
9. The evolving security role of Iran in the Caspian region

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I. Introduction

The Caucasus Mountains were the birthplace of some of humankind's earliest legends. It was from here that Prometheus stole fire from the gods and gave it to Man. The Svanetia region of western Georgia was the land Jason and the Argonauts searched to find the Golden Fleece, and in Azerbaijan Zoroastrian mystics discovered the thick, black water that fuelled the smelly flames of torches and cooking fires and was believed to be magic. Marco Polo wrote of the mysterious liquid on his way to China in the 13th century. By the late 1600s, Azeri locals constructed the first hand-dug wells and were using oil in their lamps.

Two hundred years later, tsarist Russia permitted the first commercial enterprises to operate in Azerbaijan. In 1920, things had changed when the Bolsheviks subjugated all their neighbours. In the subsequent 70 years, the Soviets tapped the potential of the Caspian Sea Basin.

The collapse of the Soviet Union—the most important event of the second half of the 20th century—opened up new dimensions for the security and national interests of the Islamic Republic of Iran. The vast region which surrounds the Caspian has been influenced by great civilizations on its periphery. The region has been at the crossroads of Confucianism, Buddhism, Islam and Christianity and the crossing of the Silk Road, the ancient route that transferred science, skills and knowledge as well as merchandise between the civilizations of China, India, Iran and Europe. 'The influence of Iran—although the core of its civilization lies in south-west Asia—was particularly strong, to the extent that it is sometimes difficult to establish a clear boundary between the civilization of the Iranian motherland and that of the outlying lands of Central Asia.'¹

Iran could therefore not remain a passive spectator of the immediate consequences of the collapse of the Soviet system and the subsequent changes which have created a sort of vacuum beyond its northern borders. A response to the desire of the people of the region to expand a relationship that was rooted in history and a new definition of Iran's national interests were among the top priorities of Iranian foreign policy in Central Asia and the Caucasus.

In fact, after the breakup of the Soviet Union, Iran's geopolitics underwent a change. In addition to its security interests in the south and the Persian Gulf, a new dimension of national interests emerged on its northern borders. Reflecting

¹ Preface by Federico Mayor, former Director General of UNESCO, to UNESCO, *History of the Civilizations of Central Asia*, vol. I (UNESCO: Paris, 1992).

its new national concern, Iran's approach to peace and stability regarding the newly independent neighbouring countries is a sensitive one. These new considerations called for greater vigilance on the part of Iran as regards the security concerns of Central Asia and the Caucasus. One thing remains certain—the security posture of these states is fragile. Should any one of them attempt to preserve its unity through coercive measures, then the stability of the whole region will be at risk.

The Central Asian states are determined to preserve their national independence and not to let their gas- and oil-rich region be treated as a plaything of the superpowers. They do not want to exclude Russia, but they are very interested in attracting Western investment. In the meantime they are encouraging the increased presence of East Asian countries, Turkey and Iran.² At present a number of regional and international actors, such as NATO and the Organization for Security and Co-operation in Europe (OSCE), are in the process of consolidating their security roles in the region. In fact, both these organizations are reaching way beyond their traditional sphere of influence, that is, Europe. While they are assisting the West in expanding its sphere of security influence, there is no doubt that they are also helping the countries of Central Asia and the Caucasus to establish themselves on the international scene and reduce their dependence on Russia. However, the cooperation of these countries with NATO is not risk-free, especially given Russia's vehement opposition. Another problem is that NATO will not be able to admit new members until structural changes are made, and these changes can cause numerous problems for the organization. The admission of the Central Asian and Caucasian countries will not be a smooth process, for it calls for a process of democratization in their political systems and civilian control over their military institutions.³

The definition of Central Asia and the Caucasus has always been a matter of debate among scholars. Some geographers consider it the continuation of the Middle East; others prefer to include Afghanistan and parts of China in the region; and, as it was once annexed to the Soviet Union, some consider it as the furthest frontier of Europe. Perhaps the closest definition is the classic, 1904 concept of the 'Heartland' associated with the name of Sir Halford Mackinder, which has somehow been revived: a major part of the 'Heart of the Earth' encompasses present-day Central Asia. Although today in the age of missiles the military part of Mackinder's theory has apparently lost its former importance, the fact that the Central Asian countries are landlocked is still considered to be the most important economic factor in the regional and international relations of the Central Asian states. Meanwhile, a newer theory, which has recently been propounded as 'geo-culture', may be better able to explain the post-cold war trend because it pays more attention than Mackinder's theory to

² Brzezinski, Z., 'Russia's new battleground', *Washington Post*, 8 Sep. 1995.

