

Iran, Iraq, Turkey, Azerbaijan and Armenia – a Security and Political Assessment

Emma Sandström



SWEDISH DEFENCE RESEARCH AGENCY

Defence Analysis

SE-164 90 Stockholm

FOI-R--1351--SE

May 2005

ISSN 1650-1942

User Report

Iran, Iraq, Turkey, Azerbaijan & Armenia – a Security and Political Assessment

Emma Sandström

Issuing organization FOI – Swedish Defence Research Agency Defence Analysis SE – 164 90 Stockholm	Report number, ISRN FOI-R--1351--SE	Report type User Report
	Research area code 1. Security, safety and Vulnerability Analyses	
	Month year May 2005	Project no. A1104
	Customers code 2. Research and development of knowledge and res resources for the military defence	
	Sub area code 11. Policy Support for the Government (Defence)	
Author/s (editor/s) Emma Sandström	Project manager Ingolf Kiesow	
	Approved by Jan-Erik Rendahl	
	Sponsoring agency Ministry of Defence	
	Scientifically and technically responsible	
Report title Iran, Iraq, Turkey, Armenia and Azerbaijan – a Security and Political Assessment		
Abstract (not more than 200 words) <p>Iran, Iraq, Turkey, Azerbaijan and Armenia are five countries situated in a geopolitically important region in western Asia. Iran has been subject to increasing external pressure, in particular concerning its nuclear program. The internal discontent with the theocratic regime is also growing. Iraq is likely to remain plagued by low-level conflict during the foreseeable prospect. Internally, a large number of complex issues need to be solved before Iraq can have a largely respected and sovereign national government. Turkey's security situation has improved after the end of major fighting in Iraq. Turkey has re-established good relations with the United States and the AKP party has launched several political and economic reforms in order to promote negotiations with the EU although membership remains distant. The Nagorno-Karabakh conflict looks unlikely to be solved in a short perspective in the absence of strong external initiatives. Azeri President Ilham Aliev has managed to maintain good relations with Russia and western countries and has improved relations with Iran, but his internal political position remains unstable. Armenia has also managed to maintain good relations with both Russia and the western countries. Internal discontent is growing, but the opposition has failed to present a genuine political challenge.</p>		
Keywords Iran, Iraq, Turkey, Azerbaijan, Armenia, security, politics, international relations, internal affairs, economy		
Further bibliographic information	Language English	
ISSN 1650-1942	Pages 76	
	Price acc. to pricelist	

Utgivare Totalförsvarets Forskningsinstitut - FOI Försvarsanalys 164 90 Stockholm	Rapportnummer, ISRN FOI-R--1351--SE	Klassificering Användarrapport
	Forskningsområde 1. Analys av säkerhet och sårbarhet	
	Månad, år Maj 2005	Projektnummer A1104
	Verksamhetsgren 2. Forskning, kompetens och resursutveckling för det militära försvaret	
	Delområde 11. Forskning för regeringens behov	
Författare/redaktör Emma Sandström	Projektledare Ingolf Kiesow	
	Godkänd av Jan-Erik Rendahl	
	Uppdragsgivare/kundbeteckning Försvarsdepartementet	
	Tekniskt och/eller vetenskapligt ansvarig	
Rapportens titel (i översättning) Iran, Irak, Turkiet, Armenien och Azerbajdzjan – en säkerhetspolitisk bedömning		
Sammanfattning (högst 200 ord) Iran, Irak, Turkiet, Azerbajdzjan och Armenien är fem länder belägna i en geopolitiskt viktig region i västra Asien. Iran har blivit föremål för ökat externt tryck, i synnerhet på grund av dess nukleära program. Det interna missnöjet med den teokratiska regimen ökar också. Den lågskaliga konflikten i Irak ser ut att bestå inom överskådlig framtid. På det inrikespolitiska planet återstår ett antal komplexa frågor att lösa innan Irak kan få en huvudsakligen respekterad och suverän nationell regering. Turkiets säkerhetspolitiska situation har förbättrats sedan de storskaliga striderna upphörde i Irak. Turkiet har återknutit nära relationer med USA och AKP-partiet har sjösatt ett flertal politiska och ekonomiska reformer i syfte att främja förhandlingarna med EU, även om medlemskap fortfarande är avlägset. Konflikten över Nagomo-Karabakh ser ut att förbli låst i ett kortare perspektiv i avsaknad av starka externa initiativ. Den azeriska presidenten Ilham Alijev har lyckats bibehålla goda relationer med Ryssland och västländerna och har förbättrat relationerna med Iran, men hans inrikespolitiska position förblir osäker. Armenien har också lyckats bibehålla goda relationer med både Ryssland och västländerna. Det inrikespolitiska missnöjet ökar, men oppositionen har misslyckats med att utgöra en genuin politisk utmaning.		
Nyckelord Iran, Irak, Turkiet, Azerbajdzjan, Armenien, säkerhet, politik, internationella relationer, inrikespolitik, ekonomi		
Övriga bibliografiska uppgifter	Språk Engelska	
ISSN 1650-1942	Antal sidor: 76	
Distribution enligt missiv	Pris: Enligt prislista	

Table of Contents

<i>Executive Summary</i>	5
1 Introduction	9
1.1 Purpose	10
1.2 Outline	11
1.3 Material	12
1.4 Definitions	12
1.5 Acknowledgements	12
1.6 List of Abbreviations	12
2 Iran	14
2.1 Introduction	14
2.2 Security Development	16
2.3 Internal Politics	20
2.4 Economic Development	23
2.5 Foreign Political Relations	25
2.6 Conclusions	26
3 Iraq	28
3.1 Introduction	28
3.2 Security Development	30
3.3 Internal Politics	35
3.4 Economic Development	38
3.5 Foreign Political Relations	39
3.6 Conclusions	40
4 Turkey	42
4.1 Introduction	42
4.2 Security Development	43
4.3 Internal Politics	44
4.4 Economic Development	45
4.5 Foreign Political Relations	46
4.6 Conclusions	47
5 Azerbaijan	49
5.1 Introduction	49
5.2 Security Development	49
5.3 Internal Politics	52
5.4 Economic Development	53
5.5 Foreign Political Relations	55
5.6 Conclusions	56
6 Armenia	57

6.1	Introduction	57
6.2	Security Development	57
6.3	Internal Politics	60
6.4	Economic Development	61
6.5	Foreign Political Relations	62
6.6	Conclusions	63
7	<i>References</i>	65
7.1	Literature and Journals	65
7.2	Papers, Reports, Internet and Other Sources	66
7.3	Newspapers and Compilations of News	74

Executive Summary

Iran, Iraq, Turkey, Azerbaijan and Armenia are five countries situated in a strategically important region in western Asia. The region has become of growing concern not only for the United States and Russia during the last years, but also for the EU countries. Although the five countries are very different from one another, they also have a lot in common. All five have sensitive borders. Moreover, all five countries have in varying degrees become affected by the international fight against terrorism and by the international struggle to exert control over the extraction of coveted energy resources. Internally, all the five countries are presently ruled by or have been ruled by more or less authoritarian regimes (Turkey being presently the most obvious exception) and are subject to various levels of internal strife and disputes. There are huge differences in the economic potential of the five countries, but all five have quite large socio-economic disparities between different parts of the populations that could contribute to future domestic conflicts.

This report makes a basic assessment of the major risks for potential violent conflicts threatening each of the countries. Even though they are situated next to each other in the same volatile region, the five countries described in this report do not form a distinct or coherent region separated from the rest of the region. Consequently, each country will be analysed and summarised individually. The report briefly describes the major external security threats to each country, and the internal political, economic and foreign policy development in each country with a focus on the situation from the autumn 2003 to the autumn 2004. The main focus of the report is on Iran and Iraq, followed by Turkey, Azerbaijan and Armenia.

The main international focus on **Iran** during 2003 and 2004 has been on the development of its nuclear program. A number of Iranian violations and later discovered concealments in its cooperation with the IAEA have added to the suspicion that Iran is in fact intending to develop a nuclear weapons capacity. A U.S.-led attack against Iran because of the nuclear program and alleged Iranian cooperation with international terrorists appear unlikely in a short perspective. So far, the EU and Russia have opposed transferring the Iranian case to the UN Security Council, but that position might need to be reconsidered.

In the short perspective, the porous borders to Afghanistan or Iraq have posed the most immediate external security risks to the Iranian state, in particular the prospects for a potential civil war in Iraq. Internally, the public protests against the regime and division between the so-called reformists and conservatives within the ruling elite could be replaced by internal disputes between the different conservative factions that won the majority of the seats in the parliamentary election in February 2004. The prospects for a major public up-rising against the regime seem not to have increased in the short perspective despite the lingering discontent. It appears unlikely that there will be any major changes in either the internal or foreign policy in the near future, although the conservatives are likely to try to make some efforts to improve the basic living conditions of ordinary citizens that form the main reason for discontent in Iran.¹

Iraq seems likely to be involved in (at least) low-scale conflicts for the foreseeable future and the U.S.-led international presence also looks likely to have to remain in Iraq for quite a long time forward. The U.S. Coalition Provisional Authority (CPA) tried to correct some of the mistakes it made during the first phases of the occupation before the handover of power in mid-2004. However, the violent fighting in Najaf during the summer of 2004 showed that this was too little and too late to ensure a stable transition to a sovereign Iraq. As long as the United States continues to have the major responsibility for the security in Iraq, both the transitional and the upcoming permanent Iraqi

¹ For examples, see section 2.4 "Economic development".

government risks being seen as dependent and consequently illegitimate, even if the UN manages to arrange reasonably free and fair elections.

The security situation varies between the different parts of Iraq. The prospects for stability in the future are consequently also better for some regions if the worst-case scenario of a large-scale civil war can be avoided. Some foreign political relations also have prospects for becoming more favourable under a new Iraqi government than they were under Saddam Hussein's regime. However, for the time being, all Iraq's neighbours are understandably concerned about the present unrest in Iraq and all neighbours officially want the U.S. military presence to leave Iraq as soon as possible, which is unlikely to happen in the near future. Furthermore, most Iraqi groups regard the potential foreign political agendas of the neighbouring countries vis-à-vis Iraq with great suspicion. Moreover, Iraq is going to need international support to alleviate the worst economic problems for many years to come.

Turkey's security situation has been strongly affected by the war in Iraq. However, in mid-summer 2004, some of the security concerns seemed at least partly to have abated. In particular, the relations with the Kurdish area in northern Iraq have at least temporarily improved and so have Turkey's relations with many of its Muslim neighbours that share the same concerns as Turkey about the future in Iraq. Turkey has also managed to re-establish good relations with the United States and a more favourable relation with the EU in connection with the Cyprus issue. However, the terrorist attacks in Istanbul in November 2003 indicate that Turkey's role as a democratic and secular Muslim state makes it a legitimate target in the eyes of some groups and that the war in Iraq continues to present a threat to Turkey that is not only connected to the status of the Kurdish areas.

Apart from the terrorist bombings, the Turkish internal political situation has remained quite calm during 2003 and 2004. The improved economy has strengthened the position of the ruling AKP party and Prime Minister Erdogan, but suspicions remain high against the long-term political agenda of the AKP among certain groups, including the Turkish army.

For both **Azerbaijan** and **Armenia**, a re-ignition of the Nagorno-Karabakh dispute constitutes the worst external security threat that would also risk involving a number of other countries in the region, including Russia and Turkey. However, although it can not be excluded, the risk for such a conflict appears relatively low in the short perspective. At the same time, a solution to the conflict looks as distant as ever since the negotiations remain blocked and the prospects for resuming them seem to have decreased. Both Azerbaijan and Armenia have held widely disputed and criticised elections in 2003 and the weak positions of the incumbent regimes are likely to make them hesitant to get involved in sensitive negotiations about Nagorno-Karabakh.

Azerbaijani President Ilham Aliiev, who succeeded his father as president after the demise of the latter, risks being challenged by both the opposition and members within the ruling elite. Moreover, he will have to balance carefully between Azerbaijan's foreign policy priorities. For the time being, Aliiev seems to have managed to maintain good relations with Russia, the United States and Turkey and there have even been signs of improved relations with Iran, despite the fact that the dispute about the division of the Caspian Sea appears blocked.

In Armenia, large-scale protests have been organised against President Robert Kocharian during the spring 2004 and the brutal government crack-down on the protesters seems not to have broken the resolve of the opposition although it lacks major public support. Since the economic disparities have continued to grow between the ruling elite and the majority of people in Armenia, the discontent and consequent prospects for intensified internal strife can also be expected to grow. Armenia's security relations with Russia remain strong, but Armenia has so far also been able to

keep quite favourable relations with the United States, the EU and Iran. The borders with Turkey and Azerbaijan are likely to remain closed in the short perspective.

1 Introduction

Iran, Iraq, Turkey, Azerbaijan and Armenia are five countries in a conflict-prone part of western Asia that has been brought further into focus by both Russia and the United States in recent years, especially in connection with the escalated war on terrorism. Moreover, they are situated in a region not far from the borders of the European Union. Even if the level of security challenges and risk for conflicts vary between the five countries, many of the security problems and conflict risks facing the countries are interconnected.

All five countries have highly sensitive borders, both with each other and with other neighbouring countries. They lie in a region that – as was mentioned above – has become of great interest for the great powers, partly because of the war on terrorism and the energy resources present in the region. Although not all the countries are directly exposed to the threat of terrorism or have terrorist groups operating on their territories, all are nevertheless very much affected by this threat. Similarly, both Turkey and Armenia are for different reasons strongly affected by the struggle to gain access to and control the coveted energy resources, even though they do not have access to much energy resources themselves.

All countries are challenged internally – as well as externally – because of problems with their democratic deficit and lack of openness, which could potentially lead to internal conflicts, although some cases are far more problematic than others. Although the extent of the economic problems varies between the different countries, all countries also have reason to fear future conflicts because of strained economies and great socio-economic discrepancies within each country.

The Iranian regime has been under severe pressure throughout the years 2003 and 2004, originating both from internal and external sources. The alleged Iranian development of nuclear weapons and assistance to terrorists threatening the United States and its allies have pushed Iran even higher up on the American agenda in 2003 and a number of other countries apparently share the U.S. concern. The Iranian president has promised that Iran will not interfere in the post-war development in Iraq, but there are nevertheless concerns that various Iranian groups with different agendas are causing problems in Iraq. At the same time, the widespread discontent among the Iranian population over the lack of fulfilment of promised reforms brought about the worst anti-government protests in five years during the summer 2003.

Even if U.S. President George W. Bush declared the war in Iraq over as early as in May 2003, most observers predict that Iraq will remain unstable for a long time ahead. The situation has grown so precarious that the United States decided to speed up the transfer of the real power in Iraq to the Iraqis themselves. Furthermore, the constant attacks by an invisible enemy have hampered the efforts to rebuild Iraq after the war, creating even worse prospects for stability even in the longer perspective. The growing discontent resulting from a combination of lack of security and socio-economic hardship will make it very difficult for any kind of governing power to win the trust of the Iraqi people. Consequently, the risk for escalated internal conflict is likely to remain high over the foreseeable future.

Turkey is closely affected by the development of the situations in Iran and Iraq, as well as by the development in Azerbaijan and Armenia and the relationship between the latter two countries. The moderately Islamic Justice and Development Party (AKP) has emphasised its desire to strengthen ties with Europe and join the European Union and has launched a large number of political and economic reforms. At the same time it strives towards developing a constructive foreign policy towards its regional neighbours. However, the EU has only given its go-ahead for open-ended negotiations without guarantees of a subsequent Turkish membership. Moreover, the explosions in

Istanbul in November 2003 showed that Turkey is not only subject to terrorist threats from militant Turkish Kurds, but also a target for radical Sunni Islamic movements like al-Qaeda.

Azerbaijan's security related agenda has been preoccupied with the unsolved conflict with Armenia over the Nagorno-Karabakh enclave that has contributed to a loss of even more Azerbaijani territory and a large number of refugees and internally displaced persons. Azerbaijan is also concerned with the implementation of the Baku-Tblisi-Ceyhan (BTC) pipeline project after the Iraq war and the dispute on how to divide the Caspian Sea, with Iran as one of the major protagonists. In the summer 2003 the aged president finally decided to step down and was replaced during the autumn by his son in highly disputed elections. Ilham Aliyev has declared his intent to implement Western-oriented political and economic reforms, but lacks his father's political experience and it still remains to be seen whether he will gain the political and public support he needs to carry such reforms through.²

Armenian leaders have been at least as preoccupied with the conflict over Nagorno-Karabakh as their Azerbaijani counterparts, which has become even more emphasised as Armenia's main ally – Russia – has been developing its contacts with Baku. So far, Armenia has been able to maintain relatively good relations with both the United States and Iran in addition to its close relations with Russia. Like its two neighbours in the South Caucasus, Armenia has held disputed parliamentary elections in 2003 and the regime-shift that took place in Georgia in 2003 has been a cause for concern also for the Armenian leadership.

1.1 Purpose

The purpose of this report is to give a general picture of the security and political situation in the five countries Iran, Iraq, Turkey, Azerbaijan and Armenia and an assessment of the major risks for potential conflicts facing each country. As was described in the introduction, the five countries form a conflict prone arch in western Asia with many of its security and political problems interconnected, which constitutes one reason for analysing them together. The region has consequently become of growing concern for the international community and the great powers, including the United Nations, the United States, NATO, EU and Russia. The development in the region affects future security structures (for example NATO in the case of Iraq); international cooperation (for example the United Nations in the cases of Iraq and Iran or EU in the cases of Nagorno-Karabakh and Turkey) as well as trade (several EU members including Sweden in for example the case of Iran).

The five countries are situated in a region in close geographic proximity to the borders of the EU. A new or (in the case of Iraq) intensified conflict in one or more of these countries is consequently likely to concern and probably involve EU or a number of EU countries, including Sweden. Even if neither the EU nor Sweden becomes directly involved in such a conflict, it would nevertheless affect the relations with both the EU countries and other important countries/organisations that are bound to get involved. Furthermore, any conflict in one or more of the five countries that risks involving the UN, EU or NATO is likely to indirectly affect Sweden. Even if Sweden does not become directly involved, such a conflict scenario could raise international demands that Sweden takes more responsibility for helping to solve conflicts in other countries.

Since most of the risks for violent conflicts described in this report are unlikely to be removed in the near future, the region in which these five countries are situated will remain of concern for the above-mentioned actors within the international community for the foreseeable future.

² Compare with ICG (2004) *Azerbaijan: Turning over a New Leaf?*, ICG Europe Report No.156, Baku/Brussels, 13 May, downloaded from the Internet 17 May 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/156_azerbaijan_turning_over_a_new_leaf.pdf, pp.31-32 and "Asia - Azerbaijan" (2004) *Jane's Intelligence Review*, 19 May.

Consequently, Sweden should also continue to pay close attention to the development in the five countries described in this report in order to be able to form its own opinion on how these risks ought to be met by the international community.

