a weak state supported by international forces, and Iran has substantial influence over several major factions and regions of the country. Some countries in the region, particularly India, apparently seek greater integration with the United States and other world powers and have sought to limit or downplay cooperation with Iran and to comply with sanctions against Iran. The following sections cover those countries in the Caucasus and South and Central Asia that have significant economic and political relationships with Iran.

Figure 2. South and Central Asia Region



Source: Created by CRS.

The South Caucasus: Azerbaijan

Azerbaijan is, like Iran, mostly Shiite Muslim-inhabited. However, Azerbaijan is ethnically Turkic and its leadership is secular; moreover, Iran and Azerbaijan have territorial differences over boundaries in the Caspian Sea. Iran also asserts that Azeri nationalist movements might stoke separatism among Iran's large Azeri Turkic population, which has sometimes been restive. In July 2001, Iranian warships and combat aircraft threatened a BP ship on contract to Azerbaijan out of an area of the Caspian that Iran claims as its territorial waters. The United States called the incident inconsistent with diplomatic processes under way to determine Caspian boundaries,⁵¹ among which are negotiations that regional officials say might resolve the issue at a planned 2016 regional summit meeting in Astana, Kazakhstan. Largely as a result of these differences, Iran has generally tilted toward Armenia, which is Christian, in Armenia's disputes with Azerbaijan. In this context, Azerbaijan has entered into substantial strategic cooperation with the United States, directed not only against Iran but also against Russia. The U.S.-Azerbaijan cooperation has

⁵¹ <http://usembassy-israel.org.il/publish/peace/archives/2001/july/0725a.html>.

extended to Azerbaijan's deployments of troops to and facilitation of supply routes to Afghanistan,⁵² as well as counter-terrorism cooperation.

Israel also is apparently looking to Azerbaijan to counter Iran, announcing in February 2012 a major sale of about \$1.6 billion worth of defense equipment, including unmanned aerial vehicles.⁵³ In March 2012, Azerbaijan arrested 22 persons it said were Iranian agents plotting attacks against Israeli and Western targets there.

Azerbaijan has been a key component of U.S. efforts to structure oil and gas routes in the region to bypass Iran. In the 1990s, the United States successfully backed construction of the Baku-Tblisi-Ceyhan oil pipeline, intended in part to provide non-Iranian and non-Russian export routes. On the other hand, the United States has apparently accepted Azerbaijan's assertions that it needs to deal with Iran on some major regional energy projects. U.S. sanctions laws have excluded long-standing joint natural gas projects that involve some Iranian firms—particularly the Shah Deniz natural gas field and pipeline in the Caspian Sea. The project is run by a consortium in which Iran's Naftiran Intertrade Company (NICO) holds a passive 10% share. (The other significant partners are BP, Azerbaijan's national energy firm SOCAR, and Russia's Lukoil.)

Central Asia

Iran has generally sought positive relations with the leaderships of the Central Asian states, even though most of these leaderships are secular. All of the Central Asian states are inhabited in the majority by Sunnis, and several have active Sunni Islamist opposition movements. The Central Asian states have long been wary that Iran might try to promote Islamic movements in Central Asia, but more recently the Central Asian leaders have seen Iran as an ally against the Sunni movements that are active in Central Asia, such as the Islamic Movement of Uzbekistan (IMU).⁵⁴ The rise of the Islamic State organization is a source of collective regional concern because the group has recruited fighters from Central Asia to help fill its combat ranks in Iraq and Syria.⁵⁵ These fighters could return to their countries of origin to conduct terrorist attacks against the Central Asian governments. Almost all of the Central Asian states share a common language and culture with Turkey; Tajikistan is alone among them in sharing a language with Iran. The Central Asian states cooperate extensively to try to prevent narcotics trafficking emanating from Afghanistan.

Iran and the Central Asian states carry on normal economic relations. In December 2014, a new railway was inaugurated through Iran, Kazakhstan, and Turkmenistan, providing a link from the Persian Gulf to Central Asia.⁵⁶

⁵² <http://foreignpolicynews.org/2014/04/10/azerbaijans-strategic-relations-united-states/>.

⁵³ <http://www.washingtoninstitute.org/policy-analysis/view/azerbaijans-cooperation-with-israel-goes-beyond-iran-tensions>.

⁵⁴ Sebastien Peyrouse. "Iran's Growing Role in Central Asia? Geopolitical, Economic, and Political Profit and Loss Account." Al Jazeera Center for Studies. April 6, 2014. <http://studies.aljazeera.net/en/dossiers/2014/04/2014416940377354.html>.

⁵⁵ Stratfor. "Re-Examining the Threat of Central Asian Militancy" January 21, 2015. <http://www.stratfor.com/analysis/re-examining-threat-central-asian-militancy#axzz3PTRMU0el>.

⁵⁶ <http://www.railwaygazette.com/news/news/asia/single-view/view/iran-turkmenistan-kazakhstan-rail-link-inaugurated.html>.

Along with India and Pakistan, Iran has been given observer status in a Central Asian security grouping called the Shanghai Cooperation Organization (SCO—Russia, China, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan). In April 2008, Iran applied for full membership in the organization. Apparently in an effort to cooperate with international efforts to pressure Iran, in June 2010, the SCO barred admission to Iran on the grounds that it is under U.N. Security Council sanctions.⁵⁷

Turkmenistan

Turkmenistan and Iran have a land border in Iran's northeast. Iran's Supreme Leader, Grand Ayatollah Ali Khamene'i, is of Turkic origin; his family has close ties to the Iranian city of Mashhad, capital of Khorasan Province, which borders Turkmenistan. The two countries are also both rich in natural gas reserves. A natural gas pipeline from Iran to Turkey, fed with Turkmenistan's gas, began operations in 1997, and a second pipeline was completed in 2010. In 2003, then President of Turkmenistan, Saparmurad Niyazov, signed a 25-year accord with Russia to sell most of Turkmenistan's natural gas to Russia. However, China is its largest natural gas customer and Turkmenistan still exports some natural gas through the Iran-Turkey gas pipeline as well. Perhaps in an attempt to diversify gas export routes, Niyazov's successor, President Gurbanguly Berdimukhamedov, signaled in 2007 that Turkmenistan sought to develop a trans-Caspian gas pipeline. That project has not proceeded, to date.