³ Rahmani, M., 'NATO and OSCE: new security roles in Central Asia and the Caucasus', *Amu Darya: the Iranian Journal of Central Asian Studies* (Center for the Study of Central Asia and the Caucasus, Tehran), vol. 4, no. 1 (spring 1999), p. 89 (in English).

factors such as culture, language, ethnicity and religion and the role they play as political parameters.

One of the most important consequences of the demise of the Soviet Union was the rise of intense political and commercial competition—competition for control of the vast energy resources of the newly independent and vulnerable states of the Caucasus and Central Asia in the Caspian Sea Basin. These energy resources, and in particular the oil and natural gas deposits, have become the point of discord in Central Asia and the Caucasus, introducing, according to analysts, a new chapter in the ‘Great Game’ for control over Eurasia. The Great Game was the rivalry between tsarist Russia, Great Britain and the Ottoman Empire in Central Asia for control of the trade routes to India in the 19th century. However, the number of players has increased dramatically compared to the 19th century: China, Iran, Pakistan, Russia, Turkey, Saudi Arabia, the USA, the European Union (EU) and even Afghanistan are now involved. It could therefore be said that energy resources are now shaping the geopolitics of Central Asia. Eventual control of the development of oil and gas deposits and the routing of the pipelines that will take the oil and gas to international markets will determine the political and economic future of Russia, Turkey, the Caucasus and the Central Asian states; it will determine Iran’s position in the region and its relations with the West; it will determine the realignment of the strategic triangle of China, Russia and the USA; and it will have strategic consequences by reducing dependence on Persian Gulf oil.⁴

Studies show that there is considerable oil and gas potential in Central Asia and the Caucasus but any attempt to quantify that potential is fraught with uncertainty, since (a) there are areas which have not been seriously explored, and (b) the accuracy of the available data for those which have been explored is particularly doubtful. Initial estimates by Western sources after the breakup of the Soviet Union projected the quantity of energy reserves at 200 billion barrels (bbl) of oil and 279 trillion cubic feet of gas. The region would thus rank second after Saudi Arabia in terms of hydrocarbon reserves.⁵

The numbers put forward initially were exaggerated, but recent studies still estimate the oil reserves at somewhere between 15 and 29 bbl,⁶ in which case the Caspian Basin would be comparable to the North Sea, which has 17 bbl of proven reserves, and the USA, which has 29.8 bbl. Proven gas reserves in the Caspian region range between 5.58 and 8.3 trillion cubic metres. With the addition of the Shah Deniz gas field, with deposits of approximately 700 billion cubic metres (bcm), the estimated quantity has increased.⁷ Another estimate puts oil deposits at 57.1–59.2 bbl.⁸

⁴ Arvanitopoulos, C., ‘The geopolitics of oil in Central Asia’, *Thesis* (Athens), vol. 1, no. 4 (winter 1998).

⁵ Saghafi-Ameri, N. and Naqi-Zadeh, S., ‘Pipeline policy: symbol of strategic challenges in the Caspian Sea region’, *Amu Darya* (Tehran), vol. 4, no. 3 (autumn 1999), p. 290.

⁶ See note 5.

⁷ Islamic Republic News Agency (IRNA), 12 July 1999.

⁸ Mojtahed-zadeh, P., [Iran’s views on the Caspian Sea, Central Asia, the Persian Gulf and the Middle East], *Etleaat Siasi va Eghtesadi Journal* (Tehran), no. 95–96 (Sep. 1995), p. 9.

II. The legal status of the Caspian Sea

Regarding the legal status of the Caspian Sea there is general recognition: the understanding that always existed in the past is reflected in the treaties of 1921 and 1940 between Iran and the USSR.⁹ Both countries referred to the Caspian as the 'Iranian–Soviet Sea' and underlined its 'special importance'. In these documents both sides reaffirmed two important principles: the two countries have equal access to the sea and its use; and the sea is closed to all countries not located on its shores. Under international law, these treaties remain valid, despite the breakup of the Soviet Union. Moreover, in the Alma Ata Declaration of 21 December 1991, Azerbaijan, Kazakhstan and Turkmenistan (with other countries) stated their binding commitments to the provisions of the treaties signed by the former Soviet Union.¹⁰