Another reason why the report focuses on these five particular countries is of a more practical nature. The study behind this report was made within an internal competence-building project at the Swedish Defence Research Agency (FOI) aimed at strengthening the Asia project. The five countries included in the report are countries that have not been studied at the Division for Defence Analysis at FOI from a general security and political perspective covering both internal and external risks for potential conflicts for some years. This separates them from, for example, the third country in South Caucasus, namely Georgia, that has been studied in a separate report in 2001 as well as in connection with Russian-focused studies because of the Georgian proximity to the war in Chechnya.

1.2 Outline

The report will start each chapter with a description of the “hard” security situation facing the five respective countries, with a focus on potential external security threats to the national security and the role of the major powers in relation to the countries. This will be followed by a description of the internal political situation and the economic situation for each country and the potential for violent conflicts stemming from internal or economic problems. Finally, the chapters on each country will describe the foreign political relations of the five countries with a focus on the relations with the countries in each country’s neighbouring region. The report consequently focus on traditional external and internal security threats that can lead to violent conflicts between states or groups of people, but does not look at risks posed by for example environmental disasters.

Each chapter will end with a summary and conclusions on the prospects for stability or instability facing the five respective countries. Since the five countries studied in this report do not form a coherent region that is clearly separated from the other surrounding countries, the report does not include a chapter with aggregated conclusions for all the five countries.

The report will focus on the security and political situation in the five countries, primarily focusing on the period between the autumn 2003 to the autumn 2004. Because of the different level of security threats facing the five countries at this time, the main emphasis will be on Iran, closely followed by Iraq, and then Turkey, Azerbaijan and Armenia in that receding order. This emphasis is based on the following observations. If Iran would obtain nuclear weapons status and if the United States decided to act against Iran, this could likely provoke the most explosive situation compared with potential conflicts involving the other four countries. Iraq is the most unstable country of the five described in the report at the time of writing and is likely to remain conflict-prone for the foreseeable future.

Turkey’s involvement in a conflict in either Iraq or Azerbaijan would have serious consequences for security on the borders of Europe. By contrast, if such a worst case situation is avoided, how Turkey develops politically will be of great importance for the stability of all countries in the Greater Middle Eastern or west-Asian region. Finally, a heightened conflict between Azerbaijan and Armenia would not only involve Turkey and possibly Iran, but would be likely to at least intensify the relations between Russia and Armenia. However, because of its energy resources, the fact that it is a Shia Muslim state and because of its geographic position by the Caspian Sea and between Russia and Iran, Azerbaijan is of much greater geo-strategic importance in its own right than Armenia is.

1.3 Material

Since the events described in this report had taken place within a relatively short period of time from the time the report was written, the sources included in this report are mainly in the form of shorter articles and Internet reports. The information coming from the region is often uncertain and quite often contradictory, which means that a large number of sources have to be used and compared with each other. In the cases when it has been possible, oral and other sources from people with good insight in the region have been used to confirm the information in the report (even though they are not always included among the references).

Some of the most frequently used sources in this report include articles and reports from Central Asia – Caucasus Analyst (CACI), Council on Foreign Relations (CFR), Eurasianet, International Crisis Group (ICG), Power and Interest News Report (PINR) and Radio Free Europe/Radio Liberty (RFE/RL). CACI was founded at the School of Advanced International Studies at the John Hopkins University in Washington D.C. in 1996 and provides impartial and comprehensive research on the Caucasus, Central Asia and the Caspian Region. The CFR is an old independent New York-based membership organisation focusing on U.S. foreign policy issues and publish the journal Foreign Affairs. Eurasianet is operated by the Central Eurasia Project of the Open Society Institute and provides information and analysis mainly on the Caucasus and Central Asia, but also on the Middle East including Iran.

The ICG is an independent multinational organisation working primarily through field based analysis on five continents. It produces regular analytical reports also containing practical recommendations to international policy makers with the aim to prevent and resolve violent conflict. PINR is an independent U.S.-based organisation focusing on conflict analysis in international relations across the world. RFE/RL is a private, international communication service to Eastern and Southeastern Europe, Russia, the Caucasus, Central and Southeastern Asia funded by the U.S. government. It aims to provide balanced information about these areas in order to promote democratic development and market economies.

1.4 Definitions

The report separates between the expressions *Islamic* and *Islamist*. Islamic is used in this report to refer to something related to the religion Islam in general. Islamist, by contrast, is used to denote something or someone promoting an establishment of a society based on Islam and ruled by Islamic law, *sharia*, often but not necessarily through violent means.

1.5 Acknowledgements

The author would like to thank all the colleagues and regional experts who have given valuable information and comments during the process of writing this report. In particular, the author wants to thank Mr. Svante Cornell who scrutinised the report at a seminar.

1.6 List of Abbreviations

AKP	Justice and Development Party
BTC	Baku-Tblisi-Ceyhan
CIS	Commonwealth of Independent States
CPA	Coalition Provisional Authority
EU	European Union
FOI	Swedish Defence Research Agency
GDP	Gross Domestic Product

IAEA	International Atomic Energy Agency
IGC	Interim Governing Council
IRGC	Islamic Revolutionary Guard Corps
KDP	Kurdish Democratic Party
MGK	National Security Council
MP	Member of Parliament
NATO	North Atlantic Treaty Organisation
NPT	Nuclear Non-Proliferation Treaty
OSCE	Organisation for Security and Cooperation in Europe
PKK	Kurdistan Worker's Party
PUK	Patriotic Union of Kurdistan
SCIRI	Supreme Council for the Islamic Revolution in Iraq
SOCAR	State Oil Company of the Azerbaijan Republic
UN	United Nations
U.S.	United States

2 Iran

Population: 68,278,826 (July 2003 estimate)³

Major ethnic groups: Persians 51%, Azeris 24%, Gilakis and Mazandarani 8%, Kurds 7%, Arabs 3%, Balochs 2%, Turkmens 2%⁴

Border countries: Iraq 1,458 km, Turkmenistan 992 km, Afghanistan 936 km, Pakistan 909 km, Turkey 499 km, Azerbaijan-proper 432 km, Azerbaijan-Naxcivan exclave 179km, Armenia 35km⁵

Supreme leader: Ayatollah Ali Hoseini-Khamenei; President: Ali Mohammad Khatami-Ardakani

GDP per capita: purchasing power parity - \$7,000 (2002 estimate)⁶

Armed forces: 540,000 (estimate)⁷

2.1 Introduction

The Islamic Iranian regime came under increasing pressure during the year 2003, internally as well as externally. During more than a week in the summer 2003, the Iranian regime was subject to the most intense protests since 1999, when large student demonstrations were held that escalated into riots and subsequently were put down by the regime. The protests died down after a couple of weeks, but the discontent resulting from the continued lack of reforms and socio-economic hardship has hardly diminished.⁸

The lack of public protests in connection with the Guardian Council's decision to ban a number of reformist politicians from taking part in the parliamentary election in February 2004 could be seen as a further sign of the general political apathy among the Iranian people outside the established political elite. Many Iranians are reported to have lost faith in all politicians, reformists as well as conservatives, and neither the reformist student groups nor the other political activists initially demonstrated much overt support for the banned reformist politicians.⁹

Representatives of the Iranian regime and state media blamed foreign forces for instigating the protests during the summer of 2003, in particular U.S. officials and American media. The U.S.-based Iranian opposition media encouraged people to join the demonstrating students and U.S. officials voiced support for the reformists. However, the initiative for the protests appears to have come from the reformist students within Iran who constituted the major part of the demonstrators and the United States has denied giving any direct support to the regime critics.¹⁰ The Iranian suspicion is hardly surprising, however. Over the two years preceding these protests, the United States has fought wars that have helped replace the leaders in two of Iran's neighbouring countries, Afghanistan and Iraq.

³ CIA (2003) *The World Factbook. Iran.* (online), downloaded from the Internet 3 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/ir.html>.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ The International Institute for Strategic Studies (IISS) (2004) *The Military Balance 2004/2005*, London, Oxford University Press, p.124.

⁸ Compare for example with Recknagel, Charles (2003) "Iran: Protests Highlight Reformist Students' Frustration with Khatami", *RFE/RL Weekday Magazine*, 17 June, downloaded from the Internet 18 August 2003 on <http://www.rferl.org/nca/features/2003/06/17062003155935.asp>.

⁹ Compare for example with Esfandiari, Golnaz (2004) "Reformist Deputies Continue Sit-In Protest at Parliament", *RFE/RL Feature Article*, 14 January, downloaded from the Internet 15 January 2004 on <http://www.rferl.org>.

¹⁰ Compare for example with "Tehran Blames Everything on U.S." (2003) *RFE/RL Iran Report*, Vol.6, No.32, 4 August, downloaded from the Internet 17 June 2003 on <http://www.rferl.org/iran-report/index.html> and Recknagel, Charles (2003) "Iran: Students Clash with Police in Continuing Anti-Government Protests", *RFE/RL Weekday Magazine*, 12 June, downloaded from the Internet 19 June 2003 on <http://www.rferl.org/nca/features/2003/06/12062003161835.asp>.

Moreover, the United States has branded Iran as part of the “axis of evil” together with North Korea and Saddam Hussein’s Iraq. The United States has accused Iran of being in the late stages of developing nuclear weapons, in addition to other weapons of mass destruction, as well as harbouring international terrorists. The intense international pressure over Iran’s nuclear program – not only from the United States, but also from important economic partners to Iran like the EU and Russia – temporarily abated somewhat after Iran’s decision to sign the additional protocol to the Nuclear Non-Proliferation Treaty (NPT). However, as has been shown by subsequent events, this certainly did not mean that the issue was erased from the international agenda. The international community has continued to closely monitor Iran’s cooperation with the International Atomic Energy Agency (IAEA). Furthermore, in particular the EU and Russia have continued intense negotiations with Iran concerning the nuclear program.¹¹

Concerning the developments in Afghanistan and Iraq, the Iranian regime hopes to develop better long-term contacts with the new regimes in these two countries than it had with the preceding regimes. The unstable situation in Afghanistan and Iraq is a source of great concern for the Iranian political leadership, and so is the continued U.S. influence and military presence in Iran’s neighbouring countries to the east and west that seems likely to remain quite strong over the foreseeable future. Apart from these two obvious sources of instability, Iran generally lacks other strong and dependable allies in its immediate vicinity and its relations with most of its neighbours can consequently be characterised as rather tense.¹²

The United States maintains a strong military presence in Kuwait and several other countries in the Gulf region, as well as a strong military cooperation with Israel. Furthermore, the United States cooperates also with several other countries in Iran’s immediate vicinity. To the north of Iran, both Georgia and Azerbaijan have new pro-Western regimes interested in strengthening military cooperation with the United States and even Armenia is interested in closer cooperation with NATO within the Partnership for Peace framework. Turkey’s relation with the United States has been strengthened again and the U.S. has stepped up its military cooperation with Pakistan to the south-east of Iran.

With the strong U.S. military presence in Afghanistan and Iraq, Iran consequently experiences a situation of acute encirclement by countries with U.S. troops or military cooperation with the United States. This does not only increase the level of anti-U.S. rhetoric from Iranian representatives, but is also likely to make Iran less able to use the opportunities that do exist to establish new and economically beneficent relations with surrounding countries in the region. Regarding the close region, Iran will thus probably continue to put short-term security considerations before long-term economic ones in the foreseeable future.¹³ Furthermore, it will increase Iranian incentives to develop its nuclear capacity and has made it even less likely to accept compromises in the nuclear sphere.

¹¹ Compare with Kiesow, Ingolf and Sandström, Emma (2003) *Spelen kring kärnvapnen i Nordkorea och Iran*, Swedish Defence Research Agency, Strategiskt Forum No.10, September, pp.13-14 and Recknagel, Charles (2003) “2003 and Beyond: Iranian, North Korean Nuclear Crisis Remain Open Issues”, *RFE/RL Weekday Magazine*, 10 December, downloaded from the Internet 11 December 2003 on <http://www.rferl.org/nca/features/2003/12/10122003172457.asp>.

¹² Compare with Kiesow, Ingolf and Sandström, Emma (2003) *Spelen kring kärnvapnen i Nordkorea och Iran*, Swedish Defence Research Agency, Strategiskt Forum No.10, September, pp.21-29.

¹³ Concerning Iran’s relations to other countries in general, the energy sector is also of very high relevance for Iran and contributes to long-term relations with other countries that can over-bridge security concerns. For more information about the importance of the oil and its exports, see chapter 2.4.

2.2 Security Development

From one perspective, Iran's security situation appears to have been strengthened during the last couple of years. Primarily, Saddam Hussein's regime no longer forms a threat to Iran and Iran has better relations with Hamid Karzai's regime than it had with the Taliban. Furthermore, despite the strong international pressure over Iran's nuclear program and U.S. accusations that Iran is supporting and protecting terrorists, including members of al-Qaida, any immediate and large-scale military threats against Iran appear unlikely in the short perspective.

From another perspective, Iran has become surrounded by an American military presence that appears likely to remain uncomfortably close to the Iranian borders during the foreseeable future. The Iranian regime wants these forces removed as soon as possible but is simultaneously interested in avoiding chaos in both Afghanistan and Iraq. For example, Iran has cooperated with the new U.S.-supported regimes in both Afghanistan and Iraq in order to avoid immediate disruption that could threaten the Iranian borders and has had limited cooperation concerning these two countries even with the United States.¹⁴

At the same time, Iran has supported alternative power factions in both countries in order to ensure that the United States and its current Iraqi and Afghan allies do not gain too strong long-term influence. This dilemma of choosing between short-term and long-term priorities consequently creates a sort of behaviour that seems contradictory on the surface, but which is ultimately intended to protect Iran's own interests and security.¹⁵

The tension over Iran's nuclear program subsided somewhat after Iran finally agreed to sign the additional protocol to the NPT and temporarily suspended its uranium enrichment program.¹⁶ However, Iran's nuclear program remains a highly sensitive issue on the international security-related agenda, which has become evident during subsequent developments throughout 2004. Iran signed the additional protocol in December 2003 after a deal made between Iran and the so-called EU troika – the United Kingdom, France and Germany – in October 2003. The agreement was hailed as a major breakthrough for the European policy of “constructive engagement” with Iran. According to the protocol, Iran is obliged to provide full information to the IAEA on all its nuclear related activities and to open up to comprehensive inspections on short-term notice of all nuclear related facilities.¹⁷

This protocol has been seen as the best safeguard to ensure that a country does not develop a nuclear weapons capability. However, according to several experts, it would be possible for Iran to continue to work on developing its alleged nuclear weapons program on a small scale even under the additional protocol. The IAEA head, Mohammad el-Baradei, warned in October 2003 that if a

¹⁴ Compare for example with The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, pp.185-186.

¹⁵ Compare for example with Ehteshami, Anoushiravan (2004) “Iran's International Posture in the Wake of the Iraq War”, *The Middle East Journal*, Spring, Vol.58, No.2, pp.179-194. For further information concerning Iranian duality vis-à-vis Afghanistan, see for example “Iran Plays Both Sides in Afghanistan” (2004) *RFE/RL Iran Report*, Vol.7, No.30, 6 September, downloaded from the Internet 17 September 2004 on <http://www.rferl.org/reports/iran-report/2004/09/30-060904.asp>. For further information on Iranian duality concerning Iraq, see for example “Allawi Stand Eases Iran-Iraq Standoff” (2004) *The Peninsula On-line*, 15 August, downloaded from the Internet 16 August 2004 on <http://www.thepeninsulaqatar.com> and “Iraqis Look at Their Eastern Neighbour” (2004) *RFE/RL Iran Report*, Vol.7, No.31, 13 September, downloaded from the Internet 17 September 2004 on <http://www.rferl.org/reports/iran-report>.

¹⁶ For a background on the international pressure on Iran and the Iranian responses up until Iran's decision to sign the additional protocol, see Kiesow, Ingolf and Sandström, Emma (2003) *Spelen kring kärnavapnen i Nordkorea och Iran*, Swedish Defence Research Agency, Strategiskt Forum No.10, September, pp.13-34.

¹⁷ For fuller information on the additional protocol and Iran's on-going interaction with the IAEA, including key documents and timeline, see “In Focus: IAEA and Iran” on IAEA homepage; <http://www.iaea.org/NewsCenter/Focus/iaeaIran/index.shtml>.

country has access to enrichment, reprocessing and power reactor programs, not even monitoring according to the conditions provided by the additional protocol could prevent a country from developing nuclear weapons.¹⁸ At a time when Iran's nuclear weapons capacity has advanced far enough, Iran could subsequently withdraw from the NPT altogether and build nuclear weapons under a very limited amount of time, just as North Korea is suspected to have done.

In mid-summer 2004, the protocol had not even been submitted to the Iranian parliament for ratification yet. In March 2004, Iran said that it would act as if the protocol was in force, but there have been concerns that if the government waited until the incoming conservative-dominated parliament took over on 27 May, the ratification of the protocol could be postponed for a long time.¹⁹ These fears seemed subsequently to become confirmed during the autumn 2004. Reportedly, conservative members of the parliamentary commission on national security and foreign affairs were working on a bill to force the government to resume uranium enrichment and opposed the ratification of the additional protocol.²⁰

The general Iranian tendency to delay each requested step in its cooperation with the IAEA and only provide the information specifically asked for and agreed upon has also continued. Since the autumn 2003, several pieces of evidence have surfaced on Iranian nuclear related activities that Iran has neglected to report to the IAEA. Each time, Iran has reacted to the international criticism by making renewed promises of full cooperation with the IAEA, while simultaneously fiercely defending its right to develop what it claims is a peaceful program for nuclear power production.²¹

The United States has just as insistently demanded that Iran prove in action – not only by verbal promises – that it is not pursuing a clandestine nuclear weapons program. Although this has been the most sensitive issue in U.S. interactions with Iran during the autumn 2003 and spring 2004, the U.S. accusations that Iran is supporting international terrorists have also intensified, in particular in connection with the unrest in Iraq. However, unlike the case of Iranian support to the Lebanese Shiite terrorist group Hizbollah and the Palestinian movements Hamas and Palestinian Islamic Jihad, the U.S. has not been able to present any hard evidence that Iran is providing any direct support to al-Qaeda or groups affiliated with al-Qaeda.²²

It appears unlikely that the United States would initiate any large-scale attack against Iran in the near future, especially considering the thinly stretched American military resources and ongoing unrest in Afghanistan and Iraq. Nevertheless, the Iranian regime can probably not totally exclude such a possibility as long as the Bush regime maintains power in Washington. The likelihood would

¹⁸ "Checking Iran's Nuclear Ambitions: Report Recommendations" (2004) in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>, pp.14-15. For a broader analysis of the Iranian possibility to develop a nuclear weapons capacity while maintaining its cooperation with the IAEA, see Gilinsky, Victor (2004) "Iran's 'Legal' Paths to the Bomb" in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>, pp.23-38.

¹⁹ Compare with Esfandiari, Golnaz (2004) "Iran: U.S. Says It's Confident IAEA Will Get Tough with Iran", *RFE/RL Feature Article*, 11 March, downloaded from the Internet 12 March 2004 on <http://www.rferl.org> and *Iran: Time for a New Approach* (2004) Independent Task Force Report, Council on Foreign Relations, July, downloaded 1 December 2004 on http://www.cfr.org/pdf/iran_TF.pdf.