Another potential project favored by Turkmenistan and the United States would likely reduce interest in pipelines that transit Iran. President Berdimukhamedov has revived Niyazov's 1996 proposal to build a gas pipeline through Afghanistan to Pakistan and India (termed the Turkmenistan-Afghanistan-Pakistan-India, or "TAPI" pipeline). Some preliminary memoranda of understanding among the leaders of the nations involved have been signed. U.S. officials have expressed strong support for the project as "a very positive step forward and sort of a key example of what we're seeking with our New Silk Road Initiative, which aims at regional integration to lift all boats and create prosperity across the region."⁵⁸ However, doubts remain that the pipeline will actually be constructed.

Tajikistan

Iran and Tajikistan share a common Persian language, as well as literary and cultural ties. Despite the similar ethnicity, the two do not share a border and the population of Tajikistan is mostly Sunni, not Shiite. In March 2013, President Imamali Rakhmonov warned that since Tajikistan had become independent, the country and the world have experienced increased dangers from "arms races, international terrorism, political extremism, fundamentalism, separatism, drug trafficking, transnational organized crime, [and] the proliferation of weapons of mass destruction." These are threats that Iranian leaders claim to share. Rakhmonov also stated that close ties with neighboring and regional states were a priority, to be based on "friendship, good-neighborliness, [and] non-interference in each other's internal affairs," and to involve the peaceful settlement of disputes, such as over border, water, and energy issues.⁵⁹ He stated that relations with Iran would be

⁵⁷ Substantially more detail on Iran's activities in Afghanistan is contained in CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

⁵⁸ U.S. Department of State, Daily Press Briefing, May 23, 2012

⁵⁹ Center for Effective Dispute Resolution (CEDR), March 16, 2013, Doc. No. CEL-54015758.

expanded. Tajikistan is largely dependent on its energy rich neighbors and has not announced any significant energy-related projects with Iran.

Some Sunni Islamist extremist groups that pose a threat to Tajikistan are allied with Sunni extremist groups, such as Al Qaeda, that Iranian leaders have publicly identified as threats to Iran and to the broader Islamic world. The Tajikistan government has detained members of Jundallah (Warriors of Allah)—a Pakistan-based Islamic extremist group that has conducted bombings and attacks against Iranian security personnel and mosques in Sunni areas of eastern Iran. In part because the group attacked some civilian targets in Iran, in November 2010, the State Department named the group an FTO—an action praised by Iran. In July 2013, Tajik police detained alleged operatives of the IMU, which is active in Uzbekistan and which also operates in Afghanistan.

Kazakhstan

Kazakhstan is an important power in Central Asia by virtue of its geographic location, large territory, ample natural resources, and economic growth. Kazakhstan possesses 30 billion barrels of proven oil reserves (about 2% of world reserves) and 45.7 trillion cubic feet of proven gas reserves (less than 1% of world reserves). There are five major onshore oil fields—Tengiz, Karachaganak, Aktobe, Mangistau, and Uzen—which account for about half of the proven reserves. There are two major offshore oil fields in Kazakhstan's sector of the Caspian Sea—Kashagan and Kurmangazy—which are estimated to contain at least 14 billion barrels of recoverable reserves. However, Iran and Kazakhstan do not have any joint energy ventures in the Caspian or elsewhere.

In September 2014, Kazakhstan's President Nursultan Nazarbayev held talks with Iran's President Hassan Rouhani. In his welcoming speech, Nazarbayev said that Iran's decision on its nuclear program will play an important role in the development of bilateral relations: "Kazakhstan views Iran as an important partner in the world and a good neighbor in the Caspian region. We are confident that you will achieve successful solution on the biggest challenge in Iran—the nuclear program. It will influence the development of the Iranian economy and our relations."⁶⁰ The bilateral meeting reportedly included a broad agenda, including oil and gas, agriculture, and infrastructure issues.

Uzbekistan

Uzbekistan and Iran do not share a common border, or significant language or cultural links. Since its independence in 1991, Uzbekistan, which has the largest military of the Central Asian states, has tended to see Iran as a potential regional rival and as a supporter of Islamist movements in the region. Over the past year, Uzbekistan and Iran have moved somewhat closer together over shared stated concerns about Sunni Islamist extremist movements such as the Islamic State and the Islamic Movement of Uzbekistan (IMU). The Islamic State was an offshoot of Al Qaeda's affiliate in Iraq and the IMU remains an Al Qaeda affiliate. The IMU, which has a reported presence in Afghanistan, has not claimed responsibility for any terrorist attacks in Iran and appears focused primarily on activities against the governments of Afghanistan and Uzbekistan. Uzbekistan has substantial natural gas resources but the two countries do not have

⁶⁰ <http://english.farsnews.com/newstext.aspx?nn=13930618000811>.

joint energy-related ventures. Most of Uzbekistan's natural gas production is for domestic consumption.

Uzbekistan's intense focus on the IMU began in February 1999 when, according to various reports, six bomb blasts in Tashkent's governmental area killed more than 20 people. Uzbekistan's President Islam Karimov had been expected to attend a high-level meeting in that area when the bombings took place, and the act was widely viewed as an effort to decapitate the Uzbek government. The government alleged that an exiled opposition figure led the plot, assisted by Afghanistan's Taliban and IMU co-leaders Tahir Yuldashev and Juma Namangani. The Taliban were, at that time, in power in Afghanistan and granting safe haven to Osama bin Laden and other Al Qaeda leaders. In September 2000, the State Department designated the IMU as an FTO, stating that the IMU resorts to terrorism in pursuit of its main goal of toppling the government in Uzbekistan, including taking foreign hostages.⁶¹ During U.S.-led major combat operations in Afghanistan during 2001-2003, IMU forces assisted the Taliban and Al Qaeda, and IMU co-head Namangani was probably killed at that time.⁶²

South Asia

The countries in South Asia face an even greater degree of threat from Sunni Islamic extremist groups than do the countries of Central Asia, and on that basis share significant common interests with Iran. Moreover, the governments in South Asia are elected governments and thus tend to be more constrained by domestic laws and customs in their efforts to defeat extremist groups than are the Central Asian states. Iran apparently looks to countries in South Asia as potential allies to help parry U.S. and European pressure on Iran's economy and its leaders. This section focuses on several countries in South Asia that have substantial interaction with Iran.