The only issue of relevance not covered by the 1921 and 1940 treaties is the exploitation of mineral resources under the seabed. Iran believes that the agreement of 1940 refers neither to the exploitation of seabed resources nor to the benefits accruing from these resources. Rather, the common property clause indicates that two countries cannot claim sovereignty over the same part of the Caspian seabed. Iran also considers that countries such as Azerbaijan, Kazakhstan and Turkmenistan are acting in contravention of this principle in signing agreements with oil consortia.¹¹

The dispute over the status of the Caspian Sea has been going on throughout the 1990s. The positions of the littoral states have been shifting with the evolution of their domestic politics, their economic situation, their foreign policies and the international environment. Analysis of the national interests of the littoral states and of the activities of outside powers shows that there is potential for further friction in the Caspian Sea Basin. At the same time, possibilities do exist of the region becoming a zone of stability and cooperation. To see both the negative and the positive aspects of the situation, it is necessary to analyse the strategies of the principal actors in the Caspian Sea region.

Russia has been consistently against the division of the Caspian Sea. Only recently, under pressure of circumstances, did the Russian Government agree to the division of the seabed but not the surface or the water. Its unwillingness to divide these stems from its fear of losing control over an area which used to be almost virtually its own; of being denied rich mineral and other resources; of giving further grounds for much more independent postures on the part of the former Soviet republics of Azerbaijan, Kazakhstan and Turkmenistan; and of allowing Turkey and the West to fill the vacuum and threaten Russia's interests in the South Caucasus and Central Asian regions.

Azerbaijan sees division as the only logical and fair solution of the problems. Division of the sea should bring Azerbaijan the necessary funds for economic

⁹ Treaty of Friendship between the Russian Soviet Federal Socialist Republic and Iran (Persia), 1920, and the Soviet–Iranian Trade and Navigation Agreement, 1940.

¹⁰ Ardebili, H. K. (Senior Adviser to the Iranian Minister of Oil and Foreign Affairs), 'The Caspian Sea, its resources, legal status and its future', *Forum* (OPEC), Nov./Dec. 1996.

¹¹ Momtaz, J., 'Iran's views on the Caspian administration', *Iran Today* (Tehran), May/June 1998.

development, greater independence from Russia and an increased presence in the region of 'friendly' powers (the West and Turkey).

Turkmenistan has shifted from an anti-division position to one identical to that of Azerbaijan. The main reasons for the change are economic, plus the growing political aloofness of Turkmenistan from Russia.

Kazakhstan on the contrary has been increasingly willing to cooperate with Russia in the Caspian Sea region and has shifted to a pro-Russian stance on the status of the sea.

Turkey, in supporting the division of the sea, hopes to weaken the positions of Iran and Russia, to enhance its own presence in the newly independent states and to secure for itself the main transport routes for Caspian oil and gas.

The West is behind the movement for a division of the Caspian Sea. It wants to turn the region into an alternative source of energy resources, to build up its political influence in this important part of the world, to prevent Russia from dominating it, and to be able to put pressure on Moscow from this direction if needed in the future.

Iran views the Caspian Sea as the gem of the region, and the completion of its legal regime at the earliest possible time would be a symbol of a balance of power and economic convergence in the region in the new century. It may provide the proper and legal access to the Caspian Sea and its hidden resources. To this end Iran maintains that the Caspian Sea legal regime should be completed as part of a 'win-win' strategy for all littoral countries on the basis of the following principles: (a) the 1921 and 1940 treaties must be the basic instruments for completion of the future legal regime; (b) the principle of unanimity in all decisions made in relation to Caspian Sea affairs must be established; (c) the demilitarized status of the sea must be established; (d) the Caspian must be a centre for trade, cooperation and economic convergence among the littoral states; (e) environmental principles must be observed and any measure that would be harmful to the environment, such as the laying of gas and oil pipelines on the seabed, prevented; and (f) the eventual regime must be defensible at the national level.¹²

At his meeting with the Russian President's special envoy, Viktor Kalyuzhny, on 1 August 2000 the Iranian Foreign Minister, Kamal Kharazzi, repeated that Iran prefers joint ownership of the Caspian Sea, as built in to the 1921 and 1940 treaties, but in order to speed up the resolution of the issue is ready to accept complete division, with Iran having a 20 per cent share. He further stated that as early as February 1992 Iran had introduced a proposal to set up a Caspian Sea Cooperation Organization (CASCO) comprising the five littoral states that would be mandated to deal with economic, fisheries, shipping, environment, energy and security issues, and that it still supports that proposal today.¹³

¹² Quoted from a speech delivered by Morteza Sarmadi, Iranian Deputy Foreign Minister, at the Eighth International Conference on Central Asia and the Caucasus, at the Institute for Political and International Studies (IPIS), Tehran, 12 June 2000.