²⁰ Persbo, Andreas (2004) "The IAEA and Iran - Iran's check-mate prematurely called", *BASIC Notes*, British American Security Information Council, 10 September, downloaded from the Internet 1 November 2004 on <http://www.basicint.org/pubs/Notes/BN040910.htm>.

²¹ Compare with Esfandiari, Golnaz (2004) "Iran: IAEA Chief Says Tehran Has Agreed to Speed up Cooperation", *RFE/RL Feature Article*, 7 April, downloaded from the Internet 8 April 2004 on <http://www.rferl.org>.

²² Compare with "Iran" (2004) in *Terrorism: Questions and Answers*, Council of Foreign Relations in Cooperation with the Markle Foundation, downloaded from the Internet 22 April 2004 on <http://www.terrorismanswers.com/sponsors/iran/print.html>.

increase further in the event that the United States finds more explicit proof of an Iranian nuclear weapons program or direct involvement in a terrorist attack that threatens American interests. Moreover, an Iranian regime change has been a wanted scenario on the American agenda ever since the Iranian revolution and the United States can be expected to at least indirectly encourage an Iranian counter-revolution that could lead to a less anti-American government in Tehran.

While these scenarios still remain a more distant possibility, the chances that the United States would manage to persuade the IAEA Board that the case of Iran's nuclear program must be referred to the United Nations' Security Council is also a highly threatening scenario to the Iranian regime. Most of the Iranian leaders seem well aware of widespread dislike and distrust for the theocratic regime among – in particular – the huge number of young and often unemployed Iranians. Consequently, the prospects for widespread sanctions that could worsen the Iranian economy even further must appear as an almost equal existential threat to the theocratic regime as a military attack.

So far, Iran's major trading partners, like the EU, Russia and Japan, have opposed transferring the Iranian case to the UN. However, there have been growing concerns and frustrations over Iran's lack of cooperation with the IAEA also among these countries. Apart from a strong interest in promoting stronger trading ties with Iran, neither the EU nor Russia wants Iran to become a nuclear power close to their own borders. At the same time, both the EU and Russia are anxious to avoid a war or general unrest in Iran precisely because it is a populous and militarily relatively strong country in their close geographic proximity.²³

This put Russia and the EU in a different position from both the United States and Japan (which should not be interpreted as if the latter had a coordinated position concerning Iran). From this perspective, Japan's decision to sign a major energy deal with Iran just a day ahead of the disputed parliamentary election in February 2004 was a particularly painful backlash for the U.S. attempts to isolate Iran economically.²⁴ The EU has emphasised the promotion of democracy and human rights in regard to Iran and expressed sharp criticism of the February 2004 election. However, the Spanish Foreign Minister said as late as after the parliamentary elections that the EU would maintain their policy of constructive engagement with Iran.²⁵

The only noticeable short-term consequence was that the trade agreement between the EU and Iran that had been put on ice also because of the differences over Iran's nuclear program became even less likely to be concluded in the near future.²⁶ Keeping a constructive dialogue with Iran is probably the only possible strategy in order to promote some level of internal reforms in the longer perspective. However, the proofs of undeclared Iranian nuclear related activities that have kept surfacing in 2003 and 2004 and, in particular, the Iranian declaration that they would set up a uranium enrichment plant despite the promises they made in October 2003 to suspend uranium enrichment contributed to make that position more difficult to maintain. That has been especially true for Britain, France and Germany.

²³ For a background on the position taken by these actors vis-à-vis the Iranian nuclear program up until the September 2003, see Kiesow, Ingolf and Sandström, Emma (2003) *Spelen kring kärnvapnen i Nordkorea och Iran*, Swedish Defence Research Agency, Strategiskt Forum No.10, September, pp.13-20.

²⁴ The contract, worth 2 billion U.S.-dollars, gives Japan the right to develop the southern part of the huge Azadegan oil field. While heavily dependent on imported oil, Japan postponed signing the contract during the autumn of 2003 under U.S. pressure. Compare with "Defying U.S., Japan Signs Oil Deal with Iran" (2004) *The New York Times*, 19 February, downloaded from the Internet 19 February 2004 on <http://www.nytimes.com>.

²⁵ Compare with Entekhabi-Fard, Camelia (2004) "Turnout Controversy Taints Iran's Parliamentary Election", *Eurasianet.org*, 23 February, downloaded from the Internet 24 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav022304_pr.shtml.

²⁶ Compare with "EU Freezes Trade Talk with Iran: Differences over Nuclear Program" (2004) *DAWN Internet Edition*, 22 March, downloaded from the Internet 23 March on <http://www.dawn.com/2004/03/23/int12.htm>.

Ahead of an IAEA board meeting in late November 2004 that could have led to recommendations about UN sanctions, Iran concluded a new agreement with the EU troika to at least temporarily suspend its uranium enrichment process. This has paved the way for renewed negotiations between Iran and the EU countries on trade in general and the transfer of nuclear civilian technology, in particular. At the same time, information has surfaced on a possible clandestine Iranian military nuclear program that the IAEA has not had any access to monitoring and the USA has said that it will not accept anything else than a total Iranian termination of nuclear enrichment.²⁷ The debate on how to deal with the Iranian nuclear program will consequently continue. Unless Iran keeps its new pledges of full cooperation with the IAEA, the EU countries may have to seriously consider a new approach to Iran, including the possibility of UN sanctions.

Maintaining good relations with Iran is even more important to Russia, both from a security and an economic perspective. Russia's contract with Iran for constructing the light-water reactor in Bushehr is economically important and Russia hopes that it will lead to even more lucrative trade contracts in the future. Furthermore, Iran has become an increasingly important market for the Russian weapons export since Vladimir Putin became president. At the same time, the Bushehr contract is highly controversial since it might potentially provide Iran with ample amounts of the fissile material it is currently believed to lack in order to be able to build a nuclear bomb. In order to prevent that Iran gains the possibility to reprocess the spent fuel from the reactor into plutonium, Russia has demanded that Iran return all the spent fuel to Russia.²⁸

According to Russian authorities, the signing of the protocol on returning the spent fuel to Russia had been delayed because of financial reasons in mid-spring 2004, but was soon to be completed.²⁹ That the delay results from unresolved financial issues is not surprising given the reports that Russia earlier had offered to pay for having the spent fuel sent back to Russia. Since a country that uses commercial nuclear power plants normally has a strong interest in sending such material elsewhere, this is one more factor that adds to a now quite long list of indications that Iran might be intending to develop a nuclear weapons capacity.³⁰

Bushehr consequently provides Iran with an option to go a long way towards gaining a nuclear weapons capacity without violating NPT. If the construction of Bushehr goes according to the plan, some experts predict that this could give Iran the capacity to produce about a dozen of warheads in a couple of years time.³¹ The United States is unlikely to take any chances that Iran's intentions are peaceful depending on a number of factors. Among the most important are Iran's previous history of concealing different parts of its nuclear program and Iranian hostility towards the United States and Israel. An additional and very important factor in combination with the other two is the American nightmare scenario that a potential Iranian nuclear bomb might fall into the hands of a terrorist organisation. Unless Iran can prove its innocence in relation to these charges, not only Iran, but also countries like the EU member states, Russia and China can expect stronger American pressure in order to apply tougher measures vis-à-vis Iran.

²⁷ "En atombomb är tillräcklig" (2005) *Dagens nyheter*, 9 Januari and "Iran Hails UN Nuclear 'Victory'" (2004) *BBC News*, 30 November, downloaded from the Internet 1 December 2004 on <http://news.bbc.co.uk/go/pr/fr/-/2/middle-east/4054069.stm>.

²⁸ Kiesow, Ingolf and Sandström, Emma (2003) *Spelen kring kärnvapnen i Nordkorea och Iran*, Swedish Defence Research Agency, Strategiskt Forum No.10, September, pp.13-20.

²⁹ "Moscow Says Nuclear Cooperation with Iran to Continue" (2004) *RFE/RL Iran Report*, Vol.7, No.12, 29 March, downloaded from the Internet 1 April 2004 on <http://www.rferl.org/reports/aspfiles/printonly.asp?po=y>. The agreement has subsequently been postponed several times.

³⁰ Gilinsky, Victor (2004) "Iran's 'Legal' Paths to the Bomb" in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>, pp.28-29.

³¹ *Ibid.*, pp.33-34.

In the short run, however, the volatile situation in Iraq constitutes the most immediate external threat to Iran. Even if Iran can avoid being involved in direct fighting in Iraq, its borders appear likely to remain vulnerable to penetrations by, for example, drug smugglers and terrorists from both Iraq and Afghanistan. The prospects for new allegations that Iran has allowed members of terrorist organisations to cross its border are consequently strong, regardless of whether they are true or not, and so are the accusations that Iran is “meddling” in the developments of both countries.

2.3 Internal Politics

The internal political tensions within the Iranian regime grew alongside the external pressure in 2003, although primarily for different reasons. It should be kept in mind that Iran’s Islamic Republic was formed as late as after the revolution in 1979 that threw down the U.S.-supported rule of the shah and is consequently a quite young political entity. It is also a unique political experiment, with a combination of a Shiite Muslim theocracy and a quasi-democratic structure that has created tensions. These grew in particular after Ayatollah Ali Khamenei replaced the Grand Ayatollah Ruhollah Khomeini as the country’s Supreme Leader after the latter’s death in 1989. Khomeini was an uncontested religious leader for millions of Iranian Shiites and had a large number of followers also outside the Iranian borders. Khamenei does not only lack Khomeini’s charisma and authority as a political leader, but also Khomeini’s qualifications as a theological scholar.³²

The fact that Khamenei cannot present himself as both the highest political and religious authority in Iran in combination with the experimental status of the Iranian political structure has made internal political tensions more or less unavoidable. Many political observers have been surprised that the Iranian Islamic republic has survived as long as past its 25-years anniversary – that was held in the middle of the pre-election crisis on 11 February 2004 – given these built-in political tensions and the continued internal power struggles throughout its existence.³³ However, during the year 2003 and in early 2004, the internal political tensions seem to have increased even further. On the political level, the battle between the reformist and the conservative political factions ahead of the parliamentary elections in early 2004 was perhaps the worst crisis in the history of the Iranian Islamic republic.³⁴

In terms of internal public pressure against the regime, the student-led protests during the summer 2003 were the most visible signs of opposition towards the entire political elite, at least since 1999. During the major student protests in 1999, President Mohammad Khatami still maintained quite substantial support from the reformist students that make up the main part of the open opposition against the conservative rulers in Iran. In 2001, Khatami was re-elected as president in Iran with as much as 77 per cent of the votes – seven per cent more than he received when he was first elected in 1997. Despite the high number of votes in support of the incumbent, the lower number of participants in the 2001 elections indicates that part of the population had already begun to lose confidence in Khatami’s ability to carry out proper reforms.³⁵

The high number of votes for Khatami in 2001 should thus be interpreted as a clear mandate for continued work towards reforms in Iran, rather than as a sign of trust in Khatami’s ability to deliver

³² For comparison and more information on the difference between the two Supreme Leaders, see Bucta, Wilfried (2000) *Who Rules Iran? The Structure of Power in the Islamic Republic*, Washington, The Washington Institute for Near East Policy and the Konrad Adenauer Stiftung, pp.52-55.

³³ *Ibid.*, pp.2-3.

³⁴ Compare for example with Moaveni, Ardeshir (2003) “Reformists’ Resignations Raise Stakes in Iranian Political Showdown”, *Eurasianet.org*, 2 February, downloaded from the Internet 3 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020204_pr.shtml.

³⁵ The International Institute for Strategic Studies (IISS) (2002) *Strategic Survey 2001/2002*, London, Oxford University Press, pp.210-212.

such reforms. Khatami was the only reformist candidate who was allowed to participate in the election by the Council of Guardians, a watchdog group that vets candidates for public office as well as the parliamentary legislation in Iran.³⁶ The continued lack of reforms despite this strong mandate explains the growing frustration among the Iranian population. It also explains the student's demand for President Khatami's resignation during the protests in 2003 – at least unless he was able to stop the attacks against them – alongside the more expected harsh protests against the conservative clerical establishment.³⁷

The reason for the lack of reforms and consequently also for the lost faith in the reformers by Iranians who earlier thought that reforms were possible, is closely connected to the complex power structure in Iran.³⁸ The president, who is elected in general elections, is responsible for the daily running of the country as the chief executive. However, the general guidelines for both domestic and foreign policy are determined by the Supreme Leader, who monitors the running of the state through a system of clerical commissars who are spread over the country. Moreover, as the prime representative of Khomeini's principle of *velayat-e faqih* (rule of the jurisprudent), the Supreme Leader is the highest political authority in Iran and can consequently overrule the president, although he rarely intervenes in the daily affairs of the executive.³⁹

For the system to function, the office of the president and the office of the Supreme Leader need to cooperate with each other. There have been quite substantial differences between both the current and the former presidents, on the one hand, and the Supreme Leaders, on the other. Nevertheless, the two offices have still managed to cooperate tolerably well in the past in order to uphold the stability of the Iranian Islamic system of which they are both a part and product.⁴⁰ However, although not threatening the system in itself, there have definitely been differences in opinion between the two respective offices, which have resulted in recurring phases of tensions.⁴¹

Another example of the friction that has occurred between the democratically elected part of the Iranian Islamic regime and the unelected theocratic part can be found in the frequent clashes of interest between the parliament and the Guardians Council. Like the president, the parliament is elected in general elections. After the 2000 parliamentary elections, pro-reform and moderate forces gained a majority of the seats. Despite this victory, most of the pro-reform bills passed by the parliament have been rejected by the conservative Guardians Council that is authorised to vet legislation on the basis of its conformity with Islamic law and the constitution.

Most of the so-called reformists have earlier supported Khatami's moderate presidency. Lately, however, a number of reformists have reportedly become increasingly disappointed by what they perceive as the president's reluctance or at least inefficiency in trying to persuade the Supreme Leader to endorse parts of the reformist agenda. They are also frustrated with his inability to

³⁶ Ibid.

³⁷ Compare with ICG (2003) *Iran: Discontent and Disarray*, Middle East Briefing, Amman/Brussels, 15 October, downloaded from the Internet 16 October 2003 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iran_discontent_disarray.pdf, pp.6-8 and "Teheran fruktat protestkaos" (2003) *Dagens nyheter*, 27 June.

³⁸ For an overview of the top political power structure in Iran, see appendix 1. For more detailed information on the power structure in Iran and analysis of its consequences, compare with Bucta, Wilfried (2000) *Who Rules Iran? The Structure of Power in the Islamic Republic*, Washington, The Washington Institute for Near East Policy and the Konrad Adenauer Stiftung.

³⁹ Compare with Bucta, Wilfried (2000) *Who Rules Iran? The Structure of Power in the Islamic Republic*, Washington, The Washington Institute for Near East Policy and the Konrad Adenauer Stiftung, p.xi-xv.

⁴⁰ Ibid.

⁴¹ For an example in connection with the February 2004 parliamentary elections, see Esfandiari, Golnaz (2004) "Iran: Reformists Fire Unprecedented Criticism at Supreme Leader", *RFE/RL Feature Article*, 18 February, downloaded from the Internet 19 February 2004 on <http://www.rferl.org>. For more examples, compare with Bucta, Wilfried (2000) *Who Rules Iran? The Structure of Power in the Islamic Republic*, Washington, The Washington Institute for Near East Policy and the Konrad Adenauer Stiftung, pp.163 and 168.

influence the Supreme Leader to prevent the Guardians Council or the judiciary from blocking most attempts to reform the Islamic republic. The disappointment in Khatami from the more outspoken parliamentary reformists was made evident also in connection with the Guardians Council's decision to disqualify the most prominent reformists from taking part in the parliamentary elections in February 2004. Some reformers felt that Khatami could have pressed harder for a reversal of the disqualifications.⁴²

Moreover, even though the student protests were not as strong in 2003 as in 1999, the demands on President Khatami continued even after the protests had abated. For example, pro-reform parliamentary forces that have normally been allies with Khatami put pressure on the president to criticize the massive arrests that are reported to have taken place in connection with the summer protests.⁴³ The Iranian regime originally tried to diminish the size of these demonstrations. However, information has later spread that protests took place in several places around Iran – primarily in the university cities – and the Iranian public prosecutor later reported that as many as 4,000 people were arrested in connection with the protests that started on 10 June 2003.⁴⁴

The protests thus seem to have been rather extensive and it is apparent that the frustration with Khatami's hesitant approach, or inability, to enforcing reforms has grown quite strong among at least parts of the Iranian population. However, throughout 2003, the opposition still lacked another reformist candidate that could seriously challenge Khatami's position. That is, there is no apparent candidate that is likely to have better prospects for implementing reforms than Khatami has had, and who could present a real political alternative to the current regime. Consequently, neither the pro-reformist nor the conservative parts of the incumbent Iranian regime were seriously threatened by the protests in 2003.⁴⁵

Khatami's position was further weakened in connection with the parliamentary elections in February 2004. Not only did his allies lose their positions in the parliament. The lack of much overt protests against the pre-administrated election outcome even from the student organisations, further underscored Khatami's drastically diminished capital of confidence among the people. The low number of voters participating in the first round of the election further underscores the fact that many Iranians do not think the political reality will differ considerably regardless of what faction of the political elite holds power in Iran, either they are called reformists or conservatives.⁴⁶ Given

⁴² Entekhabi-Fard, Camelia (2004) "Iran Sliding towards Political Confrontation", *Eurasianet.org*, 5 February, downloaded from the Internet 6 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020504_pr.shtml.

⁴³ Compare for example with "Försök få Khatami kritisera ingripanden" (2003) *Dagens nyheter*, 26 June and "Teheran fruktat protestkaos" (2003) *Dagens nyheter*, 27 June.

⁴⁴ Moaveni, Ardeshir (2003) "Recent Clashes Open New Fault Lines in Iran", *Eurasianet.org*, 1 July, downloaded from the Internet 2 July 2003 on http://www.eurasianet.org/departments/insight/articles/eav070103a_pr.shtml and "Teheran fruktat protestkaos" (2003) *Dagens nyheter*, 27 June.

⁴⁵ ICG (2003) *Iran: Discontent and Disarray*, Middle East Briefing, Amman/Brussels, 15 October, downloaded from the Internet 16 October 2003 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iran_discontent_disarray.pdf, pp.1 and 4-5.

⁴⁶ According to the final results from the Iranian State Election Headquarters, around 51 per cent of the eligible voters took part in the first round of the elections nation-wide and around 30 per cent voted in Iran. See "Teheran Announces Final Election Results" (2004) *RFE/RL Iran Report*, Vol.7, No.9, 1 March, downloaded from the Internet 8 March 2004 on <http://www.rferl.org/iran-report/index.html>. Leading reformists, like members of Mohammad Reza Khatami's Islamic Iran Participation Front, who chose to boycott the elections because of the Guardians Council's ban, claimed that the actual voter participation was lower than these figures. By contrast, several conservatives claimed that the voter participation was considerably higher than these figures. Compare with Entekhabi-Fard, Camelia (2004) "Turnout Controversy Taints Iran's Parliamentary Election", *Eurasianet.org*, 23 February, downloaded from the Internet 24 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav022304_pr.shtml.

these low expectations, the prospects for major public protests that could truly affect the Iranian regime have probably not increased either, at least not in a short perspective.⁴⁷

Several prominent conservative politicians pledged early after the elections that there would be no reversal in the social policy field that has been loosened up to some extent during the reformist majority, although it still remains restricted.⁴⁸ As early as the summer 2004 there were nevertheless some signs that parts of the new parliament would try to implement some restrictions, in particular concerning freedom of speech. Furthermore, other incidents have shown that for example the Basij-militias appear to feel that they have been given more free reins to act against people whom they accuse of anti-Islamic speech or behaviour (the latter in particular targeting women).