Afghanistan

In Afghanistan, Iran is apparently pursuing a multi-track strategy by helping develop Afghanistan economically, engaging the central government, and supporting pro-Iranian groups and anti-U.S. militants. A long-term Iranian goal appears to be to restore some of its traditional sway in eastern, central, and northern Afghanistan, where "Dari"-speaking (Dari is akin to Persian) supporters of the "Northern Alliance" grouping of non-Pashtun Afghan minorities predominate. Iran has also sought to use its influence in Afghanistan to try to blunt the effects of international sanctions against Iran.⁶³ The two countries are said to be cooperating effectively in their shared struggle against narcotics trafficking from Afghanistan into Iran; Iranian border forces take consistent heavy losses in operations to try to prevent this trafficking.

Iran has sought influence in Afghanistan in part by supporting the Afghan government. President Hamid Karzai was replaced in September 2014 by Ashraf Ghani: both are Sunni Muslims and ethnic Pashtuns. On October 26, 2010, Karzai admitted that Iran was providing cash payments (about \$2 million per year) to his government, through his chief of staff.⁶⁴ Iran's close ally, Dr.

⁶¹ <http://www.state.gov/j/ct/rls/crt/2001/html/10252.htm#imu>.

⁶² U.S. Department of State, *Patterns of Global Terrorism 2003*, April 2004.

⁶³ Matthew Rosenberg and Annie Lowry, "Iranian Currency Traders Find a Haven in Afghanistan," *New York Times*, August 18, 2012.

⁶⁴ Dexter Filkins, "Iran Is Said to Give Top Karzai Aide Cash by the Bagful," *New York Times*, October 23, 2010.

Abdullah Abdullah, a Persian-speaking Afghan who is partly of Tajik origin, has become “Chief Executive Officer” of the Afghan government under a power-sharing arrangement that resolved a dispute over the most recent election.

Reflecting apparent concern about the U.S. military presence in Afghanistan, Iran reportedly tried to derail the Bilateral Security Agreement (BSA) that Ghani’s government signed on September 30, 2014. The BSA allows the United States to maintain troops in Afghanistan after 2014 but prohibits the United States from using Afghanistan as a base from which to launch military action against other countries. The two countries appear to have overcome differences over the BSA; President Ghani visited Tehran during April 19-20, 2015, and held discussions with Iranian leaders that reportedly focused on ways the two governments could cooperate against the Islamic State organization, which has developed affiliates inside Afghanistan.⁶⁵

Even though it engages the Afghan government, Tehran has in the recent past sought leverage against U.S. forces in Afghanistan that are supporting that government. Past State Department reports on international terrorism have accused Iran of providing materiel support, including 107mm rockets, to select Taliban and other militants in Afghanistan, and of training Taliban fighters in small unit tactics, small arms use, explosives, and indirect weapons fire.⁶⁶ The State Department terrorism reports also assert that Iran has supplied militants in Qandahar, which is a Pashtun-inhabited province in southern Afghanistan, and that this demonstrates that Iran is not limiting its assistance to militants near its borders. The support Iran provides to Afghan insurgents gives Iran potential leverage in any Taliban-government political settlement in Afghanistan. In July 2012, Iran reportedly allowed the Taliban to open an office in Zahedan, in eastern Iran.⁶⁷

Pakistan⁶⁸

Relations between Iran and Pakistan have fluctuated over the past several decades. Pakistan supported Iran in the 1980-88 Iran-Iraq war, and Iran and Pakistan engaged in substantial military cooperation in the early 1990s. It has been widely reported that the founder of Pakistan’s nuclear weapons program, A.Q. Khan, sold nuclear technology and designs to Iran.⁶⁹

However, several factors divide the two countries. During the 1990s, Pakistan supported the Taliban in Afghanistan, whereas Iran supported the Persian-speaking and Shiite Muslim minorities there. The Taliban allegedly committed atrocities against Shiite Afghans (Hazara tribes) while seizing control of Persian-speaking areas of western and northern Afghanistan. Taliban fighters killed nine Iranian diplomats at Iran’s consulate in Mazar-e-Sharif in August 1998, prompting Iran to mobilize ground forces to the Afghan border. Afghan Taliban factions have a measure of safe-haven in Pakistan, and Iran reportedly is concerned that Pakistan might still harbor the ambition of returning the Taliban to power in Afghanistan.⁷⁰ In addition, two

⁶⁵ “Afghanistan, Iran to Work together Against “Macabre” IS Threat.” RFE/RL, April 22, 2015.

⁶⁶ State Department. Country Reports on International Terrorism: 2011. <http://www.state.gov/j/ct/rls/crt/2011/195547.htm>.

⁶⁷ Maria Abi-Habib, “Tehran Builds On Outreach to Taliban,” *Wall Street Journal*, August 1, 2012.

⁶⁸ For detail on Pakistan’s foreign policy and relations with the United States, see CRS Report R41832, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

⁶⁹ John Lancaster and Kamran Khan, “Pakistanis Say Nuclear Scientists Aided Iran,” *Washington Post*, January 24, 2004.

⁷⁰ Author conversations with experts in Washington, DC, who consult with Iranian government officials. 2013-15.

Iranian Sunni Muslim militant opposition groups - Jundullah (named by the United States as an FTO) and Jaysh al-Adl - operate from western Pakistan. These groups have conducted a number of attacks on Iranian regime targets.

An additional factor distancing Iran and Pakistan is that Pakistan has always had strategic relations with Iran's strategic adversary, Saudi Arabia. In March 2015, Saudi Arabia requested Pakistan's participation in a Saudi-led coalition to try to turn back the advance in Yemen by the Iranian-backed Houthis (see above). Pakistan's government is abiding by an April 2015 vote of its parliament not to enter the conflict, on the grounds that Pakistan could become embroiled in conflict far from its borders. The decision has complicated Pakistan's relations with the GCC states but been applauded by Iran.⁷¹ Experts also have long speculated that if Saudi Arabia sought to counter Iran's nuclear program with one of its own, the prime source of technology for the Saudi program would be Pakistan.