¹³ *Iran News* (Tehran), 2 Aug. 2000, p. 1.

III. Oil and gas transport routes

With deals already signed, the biggest problem still facing the investing countries is how to transport their oil to the international markets. The problem involved in tapping the Caspian oil and gas resources, and one which makes the region completely different from the Persian Gulf, is that the oil and gas produced in or in the vicinity of the Caspian Sea must be transported through a third country or countries in order to reach deep-sea ports and major markets. The issue of pipeline selection has therefore acquired enormous geopolitical significance for the future of the region.

In theory, new pipelines could go in almost any direction, but the main options are as follows.

1. *The northern route*, preferred by Russia. The existing oil pipelines from Azerbaijan and Kazakhstan run through Russia to the port of Novorossiysk on the Black Sea. The shortcomings of this option have to do with (a) fears of excessive Russian control over the pipelines and (b) security, since the pipeline that goes through Dagestan is threatened by the conflict in Chechnya.

2. *The western routes*, favoured by Turkey, Azerbaijan, Georgia and the United States. There are three.

The first is a pipeline to bring oil from Baku to the port of Supsa on the Georgian Black Sea coast and then ship it through the Bosphorus to Europe. It would cost about \$1.5 billion to upgrade the pipeline to Supsa (near the troubled area of Abkhazia in north-eastern Georgia), but the main problem with this option is Turkey's claim that the Bosphorus cannot cope with any more tanker traffic. The Turkish Foreign Minister has already announced that the Straits will no longer be able to handle 4500 tankers passing through them annually, and, because of ecological problems, there will be no priorities for oil tankers.¹⁴

The second is a pipeline from Baku to the port of Ceyhan on the Turkish Mediterranean coast. This is favoured by Turkey and the USA. However, many sources in the oil industry have objected to the cost of this option, which is estimated at \$2–4 billion, and there are doubts about its economic viability given the fluctuations in the price of oil and disappointing levels of production in Central Asia. This route also involves serious security concerns as it would pass through unstable Kurdish territory in the eastern parts of Turkey.

The third option is a pipeline bypassing the Bosphorus and linking the Bulgarian port of Burgas with the Greek port of Alexandroupolis.

3. *The eastern route*, highly favoured by China, which in September 1997 signed a memorandum of understanding to build an eastward pipeline to China as part of a deal to buy two oilfields in Kazakhstan. About 2000 km long in Kazakhstan alone, this pipeline will almost certainly cost considerably more than the \$3.5 billion China has estimated.

¹⁴ *International Herald Tribune*, 26 Oct. 1998, p. 1.

4. *The south-eastern route.* The US oil company Unocal wants to build gas and oil pipelines from Turkmenistan through Afghanistan to Pakistan (and perhaps to India later) at an estimated cost of \$1.9 billion each. Geographically the route makes sense, but it passes through Afghanistan. Bankers might jib at funding a deal with the Taliban.¹⁵ However, this option was abandoned in August 1998 as it made no sense politically.

5. *The southern route.* This would go through Iran and is economically the most viable option for two reasons. First, most of the infrastructure is already in place and the Caspian oil can be moved quickly and cheaply across Iran by 'displacement', that is, by Iran's northern and central refineries absorbing early volumes of that oil and reversing the flow of certain existing pipelines. Iran has four refineries in the north of the country which with less than \$150 million of investment could refine 300 000 barrels per day of Azeri, Kazakh and Turkmen oil. Second, the Persian Gulf is an good exit point from which most Asian markets can be served. The volume of crude oil from the Caspian Basin could be exported from Iran's southern export terminal at Kharg Island, which currently handles 2–2.5 million barrels per day but could accommodate up to 8 million barrels per day.