Nevertheless, it should be kept in mind that the so-called conservatives are not an internally coherent group with a unified agenda. There are some conservatives who want to implement changes in both domestic and foreign policy, for example by opening up diplomatic relations with USA, whereas other conservative groups oppose such reforms. Political observers in Iran have consequently warned that the battle between reformists and conservatives that have prevented constructive policy decisions during the last few years might be replaced with infighting among the different parts of the new conservative majority in parliament. Apart from such struggles, the conservatives are likely to try to regain the control over some key ministries and to position themselves for taking over the presidency in the summer 2005.⁴⁹

2.4 Economic Development

The political future in Iran will largely depend on the regime's long-term response to the public discontent among the Iranian population in general and the youth in particular. The social discontent is closely connected to Iran's stagnating economy and high level of unemployment. If those parts of the population that want to see a reformed Iran would completely lose their faith in the president and his ability to implement reforms from within the established system, the discontent could grow even stronger than it was during 2003. There has also been a risk that Khatami grows so tired of his uncomfortable position that he decides to resign, which could create problems of legitimacy for the conservative leadership.⁵⁰ However, after the 2004 parliamentary elections, Khatami's position has become weakened to the point that this threat probably has lost most of its previous force.

Some observers have believed that the conservative majority might find it easier to implement some internal reforms after they had gained control over the parliament in 2004. In particular, the conservatives are likely to try to make some quick improvements in the day-to-day economy of the Iranian population by, for example, increasing the access to consumer goods as well as short-term

⁴⁷ The Tarrance Group conducted an Iranian public opinion poll in the summer of 2002 that confirmed both the impression of growing discontent and lack of faith in Khatami and the reformists, see Sobhani, Rob S. (2004) "The Prospects for Regime Change in Iran" in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>, pp.64-65.

⁴⁸ Compare with Moaveni, Ardeshir (2004) "Factional Infighting in Iran Could Hamper Conservatives' Political Agenda in Parliament", *Eurasianet.org*, 18 March, downloaded from the Internet 26 March 2004 on http://www.eurasianet.org/departments/insight/articles/eav031804_pr.shtml.

⁴⁹ Ibid. See also Esfandiari, Golnaz (2004) "Iran: What Does Conservative Victory in Parliament Mean for Future?", *RFE/RL Feature Article*, 26 February, downloaded from the Internet 27 February 2004 on <http://www.rferl.org>.

⁵⁰ Compare with Recknagel, Charles (2003) "Iran: Protests Highlight Reformist Students' Frustration with Khatami", *RFE/RL Weekday Magazine*, 17 June, downloaded from the Internet 18 August 2003 on <http://www.rferl.org/nca/features/2003/06/17062003155935.asp>.

employment in new public construction projects.⁵¹ Given the high level of unemployment and underemployment in Iran, it appears unlikely that the conservatives would be able to make any substantial changes in the socio-economic conditions of the large part of the Iranian population in a short perspective.⁵² To alleviate the unemployment problem, it is estimated that the authorities must create at least 800,000 new jobs a year.⁵³

The Islamic Republic encouraged its population to have large number of children that would grow up to support the revolution. Between 1979 and 1988 the Iranian population grew with 3.9 per cent annually. As a result, half of the Iranian population is under 25 years old and consequently have no memory of the revolution. Iran also has a high level of unemployed young people with higher education. Although the baby-boom has abated since the end of the 1980s, the Iranian regime will nevertheless face a huge challenge of finding jobs for its young population for at least a decade ahead.⁵⁴

The prospects for more fundamental economic reforms that could alleviate the current economic stagnation are even more distant. The state-run companies that dominate the economy together with the bonyads – cleric-controlled charitable foundations – are highly inefficient and the level of corruption in Iran is notorious.⁵⁵ For example, the Iranian fight against the drug smuggling has been severely hampered by the corruption. This is a significant problem for the Iranian regime, since the drug trade has led to a rapidly increasing drug addiction, which creates a major socio-economic problem considering the vast number of young Iranians.⁵⁶

There are differences between the various conservative factions that dominate the current parliament also on how to manage the economy. The more pragmatic conservatives, primarily represented by the influential former president and Expediency Council chairman Akbar Hashemi Rafsanjani, are more interested in economic liberalisation and would welcome more foreign investments. The hard-line conservatives want to keep tight control over the economy and consequently also limit foreign investments. That the hard-liners currently seem to be in control of the economic agenda was made particularly obvious when the parliament in August 2004 decided to overturn laws passed by the former parliament that would have eased foreign investments and the access of foreign banks to the Iranian market. The position of the hard-liners have been easier to maintain thanks to high oil prices during 2003 and 2004 that has kept the Iranian economy generally afloat although it has failed to create any substantial number of job-opportunities.⁵⁷

⁵¹ Compare with Moaveni, Ardeshtir (2004) "Factional Infighting in Iran Could Hamper Conservatives' Political Agenda in Parliament", *Eurasianet.org*, 18 March, downloaded from the Internet 26 March 2004 on http://www.eurasianet.org/departments/insight/articles/eav031804_pr.shtml.

⁵² The actual Iranian domestic unemployment rate is estimated to lie above 25 per cent. "Checking Iran's Nuclear Ambitions: Report Recommendations"(2004) in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>, p.9.

⁵³ The International Institute for Strategic Studies (IISS) (2002) *Strategic Survey 2001/2002*, London, Oxford University Press, pp.213-214.

⁵⁴ Compare with Amuzegar, Jahangir (2004) "Iran's Unemployment Crisis", *Middle East Economic Survey*, 10 October, Vol.XLVII, No.41, downloaded from the Internet 19 October 2004 on <http://www.mees.com/postedarticles/oped/a47n41d01.htm>.

⁵⁵ The International Institute for Strategic Studies (IISS) (2002) *Strategic Survey 2001/2002*, London, Oxford University Press, pp.213-214.

⁵⁶ Iran is officially estimated to have around 2 million drug abusers, but the actual number could be as high as three times that number. Due to the problems with curbing the smuggling, Iran has changed its counter-narcotics strategy to spend more money on demand reduction. See "Iranians Participates in Kabul Drug-Control Conference" (2004) *RFE/RL Iran Report*, Vol.7, No.8, 23 February, downloaded from the Internet 24 February 2004 on <http://www.rferl.org/reports/iran-report/>.

⁵⁷ Molavi, Afshin (2004) "Buying Time in Tehran", *Foreign Affairs*, November/December, Vol.83, No.6, downloaded from Iran-va-Jahan 1 November 2004 on <http://www.iranvajahan.net>.

Iran's difficult economic situation and interest in promoting trading contacts with countries in the West might still give the countries that are interested in cooperating with Iran some leverage also regarding other pressing matters. This applies in particular to the EU that has been Iran's major trading partner and to Russia. Furthermore, the Japanese decision to go ahead with the Azadegan oil deal means that Japan will be involved in Iran for a long time and constitute a major contributor to the inflow of foreign cash that Iran has great need for. This might give also Japan some economic leverage in Iran.

As was mentioned above, there are some groups among the conservatives in Iran that favour closer cooperation even with the United States in order to alleviate the economic problems. Although trading relations between USA and Iran still remain a more distant scenario, it should consequently not be excluded that a combination of American threats of force and new EU promises of more beneficial trading agreements might lead to more Iranian concessions in the future, even concerning the nuclear program.

2.5 Foreign Political Relations

The heightened international concern over the Iranian nuclear program has clearly demonstrated that Iran lacks really close allies in other countries. However, it has also demonstrated that there are several important countries that do not wish to put too much pressure on the current Iranian regime and view Iran differently than Iraq under Saddam Hussein. Iran has better developed relations with several external countries than Baathist Iraq had and many countries are interested in promoting stronger trade relations with Iran. The Iranian foreign relations with the countries in its surrounding region can to a large extent be characterised by mutual suspicion.

Because of the lingering unrest and uncertainty about the political future, Afghanistan and Iraq have been the most obvious cases for Iranian caution during 2003 and 2004. Iran officially backs its former mujaheddin allies represented in the central government in Afghanistan but has also given support to alternative power centres in Afghanistan, like the powerful former governor in neighbouring and largely Persian-speaking Herat, Ismail Khan, and the Shiite Hazara minority concentrated around Bamyan. Apart from these sometimes ambiguous political contacts, Iran has also tried to promote new trading routes with Afghanistan and the Central Asian countries bordering Afghanistan and cooperates with all countries neighbouring Afghanistan as well as the international community in trying to reduce the flow of opiates from Afghanistan.⁵⁸

Concerning Iraq, Iran has supported a number of Shiite representatives. Despite the strong criticism against and genuine concerns about a potential long-term U.S. presence in Iraq, it really lies in Iran's interest that the country becomes sufficiently calm for general elections to be held that could lead to a Shiite-dominated government in Iraq. Moreover, like Turkey, Iran is interested in limiting the Kurdish autonomy. The mutual interests in Iraq seem to have contributed to make the Iranian relationship with Turkey relatively easy after the Baathist regime fell in Baghdad. Earlier, Iran has viewed Turkey as a competitor in the struggle to gain influence over the development in the Caucasus and Central Asia.⁵⁹

Despite reported optimism after the conference on the Caspian Sea that was held in Moscow in early April 2004, the main dividing lines remain. Apart from the unclear position of Turkmenistan, which is one of the few countries that has good neighbourly relations with Iran, Iran rejects the solution agreed upon by the other three states. According to this agreement, the Caspian Sea would be divided according to a so-called modified median principle, which would give Iran

⁵⁸ Kiesow, Ingolf and Sandström, Emma (2003) *Spelen kring kärnvapnen i Nordkorea och Iran*, Swedish Defence Research Agency, Strategiskt Forum No.10, September, pp.24-27.

⁵⁹ Ibid., pp.22-28.

approximately 13 per cent of the sea. However, Iran insists on equal shares of the sea, that is 20 per cent each. Iran also wants the Caspian Sea to be a demilitarized zone, which has led to tensions in connection with the naval exercises held by Azerbaijan, Kazakhstan and Russia.⁶⁰

Regarding Azerbaijan, Iran has also been anxious to avoid a resurgence of the fighting between Armenia and Azerbaijan over Nagorno-Karabakh, which would make Iran even more surrounded by military conflicts and worsen the Iranian relations also to Turkey since Iran would continue to back Armenia in such a conflict.

Finally, the Iranian relations with both Israel and several Arab states are still very tense, although there have been some examples of improved relations in the latter case during the last years. Iran has made some economic agreements with for example Saudi Arabia and even Egypt that might lead to increased contacts, but the Arab states are generally likely to have become even more weary of the long-term Iranian ambitions in the region since the fall of Saddam Hussein's regime in Iraq.⁶¹

Concerning Iran's relations with Israel, the assassination of Hamas leaders Yassin and Rantissi at least temporarily served to further underscore the hostility between the two countries. Both countries are mutually suspicious of the other country's alleged nuclear weapons program. Iranian fears about a potential Israeli military action because of the Iranian nuclear capacity are only likely to make the Iranians more determined to develop such a capacity.

2.6 Conclusions

Despite the internal and external concerns that have faced Iran during 2003 and 2004, there did not seem to be any immediate threats to the Iranian regime during the autumn 2004. Despite lingering internal frustrations, the overt protests have once more abated. The pressure over the Iranian nuclear program remains, but the risk for a large-scale military attack against Iran still appears remote. So far, neither Afghanistan nor Iraq have erupted into any large-scale conflicts that risk involving Iran.

Nevertheless, the porous Iranian borders to these countries still constitute the most acute external security threat to Iranian territory in a short perspective. In particular, Iran has so far not been able to prevent for example smugglers or illegal fighters from crossing the Iranian borders. Furthermore, Iran can hardly exclude the possibility of a limited attack against Iranian nuclear facilities by either Israel or the United States even in a shorter perspective.

Not even the disputed parliamentary elections in February 2004 appear to have led to any acute threats of a major uprising against the regime from the politically resigned bulk of the Iranian population. Consequently, the Iranian regime looks unlikely to make any profound changes in either its internal or foreign policy in the near future.

Iran continues to have tense foreign political relations with most of its neighbours, although some signs of improvements have been visible. Regardless of whether the relations are largely favourable or unfavourable, both Iran's close and more distant neighbours (like the EU countries) generally want to avoid any major unrest in Iran, since it is a large, populous and military strong country situated in an already very tense region. Moreover, countries like the EU member states, Japan and Russia have strong business interests in Iran.

The EU strategy to engage in constructive engagement with Iran is probably the only conceivable strategy in order to be able to encourage some positive internal reforms in Iran, for example

⁶⁰ Ibid., pp.27-28.

⁶¹ Even concerning Syria, a country which Iran presently have relatively good contacts with, the long-term goals of the two countries are unlikely to converge.

concerning human rights. In combination with Russian economic pressure and the potential threat of U.S. force, the EU engagement might even lead to positive effects on the sensitive nuclear issue. At the same time, the EU countries will have to seriously consider the possibility of taking further steps in curbing the Iranian nuclear program if Iran once again fails to meet its commitments to both the IAEA and to the agreements made with the EU-troika of France, Great Britain and Germany.

In short summary,

- the security and military situation facing Iran has been dominated by fears of a spill-over from the conflicts in Iraq and Afghanistan in the short-term and potential American and perhaps Israeli military actions in the longer run
- the internal political situation in Iran is not more likely to lead to a break-down of the Iranian regime in the short perspective than it was before the parliamentary elections in 2004 despite the lingering discontent, although the latter remains the most profound threat against the Iranian Islamic Republic in a longer perspective
- Iran's foreign political climate remains generally tense, with few exceptions

3 Iraq

Population: 24,683,313 (July 2003 estimate)⁶²

Major ethnic groups: Arabs 75-80%, Kurdish 15-20%, Turkoman, Assyrian or other 5%⁶³

Border countries: Iran 1,458 km, Saudi Arabia 814 km, Syria 605 km, Turkey 352 km, Kuwait 240, Jordan 181 km⁶⁴

Political leadership: Following the January 2005 parliamentary election, a new transitional government headed by Prime Minister Ibrahim al-Jafaari will lead the country throughout the year until a new permanent government is elected on the basis of a new constitution

GDP per capita: purchasing power parity - \$2,400 (2002 estimate)⁶⁵

Armed forces: According to IISS information from mid-2004, the required number of total security forces in Iraq (including police) was set to 259,869 of which 226,765 were reported on duty or in training at the time⁶⁶ compared with 389,000 soldiers (estimate) in the pre-conflict armed forces.⁶⁷

The actual number of fully trained troops in Iraq was disputed as late as in January 2005.⁶⁸

3.1 Introduction

The Iraqi development in 2003 and 2004 has been dominated by the war that deposed the former Baathist regime under Saddam Hussein in April 2003 and the uncertainties about Iraq's future that have remained after the war. The United States still maintains a large force in Iraq assisted by comparatively small numbers of troops from other countries in the "coalition of the willing". The United States undertook a huge troop transfer in 2004, but will hardly be able to reduce the number of its troops to any considerable extent in the near future.

A number of people have called for a withdrawal of U.S. troops from Iraq soon after the parliamentary elections on 30 January 2005. Furthermore, U.S. intelligence reports have warned that the U.S. will be forced by the in-coming parliament to set an exit date for its troops in Iraq. However, a number of prominent U.S. political and military officials have maintained that this can only happen after a sufficient number of indigenous Iraqi security forces have been sufficiently trained to be able to take care of the insurgents without U.S. or coalition support.⁶⁹

The belief that the attacks against the American presence from former Baathists or foreign fighters should decrease after Saddam Hussein was captured has been proved wrong. Furthermore, the attacks against members of the newly recruited police force and other people who have been

⁶² CIA (2003) *The World Factbook. Iraq*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/iz.html>.

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ The International Institute for Strategic Studies (IISS) (2004) *The Military Balance 2004/2005*, London, Oxford University Press, pp.125-126.

⁶⁷ The armed forces under the former regime were formally disbanded by the Coalition Provisional Authority on 23 May 2003. The new army, which is currently under creation, was originally planned to be completed in three years time. The International Institute for Strategic Studies (IISS) (2003) *The Military Balance 2003/2004*, London, Oxford University Press, pp.111-112.

⁶⁸ Weisman, Stephen R. and Brinkley, Joel (2005) "Rice Sees Iraq Training Progress but Offers No Schedule for Exit", *The New York Times*, 19 January, downloaded from the Internet 19 January 2005 on <http://www.nytimes.com>.

⁶⁹ Compare for example with Jehl, Douglas (2005) "U.S. Intelligence Says Iraqis Will Press for Withdrawal" *The New York Times*, 19 January, downloaded from the Internet 19 January 2005 on <http://www.nytimes.com> and Weisman, Stephen R. and Brinkley, Joel (2005) "Rice Sees Iraq Training Progress but Offers No Schedule for Exit", *The New York Times*, 19 January, downloaded from the Internet 19 January 2005 on <http://www.nytimes.com>.

cooperating with the so-called Coalition Provisional Authority (CPA) and subsequently with the Iraqi Interim Government have also escalated during and after the autumn 2003.⁷⁰

The United Nations was forced to leave Iraq after a devastating attack against its headquarters showed that it was impossible to ensure the safety of the UN staff. In late January 2004, the UN Secretary General Kofi Annan decided that the UN would send a team to Iraq to help the Iraqi Interim Governing Council (IGC) and the CPA decide on the best way for transferring power from the U.S.-led occupational authority to the Iraqis.⁷¹ In early June 2004, the UN Security Council unanimously adopted a resolution backing the transfer of power to the new interim government put together by UN envoy Lakhdar Brahimi in cooperation with American and Iraqi representatives.⁷² The transfer of power to the interim Iraqi government under interim Prime Minister Ayad Allawi was made on 28 June 2004.⁷³

The interim government was officially granted full sovereignty and given control over, for example, the country's oil revenues and all Iraqi forces. However, the interim government has not had control over the U.S.-led military operations and even the new transitional government is likely to remain dependent on the large and U.S. dominated international force for security in Iraq during at least large parts of 2005.⁷⁴ Because of the lack of security and strong differences on what Iraq's political future should look like, a smooth transfer of power to a largely respected elected domestic authority appears distant. In the absence of such an internal authority, the Americans and the Iraqis who cooperate with them will be continuously blamed for the lack of security, the high level of unemployment and the generally poor conditions of living that have persisted since the end of the war.