Despite these differences, Iran and Pakistan conduct low-level military cooperation, including joint naval exercises in April 2014. The two nations' bilateral agenda has increasingly focused on completing a major gas pipeline project that would link the two countries. Pakistan asserts that the Iran-Pakistan gas pipeline could help alleviate Pakistan's energy shortages, while the project would provide Iran an additional customer for its large natural gas reserves. Then-president of Iran Ahmadinejad and Pakistan's then-President Asif Ali Zardari formally inaugurated the project in March 2013. Iran has completed the line on its side of the border, but Pakistan has had persistent trouble financing the project on its side of the border. That roadblock might have been cleared by an agreement by China, reported on April 9, 2015, to build the pipeline at a cost of about \$2 billion.⁷² The United States opposes the project as providing a benefit to Iran's energy sector and U.S. officials say that the project could be subject to U.S. sanctions under the Iran Sanctions Act.⁷³ As originally conceived, the line would continue on to India, but India has withdrawn from the project.

India⁷⁴

India and Iran have overlapping histories, civilizations, and interests, aligning on numerous issues; for example, both countries have strongly supported minority factions based in the north and west of Afghanistan. India also is home to tens of millions of Shiite Muslims. As U.S. and international sanctions on Iran increased in 2010-2012, India sought to preserve its long-standing ties with Iran while still cooperating with U.S. and international sanctions on Iran. In 2010, India's central bank ceased using a Tehran-based regional body, the Asian Clearing Union, to handle transactions with Iran. In January 2012, Iran agreed to accept India's local currency, the rupee, to settle nearly half of its sales to India; that rupee account funds the sale to Iran of Indian wheat, pharmaceuticals, rice, sugar, soybeans, auto parts, and other products. Over the past three years, India has cut its purchases of Iranian oil at some cost to its own development, and has received from the U.S. Administration the authorized exemptions from U.S. sanctions for doing so. By mid-2013, Iran was only supplying about 6% of India's oil imports (down from over 16%

⁷¹ http://www.washingtonpost.com/world/2015/04/10/6dc494fc-df62-11e4-a500-1c5bb1d8ff6a_story.html.

⁷² <http://economictimes.indiatimes.com/news/international/world-news/china-to-build-pakistan-iran-gas-pipeline-pakistan-government/articleshow/46867932.cms>.

⁷³ <http://www.thenational.ae/business/energy/big-powers-block-iran-pakistan-gas-pipeline-plans>.

⁷⁴ For detail on India's foreign policy and relations with the United States, see CRS Report R42823, *India-U.S. Security Relations: Current Engagement*, by K. Alan Kronstadt and Sonia Pinto.

in 2008)—reflecting significant investment to retrofit refineries that were handling Iranian crude. India's private sector has come to view Iran as a “controversial market”—a term used by many international firms to describe markets that entail reputational and financial risks. As a result, investment in Iran by Indian firms, including in Iran's energy sector, has been largely dormant over the past four years.

Still, India apparently seeks to preserve ties to Iran in support of India's own strategic interests. India has long sought to develop Iran's Chabahar port, which would give India direct access to Afghanistan and Central Asia without relying on transit routes through Pakistan. India had hesitated to move forward on that project because of U.S. opposition to projects that benefit Iran. After the JPA, India announced it would proceed with the project, but there has been little actual construction done at the port.⁷⁵

In 2009, India dissociated itself from the Iran-Pakistan gas pipeline project. India publicly based its withdrawal on concerns about the security of the pipeline, the location at which the gas would be transferred to India, pricing of the gas, and transit tariffs. However, the long-standing distrust and enmity between India and Pakistan likely played a significant role in the Indian pullout. During economic talks in July 2010, Iranian and Indian officials reportedly raised the issue of constructing a subsea natural gas pipeline, which would bypass Pakistani territory.⁷⁶ However, an undersea pipeline would be much more expensive.

During the late 1990s, U.S. officials expressed concern about India-Iran military-to-military ties. The relationship included visits to India by Iranian naval personnel, although India said these exchanges involved junior personnel and focused mainly on promoting interpersonal relations and not on India's provision to Iran of military expertise. The military relationship between the countries has withered in recent years.

Sri Lanka

Sri Lanka was a buyer of small amounts of Iranian oil until 2012, when U.S. sanctions were imposed on countries that fail to reduce purchases of Iranian oil. Shortly thereafter, Sri Lanka ended its oil purchases from Iran and in June 2012, the country received an exemption from U.S. sanctions.

Europe

U.S. and European approaches on Iran have converged since 2002, when Iran was found to be developing a uranium enrichment capability. Previously, European countries had appeared less concerned than the United States about Iranian policies and were reluctant to sanction Iran. Since the passage of Resolution 1929 in June 2010, European Union (EU) sanctions on Iran have become nearly as extensive as those of the United States.⁷⁷ Among its most significant actions, in 2012 the EU banned imports of Iranian crude oil and natural gas. The EU is a party to the JPA and

⁷⁵ Author conversations with Indian diplomats in Washington, DC, March 2015.

⁷⁶ <http://www.thehindu.com/news/international/world/iran-backs-deepsea-gas-pipeline-to-india/article5466999.ece>.

⁷⁷ For information on EU sanctions in place on Iran, see http://eeas.europa.eu/delegations/iran/eu_iran/restrictive_measures/index_en.htm.

the April 2, 2015, framework nuclear agreement, and three EU states—Britain, France, and Germany—are part of the P5+1 negotiating group on the Iran nuclear issue. In July 2013, the EU designated the military wing of Lebanese Hezbollah as a terrorist organization, an action that followed the attack on Israeli tourists in Bulgaria in 2012, mentioned in the table above.

Still, the EU countries generally conduct normal trade relations in civilian goods that are not the subject of any U.S., EU, or U.N. sanctions. Iran also has maintained full diplomatic relations with all the EU countries, with the exception of occasional interruptions caused by Iranian assassinations of Iranian dissidents in Europe or attacks by Iranian militants on EU country diplomatic property in Iran. There are daily scheduled flights from several European countries to Iran, and many Iranian students attend European universities.