Swap arrangements with Iran, another alternative, would give maximum security to the producers and operating companies as the deal would be based on the direct purchase of oil at Caspian Sea ports and would not involve transit through other countries. Northern Iran is the most logical market for the crude oil and gas from Azerbaijan, Kazakhstan and Turkmenistan. Crude oil could be shipped from the Caspian Basin to the ports of Anzali and Neka and transported to refineries in Tabriz and Tehran. The cost of building the necessary infrastructure in these ports and additional pipelines to link them to the existing Iranian pipeline network (1500 km of pipeline already exist) is much less than the cost of any of the alternatives. The initial capital investment for port facilities, storage tanks, pipelines, new pumping stations and so on will be around \$60 million, with a similar amount needed to add new units to the existing refineries.

So what prevents economics from prevailing? The answer is the USA's sanctions on Iran. Two Executive Orders of 1995 issued by the Clinton Administration bar US companies from trading with or investing in Iran, and the 1996 Iran and Libya Sanctions Act imposes sanctions on foreign companies which invest more than \$20 million a year in oil and gas development in Iran. Since then the USA has spent enormous financial and political capital to prevent Iran from benefiting from the development of the Caspian Basin oil resources. There are, however, forces within the United States, including oil interests, which question the wisdom of continuing this policy, while some European and Turkish firms have already ignored the sanctions.¹⁶

¹⁵ 'Central Asia: a Caspian gamble', *The Economist*, 7 Feb. 1998, p. 11.

¹⁶ For further information see Mohsenin, M. M., 'Pipeline options for exporting oil and gas from the Caspian Basin', *Relazioni Internazionali* (Milan), no. 47 (Dec. 1998) (article in English).

IV. Iran's policy in the Caspian region

Iran's foreign policy towards the Central Asian and Caucasian countries since 1992 has been more to do with national interests than with ideological commitments. Its main lines can be described as follows. First, Iran has seen the instability in the region as a serious threat to its national security and has looked for ways to counter or contain that instability. Second, in the economic sphere, the way is open for a general intensification of relations with the neighbouring countries, whose economies used to be oriented towards Moscow and the inter-republican trade of the Soviet Union. Iran sees potential new markets for its non-oil exports, potential supplies of raw materials for its industries, and potential partners in economic cooperation of all kinds, particularly the energy sector. The development of economic links offers special benefits to Iran's northern frontier provinces.

Iran's policy in facing the security risks and the possibilities of instability in the region emerged in stages. This policy was firmly based on enhancing areas of cooperation with the newly independent states and assisting them in their socio-economic development. Iran's help involved providing access to international markets and improving trade relations with these republics.

Perhaps the most important steps in this direction were the construction of the Mashhad–Sarakh–Tedzhen railway and the revival of the Silk Road, inaugurated in May 1996. This project started in 1993. A single-track railway branches away from the Fariman station on the existing Tehran–Mashhad railway and runs 168 km to the border town of Sarakh. It then penetrates 130 km deep into Turkmenistan to join the Merv–Ashkhabad axis at Niyazov station. This project has been compared to the trans-Siberian railway: it shortens the distance between Central Asia and Europe by 3000 km. This factor in itself will be instrumental in revitalizing trade and tourism in the region. In the first phase 2 million tons of cargo and 500 000 passengers per year can be moved along this railway. In the second phase, these numbers will increase to 8 million tons of goods and 1 million passengers.¹⁷

The Kerman–Zahedan railway is also under construction. It will connect Central Asia to Pakistan, India and South-East Asia through Mashhad, Tehran, Kerman and Zahedan. Once completed the Bafgh–Mashhad railway will reduce this distance by 900 km. Studies are under way for a connection between the port of Chah-Bahar on the Gulf of Oman and the Kerman–Zahedan railway, which would link the Central Asian countries with the ports of Imam Khomeini, Bandar Abbas and Chah-Bahar.¹⁸

In addition to these plans, Iran is cooperating with the Central Asian countries in other areas. The first is the expansion and strengthening of the Economic Cooperation Organization (ECO).¹⁹ The ECO covers an area of 7 million km²,

¹⁷ *Eghtesad-e-Khorasan* (Mashhad), special issue, May 1996, p. 30.

¹⁸ *Eghtesad-e-Khorasan* (Mashhad), 20 Apr. 1996, p. 8.