⁷⁰ Compare for example with Baker, Mark (2004) "Iraq: Civilians – Not U.S. Soldiers – Becoming Targets of Choice in Bombings", *RFE/RL Feature Article*, 11 February, downloaded from the Internet 12 February 2004 on <http://www.rferl.org>. According to the Iraqi Interior Ministry, more than 1300 policemen were killed during the last four months of 2004. Marquardt, Erich (2005) "Iraq's Perilous Elections and the Need for Exit Strategies", *Power and Interest News Report*, 17 January.

⁷¹ "UN to Rule on Elections in Iraq" (2004) *BBC News*, 27 January, downloaded from the Internet 27 January 2004 on http://news.bbc.co.uk/2/hi/middle_east/3432835.stm.

⁷² Lederer, Edith M. (2004) "U.N. Security Council Backs New Iraqi Gov't", *Washington Post*, 9 June, downloaded from the Internet on 9 June 2004 on <http://www.washingtonpost.com>.

⁷³ Chandrasekaran, Rajiv and Allen, Mike (2004) "U.S. Transfers Political Authority in Iraq", *Washington Post*, 28 June, downloaded from the Internet on 28 June 2004 on <http://www.washingtonpost.com>.

⁷⁴ Lederer, Edith M. (2004) "U.N. Security Council Backs New Iraqi Gov't", *Washington Post*, 9 June, downloaded from the Internet on 9 June 2004 on <http://www.washingtonpost.com>. Compare also with Jehl, Douglas (2005) "U.S. Intelligence Says Iraqis Will Press for Withdrawal" *The New York Times*, 19 January, downloaded from the Internet 19 January 2005 on <http://www.nytimes.com>.

3.2 Security Development

The prospects for Iraq's future security development are still difficult to assess but appear to a large extent discouraging. However, during the period covered by this report, the internal security situation has differed quite considerably between the different parts of the country. The main dividing lines in this respect have roughly coincided with the main geographic ethnic and religious concentrations. That is, the dividing lines run between the Kurd-dominated area in northern Iraq, the Shiite-dominated area in the south and, finally, the Sunni-dominated area in between the two former areas, often referred to as the Sunni belt or Sunni triangle.⁷⁵

The "Sunni belt" comprises both an area inhabited by a large part of the members in the former Baath-regime that have lost their position since the end of the war and the ethnically complex capital Bagdad with deep differences on how the future Iraq should look like. This is the area that has been hardest affected by the U.S. military operation in Iraq as well as by attacks against the international presence and people cooperating with the occupational authority. Unless the worst case scenario becomes true and Iraq erupts into civil war, the prospects for future internal stability in Iraq must be seen as more positive in the northern and southern parts of Iraq than in the middle of the country.⁷⁶

The almost simultaneous terrorist attacks against the headquarters of the two main Kurdish parties – the Kurdish Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK) – that took place in February 2004 was the first major backlash in security in the northern area. The attacks killed more than 100 people and KDP and PUK were criticised for not taking adequate steps to prevent these or similar attacks, which most Kurds blamed on Ansar al-Islam or some other Islamist terrorist group. Up until the autumn 2004, the north was considered to have relatively good prospects for stability, although more attacks were likely to be attempted. In particular, the previously antagonistic KDP and PUK parties appear to have become further united, especially after the terrorist attacks in February 2004.⁷⁷

The non-Kurdish minorities and the previously favoured Arabs in particular, have had fears that their interests might be compromised as the Kurdish parties take the political control of the region, but no major disputes were seen until mid-autumn 2004.⁷⁸ The revolt in Mosul in November 2004, that came as a response to the heavy U.S. military operation against Fallujah during the autumn 2004, have confirmed the still existing tensions that remain between different parts of the population in the ethnically mixed cities. The successful insurgency in Mosul can at least partly be explained by the fact that Mosul has been a stronghold for both the Baath party and the former Iraqi army in the north of the country.⁷⁹

The so-called peshmerga militias belonging to the two Kurdish parties have taken the main responsibility for upholding security in the north together with Kurdish police forces. This might

⁷⁵ This section concentrates on the security related challenges facing Iraq in the different areas outlined above. For a discussion on the ethnic, religious and other factional groups in Iraq and their interactions more generally, see section on internal politics.

⁷⁶ Since this report focus on the situation during the autumn of 2003 and spring of 2004, this section will concentrate on the security situation in Iraq after George Bush declared the major battle over in Iraq in May 2003. For a brief description of the major combat operations under the Operation Iraqi Freedom, see The International Institute for Strategic Studies (IISS) (2003) *The Military Balance 2003/2004*, London, Oxford University Press, pp.98-102.

⁷⁷ Osman, Hiva (2004) "Kurdistan Picks up the Pieces", *Institute for War and Peace Reporting Iraqi Crisis Report*, No.48, 17 February, downloaded from the Internet 19 February 2004 on http://www.iwpr.net/index.pl?archive/irq/irq_48_1_eng.txt.

⁷⁸ Ibid.

⁷⁹ Mite, Valentinas (2005) "Iraq: Troubled Town Mosul Very Different from Al-Fallujah", *RFE/RL Feature Article*, 10 January, downloaded from the Internet 11 January 2005 on <http://www.rferl.org>.

cause problems in the long run when the new Iraqi army is being built up, since neither party have had any inclination of seriously disbanding their forces.⁸⁰ For example, most of the peshmerga fighters that were sent in to quell the insurgency in Mosul in November 2004 were nominally part of the Iraqi National Guard, but in fact answered to the KDP or PUK. This use of the Kurdish militias exacerbated the ethnic tensions that already existed in the region.⁸¹

However, the reliance on the Kurdish militias has also contributed to up-holding some level of security in the north in the immediate period following the war. Furthermore, it enabled the U.S.-led coalition to concentrate their troops to more volatile areas and keep just a small number of soldiers deployed in the north. The joint number of the Kurdish peshmergas is disputed, but must be counted in tens of thousands. The two parties have had their own military academies and the militias are consequently quite well-trained and disciplined.⁸²

The coalition's decision to arrest a top aide to the young Shiite radical cleric Moqtada al-Sadr and to close down the latter's newspaper, *Al-Hawza*, led to violent clashes between members of al-Sadr's so-called al-Mahdi army and coalition forces. These spread quickly across large parts of Iraq in April 2004, including the British-controlled southern part of Iraq. Despite this and other pieces of evidence that parts of the Shiites in the south have been losing patience with the coalition and especially with the lack of jobs and proper living conditions, even the April protests did not become as violent in the south as in, for example, Baghdad. Generally, the area under British control has remained more peaceful than the centre of the country since the fall of the Baathist regime.⁸³ Unlike some other examples in the coalition, there have been no indications that the British government would consider scaling down on the up to 10,000 troops it has maintained in Iraq and the British Prime Minister Tony Blair remains American President George Bush's closest ally in the coalition.⁸⁴

The relative calm in the southern parts of Iraq may not only be connected to the conduct of the British forces, but also to the presence of the Badr brigades under the control of the Shiite party SCIRI, or the "Supreme Council for the Islamic Revolution in Iraq" and the militia belonging to Dawa, another Shiite party. The Badr brigades have several thousand well-trained and armed men that have received backing by Iran. SCIRI has refused earlier U.S. calls to disband the Badr brigades and throughout the occupation period, SCIRI was able to provide at least some additional security in the south in the absence of regular national forces, similar to the role of the peshmerga

⁸⁰ ICG (2003) *Iraq: Building a New Security Structure*, ICG Middle East Report No.20, Baghdad/Brussels, 23 December, downloaded from the Internet 8 January 2004 on http://www.crisisweb.org/library/documents/middle_east_north_africa/20_iraq_new_security_structure.pdf, p.18 and ICG (2004) *Iraq: What Can the U.S. Do in Iraq*, ICG Middle East Report No.34, Amman/Brussels, 22 December, downloaded from the Internet 11 January 2005 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iraq_iran_gulf/34_what_can_the_us_do_in_iraq.pdf, pp.8-9.

⁸¹ Cambanis, Thanassis (2004) "US, Iraqi Troops Fight to Retake Control in Mosul", *The Boston Globe*, 17 November, downloaded from the Internet on 24 January 2005 on <http://www.boston.com>.

⁸² ICG (2003) *Iraq: Building a New Security Structure*, ICG Middle East Report No.20, Baghdad/Brussels, 23 December, downloaded from the Internet 8 January 2004 on http://www.crisisweb.org/library/documents/middle_east_north_africa/20_iraq_new_security_structure.pdf, p.18.

⁸³ For the unrest in April 2004, see for example "Shia Protests Spread to Basra" (2004) *BBC News*, 5 April, downloaded from the Internet 5 April 2003 on http://news.bbc.co.uk/go/pr/fr/-/2/hi/middle_east/3599771.stm and "Fresh British Troops Sent to Gulf" (2004) *BBC News*, 6 April, downloaded from the Internet 6 April 2003 on http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/3599839.stm. For examples of earlier incidents in the area, see Recknagel, Charles (2004) "Iraq: Soldiers Death Focus Attention on Problems with the Army", *RFE/RL Weekday Magazine*, 7 January, downloaded from the Internet 8 January 2004 on <http://www.rferl.org/nca/features/2004/01/07012204155334.asp> and Synovitz, Ron (2004) "British Probe Killing of Five Protesters at Al-Amarah", *RFE/RL Weekday Magazine*, 12 January, downloaded from the Internet 13 January 2004 on <http://www.rferl.org/nca/features/2004/01/12012004171918.asp>.

⁸⁴ Compare with Tomiuc, Eugen (2004) "Iraq: Poland's Hesitation Raising New Doubts about Cohesion of Coalition", *RFE/RL Feature Article*, 22 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

militias in the north.⁸⁵ However, the influence of the most respected Shiite religious leader Ali Sistani in the south of the country and his calls for calm in order to facilitate early national elections has probably been the most decisive factor contributing to relative calm in the Shiite-dominated southern part of Iraq.⁸⁶

Later signals from the U.S. command have indicated that militiamen from SCIRI and other militias that have not participated in the fighting against the coalition forces might be welcome to join a new Iraqi elite force set up by the coalition. Although this makes sense from the perspective that these militias are already de facto providing security on the ground, it would also be a highly controversial and risky decision. The militias could hardly be seen as neutral members of such a force and the fact that the al-Mahdi militia was not fighting the coalition forces until mid-spring 2004 should raise some doubts about relying on the militias.⁸⁷

A plan was drawn up by the CPA in early 2004 for the disarmament, demobilisation and reintegration (DDR) into the new Iraqi armed forces and police of the ethnic militias. The outbreak of violence in both Fallujah and the south of the country in the spring 2004 became a serious setback for the DDR-plan, in particular as the U.S. had to rely on the cooperation of the Dawa militia and the Badr brigades to defeat the al-Mahdi army. The interim government has lacked both power and ability to implement the plan during the autumn 2004. In the north of the country, parts of the Kurdish peshmerga forces have been nominally transferred to the new Iraqi military, but without any proper preceding disarmament or demobilisation process and with their command structures intact. Due to the slow training process of the new Iraqi armed structures in general and the army in particular in combination with the surge in violence ahead of the parliamentary elections in early 2005, it looks likely that the DDR-process will be further delayed during 2005.⁸⁸

The al-Mahdi militia was formed during the autumn 2003 and probably numbered some thousand fighters with varying backgrounds and equipment. Members of the al-Mahdi militia originally filled the security gap in the so-called al-Sadr City – a poor Shiite-inhabited part of Baghdad named after Moqtada al-Sadr's father, a Grand Ayatollah believed to have been assassinated by Saddam Hussein's security agents – after Saddam Hussein's regime had fallen.⁸⁹ The al-Mahdi insurgency in al-Sadr City was at least temporarily pacified in October 2004 after a deal between the Iraqi government and Moqtada al-Sadr. However, the subsequent disarmament of al-Mahdi members and other people in al-Sadr City was reportedly highly superficial and accompanied by only a few searches. Consequently, the al-Mahdi army has kept the option to renew its fighting at any given time, for example in connection with the referendum and election planned for the latter half of 2005.⁹⁰

⁸⁵ ICG (2003) *Iraq: Building a New Security Structure*, ICG Middle East Report No.20, Baghdad/Brussels, 23 December, downloaded from the Internet 8 January 2004 on http://www.crisisweb.org/library/documents/middle_east_north_africa/20_iraq_new_security_structure.pdf, pp.18-20.

⁸⁶ Compare for example with Filkins, Dexter (2004) "Top Shiite Cleric Is Said to Fear Voting in Iraq May Be Delayed", *The New York Times*, 23 September, downloaded from the Internet 23 September 2004 on <http://www.nytimes.com>.

⁸⁷ ICG (2003) *Iraq: Building a New Security Structure*, ICG Middle East Report No.20, Baghdad/Brussels, 23 December, downloaded from the Internet 8 January 2004 on http://www.crisisweb.org/library/documents/middle_east_north_africa/20_iraq_new_security_structure.pdf, pp.19-20. Compare also with Mite, Valentinas (2004) "Iraq: U.S. Forming Elite Defence Corps to Help Fight Insurgency", *RFE/RL Feature Article*, 8 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

⁸⁸ Compare with Diamond, Larry (2004) "What went Wrong in Iraq", *Foreign Affairs*, September/October, downloaded from the Internet 8 September on <http://www.foreignaffairs.org>.

⁸⁹ Mite, Valentinas (2004) "Iraq: Through Small in Number, Al-Mahdi Army Posing Challenges to Coalition Troops", *RFE/RL Feature Article*, 8 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

⁹⁰ For more information on the up-coming elections in 2005, see section 3.3. Compare with Fainaru, Steve and Saffar, Khalid (2004) "Disarmament Process Start in Sadr City, Albeit Slowly", *Washington Post*, 12 October, downloaded from the Internet on 13 October 2004 on <http://www.washingtonpost.com>; ICG (2004) *Iraq: What Can the U.S. Do in Iraq*, ICG Middle East Report No.34, Amman/Brussels, 22 December, downloaded from the Internet 11 January 2005

Apart from Baghdad and the al-Sadr City, the al-Mahdi militia has created the most difficult security problems for the coalition forces in south central Iraq in cities like Najaf, Karbala and Kut.⁹¹ These cities are situated in a zone that has been patrolled by troops from several countries under Polish command, including Spain. For example, Spanish and Polish troops have together with U.S. troops contributed to the forces surrounding Najaf, where Moqtada al-Sadr had taken refuge and some of the worst fighting took place in Iraq during spring 2004.⁹²

This deployment helped explain part of the fears about an imminent break-up of the coalition forces in Iraq after the new Spanish Prime Minister declared that Spain would withdraw its approximately 1,300 troops in Iraq ahead of schedule. Although the number of Spanish troops was small compared to the overall size of the international troops in Iraq and consequently easy to replace from a military perspective, the fact that it would be withdrawn from a sensitive region at a sensitive time was problematic for USA.⁹³

The Spanish withdrawal has subsequently been followed by other countries that plan to reduce, withdraw or have already withdrawn their forces from Iraq. The military effects of these withdrawals from the multinational coalition are likely to be relatively limited. However, it enforces a message that the situation in Iraq has become increasingly difficult to control and is unlikely to become stabilised in the short run at a politically sensitive time when violence has been increasing ahead of the 2005 elections.⁹⁴

By contrast, the United States has increased its forces in Iraq to 150,000 troops ahead of the elections in 2005.⁹⁵ The U.S. forces consequently make up almost 90 per cent of the foreign troops in the coalition. The coalition partners contribute to just over 20,000 troops, almost half of which is made up of British troops. Overall, however, the actual number of non-U.S. or U.K. coalition forces has in fact changed very little throughout the year 2004.⁹⁶

Apart from the coalition forces operating in Iraq, there have been a substantial number of private military contractors working in Iraq since the time of the war. It has been estimated that the United States has hired about 20,000 private military contractors in Iraq, that is, more than twice the number of U.K. troops engaged in the country. These private contractors performing tasks usually carried out by the military have been highly controversial since they operate outside the military chain of command and it is unclear to what extent they can be held legally accountable. The controversial aspect applies in particular to the smaller part of the contractors that perform security

on http://www.crisisweb.org/library/documents/middle_east__north_africa/iraq_iran_gulf/34_what_can_the_us_do_in_iraq.pdf, p.4 and Marquardt, Erich (2004) "After Winning Concessions, Al-Sadr Tries His Hand at Diplomacy", *Power and Interest News Report*, 13 October.

⁹¹ Mite, Valentinas (2004) "Iraq: Through Small in Number, Al-Mahdi Army Posing Challenges to Coalition Troops", *RFE/RL Feature Article*, 8 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

⁹² Bryanski, Gleb (2004) "Iraq Cleric Offers Peace Terms; US Forces Poised", *Reuters News Article*, 14 April 2004, downloaded from the Internet 14 April 2004 on <http://www.reuters.com>.

⁹³ Tomiuc, Eugen (2004) "Iraq: Poland's Hesitation Raising New Doubts about Cohesion of Coalition", *RFE/RL Feature Article*, 22 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

⁹⁴ Compare for example with Recknagel, Charles (2005) "Iraq: As Coalition Shrinks, Who Will Shoulder Additional Burdens?", *RFE/RL Feature Article*, 18 January, downloaded from the Internet 19 January 2005 on <http://www.rferl.org>.

⁹⁵ Ricks, Thomas E. (2004) "U.S. Troops in Iraq to Grow", *Washington Post*, 2 December, downloaded from the Internet on 2 December 2004 on <http://www.washingtonpost.com>.

⁹⁶ Compare for example with "Foreign Troops in Iraq" (2003) *BBC News*, 29 November, downloaded from the Internet 10 December 2003 on http://news.bbc.co.uk/go/pr/ft/-/hi/middle_east/3267451.stm and "Iraq: Non-US Forces in Iraq" (2005) *Global Security.org*, 15 January, downloaded from the Internet 27 January 2005 on http://www.globalsecurity.org/military/ops/iraq_orbat_coalition.htm.

tasks for the military, train local troops and police, work as translators or interrogators of Iraqi prisoners.⁹⁷

The U.S. forces have been in command of an area covering the north and east-central parts of Iraq in addition to Baghdad. This includes the Sunni-belt, where the most intense fighting between the coalition and Iraqis have taken place, the latter allegedly strengthened by a number of foreign insurgents from various neighbouring countries.⁹⁸ During the latter part of 2004, the U.S. military began to talk less about the foreign insurgents, as it had become increasingly clear that most opposition forces against the Iraqi interim regime and the foreign military presence were in fact Iraqis. For example, during the U.S. operation in Fallujah in late 2004, less than 4 per cent of the first 1000 rebels that were detained were reported to be foreigners.⁹⁹

Fallujah gradually turned into a stronghold of both foreign insurgents and Baathist elite soldiers fighting the U.S. troops during 2003 and 2004. To some extent, Fallujah sums up the problems facing the Sunni Iraqis in an area where many inhabitants were Baathist members and employed either by the state or in the army. However, observers have noted that early U.S. heavy-handed tactics and indiscriminate behaviour against Fallujah citizens in general is likely to have intensified the opposition from Fallujah that could otherwise have been muted.¹⁰⁰ Even though there were truces between the U.S. forces and the various forces they have been fighting in Fallujah, the prospects for a peaceful solution were far less likely than, for example, in the case of Najaf. Fallujah was a source of resistance against the coalition ever since the fall of the Baathist regime, but the situation grew increasingly hostile after four U.S. contractors were killed and mutilated in Fallujah in late March 2004.¹⁰¹

However, neither the retaliatory U.S. operation against the insurgency in Fallujah in April 2004, when U.S. forces subsequently withdrew from the area, nor the major operation in November 2004, is likely to have broken the resolve of the opposition forces. Fallujah had become a safe haven for Iraqi insurgents after the April operation. Even so, the wide-scale destruction of the city could very well have increased popular support for the insurgency on part of the population in Fallujah and the surrounding area and the insurgents are consequently likely to have found new areas from where to operate in other places.¹⁰² Moreover, the destruction of Fallujah is likely to have increased perceptions that the United States continues to target Sunni areas quite indiscriminately. By contrast, the USA could hardly have used the same heavy-handed tactics against the insurgency in Mosul without causing a great uproar among allies within and outside Iraq.