During the 1990s, U.S. and European policies toward Iran were in sharp contrast. The United States had no formal dialogue with Iran; however, EU countries maintained a policy of “critical dialogue” and refused to join the 1995 U.S. trade and investment ban on Iran. The EU-Iran dialogue was suspended in April 1997 in response to the German terrorism trial (“Mykonos trial”) that found high-level Iranian involvement in killing Iranian dissidents in Germany, but it resumed in May 1998 during Mohammad Khatemi’s presidency of Iran. In the 1990s, European and Japanese creditors bucked U.S. objections and rescheduled about \$16 billion in Iranian debt bilaterally, in spite of Paris Club rules that call for multilateral rescheduling. During 2002-2005, there were active negotiations between the European Union and Iran on a “Trade and Cooperation Agreement” (TCA) that would have lowered the tariffs or increased quotas for Iranian exports to the EU countries.⁷⁸ Negotiations were discontinued in late 2005 after Iran abrogated an agreement with several EU countries to suspend uranium enrichment. Also, although the U.S. Administration ceased blocking Iran from applying for World Trade Organization (WTO) membership in May 2005, there has thus far been insufficient international support to grant Iran WTO membership.

Russia

Iran appears to attach significant weight to its relations with Russia, which is a permanent member of the U.N. Security Council, and has been Iran’s main supplier of conventional weaponry. In the past, Russia has also supplied Iran with missile-related and other technology. Russia also built and still supplies fuel for Iran’s only operating civilian nuclear power reactor at Bushehr—a project from which Russia earns significant revenues. Russia and Iran reportedly are negotiating for Russia to build at least two additional nuclear power plants in Iran. As a permanent member of the Security Council, Russia is also a member of the “P5+1” countries negotiating with Iran on a nuclear agreement.

Perhaps in part to protect its commercial interests in Iran, Russia has tended, in the past, to argue within the Security Council for relatively lighter sanctions than those supported by the United

⁷⁸ During the active period of talks, which began in December 2002, there were working groups focused not only on the TCA terms and proliferation issues but also on Iran’s human rights record, Iran’s efforts to derail the Middle East peace process, Iranian-sponsored terrorism, counter-narcotics, refugees, migration issues, and the Iranian opposition PMOI.

States, France, and Britain.⁷⁹ In the context of a possible comprehensive nuclear deal, Russia might also seek to ensure that Iran does not align itself with the West.⁸⁰

Despite its commercial and military involvement with Iran, Russia has abided by all U.N. sanctions, even to the point of initially cancelling a contract to sell Iran the advanced S-300 air defense system after Resolution 1929 banning arms exports to Iran was adopted—and even though the resolution did not specifically ban the sale of defensive systems. On the other hand, some reports suggest that in 2015 a Russian defense firm might have offered to sell Iran the advanced Antey-2500 air defense system.⁸¹ In January 2015, Iran and Russia signed a memorandum of understanding on defense cooperation, including military drills.⁸² After the April 2, 2015, framework nuclear accord was announced, Russia lifted its ban on the S-300 sale, although by all accounts the system has not been delivered to date.

Some argue that Iran has largely refrained from supporting Islamist movements in Central Asia not only because they are Sunni movements but also to avoid injuring Iran's relations with Russia. Russia has faced attacks inside Russia by Sunni Islamist extremist movements and Russia appears to view Iran as a de-facto ally in combating such movements. These common interests might explain why Iran and Russia are each assisting the Assad regime against the armed insurgency it faces from Sunni extremist and other rebel groups.

Iran and Russia have both asserted that they are the main targets of U.S. and other Western sanctions (over the Ukraine issue, in the case of Russia). The two countries also allege that the United States and Saudi Arabia are colluding to lower world oil prices in part to pressure Iran and Russia economically. In August 2014, Russia and Iran reportedly agreed to a broad trade and energy deal which might include an exchange of Iranian oil (500,000 barrels per day) for Russian goods⁸³—a deal that presumably would go into effect if sanctions on Iran were lifted. Russia is an oil exporter, but Iranian oil that Russia might buy under this arrangement would presumably free up additional Russian oil for export. Iran and Russia reaffirmed this accord in April 2015.

East Asia

The countries of East Asia include the largest buyers of Iranian crude oil. Because of the demand of Asian countries for Iranian oil, Iran's leaders appear to view them primarily as economic partners and as potential advocates against adding international sanctions on Iran. The countries in Asia have sometimes joined multilateral peacekeeping operations in the Middle East but have not directly intervened militarily or politically in the region in the way the United States and its European allies have. Countries in Asia have rarely been a target of official Iranian criticism.

⁷⁹ Anna Boshchevskaya. "How Russia Views the Iran Nuclear Talks." *Washington Institute for Near East Policy*, March 12, 2015.

⁸⁰ Karoun Demirjian. "Russia's Preemptive Strike as Iran Warms to West." *Washington Post*, April 19, 2015.

⁸¹ Ibid.

⁸² Ibid.

⁸³ "Iran, Russia Negotiating Big Oil-for-Goods Deal." *Reuters*, January 10, 2014.

China⁸⁴

China, a permanent member of the U.N. Security Council and one of the P5+1 countries that is negotiating Iran's nuclear program, remains Iran's largest oil customer. China has also been a supplier of advanced conventional arms to Iran, including fast patrol boats that Iran operates in the Persian Gulf. Until 2010, there were reports that some Chinese firms were supplying missile guidance and other weapons-related technology to Iran.⁸⁵ As with Russia, China has reportedly tended to argue for less stringent sanctions and for more deference to Iran's positions within the U.N. Security Council and within the P5+1 negotiations with Iran, than have the United States, France, Britain, and Germany.