¹⁹ The ECO was established in 1985 by Iran, Pakistan and Turkey. Its membership is now Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan. Its main objectives are to increase mutual trade and to promote conditions for sustained economic growth in

has a population of 300 million and is one of the world's larger regional organizations. It emphasizes regional cooperation, particularly in trade, transport and communications, and energy, and its cooperation strategy attaches great importance to the active participation of the private sector and the attraction of foreign investment to the region. The development of the transport sector is vital for the promotion of intra-regional trade.

Second, Iran's diplomacy is directed at the encouragement of both bi- and trilateral relations. For instance, Turkmenistan is viewed as a prospective partner in trilateral schemes because of its positive and independent foreign policy. At a tripartite meeting of the foreign ministers of India, Iran and Turkmenistan in Tehran on 22 February 1997, a memorandum of understanding was signed on the future of cooperation between the three in the fields of trade and industry and an agreement on the international transit of goods was signed which will reduce cargo transport costs between India and Central Asia by two-thirds.²⁰

In the area of culture there is the inviting prospect of resuming cultural relations with countries that were for centuries part of the same Persian Islamic cultural world. A cursory survey of the art, architecture, painting, literature and history of the region, both in ancient times and during the Islamic civilization, reveals the affinity and unity of Iranian culture and civilization with this region. The grandeur and cultural spread of Central Asia and its strong links with Iranian culture have gradually weakened since the tsarist period, and particularly with the suppression during the communist era. Iran therefore sees a special role for itself in helping these countries to rediscover their cultural roots and in assisting them to rejoin the mainstream of world culture and civilization.

Iran stresses the need for timely consultation on issues of vital interest with the countries of Central Asia and the Caucasus. Thus it can hope to contain and possibly exclude the influence of extra-regional powers. Iran is convinced that the only way to ensure peace and regional stability is through regional cooperation.

In order to promote security in the region, Iran has focused on confidence building while eliminating causes of tension and working towards lasting peace. Its efforts in Tajikistan are a case in point. The conflict there came to a swift resolution because the realities of Tajik culture were factored into the solution. Nonetheless, the situation in that country remains fragile and the contenders need to exercise care and patience, while taking note of the fact that any unilateral action can easily backfire. The reconstruction of Tajikistan is an essential prerequisite for the maintenance of a just and lasting peace.

On the economic front, it is through regional cooperation that the potentials of these countries can be synthesized. The ECO has contributed to the consolidation of amicable and promising relationships among its members. It was in this spirit that Iran hosted the eighth summit meeting of the Organization of the Islamic Conference (OIC) in Tehran in December 1997, fully convinced that the

the region. The revised 1997 Treaty of Izmir is its charter. Protocols amending the Treaty of Izmir were adopted on 18 June 1990 and 28 Nov. 1992.

²⁰ *Kayhan* (Tehran), 23 Feb. 1997, p. 3.

prospect of mutual confidence and trust among Islamic countries can sustain cooperation and harmony in all areas of human activity.

Iran has declared its readiness to facilitate development in these countries by providing access to its refineries, pipelines and terminals. Given the sensitivity of the situation in the Caspian region, it is of the utmost importance that the littoral states resolve all areas of misunderstanding as soon as possible and devise a suitable legal regime that provides for the ownership of the oilfields, shipping and environmental preservation. Iran categorically opposes any attempt at the unilateral exploitation of the Caspian Sea's resources. Any kind of agreement should rest upon cooperation and participation of all the littoral states, guaranteeing their interests.²¹

Iran's national interests and concerns on Caspian Sea issues can be outlined as follows.

1. Only one legal regime will govern activities in the Caspian Sea, on the seabed and under the seabed. Iran prefers a condominium arrangement. In other words, all of the sea, its water, the seabed and the region beneath it should be used on a condominium basis. However, should other littoral states prefer the 'division' option, that alternative can also be taken into consideration. The only unacceptable situation would be a 'dual regime'.

2. The legal regime can only be developed on the basis of the agreement of all the littoral states. No country is allowed to exercise its will unilaterally or without the consent of the others.

3. In devising the legal regime for the Caspian Sea, national security considerations, the exercise of national sovereignty and the imperatives of national interests will have to be categorically factored in. Iran's neighbours in the Caspian region should not doubt its resolve to preserve and enhance amicable relations with them. At the same time this willingness in no way diminishes Iran's intention to safeguard its territorial integrity, sovereignty and national interests. It must be added that, should the 'division' option be chosen, Iran would be more insistent on obtaining its fair share of the sea and its resources than on establishing friendly relations with its neighbours.