Many former Baathist state and army employees have lost their jobs, privileges and prospects for the future after the fall of Saddam Hussein's regime. The Iraqi army, numbering nearly 400,000

⁹⁷ The majority of the civilian military contractors in Iraq work as for example cooks, drivers, cleaners or technicians. Compare for example with "Iraq: Military Outsourcing" (2004) *Council on Foreign Relations*, 20 May, downloaded from the Internet 27 January 2005 on http://www.cfr.org/background/background_iraq_outsourcing.php?print=1 and Neff, Joseph and Price, Jay (2005) "Courts to Resolve Contractors' Death", *Newsobserver.com*, 5 January, downloaded from the Internet 27 January 2005 on <http://newsobserver.com/news/v-printer/story/1999152p-8384905c.html>.

⁹⁸ For a map showing the area under U.S. command, see "Military Forces in Iraq" (2004) Reuters, 26 April, via *Yahoo!News*, downloaded from the Internet on <http://story.news.yahoo.com>.

⁹⁹ Wong, Edward (2004) "Mayhem in Iraq Starting to Look Like a Civil War", *The New York Times*, 5 December, downloaded from the Internet 6 December 2004 on <http://www.nytimes.com>.

¹⁰⁰ ICG (2004) *Iraq: What Can the U.S. Do in Iraq*, ICG Middle East Report No.34, Amman/Brussels, 22 December, downloaded from the Internet 11 January 2005 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iraq_iran_gulf/34_what_can_the_us_do_in_iraq.pdf, pp.10-12.

¹⁰¹ "Iraq: U.S. Commander Hands Ultimatum to Al-Fallujah Insurgents" (2004) *RFE/RL Feature Article*, 23 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

¹⁰² Compare for example with Rogers, Paul (2004) "Fallujah and Its Aftermath", *Oxford Research Group*, International Security Monthly Briefing, November.

people, was disbanded by a decree by the CPA in a decision that is now quite generally thought of as one of the most ill-advised decisions taken by the U.S. in the post-war phase. Moreover, the CPA barred all public-sector workers that were members of the Baathist party from getting a job in the new administration. The United States have subsequently showed signs of being willing to reverse some of these decisions, and might include former Baathist members even in the new army after a vetting process. However, since this process will be slow and it will take time before it could give any widespread benefits among the Sunni population, the latter will probably continue to be hostile towards the United States as well as the newly formed security structures during some time ahead.¹⁰³

The overall security forces have grown relatively quickly and were reported to number around 200,000 security troops in March 2004, including police, border guards and civil defence forces. This number had hardly changed at the end of 2004. Despite – or rather because of – this early fast growth of Iraqi security forces, they still need additional training until they will be able to take over control of Iraqi security without U.S. or other international guidance. Even after the responsibility for Iraqi internal affairs can be transferred to a future elected Iraqi government, such a government is consequently likely to seem very much dependent on the United States if it lacks control over Iraqi security.¹⁰⁴

The army has grown at a much slower pace. According to earlier planning, a force of 35,000 Iraqis should be operational by late September 2004.¹⁰⁵ However, at that time, 12,699 army soldiers were reported to be on duty according to Pentagon figures. About 40 per cent of these or nearly 5,000 soldiers were trained. According new targets, 27,000 army soldiers should be trained by April 2005.¹⁰⁶ The cumbersome military administrative process surrounding the training of the security forces in general and the army in particular has been severely criticised by leading U.S. politicians from both the Democratic and the Republican parties. According to the critics, the Pentagon has not handled the training of the new Iraqi security forces with the urgency it requires despite the fact that all U.S. political and military considers this a top priority issue.¹⁰⁷

3.3 Internal Politics

Approximately a year after the fall of the former dictatorial regime under Saddam Hussein, the Iraqi Governing Council that had been assisting the U.S.-led occupational force in ruling the country finally managed to agree on an interim constitution. This constituted a quite significant accomplishment on the path towards realising the ambitious plans for future democratic rule in Iraq given the unfavourable pre-conditions. Nevertheless, many hurdles must still be overcome before Iraq can have a new permanent constitution and a democratically elected permanent government.¹⁰⁸

¹⁰³ “Iraq: U.S. Commander Hands Ultimatum to Al-Fallujah Insurgents” (2004) *RFE/RL Feature Article*, 23 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

¹⁰⁴ Tully, Andrew (2004) “Iraq: Long U.S. Military Presence Could Compromise New Government”, *RFE/RL Feature Article*, 9 March, downloaded from the Internet 10 March 2004 on <http://www.rferl.org> and Recknagel, Charles (2004) “Iraq: Bomb Attacks Spark Debate over U.S. Security Role”, *RFE/RL Feature Article*, 3 March, downloaded from the Internet 4 March 2004 on <http://www.rferl.org>. Compare also with “Iraqi Military Reconstruction” (2004) *Global Security.org*, 21 December, downloaded from the Internet 1 February 2005 on <http://www.globalsecurity.org/military/world/iraq/iraq-corps3.htm>.

¹⁰⁵ “Iraq: U.S. Civil Administrator Appoints Defence Minister, Intelligence Chief” (2004) *RFE/RL Feature Article*, 5 April, downloaded from the Internet 6 April 2004 on <http://www.rferl.org>.

¹⁰⁶ Otterman, Sharon (2004) “Training Iraqi Forces”, *Council on Foreign Relations*, 7 October, downloaded from the Internet 30 October 2004 on <http://www.relifweb.int>.

¹⁰⁷ See for example Schmitt, Eric (2004) “Effort to Train New Iraqi Army Is Facing Delays”, *The New York Times*, 20 September, downloaded from the Internet on 22 September 2004 on <http://www.nytimes.com>.

¹⁰⁸ Compare for example with The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, pp.167-171.

One crucial issue is how to make the different factions in the Iraqi society accept a common solution on how and by whom Iraq should be ruled in the future. As a simplification, the Shiite majority wants to make sure that its numbers are duly reflected in the future government, whereas the other smaller religious and ethnic groups want to have safeguards against a too strong and potentially oppressive Shiite rule. The latter is of particular concern for the Iraqi Sunnis who were privileged during Saddam's rule and fear losing too much influence to the Shiites. The third major group, the Kurds, are anxious to maintain their relative autonomy in the north of the country.¹⁰⁹

The interim constitution has recognised federalism as a system of government for Iraq, but has not specified either the borders for the federal entities or the degree of autonomy for the Kurds or other entities in Iraq. This is likely to become a difficult and sensitive issue to handle for the future interim parliamentary assembly that is scheduled to draft a permanent constitution.¹¹⁰ Firstly, there are no clear-cut geographical boundaries between the three major ethnic and religious Iraqi groups outlined below. For example, the predominantly Kurdish north was deliberately intermixed with ethnic Arabs during Saddam Hussein's rule and there is also a quite large group of ethnic Turkomans living in the north of the country.¹¹¹

Secondly, as the latter example shows, there are several other smaller ethnic, religious and other minority groups in Iraq apart from the three major groups, like the Turkomans, the Christian minority, the Marsh Arabs or so-called Mandaeans etcetera. These smaller groups that are intermixed with the other factions have often faced repression in the past and are consequently anxious about protecting their interests in the political future of Iraq. Thirdly, and very important to remember, the various groups outlined above are far from internally coherent either, and there are substantial differences between for example the educated and uneducated, secular and traditionally religious, urban and rural parts of the society that cut across and between these groups.¹¹²

There have been particular concerns from Sunni Arabs, secular Iraqis, the United States and large parts of the international community that a major Shiite dominance in Iraq following national elections could lead to a Iranian style of Shiite religious government. These fears have to a large extent been based on the knowledge of the close contacts that have existed between the two major Shiite parties, SCIRI and Dawa, and Iran.

Prominent Iraqi Shiite representatives as well as a number of regional experts have tried to dispel these fears. While it is true that there are close contacts between Iran and a number of Shiite groups in Iraq, prominent Iraqi Shiite leaders like Ali Sistani has a different interpretation of the relationship between religion and politics than the ruling Iranians. While *de facto* playing an important political role in post-war Iraq, Sistani denounces the concept of *velayat-e faqih* and wants to separate religion from politics. At the time of the January 2005 elections, most Shiite leaders in Iraq seem to share Sistani's vision.¹¹³ However, Sistani is old and it can consequently not be

¹⁰⁹ Compare for example with Mc Mahon, Robert (2004) "Iraq: 100 Days Before Handover of Sovereignty, UN Poised for Difficult Mission", *RFE/RL Feature Article*, 24 March, downloaded from the Internet 25 March 2004 on <http://www.rferl.org>.

¹¹⁰ "Iraqi Governing Council Signs Interim Constitution" (2004) *RFE/RL Feature Article*, 8 March, downloaded from the Internet 8 March 2004 on <http://www.rferl.org>.

¹¹¹ For more information on the tensions between the groups in the North and the consequences of the return of earlier evicted Kurds to their former homes occupied by Arab settlers, see Recknagel, Charles (2004) "Iraq: Some Arabs Fleeing Northern Iraq as Kurdish Refugees Return", *RFE/RL Feature Article*, 20 February, downloaded from the Internet 23 March 2004 on <http://www.rferl.org>.

¹¹² For a broad overview over the different groups in the Iraqi society, see ICG (2003) *War in Iraq: Political Challenges after the Conflict*, ICG Middle East Report No.11, Amman/Brussels, 25 March, downloaded from the Internet 26 March 2003 on http://www.crisisweb.org/projects/middleeast/iraq_iran_gulf_/reports/A400927_25032003.pdf, pp.3-17.

¹¹³ Compare for example with Hendawi, Hamza (2004) "Shiite Leadership Clash in Iran, Iraq", *Washington Post*, 15 July, downloaded from the Internet on 15 July 2004 on <http://www.washingtonpost.com> and Struck, Doug and Sebt,

excluded that a future prominent Shiite leader in Iraq might lobby for an Iranian style of government.¹¹⁴

Concerning the selection of the interim government, UN special envoy Lakhdar Brahimi proposed a structure with a president, two vice presidents, a prime minister and ministers aided by a consultative assembly elected after the transfer of power. According to Brahimi's plan, the government would be selected by the UN, the Iraqi Governing Council, the U.S.-led coalition and a group of Iraqi judges.¹¹⁵ In June 2004, the UN Security Council adopted a resolution that confirmed the compromise between, in particular, Brahimi and Ali Sistani on the future political process in Iraq. Elections for an interim parliament were postponed until 31 January 2005 at the latest. In the meantime, Iraq would be ruled by an interim government in accordance with Brahimi's proposal above, but with limited powers.¹¹⁶

The Iraqi population in general appears not to have seen Prime Minister Iyad Allawi's interim government as a sufficiently independent, strong and efficient Iraqi political body. This view is unlikely to change to the better in the short term even for the new transitional prime minister or government depending on several factors. In accordance with the interim constitution, the new Prime Minister Ibrahim al-Jafaari was chosen by a three-member presidential council appointed by the new parliament. To the extent that the new parliament is seen as reasonably legitimate, this selection process for the new interim government could consequently make the latter seem slightly more legitimate than the preceding government.¹¹⁷ However, with a clearly Shiite-dominated parliament, at least the Iraqi Sunnis are bound to dispute the result.

Furthermore, the security problems and lack of basic services are likely to linger and it remains unclear to what extent the new government will have control over these crucial issues. The selection of ministerial candidates and how representative these are perceived to be is also likely to be disputed. In the January 2005 elections for the transitional National Assembly, a Shiite coalition organised by supporters to Ali Sistani won a slim majority of votes (140 out of 275 seats). A Kurdish coalition that won 77 seats in the assembly became the main negotiating partner for the Shiites in the process to select the new government. According to the transitional law, two thirds of the assembly votes are required to select a prime minister. A secular list headed by interim Prime Minister Iyad Allawi became the third largest force in the assembly with 40 seats.¹¹⁸

The incoming interim political structures will have to work hard in order to fulfil the pressing political schedule for the rest of 2005. The primary task of the new parliament will be to draft a

Bassam (2005) "Iraqi Shiite Coalition Tries to Dispel Fears of Iran-Style Government", *Washington Post*, 15 January, downloaded from the Internet on 17 January 2005 on <http://www.washingtonpost.com>.

¹¹⁴ Concerning Sistani's view on *sharia* (Islamic law), he is likely to insist that no official law should contradict Islamic law. Furthermore, experts believe he could back demands that law guiding personal status matters should be ruled by *sharia* courts. Juan Cole, one of the leading Western experts on Iraqi Shiites, believes that Sistani wants to see Shiites guided by Shiite religious law, Sunnis by Sunni religious law, Catholic Chaldeans under Catholic canon law and so forth, concerning personal matters. For more information, see "Iraq: Iraq, Iran and Islam" (2005) *Council on Foreign Relations*, 28 January, downloaded from the Internet 1 March 2005 on http://www.cfr.org/background/iraq_islam.php?print=1.

¹¹⁵ Price, Susanna (2004) "UN Edges Back into Iraq", *BBC News*, 20 April, downloaded from the Internet 20 April 2004 on http://news.bbc.co.uk/go/pr/fr/-/2/hi/middle_east/3641213.stm.

¹¹⁶ Diamond, Larry (2004) "What went Wrong in Iraq", *Foreign Affairs*, September/October, downloaded from the Internet 8 September on <http://www.foreignaffairs.org>.

¹¹⁷ Compare for example with Cordesman, Anthony H. (2005) "On a Wing and a Prayer: Iraq's Upcoming Elections", *The Daily Star*, 11 January, downloaded 15 January 2005 on <http://www.dailystar.com> and ICG (2004) *Iraq: What Can the U.S. Do in Iraq*, ICG Middle East Report No.34, Amman/Brussels, 22 December, downloaded from the Internet 11 January 2005 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iraq_iran_gulf/34_what_can_the_us_do_in_iraq.pdf, pp.7-8.

¹¹⁸ "Iraq: Ibrahim Jaafari" (2005) *Council on Foreign Relations*, 25 February, downloaded from the Internet 28 February 2005 on http://www.cfr.org/background/iraq_aljafaari.php?print=1.

permanent constitution by mid-August 2005 that is supposed to be submitted to a popular referendum no later than 15 October 2005. If the constitution is accepted, national elections should be held on the basis of this constitution in mid-December and a new permanent government is supposed to take office by the end of the year 2005.¹¹⁹ It will be a major accomplishment if these goals are met on schedule.

Not disregarding the fact that some parts of Iraq were more or less excluded from the elections or the reports about irregularities, the fact that the January 2005 elections for an interim parliament could be held at all must be seen as successful given the difficult circumstances. However, the process ahead of the future elections planned for 2005 and for drawing up a new permanent constitution is likely to be much more complicated and politically sensitive. The same difficult questions remain on how to ensure that the Sunni Arabs can become included in the internal political process and that the Kurds are given a degree of autonomy that is acceptable both to them, the other Iraqi groups and the neighbouring countries. At the same time, the Iraqi Shiite population is likely to expect that their newly won political influence quite soon will lead to economic benefits.

Furthermore, in the short perspective, how to rebuild the Iraqi economy and create job opportunities will be another crucial and sensitive domestic political issue. In particular, the unevenly spread sources of oil in the different areas of Iraq, makes the issue of economic development closely linked to the decisions on the future rule of Iraq.

3.4 Economic Development

Concerning the Iraqi economy after the war, most international attention initially focused on the international struggle to win the lucrative, albeit risky, reconstruction contracts for the aggregate sum of approximately 18 billion U.S.-dollars that the United States intended to invest in this project over the next years. In Iraq, the focus has been on more mundane issues such as alleviating the unemployment situation and regaining essential services such as water and electricity. The two factors are undoubtedly interconnected to some extent, especially since Iraqi firms have been bidding for and winning some of the contracts as well, although this has mainly been in the form of subcontracts on smaller projects.¹²⁰

However, most reconstruction projects have been delayed, primarily for security reasons. By April 2004, only 1.6 billion U.S. dollars of the sum mentioned above had been spent on reconstruction projects (compare with footnote). In some parts of Iraq that have been especially subject to violence – the so-called Sunni triangle in particular – practically all reconstruction projects have been put on ice. Bureaucratic delays have reportedly also contributed to the slow reconstruction process. Regional differences in the level of violence have not only affected the reconstruction. For example, in the Kurd-dominated north of the country, cross-border trade is reported to have contributed to an improved regional economy in comparison with the rest of the country.¹²¹

¹¹⁹ Cordesman, Anthony H. (2005) "On a Wing and a Prayer: Iraq's Upcoming Elections", *The Daily Star*, 11 January, downloaded 15 January 2005 on <http://www.dailystar.com>.

¹²⁰ Compare with Recknagel, Charles (2004) "Iraq: Companies Vie for Reconstruction Contracts at Regional Fairs", *RFE/RL Feature Article*, 14 January, downloaded from the Internet 15 January 2004 on <http://www.rferl.org>.

¹²¹ "Iraq: The Iraqi Economy" (2004) *Council on Foreign Relations*, 16 June, downloaded from the Internet 20 June 2004 on http://www.cfr.org/background/background_iraq_economy.php?print=1. The above mentioned figure on reconstruction spending comes from the Congressional Budget Offices. According to a *report* to Congress from the Office of the Inspector General Coalition Provisional Authority from 30 July 2004, only 400 million U.S. dollars had been spent at the time. See *Iraq in Transition: Post-Conflict Challenges and Opportunities* (2004) Open Society Institute & United Nations Foundation, November, downloaded from the Internet 2 February 2005 on http://www.soros.org/initiatives/washington/articles_publications/publications/iraq_20041112, pp.59-60.