China's compliance with U.S. sanctions has been pivotal to U.S. efforts to reduce Iran's revenue from oil sales. China has cut its buys of Iranian oil from about 550,000 bpd at the end of 2011 to about 400,000 bpd by mid-2013. Because China is the largest buyer of Iranian oil, cuts by China have had a large impact in reducing Iran's oil sales. Several Chinese energy firms have invested in Iran's energy sector, but some of these projects have been given to Iranian or other country firms or show little evidence of actual development work. These investments are discussed in detail in CRS Report RS20871, *Iran Sanctions*.

A U.S. sanction requiring that Iran be paid in local currency accounts, which went into effect February 6, 2013, caused Iran to increase importation of clothing and household appliances from China in order to avoid drawing on any hard currency accounts. Even before that sanction was imposed, China had begun to settle much of its trade balance with Iran with goods rather than hard currency, in part because doing so is highly favorable to China. Press reports indicated that Iran's automotive sector obtains a significant proportion of its parts from China, and two Chinese companies, Geelran, affiliated with China-based Geely and Chery, produce cars in Iran. These exports were reduced substantially during 2013 because of U.S. sanctions, but recovered significantly as a consequence of the JPA, which eased sanctions on Iran's automotive sector.

Japan and South Korea

Iran's primary interest in Japan and South Korea has been to maintain commercial relations and evade U.S. sanctions. However, both countries are close allies and large trading partners of the United States and their firms have been unwilling to risk their positions in the U.S. market by violating any U.S. sanctions.

Since 2010, in part in deference to their alliances with the United States, Japan and South Korea have imposed trade, banking, and energy sanctions on Iran—similar to those of the EU. Iran has tried to use the oil import dependency of the two countries as leverage; however both countries have cut imports of Iranian oil sharply since 2011. In 2010, Japan withdrew from an investment in a large Iranian oil field, Azadegan, in cooperation with U.S. efforts to discourage foreign investment in Iran's energy sector.

⁸⁴ CRS Report IF10029, *China, U.S. Leadership, and Geopolitical Challenges in Asia*, by Susan V. Lawrence.

⁸⁵ CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan

The U.S. sanction requiring oil buyers to pay Iran in local accounts has not affected Japan and South Korea's trading patterns with Iran significantly. South Korea has always generally paid Iran's Central Bank through local currency accounts at its Industrial Bank of Korea and Woori Bank, and it exports to Iran mainly iron, steel, consumer electronics, and appliances. Japan exports to Iran significant amounts of chemical and rubber products, as well as consumer electronics. These exports have continued. The two countries also have comprised a large portion of the \$700 million per month in direct hard currency payments to Iran for oil, as provided for by the JPA.

North Korea

Iran and North Korea have generally been allies. Because of their separate nuclear programs and perceived threats to stability in their respective regions, both have been considered "outcasts" or "pariah states" subject to wide-ranging international sanctions. Even though the economic benefits to Iran of a relationship with North Korea are minimal, the relationship offers Iran some strategic gains. North Korea is one of the few countries with which Iran has military-to-military relations. The two countries have cooperated on a wide range of military and WMD-related ventures. The two have, by many accounts, cooperated in the development of missile technology. In the past, Iran reportedly funded and assisted in the re-transfer of missile and possibly nuclear technology from North Korea to Syria.⁸⁶

North Korea has made no public commitment to comply with international sanctions against Iran, but its economy is too small to significantly help Iran. According to some observers, a portion of China's purchases of oil from Iran and other suppliers is reexported to North Korea, but Iran is paid with Chinese goods rather than any hard currency or major products from North Korea. Press reports in April 2013 said that Iran might supply oil directly to North Korea, but it has not been reported that any such arrangement was finalized.

⁸⁶ <http://www.wsj.com/articles/SB10001424052702303763804579183231117914364>.

Latin America⁸⁷

Some U.S. officials and some in Congress have expressed concern about Iran's relations with certain countries and leaders in Latin America that share Iran's distrust of the United States and might be willing to help Iran circumvent some international sanctions. Some experts and U.S. officials have asserted that Iran, primarily through its ally, Hezbollah, has sought to position IRGC-QF and other agents in Latin America with the potential to carry out terrorist attacks against Israeli targets in the region or even in the United States itself.⁸⁸ Some U.S. officials have also asserted that Iran and Hezbollah's activities in Latin America include money laundering and trafficking in drugs and counterfeit goods.⁸⁹ In contrast to his predecessor, Mahmoud Ahmadinejad, however, President Rouhani has expressed minimal interest in further expanding ties in Latin America. During the Ahmadinejad presidency, Iran reportedly expanded its relations with all of those countries, as well as in Mexico. In Ahmadinejad's visits to the region, some economic agreements were reached but few were implemented, by all accounts.

Figure 3. Latin America



Source: Created by CRS.

In the 112th Congress, the “Countering Iran in the Western Hemisphere Act,” requiring the Administration to develop within 180 days of enactment a strategy to counter Iran's influence in Latin America, passed both chambers and was signed on December 28, 2012 (H.R. 3783, P.L. 112-220). The required Administration report was provided to Congress in June 2013; the unclassified portion asserted that “Iranian influence in Latin America and the Caribbean is waning” in part because of U.S. efforts to cause Latin American countries to assess the costs and benefits of closer relations with Iran.⁹⁰

Observers have directed particular attention to Iran's relationship with Venezuela (an OPEC member, as is Iran) and Argentina. U.S. counterterrorism officials also have stated that the tri-border area of Argentina, Brazil, and Paraguay is a “nexus” of arms, narcotics and human trafficking, counterfeiting, and other potential funding sources for terrorist organizations, including Hezbollah.

⁸⁷ For more information on the issues discussed in this section, see CRS Report RS21049, *Latin America: Terrorism Issues*, by Mark P. Sullivan and June S. Beittel.

⁸⁸ Ilan Benman. “Iran Courts Latin America.” *Middle East Quarterly*, Summer 2012. <http://www.meforum.org/3297/iran-latin-america>.

⁸⁹ Posture Statement of General John F. Kelly, Commander, U.S. Southern Command, before the 114th Congress, Senate Armed Services Committee, March 12, 2015.

⁹⁰ Department of State, “Annex A: Unclassified Summary of Policy Recommendations,” June 2013.