4. The demilitarization of the Caspian Sea will indubitably guarantee the security imperatives of all littoral states. The absence of extra-regional powers would be the first step in this direction.

5. Within the framework of its national interests Iran will greatly value the principle of full cooperation with the Caspian Sea littoral states on all sea-related matters and will act on this conviction.²² It seems logical to concentrate all security-related issues within the context of a single and common organization supported by all the littoral states. CASCO would provide the most suitable framework. It could be mandated to safeguard the common interests of the

²¹ Speech by H. E. Kamal Kharazmi, Foreign Minister of Iran, at the seminar on Central Asia and the Caucasus: Role of the Regional Powers in Conflict Resolution and Economic Development, Institute for Political and International Studies, Tehran, 27–28 Apr. 1998.

²² Ardebili, H. K., 'The legal regime of the Caspian Sea: development of resources and energy pipelines', *Amu Darya* (Tehran), vol. 4, no. 1 (spring 1999), p. 16 (in English).

regional states, promote the idea of demilitarization of the sea, help to contain the arms race, bring drug trafficking under the control of multinational forces and eliminate redundant spending, since parallel budgets will not be channelled towards the same tasks and hence national savings will increase.

The Caspian Sea must be a demilitarized zone. Even at the peak of the rivalry between NATO and the Warsaw Pact the Caspian was spared military involvement. The presence of the Soviet Union was kept to a minimum. This should be sustained at any price. Relations among the regional states must develop to preserve the demilitarized status of the sea. This requires the adoption of long-term and common strategies. The Caspian must not be regarded from a military angle. Cooperation and collaboration can be far more productive than rivalry and militarism.²³

On balance, the Iranian Government's record of achievement in this area is fairly satisfactory, if not wholly positive. The development of political and economic relations has proceeded relatively smoothly: despite some significant obstacles, such as active US opposition to and prevention of any Iranian role in the region, Iran has managed to overcome much of the suspicion and develop normal political relations with all the Central Asian and Caucasian states.

The USA is sensitive to Iran's relations with the countries of Central Asia and the Caucasus. This sensitivity lingers from past years and is of immense consequence for regional peace and security. The US reaction to Iran's relations with these countries has had several repercussions: in particular, the economic development of the region has been delayed. Oil and energy are the engine of development in this region, and in the absence of oil income the progress of these countries will be delayed. By preventing the passage of oil pipelines through Iran, this is exactly what the USA has been doing.²⁴

The 1997 Caspian Region Energy Development Report to the US Congress, which addressed 'the request of the FY [Fiscal Year] 97 statement of managers accompanying the FY 97 Foreign Operations bill as incorporated in Public Law 104-208', clearly defined US policy as support for the development and diversification of regional infrastructure networks and transport corridors to tie the region securely to the West and providing alternatives to Iran.²⁵ Given its lack of investment capacity, however, Iran in developing its foreign policy in Central Asia, the Caucasus and the Caspian Basin has to count more on its geo-strategic advantages and to promote such objectives as participation, dialogue, security, confidence building and development for the common prosperity of the whole region. Recent changes and political developments in Iran have paved the way for the smooth, indigenous development of relations with the region. Moreover, moderation in political culture invigorates the momentum for

²³ Hajhosseini, A., 'The prospects of the Caspian region in the 21st century', *Amu Darya* (Tehran), vol. 1, no. 2 (summer/fall 1996), p. 211 (in English).

²⁴ Sajjadpour, S. K., 'Iran's relations with the Caspian Sea littoral states: US reactions', *Amu Darya* (Tehran), vol. 4, no. 1 (spring 1999), pp. 40-45 (in English).

²⁵ Ardebili, H. K., 'Caspian region energy development', *Amu Darya* (Tehran), vol. 4, no. 1 (spring 1999), p. 34 (in English).

increasing regional cooperation. Here it is necessary to quote from a statement by President Mohammad Khatami of Iran at the eighth session of the Islamic Summit Conference in Tehran on 9 December 1997: 'Our civil society neither seeks to dominate others nor submits to domination. It recognises the right of other nations to self-determination and access to the necessary means for an honourable living. We welcome the active and self-assertive presence of the states of Central Asia and the Caucasus in the process of independence and development towards the honour and dignity of the Islamic world'.²⁶

²⁶ *Iranian Journal of International Affairs*, vol. 9, no. 4 (winter 1997/98), pp. 599–600.