Furthermore, the CPA reportedly decided to slow down the original plans for reconstructing the Iraqi national economy in an attempt to try to avoid an even higher unemployment rate than the 50 per cent that was estimated in January 2004 (regarding uncertainties in statistics, see footnote). The long-term CPA plans were to decentralise the economy through privatizations, cut down on subsidies for state companies and liberalise prices. These efforts were largely put on ice and much of the CPA budget went instead to salaries and wages.¹²²

Because of the high unemployment rate and lack of money, looting became a very costly problem also after the war had ended. In its turn, this has affected the reconstruction of the electric system, water supply and the oil production. Furthermore, the oil transports have become targets for insurgents, initially primarily in the north of the country on the pipeline to Turkey. However, by early 2004 the oil production had regained pre-war levels of about 2 million barrels per day. Despite this improvement, the American advisor to the Iraqi interim oil minister predicted in the spring 2004 that Iraq will have to import oil for at least the next three years to cover the domestic fuel demand.¹²³

The oil production has subsequently dropped again due to sabotage against pipelines both in the north and south of the country and the exports were stopped completely during a period following major explosions in mid-June 2004.¹²⁴ Improved and safe production and exports of oil is crucial to the future Iraqi economy since oil revenues is expected to be the major source of income for the Iraqi government in the next coming years. However, during 2003 and 2004, oil revenues have only been able to cover a fraction of the expenditures the United States had hoped it would be able to contribute to at the beginning of the occupation.¹²⁵ Unless security can be drastically improved, Iraq will consequently be dependent on international aid for several years to come and reconstruction projects that could contribute to long term economic improvements will also continue to be delayed.

3.5 Foreign Political Relations

Due to lingering uncertainties about the future rule of Iraq, the prospects for the Iraqi foreign policy logically also remain unclear. Most of Iraq's neighbours are concerned about the present instability in Iraq and many are also weary about the future foreign political agenda of a new Iraqi government. From the reversed perspective, most representatives from the main Iraqi factions are similarly suspicious of the neighbouring countries and their respective agendas in Iraq. This is closely connected to the porous borders, towards for example Syria, Kuwait, Saudi Arabia and Jordan, but also to the possibility that some neighbouring countries are interfering in the internal affairs of Iraq and might even do so militarily, for example Turkey and Iran.¹²⁶ Iraqis are consequently generally opposed to military involvement from any neighbouring state in Iraq, not

¹²² Recknagel, Charles (2004) "Iraq: U.S. Slows Once-Ambitious Plans to Reconstruct National Economy", *RFE/RL Feature Article*, 22 January, downloaded from the Internet 23 January 2004 on <http://www.rferl.org>. The estimated statistics on the Iraqi economy varies quite considerably. Recknagel gained his information from Neil Partrick from the Economic Intelligence Unit in London who had interviewed a number of officials in Iraq. However, the Council on Foreign Relations reports an estimated unemployment rate of about 28 per cent in January based on information from the Iraqi Ministry of Planning. "Iraq: The Iraqi Economy" (2004) *Council on Foreign Relations*, 16 June, downloaded from the Internet 20 June 2004 on http://www.cfr.org/background/background_iraq_economy.php?print=1.

¹²³ For more information on the reconstruction in Iraq, see BBC News' In Depth; "Reconstruction in Iraq" up-dated in April 2004 on <http://news.bbc.co.uk>.

¹²⁴ "Iraq: The Iraqi Economy" (2004) *Council on Foreign Relations*, 16 June, downloaded from the Internet 20 June 2004 on http://www.cfr.org/background/background_iraq_economy.php?print=1.

¹²⁵ Compare with *Iraq in Transition: Post-Conflict Challenges and Opportunities* (2004) Open Society Institute & United Nations Foundation, November, downloaded from the Internet 2 February 2005 on http://www.soros.org/initiatives/washington/articles_publications/publications/iraq_20041112, pp.70-73.

¹²⁶ Compare with Mite, Valentinas (2004) "Iraq: Analysts Say Borders Are Lines in the Sand That Are Easily Crossed", *RFE/RL Feature Article*, 5 March, downloaded from the Internet 8 March 2004 on <http://www.rferl.org>.

just Turkey, although that example became heightened when Turkey offered to send troops to Iraq during the autumn of 2003.

The borders with Iran have also been porous. Iran has controlled the people entering Iran from Iraq. However, the control over the people and goods crossing the border from Iran to Iraq has been very limited, in particular in connection with the rapidly increased number of people who have gone on pilgrimages from Iran to Iraq. After major bomb explosions in Baghdad and Karbala in early spring 2004, Iran announced that it would seal its border with Iraq. Other neighbouring countries that were relatively efficient in patrolling the borders with Iraq when Saddam Hussein was in power have also been under pressure from U.S. and Iraqi officials to increase their protection of the borders.¹²⁷

Apart from these concerns, several of the neighbouring countries had tense relations with Saddam Hussein's Iraq and could consequently stand to gain better relations with a new government in Iraq in the future. During 2003 and 2004, however, security concerns have continued to dominate the foreign relations. The neighbouring countries have continued to express concerns about the instability and the damage that insurgent and terrorist groups in Iraq could cause in the region. At the same time, they have demanded that the U.S. withdraw its forces from Iraq as soon as possible. At a conference bringing together Iraq and all its six neighbours plus Egypt in February 2004, the sensitive question of the borders was again highlighted as Iraq's neighbours claimed that the responsibility for controlling the borders should lie on the coalition, not the neighbours of Iraq.¹²⁸

Iraq's neighbours have closely monitored the January 2005 parliamentary elections. Apart from security concerns in connection with the elections, all countries in Iraq's immediate surrounding region have an interest in what kind of government a future Iraq could have. Apart from Turkish fears over a too strong position for Iraqi Kurds and Iranian interests in a strong political position for Iraqi Shiites, the neighbouring Arab countries are concerned about a possible marginalisation of Iraqi Sunni Arabs at the expense of Shiites. Apart from the countries with Shiite minorities that could be affected a strengthened Shiite identity in Iraq, many Arab countries fear that a strengthened Shiite identity more generally could abridge part of the suspicion between Arabs and Persians and consequently play into the hands of Iran's ambitions to become a strengthened regional power.¹²⁹

3.6 Conclusions

The U.S. decision to disband the army and sack all former employees of the public sector in combination with their lack of ability to ensure stability in Iraq and rebuild a basic infrastructure has hampered the prospects for a peaceful and sovereign Iraq. These flaws indicate that the U.S. administration either had not made sufficient preparations for the post-war period in Iraq or that they chose to ignore the advice they were given from American and other experts with good knowledge about Iraq and post-war operations. The U.S. administration appears to have learned from the early mistakes and have intended to correct some of them. However, this may be too little and too late to make a relatively smooth transition to a sovereign Iraq possible in the short run.

The above-mentioned problems are obviously interconnected and have already created such a precarious situation in Iraq that it is likely to be impossible for the U.S. troops to make a large-scale withdrawal from Iraq in the short perspective if total chaos is to be avoided. Since even this presence is unlikely to reduce the insecurity facing Iraqis in many parts of the country in a shorter

¹²⁷ Ibid.

¹²⁸ "Iraq Neighbours Urge US Pullout" (2004) *BBC News*, 15 February, downloaded from the Internet 16 February 2004 on http://news.bbc.co.uk/go/pr/ft/-/2/hi/middle_east/3490331.stm.

¹²⁹ Compare for example with Recknagel, Charles (2005) "Iraq: What Could Shi'a Win Mean for Mideast?", *RFE/RL Feature Article*, 24 January, downloaded from the Internet 25 January 2005 on <http://www.rferl.org>.

perspective, any new government – transitional or permanent – will be compromised already from the beginning. It will not have control over the security sector in the country and it will have to continue to cooperate closely with and defer to the United States on certain issues. There is consequently a clear risk that a new Iraqi government will not be considered as legitimate and independent even if the UN manages to arrange a reasonably fair and free national election as planned for late 2005.

The risk for a large-scale civil war is still a possibility. However, even if this worst-case scenario can be avoided, Iraq is likely to be plagued by insecurity and political as well as economic problems over the foreseeable future. This does not only present continued security problems for Iraq and the international community, but also for Iraq's neighbours in its surrounding region. Some relations have quite good prospects of becoming more favourable under a new sovereign Iraqi regime than they were under Saddam Hussein's regime. On the other hand, with the insecurity that characterised Iraq throughout 2004, there also remains a risk that one or more of the neighbouring states might become involved in fighting in Iraq.

In short summary,

- the security situation is likely to remain tense and neither a civil war nor a spill-over of conflicts across Iraq's borders can yet be excluded
- the internal political climate is plagued by uncertainty about the future and socio-economic problems more generally
- the foreign political relations are characterised by suspicion and the same uncertainty about the future as the other sectors, although some relations have prospects of becoming better under a new regime than they were under Saddam Hussein's rule in Iraq

4 Turkey

Population: 68,109,469 (July 2003 estimate)¹³⁰
Major ethnic groups: Turkish 80%, Kurdish 20% (estimated)¹³¹
Border countries: Syria 822 km, Iran 499 km, Iraq 352 km, Armenia 268 km, Georgia 252 km, Bulgaria 240 km, Greece 206 km, Azerbaijan 9 km¹³²
President: Ahmet Necdet Sezer
GDP per capita: purchasing power parity - \$7,000 (2002 estimate)¹³³
Armed forces: 514,850 (estimate)¹³⁴

4.1 Introduction

Like all Iraqi neighbours, Turkey has been strongly affected by the war in Iraq. Turkish fears have been raised primarily about the future status of the Kurdish areas in northern Iraq, as well as about the potential spill-over of fighting from Iraq to Turkey more generally. It remains uncertain if the terrorist attacks in Istanbul in November 2003 were a direct consequence of the Turkish decision to send troops to Iraq. Nevertheless, the attacks show clearly that Turkey is not immune to Islamist violence and it is reasonable to believe that even the present Turkish regime under the Islamic AKP party (Justice and Development Party) is seen as a traitor to the Muslim community within certain groups.¹³⁵

Turkey has worked on maintaining peaceful relations with its mostly Muslim neighbours and on strengthening relations with Europe and USA, the economic relations in particular. EU membership continues to be an uncertain and definitively distant possibility, despite a substantial number of Turkish reforms in the economic and political fields. Furthermore, Turkish relations with the United States worsened drastically for some time after Turkey decided not to let the USA launch its attack against the north of Iraq from Turkish territory. The latter decision also contributed to a more long-term problem for the Turkish government since it strengthened the military self-reliance of the Kurdish parties in northern Iraq and drastically decreased Turkish possibilities to affect future developments in northern Iraq.¹³⁶

Internally as well, the Kurdish issue continues to be sensitive. Furthermore, there is a lingering scepticism against the AKP party among secular Turks, including within the military. This forces the AKP party to manoeuvre very carefully and also makes its future political agenda harder to predict. However, during its first two years in power, the AKP has not only worked hard to fulfil EU demands concerning issues of economics and human rights and liberties, but also striven to maintain the image of Turkey as a secular country while simultaneously adhering to religious values.¹³⁷

¹³⁰ CIA (2003) *The World Factbook. Turkey*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/tu.html>.

¹³¹ Ibid.

¹³² Ibid.

¹³³ Ibid.

¹³⁴ The International Institute for Strategic Studies (IISS) (2004) *The Military Balance 2004/2005*, London, Oxford University Press, p.71.

¹³⁵ Compare with "Internal Affairs: Turkey" (2004) *Jane's Sentinel Security Assessment – Eastern Mediterranean*, 28 October.

¹³⁶ Compare for example with ICG (2005) *Iraq: Allaying Turkey's Fears Over Kurdish Ambitions*, ICG Middle East Report No.35, Ankara/Amman/Brussels, 26 January, downloaded from the Internet 2 February 2005 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iraq_iran_gulf/35_iraq_allaying_turkey_s_fears_over_kurdish_ambitions.pdf, pp.6-18 and Olsen, Robert (2004) *Turkey-Iran Relations, 1979-2004: Revolution, Ideology, War, Coups and Geopolitics*, Costa Mesa, Mazda Publishers, pp.183-213.

¹³⁷ Compare for example with "Internal Affairs: Turkey" (2004) *Jane's Sentinel Security Assessment – Eastern Mediterranean*, 28 October.

4.2 Security Development

The Turkish security concerns have naturally centered primarily on the war in Iraq in general and the Kurdish-dominated area in particular during 2003 and 2004. In mid-autumn 2003, Turkey's relations with Iraq and the Kurdish north of Iraq became truly hostile as both the Kurdish officials and Iraqi provisional officials in general reacted strongly against Turkish declarations that they were ready to send 10,000 troops to bolster the U.S. led occupation force in Iraq. However, since that time and after Turkey's reversal of this decision in the face of the strong Iraqi protests, Turkey's relations with the officials of the Kurdish area have steadily improved, although the issue remains sensitive.¹³⁸

Even if the Turkish concerns about the political future of the Kurdish-dominated northern Iraq remain strong, a year after the war Turkish officials had reportedly begun to view the relatively calm northern Iraq as a buffer zone separating Turkey from the increasingly unstable central and southern Iraq. As a further sign of the improved Turkish-Kurdish relations, a leading Kurdish official has praised the renewed efforts to increase business between Turkey and Kurdish businesses as a good way to promote neighbourly relations.¹³⁹ However, the tensions might increase again if the Kurdish areas should become more deeply involved in the fighting in the rest of the country and if the Kurds start pressing harder for independence or greater autonomy within Iraq.¹⁴⁰

Turkey appears increasingly to have come to accept a relatively strong autonomy and even a federal status for the Kurdish North of Iraq. However, the future status of Kirkuk remains one of the most sensitive issues in the Turkish-Iraqi relations. The Kurds of Iraq have gradually increased its *de facto* influence over Kirkuk and the surrounding area since April 2003, which was not part of the Kurd-controlled area before the fall of the Baath party regime. A federal status for the Kurd-dominated north including Kirkuk would give the Iraqi Kurds control over significant oil resources. The economic potential and associated political strength such a region could gain is likely to appeal to the Kurds living in the relatively poor south-eastern parts of Turkey and serve as a further incentive for the Turkish Kurds to press for a higher level of independence.¹⁴¹

The strains on the Turkish relationship with its primary security partner, the United States, seem also to have healed quite well a year after the war. Apart from the U.S. irritation about not being able to launch an attack from Turkish territory, Turkey has been upset with the USA for not moving decisively against the estimated 5,000 PKK fighters in northern Iraq and about the arrest of a number Turkish Special Forces on Iraqi territory. However, after Prime Minister Recep Tayyip Erdogan's visit to the United States in January 2004, the countries seemed intent on maintaining the existing security relations and deepening the economic and political relations.¹⁴²

Washington has been using the Turkish Incirlik military base to rotate troops in and out of Iraq, which signals that Turkey and the United States still have an important strategic cooperation.

¹³⁸ Katik, Mevlut (2004) "Turkish Troop Development in Iraq Now 'Out of the Question'", *Eurasianet.org*, 21 April, downloaded from the Internet 22 April 2004 on http://www.eurasianet.org/departments/insight/articles/eav042104c_pr.shtml.

¹³⁹ Ibid.

¹⁴⁰ Krastev, Nikola (2004) "Turkey: Erdogan Expresses Concern over Greater Kurdish Autonomy in Iraq", *RFE/RL Feature Article*, 27 January, downloaded from the Internet 28 January 2004 on <http://www.rferl.org>.

¹⁴¹ Compare with ICG (2005) *Iraq: Allaying Turkey's Fears Over Kurdish Ambitions*, ICG Middle East Report No.35, Ankara/Amman/Brussels, 26 January, downloaded from the Internet 2 February 2005 on http://www.crisisweb.org/library/documents/middle_east__north_africa/iraq_iran_gulf/35_iraq_allaying_turkey_s_fears_over_kurdish_ambitions.pdf, pp.2-11.

¹⁴² The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, pp.137-139. For Turkish concerns about U.S. actions in Iraq, see also Olsen, Robert (2004) *Turkey-Iran Relations, 1979-2004: Revolution, Ideology, War, Coups and Geopolitics*, Costa Mesa, Mazda Publishers, pp.205-207 and 246-250.

Moreover, Turkey may be prepared to participate to a larger extent in the reconstruction in Iraq and perhaps serve as an unofficial mediator between the United States and the Muslim world.¹⁴³

In addition to its membership in NATO and close security cooperation with the United States, Turkey has developed quite close relations with Israel, including in the security sphere.¹⁴⁴ This is another factor that is likely to make Turkey seem like a legitimate target for some Islamist terrorist groups.

4.3 Internal Politics

Internally, the AKP's accession to power has not led to any reversal of Turkey's secular profile, although suspicions remain among secularised Turks about the AKP long-term ambitions and divergent opinions on how Islamist the AKP might become. The AKP's position as a majority party and dominant political force in Turkey has enabled it to pass a vast array of internal reforms, in particular concerning democratic development, and the AKP has continued to promote close cooperation with the West in its external contacts. However, the AKP's success in the election has also meant that there are many new parliamentarians who lack previous experience from national politics.¹⁴⁵

Erdogan, the AKP party leader who became prime minister in February 2004, is considered to be a conservative Muslim. Even so, fears about AKP's policy in general and the need to make a clear distinction between the AKP's Islamic policy and the ideas of for example Islamist extremists or terrorists, has reportedly compelled Erdogan to convey a strict secular message in his public statements and policies.¹⁴⁶

However, opponents to the AKP within the state bureaucracy, the powerful military and even President Ahmet Necdet Sezer warn that there are some strong Islamist factions within the AKP. The AKP is likely to try to manoeuvre carefully in order not to provoke either of these forces and the military in particular, which according to polls is the state institution that most Turks have the highest confidence in.¹⁴⁷ The fact that many of the AKP's front figures are former members of the Islamist Welfare Party that was forced from power in 1997 by a coup initiated by the military makes the relationship extra sensitive.¹⁴⁸

The AKP has taken measures aimed to curb the military's influence over civil matters and simultaneously to increase civilian control of the military. Such a measure not only suits the AKP's internal political agenda nicely, but has also been a requirement by the EU. In late July 2003, Turkey's Grand National Assembly passed a package of laws that restricts executive powers of the National Security Council (MGK). The MGK, which brings together senior politicians with the top

¹⁴³ Katik, Mevlut (2004) "United States and Turkey Strive to Deepen Relations", *Eurasianet.org*, 4 February, downloaded from the Internet 5 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020404_pr.shtml. Concerning Turkey's potential to serve as a bridge between the United States and Muslim countries, compare also with Fuller, Graham E. (2004) "Turkey's Strategic Model: Myths and Realities", *The Washington Quarterly*, Vol.27, No.3, Summer, pp.51-64.

¹⁴⁴ Compare for example with The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, pp.139-140.

¹⁴⁵ Compare with "Internal Affairs: Turkey" (2004) *Jane's Sentinel Security Assessment – Eastern Mediterranean*, 28 October and with The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, pp.129-136.

¹⁴⁶ Compare with "Internal Affairs: Turkey" (2004) *Jane's Sentinel Security Assessment – Eastern Mediterranean*, 28 October.

¹⁴⁷ Compare with Hammargren, Bitte (2004) "Turkiet väljer kurs i stormig värld", *Svenska Dagbladet*, 21 November.