Venezuela⁹¹

During Ahmadinejad's presidency, Iran had particularly close relations with Venezuela and its president, Hugo Chavez, who died in office in March 2013. Neither Rouhani nor Chavez's successor, Nicolas Maduro, have expressed the enthusiasm for the relationship that Chavez and Ahmadinejad did. However, even during Chavez's presidency, the United States did not necessarily perceive a threat from the Iran-Venezuela relationship. In July 2012, President Obama stated that Iran-Venezuela ties have not had "a serious national security impact on the United States."⁹²

Only a few of the economic agreements between Iran and Venezuela during the Ahmadinejad and Chavez presidencies were implemented. A direct air link was established but then suspended in 2010 for lack of sufficient customer interest. It was reportedly restarted by President Maduro in January 2015 in order to try to promote tourism between the two countries.⁹³ A deal for Petroleos de Venezuela to supply Iran with gasoline was signed in September 2009, apparently in a joint effort to circumvent U.S. sanctions on sales of gasoline to Iran, and Petroleos was therefore sanctioned under the Iran Sanctions Act in May 2011.⁹⁴

Argentina⁹⁵

Argentina is the one country in Latin America in which there is substantial evidence that Iran and Hezbollah have carried out acts of terrorism, in this case against Israeli and Jewish targets. The two major attacks in Buenos Aires—the 1992 bombing of the Israeli embassy and the 1994 bombing of a Jewish community center (Argentine-Israeli Mutual Association, AMIA)—still affect the Argentine political system. Based on indictments and the copious investigative information that has been revealed, there is a broad consensus that these attacks were carried out by Hezbollah operatives, assisted by Iranian diplomats and their access to diplomatic privileges. Many in Argentina's Jewish community opposed a January 2013 Iran-Argentina memorandum of understanding to investigate the 1994 bombing by forming a "truth commission," rather than to aggressively prosecute the Iranians involved. Opponents of that agreement assert that it undermined Argentina's efforts to prosecute the Iranians involved. In May 2013, the Argentine prosecutor in the AMIA bombing case, Alberto Nisman, issued a 500-page report alleging that Iran has been working for decades in Latin America, setting up intelligence stations in the region by utilizing embassies, cultural organizations, and even mosques as a source of recruitment. In January 2015, Nisman was found dead of a gunshot wound, prompting turmoil in Argentina amid reports that he was to request indictment of Argentina's president for allegedly conspiring with Iran to bury the AMIA bombing issue.

The Buenos Aires attacks took place more than 20 years ago and there have not been any recent public indications that Iran and/or Hezbollah are planning attacks in Argentina. However, in February 2015, Uruguay stated that an Iranian diplomat posted there had left the country before

⁹¹ For more information, see CRS Report R43239, *Venezuela: Background and U.S. Relations*, by Mark P. Sullivan

⁹² Comments by President Barack Obama on "CNN: The Situation Room," July 11, 2012.

⁹³ <http://panampost.com/sabrina-martin/2015/04/06/iran-takes-venezuelan-money-passes-on-deliveries/>

⁹⁴ <http://www.reuters.com/article/2011/05/24/us-iran-usa-sanctions-idUSTRE74N47R20110524>

⁹⁵ For more information, see CRS Report R43816, *Argentina: Background and U.S. Relations*, by Mark P. Sullivan and Rebecca M. Nelson

Uruguay issued a formal complaint that the diplomat had tested the security measures of Israel's embassy in the capital, Montevideo.⁹⁶

Africa

With few exceptions, Sub-Saharan Africa has not generally been a focus of Iranian foreign policy—perhaps because of the relatively small size of most African economies and the limited influence of African countries on multilateral efforts to limit Iran's nuclear program or contain its strategic capabilities. Former President Ahmadinejad tried to enlist the support of some African leaders to reduce Iran's international isolation, but most African countries did not want to risk their economic and political relationships with the United States by undertaking substantial dealings with Iran. Joint venture agreements between Iran and African countries were generally not implemented. Rouhani has made few statements on relations with countries in Africa and has not made the continent a priority. Still, the increase in activity by Islamic State and Al Qaeda-affiliated Sunni extremist movements could cause Iran to increase its focus on politics and security issues in Africa.

Figure 4. Sudan



Source: Created by CRS.

Iran is positioned to intervene more actively in Africa if it chooses to do so. The IRGC-QF has established a presence in some countries in Africa (including Nigeria, Senegal, and Kenya), possibly to secure arms-supply routes for pro-Iranian movements in the Middle East. Iran might also be seeking ways to retaliate against the United States or its allies if military action is taken against Iran's nuclear facilities. On May 2, 2013, a court in Kenya found two Iranian men guilty of planning to carry out bombings in Kenya, apparently against Israeli targets. In September 2014, Kenya detained two Iranian men on suspicion of intent to carry out a terrorist attack there.

The only country in Africa in which Iran has appeared to invest substantial strategic resources and attention is Sudan.

Sudan

Iran's closest relationship in sub-Saharan Africa has been with the government of Sudan, which, like Iran, is identified by the United States as a state sponsor of terrorism. Iran's relations with Sudan give Iran leverage against Egypt, a U.S. ally that has a peace treaty with Israel, and a

⁹⁶ "Questions Swirl Over Incident Involving Iranian Diplomat in Uruguay." *LatinNews Daily*, February 9, 2015.

channel to supply weapons to Hamas and other pro-Iranian groups in the Gaza Strip.⁹⁷ The relationship began in the 1990s when Islamist leaders in Sudan, who came to power in 1989, welcomed international Islamist movements to train and organize there. Iran began supplying Sudan with weapons it used on its various fronts, such as the one with South Sudan, and the QF reportedly has armed and trained Sudanese forces, including the Popular Defense Force militia.⁹⁸ Some observers say Iranian pilots have assisted Sudan's air force, and Iran's naval forces have periodically visited Port Sudan.

For Iran, the key to the relationship with Sudan has been its role in transshipping Iranian weapons to Hamas. Israel has repeatedly accused Iran of shipping weapons bound for Gaza through Sudan and,⁹⁹ in October 2012, Israel bombed a weapons factory in Khartoum, purportedly a source of Iranian weapons supplies for Hamas. In March 2014, Israel intercepted an Iranian shipment of rockets that were headed to Port Sudan.¹⁰⁰

However, Sudan is inhabited by Sunni Arabs and has always been susceptible to overtures from wealthy Sunni nations (such as Saudi Arabia) to distance itself from Iran. Apparent Saudi pressure on Sudan, coupled with apparent Saudi offers of generous economic assistance and investment, led to a downturn in the Iran-Sudan relationship. In September 2014, the Sudan government closed all Iranian cultural centers in Sudan and expelled the cultural attaché and other Iranian diplomats. Sudan's press speculated that the Sudanese government perceived that Iran was using its facilities and personnel in Sudan to promote Shiite Islam.¹⁰¹ In March 2015, Sudan joined a Saudi-led Arab coalition to intervene against the Iran-supported Houthi rebel movement in Yemen, appearing to confirm that Sudan has significantly downgraded its strategic relations with Iran.

Prospects and Alternative Scenarios

There are a number of factors that could cause Iran's foreign policy to shift. An uprising in Iran or other event that changes the composition of the regime could precipitate a shift in policy, presumably in favor of greater integration with the international community. Were Supreme Leader Khamene'i to leave the scene unexpectedly, Iran's foreign policy could change sharply if his successor's views differ from his or if a successor is unable to consolidate authority. Other factors that could force a shift could include the continued growth of a Saudi-led coalition of Arab Sunni states that might succeed in defeating movements and governments backed by Iran.

One variable that could cause an alteration in Iran's foreign policy would be the finalization of a comprehensive nuclear agreement between Iran and the P5+1. Some experts and officials, including Israel's Prime Minister Benjamin Netanyahu, argue that the broad sanctions relief

⁹⁷ Michael Lipin. "Sudan's Iran Alliance Under Scrutiny." VOA News, October 31, 2012. <http://www.voanews.com/content/article/1536472.html>.

⁹⁸ <http://www.csmonitor.com/World/Security-Watch/terrorism-security/2012/1025/Did-Israel-just-blow-up-an-Iranian-weapons-factory-in-Sudan>.

⁹⁹ "Were the Israelis Behind the 'Mystery' Air Strike in Sudan?" *Time*, April 6, 2011; "Car Blast in E. Sudan, Khartoum Points to Israel," *Reuters*, May 22, 2012; "Rockets and Meetings," *Africa Confidential*, May 25, 2012. Weapons Documented in South Kordofan," *Small Arms Survey*, April 2012.

¹⁰⁰ <http://www.jpost.com/Defense/Israel-Navy-intercepts-Gaza-bound-Iranian-rocket-ship-near-Port-Sudan-344369>.

¹⁰¹ Sudan Expels Iranian Diplomats and Closes Cultural Centers. *The Guardian*, September 2, 2014.

envisioned by the tentative nuclear deal will provide Iran more financial and other resources with which to fund and arm regional factions who are acting against U.S. and allied interests. Other experts argue that Iran might seek to demonstrate that a nuclear agreement has not caused Iran to abandon its ideology and that Iran might try to increase its influence in the region.¹⁰² Those who support these arguments assert that Iran's foreign policy would become even more challenging for the United States and its allies than it is without a nuclear agreement. As examples:

- Iran could decide to increase its assistance to hardline opposition factions in Bahrain, who have thus far made little headway in challenging the government's control of the country.¹⁰³
- Sanctions relief could enable Iran to acquire, licitly or illicitly, technology to enhance the accuracy of rockets and short-range missiles it has supplied to Hezbollah and Hamas.
- Sanctions relief could enable Iran to modernize its armed forces, potentially to the point where it has increased ability to move ground forces across waterways such as the Strait of Hormuz—and thereby further intimidate the GCC states.
- Iran's reintegration into the international community could enable Iran to expand its relationships with countries in Latin America or Africa that have thus far been hesitant to broaden their relations with Iran.

A counterargument is that a nuclear agreement would give Iran incentive to avoid actions that could provoke calls among U.S. allies for the reimposition or addition of international sanctions.¹⁰⁴ A nuclear agreement could also produce a broader rapprochement with the United States that leads to increased U.S.-Iran cooperation on regional issues. Some examples of possible Iranian foreign policy outcomes—and other possible shifts—in the event a nuclear deal is finalized are discussed below.

- Iran and the United States could cooperate directly against Islamic State forces in Iraq, and Iran could reduce its support for Asad of Syria and support a political solution that explicitly includes Asad's departure from office.
- Iran and the UAE could resolve their territorial dispute over Abu Musa and the two Tunbs islands in the Persian Gulf.
- Iran might curtail its delivery of rockets and short-range missiles to Hezbollah and Hamas, although Iran is unlikely under any circumstances to reduce its political support for Hezbollah.
- Depending on the Saudi perception of a post-nuclear agreement threat from Iran, Saudi Arabia and Iran could decide to cooperate within OPEC to try to lift oil prices.
- Iran could be admitted to the WTO.

¹⁰² Kenneth Pollack. "Iran's Regional Policy After a Nuclear Deal" Brookings Institution, March 2, 2015. <http://www.brookings.edu/blogs/markaz/posts/2015/03/02-iran-after-a-nuclear-deal-pollack>.

¹⁰³ Ibid.

¹⁰⁴ "David Kirkpatrick. "Saudis Make Own Moves as U.S. and Iran Talk." *New York Times*, March 31, 2015.

- A lifting of U.S. sanctions could cause Iran, Azerbaijan, and international energy firms to expand joint projects to develop the energy fields in the Caspian Sea. U.S.-Azerbaijan strategic cooperation might diminish as their shared perception of the Iran threat recedes.
- China and other members of the Shanghai Cooperation Organization might drop their objections to Iran's full membership in the organization because Iran would no longer be under strict multilateral sanctions.
- The United States might drop its opposition to additional gas pipelines that transit Iran, potentially undermining the TAPI pipeline project.
- The planned Iran-Pakistan natural gas pipeline might proceed to completion with the threat of U.S. sanctions on firms involved in the project removed.
- India likely would intensify its efforts to develop Iran's Chahbahar port as U.S. opposition to the project diminishes.
- Both India and Pakistan might expand their separate military cooperation with Iran.

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