¹⁴⁸ The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, p.131.

army generals was originally established as an advisory council on security issues, but subsequently extended its influence over government policy in general.¹⁴⁹

Despite moving ahead with democratic reforms, Turkey has been criticised for its breaches against human rights – in particular the still widespread use of torture – and its treatment of the Kurdish minority. The latter is a constant source of tension, but the risk for renewed violence appears low in the short-term perspective unless something radical happens either domestically or involving the Kurds in Iraq. It is possible to print books and newspapers in Kurdish in Turkey today, but the access to broadcast media and education in Kurdish is severely restricted.¹⁵⁰ Freedom House consequently classified Turkey as only partly free in its survey in 2003 – the only Western and NATO country not to be listed as “free”.¹⁵¹

4.4 Economic Development

Although Erdogan got some promises that the Turkish-U.S. economic contacts may intensify in 2004, he did not manage to ease the restrictions attached to an 8.5 billion U.S.-dollar credits that Turkey has been offered by the United States. In particular, Turkey has been reluctant to use the credit unless it can persuade the U.S. to drop the condition that Turkey must promise not to intervene militarily in Iraq. The United States has acknowledged the Turkish fears about anti-Turkish activities in northern Iraq and the PKK and its successor organisations remain on its list of terrorist organisations. However, they have not dropped the anti-intervention condition.¹⁵²

In the meantime, thanks to both U.S. and other international assistance, the rapidly increasing trade with northern Iraq and the AKP's tough economic policy, the Turkish economy began to rise out of the previous deep recession during the autumn 2003. Erdogan has managed to implement the measures dictated by the International Monetary Fund's aid program despite internal opposition.¹⁵³

The Gross National Product and industrial output have grown, the stock market has improved and the inflation has fallen. However, the unemployment rate continues to be high. According to the State Institute of Statistic, the unemployment rate was 10.3 per cent in December 2003, but the regional differences are substantial and the unemployment rate for southeastern Turkey is estimated to be twice as high as the national average. Furthermore, the earlier high level of inflation still continues to affect the economy of many Turks.¹⁵⁴ The prospects for the Turkish economy generally seem quite optimistic but will also depend to a large extent on the development in Iraq.

¹⁴⁹ Ibid., pp.131-132. See also Peuch, Jean-Christophe (2003) "Ankara Moves to Curb Military's Influence, While EU Awaits Implementation", a *Eurasianet.org* Partner Post from RFE/RL, 2 August, downloaded from the Internet 5 August 2003 on http://www.eurasianet.org/departments/insight/articles/pp080203_pr.shtml.

¹⁵⁰ Hammargren, Bitte (2004) "Turkiet väljer kurs i stormig värld", *Svenska Dagbladet*, 21 November. Concerning the Kurdish issue, compare also with Fuller, Graham E. (2004) "Turkey's Strategic Model: Myths and Realities", *The Washington Quarterly*, Vol.27, No.3, Summer, pp.61-63 and Somer, Murat (2004) "Turkey's Kurdish Conflict: Changing Context, and Domestic and Regional Implications", *The Middle East Journal*, Vol.58, No.2, Spring, pp.235-253.

¹⁵¹ "Freedom of the World 2003: Turkey" (2003) *Freedom House*, 18 June, downloaded from the Internet 29 April 2004 on <http://www.freedomhouse.org/research/freeworld/2003/countryratings/turkey/htm>.

¹⁵² Katik, Mevlut (2004) "United States and Turkey Strive to Deepen Relations", *Eurasianet.org*, 4 February, downloaded from the Internet 5 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020404_pr.shtml.

¹⁵³ Miexler, Louis (2003) "Turkey's Economy Recovering from Recession", *Guardian Unlimited*, 26 September, downloaded from the Internet 26 September 2003 on <http://www.guardian.co.uk>.

¹⁵⁴ The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, pp.134-136.

4.5 Foreign Political Relations

Turkish foreign policy has to a large extent focused on its efforts to gain membership in the EU. However, despite a generally positive attitude to a future Turkish membership the negotiations have so far always been postponed. In connection with the Iraqi war and after the bombings in Istanbul, some EU countries urged that the process for Turkey to gain membership in the EU should be hastened. A Turkish membership would be a signal to the Muslim world and the many Muslims already living within the EU that the EU is not against closer contacts with the Muslim world in general and Turkey might also act as a mediator between the EU and the Muslim world.¹⁵⁵

By contrast, politicians and the population in some other EU member states have expressed fears about bringing Turkey into the EU because it is a large and populous Muslim country in addition to the economic impact that a Turkish membership could have on the EU. However, the prospects for membership is still to a large extent dependent on the implementation of Turkish internal reforms, in particular in the field of human rights where the EU still remains critical although it appreciates the efforts to improve the state of the economy and of the political sphere more generally. In the autumn 2004, representatives from the EU commission declared that Turkey and other prospective EU candidates would be judged on the bases of enacted and irreversible reforms, not just policy declarations and legislation.¹⁵⁶

Moreover, the Turkish willingness to engage more in trying to achieve a unification of Cyprus before the Greek Cypriot part became member of the EU might also have contributed to an improved Turkish standing among the EU countries.¹⁵⁷ However, the tense relation between Cyprus and Turkey could still affect the Turkish membership talks with the EU. For example, the Greek Cypriot President said that Cyprus could block a future Turkish membership if Turkey fails to implement a decision to expand its customs union with the EU to include also the Republic of Cyprus. This would mean an unofficial Turkish recognition of Cyprus, but Turkish officials have ruled out an official recognition until the island becomes united.¹⁵⁸

In December 2004, the EU decided that Turkey could start negotiations on membership in the EU beginning in the autumn 2005. However, despite Turkish protests, the final communiqué on starting the negotiation with Turkey stated that the discussions would be open-ended and consequently gave no guarantee that they would result in a future Turkish membership. Moreover, regardless of the final result, the negotiations are expected to continue for more than a decade.¹⁵⁹

Turkish Prime Minister Erdogan has stressed a Turkish ambition to have an active foreign policy with its neighbours in general in order to promote stability. Turkey has had good relations with Syria, Palestine and Israel and has at least previously offered to mediate between these countries/authorities.¹⁶⁰ Turkey's relations with Syria have improved quite significantly in

¹⁵⁵ O'Rourke, Breffni (2004) "Turkey: EU Entry Appear As Far Away As Ever", *RFE/RL Feature Article*, 9 April, downloaded from the Internet 12 April 2004 on <http://www.rferl.org>.

¹⁵⁶ Gow, David & Smith, Helena (2004) "EU Puts Turkey on Long Road to Accession", *The Guardian*, 7 October, downloaded from the Internet 7 October 2004 on <http://www.guardian.co.uk> and Jones, Gareth (2004) "Turkey Seeks Changes in Key EU Report", *Reuters.com*, 11 October, downloaded from the Internet 12 October 2004 on <http://www.reuters.co.uk>. Compare also with Fuller, Graham E. (2004) "Turkey's Strategic Model: Myths and Realities", *The Washington Quarterly*, Vol.27, No.3, Summer, pp.56-57.

¹⁵⁷ Compare with The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press, pp.141-146.

¹⁵⁸ Compare with Smith, Helena (2004) "Cypriot Threat to Turkey's EU Deal", *Guardian Unlimited*, 20 December, downloaded from the Internet 22 December 2004 on <http://www.guardian.co.uk>.

¹⁵⁹ Richburg, Keith B. (2004) "E.U., Turkey Agree to Membership Talks", *Washington Post*, 18 December, downloaded from the Internet on 28 December 2004 on <http://www.washingtonpost.com>.

¹⁶⁰ Compare with Fuller, Graham E. (2004) "Turkey's Strategic Model: Myths and Realities", *The Washington Quarterly*, Vol.27, No.3, Summer, pp.59-61.

connection with the war in Iraq since both states have similar interests in containing the Iraqi Kurdish calls for greater autonomy or independence. Similarly, as was shown above, Turkey's relations with Iran have also functioned relatively smoothly during 2003 and 2004 because of mutual interests in Iraq.¹⁶¹

Moreover, Turkey hopes that the completion of the Baku-Tblisi-Ceyhan pipeline for transporting the Caspian oil resources to the Black Sea will not only bring Turkey closer to the countries in the Caucasus and Central Asia, but also contribute to both economic benefits and consequently stability in the wider region. So far, the real Turkish influence in these countries has varied quite considerably.¹⁶² The pipeline is expected to be operational in mid-2005. By November, about 90 per cent of the pipeline had been completed and BTC officials were planning to start exporting oil from Ceyhan in June 2005.¹⁶³

In the case of Armenia, Turkey's relations with its Caucasus neighbour remain severed and chances for any fast improvements seem thin. In mid-2003, Turkey suggested the possibility opening up the border to Armenia that was sealed in 1993 during the war between Armenia and Azerbaijan. However, Turkish officials subsequently put the issue on ice again due to Azerbaijani concerns that opening the border would make Armenia less inclined to make future concessions concerning Nagorno-Karabakh.¹⁶⁴ Russian cooperation will probably be needed for solving the issue, since the locked border to Turkey (and Azerbaijan) is a main factor contributing to making Armenia dependent on Russia.¹⁶⁵ Opening the border could contribute to the development of the poorer eastern part of Turkey and give a boost to the export of Turkish products.

4.6 Conclusions

During 2004, some of Turkey's security concerns seem once again to have abated. In particular, the relations with the Kurdish area in northern Iraq have at least temporarily improved and so have Turkey's relations with many of its Muslim neighbours that share the same concerns as Turkey about the future in Iraq. Turkey has also managed to re-establish good relations with the United States and improved its position in the eyes of the EU in connection with the Cyprus issue. On the other hand, Turkey has become the target of terrorist attacks during the autumn 2003, which shows that Turkey's role as a democratic Muslim country with good relations to the West makes it a legitimate target in the eyes of some fundamentalist groups. Furthermore, the unstable situation in Iraq still presents a threat to Turkey that is not only connected to the status of the Kurdish areas.

Turkey's internal political situation has been relatively calm during 2003 and 2004 as much of the political focus has been pre-occupied with the war in Iraq and the terrorist attacks in Istanbul. Furthermore, the AKP's achievements in the economic sphere and the improvements in the relations with both the United States and the EU have also served to ease the domestic differences, at least in the short run. However, continued economic improvements remain to a large extent

¹⁶¹ Aras, Bulent (2005) "Turkish-Iranian-Syrian Relations: Limits of Regional Politics in the Middle East", *Power and Interest News Report*, 7 March.

¹⁶² Krastev, Nikola (2004) "Turkey: Erdogan Expresses Concern over Greater Kurdish Autonomy in Iraq", *RFE/RL Feature Article*, 27 January, downloaded from the Internet 28 January 2004 on <http://www.rferl.org>.

¹⁶³ "Turkey: Oil to flow in Baku-Ceyhan pipeline by mid 2005" (2004) *Energy Bulletin*, originally published 11 November 2004 by Reporter.GR, downloaded 23 March 2005 on <http://www.energybulletin.net/3123.html>.

¹⁶⁴ Danielyan, Emil (2004) "Armenia Frustrated as Ties with Turkey Remain Strained" *Eurasianet.org*, 28 May, downloaded from the Internet 31 May 2004 on <http://www.eurasianet.org/departments/insight/articles/eav052804.shtml>.

¹⁶⁵ Compare for example with Aras, Bulent (2005) "Turkish-Russian Relations: Implications for Eurasia's Geopolitics", *Power and Interest News Report*, 9 February and Poghosyan, Tevan (2005) "Armenia's Foreign Policy: Towards Real Complementarity", *Central Asia – Caucasus Analyst*, 23 March, downloaded from the Internet 26 March 2005 on http://www.cacianalyst.org/view_article.php?articleid=3161.

dependent on external relations and the future of the war in Iraq and there are lingering internal suspicions against the future agenda of the AKP party that could easily intensify.

In short summary,

- Turkey's security related agenda continues to be dominated by the Iraqi instability and the future prospects are consequently uncertain
- the internal political situation seems relatively stable, but tensions remain that could intensify
- the foreign political relations have to a large extent improved as a consequence of the war in Iraq

5 Azerbaijan

Population: 7,830,764 (July 2003 estimate)¹⁶⁶
Major ethnic groups: Azeris 90%, Dagestanis 3.2%, Russians 2.5%, Armenians 2% (1998 estimate)¹⁶⁷
Border countries: Armenia (with Azerbaijan-proper) 556 km, Iran (with Azerbaijan-proper) 432 km, Georgia 322 km, Russia 284 km, Armenia (with Azerbaijan-Naxcivan exclave) 179 km, Turkey 9 km¹⁶⁸
President: Heydar Aliyev
GDP per capita: purchasing power parity - \$3,500 (2002 estimate)¹⁶⁹
Armed forces: 66,490 (estimate)¹⁷⁰

5.1 Introduction

Azerbaijan held widely criticised presidential elections during the autumn of 2003 that as expected confirmed Ilham Aliyev's take-over of power after his deceased father. Ilham, who was initially seen as a weaker leader than his father, cracked down hard on the opposition protests against the flawed elections. Many internal observers believe that he is committed to implementing – in particular – a number of economic reforms, but many are also doubtful about his ability to succeed.¹⁷¹ Despite international protests about the conduct of the elections, both the United States and Russia welcomed the election results.¹⁷²

Turkey remains Azerbaijan's main security partner and Azerbaijan has also cooperated closely with the United States and NATO since the time when the country became independent. In the last couple of years, however, Azerbaijan's relations with Russia have also improved significantly despite lingering differences over, for example, how to solve the Nagorno-Karabakh conflict between Azerbaijan and Armenia. For the United States as well as Turkey, maintaining stability is essential to ensure the completion and future success of the Baku-Tblisi-Ceyhan pipeline project into which both countries have invested heavily, both in economic and political terms.¹⁷³

5.2 Security Development

During Heidar Aliyev's state visit to Moscow in January 2002, he and Vladimir Putin discussed mutual efforts to fight terrorism and ensure stability in the Caucasus, including a peaceful solution to the Nagorno-Karabakh conflict that should be beneficial for both Armenia and Azerbaijan.¹⁷⁴ The meeting also resulted in a preliminary agreement between Russia and Azerbaijan on the division of the Caspian Sea, which meant that Russia, Azerbaijan and Kazakhstan had a unified position vis-à-

¹⁶⁶ CIA (2003) *The World Factbook. Azerbaijan*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/aj.html>.

¹⁶⁷ Ibid.

¹⁶⁸ Ibid.

¹⁶⁹ Ibid.

¹⁷⁰ The International Institute for Strategic Studies (IISS) (2004) *The Military Balance 2004/2005*, London, Oxford University Press, p.82.

¹⁷¹ Compare with Ismailzade, Fariz (2004) "Is Ilham Aliyev Fulfilling Expectations?", *Central Asia – Caucasus Analyst*, February 25, downloaded from the Internet 29 March 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2149.

¹⁷² Compare for example with Peuch, Jean-Christophe (2003) "Caucasus: Russia, U.S. Played Key Role as Events in Georgia, Azerbaijan Unfolded", *RFE/RL WeekdayMagazine*, 11 December, downloaded from the Internet 12 December 2003 on <http://www.rferl.org/ncf/features/2003/12/11/11122003184039.asp>.

¹⁷³ Compare with Lee Hough, Richard (2004) "US Policy in Azerbaijan: A Backward Strategy from Freedom" *Eurasianet.org*, 11 February, downloaded from the Internet 13 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav021104_pr.shtml.

¹⁷⁴ *RFE/RL Newslines*, 28 January 2002.

vis Iran and Turkmenistan.¹⁷⁵ Another important concrete result of the meeting was the agreement on the Russian lease of the Gabala radar station for which Russia will pay almost 7 million U.S.-dollars a year for a ten-year period.¹⁷⁶ During Ilham Aliev's visit to Russia two years later, earlier cooperation agreements between Azerbaijan and Russia were reaffirmed and extended.¹⁷⁷

Apart from security and economic issues brought up during Ilham's visit to Moscow, Ilham Aliev expressed his desire for a more active Russian role in the OSCE's Minsk group in order to break the Nagorno-Karabakh stalemate.¹⁷⁸ According to several analysts there has been an increasing understanding within the new Aliev administration during 2003 and 2004 that Azerbaijan needs Russia's cooperation in order to be able to solve the Nagorno-Karabakh dispute. Many experts also believe that the strengthened relations with Russia are a result of Azerbaijani disappointment in the perceived U.S. reluctance to support Azerbaijan and make a strong commitment within the Minsk group concerning Nagorno-Karabakh.¹⁷⁹ Whether the Azerbaijani rapprochement with Russia will pay off with regard to Nagorno-Karabakh yet remains to be seen.

The status quo on Nagorno-Karabakh is deeply entrenched and few observers expect either a quick solutions to the conflict or a renewed military action. Although formally part of Azerbaijan and unrecognised by any other state – including Armenia – almost all of the former autonomous republic's territory has been under the control of Karabakhi Armenians since it was occupied in connection with the 1992-1994 war between Azerbaijan and Armenia. Nagorno-Karabakh today functions as a separate state with, for example, its own army and president.¹⁸⁰

Even though the scenario of a re-ignited conflict in Nagorno-Karabakh probably poses the most likely risk for a military conflict between the Azerbaijani army and another party that would also have very serious regional consequences, the prospects for such a scenario seem consequently distant. In the meantime, however, frustrations are growing in Azerbaijan over the continued loss of Nagorno-Karabakh and the inability of the Minsk group to solve the conflict despite prolonged rounds of negotiations. The Armenian occupation of part of territory that belonged to Azerbaijan proper – forming a corridor between Nagorno-Karabakh and Armenia – has been a particular sour issue for Azerbaijan.¹⁸¹

¹⁷⁵ Azerbaijan, Kazakhstan and Russia have agreed that the sea should be divided according to a so-called modified median line related to the length of the shore of each littoral state. According to this agreement, Azerbaijan is granted a larger share of the seabed than it would have if the sea should be divided equally. For more information on this agreement and the division of the Caspian Sea in general, see for example Donaldson, John W. (2004) "Bilateral Agreement Raises Stakes in Caspian Competition", *Jane's Intelligence Review*, Vol. 16, No.5, May.

¹⁷⁶ *Nezavisimaya gazeta*, 28 January 2002.

¹⁷⁷ Compare with "Azerbaijan, Russia Formalize Modus Vivendi" (2004) *RFE/RL Caucasus Report*, Vol.7, No.7, 16 February, downloaded from the Internet 16 February 2004 on <http://www.rferl.org/reports/caucasus-report/>.

¹⁷⁸ Compare with Ismailzade, Fariz (2004) "Is Azerbaijan Turning Towards Russia?", *Central Asia – Caucasus Analyst*, February 11, downloaded from the Internet 29 March 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2145.

¹⁷⁹ Compare with Abbasov, Shahin (2004) "Azerbaijan Mulls Stronger U.S. Ties", *Eurasianet.org*, 1 December, downloaded from the Internet 12 February 2005 on http://www.eurasianet.org/departments/insight/articles/eav120104_pr.shtml; Aliev, Farkhad (2004) "Russia-Azerbaijan: Back to the Beginning", *Central Asia and the Caucasus*, No.3(27), pp.155-160; Ismailzade, Fariz (2005) "Azerbaijan Wrestles With Geopolitical Dilemma", *Eurasianet.org*, 15 February, downloaded from the Internet 16 February 2005 on http://www.eurasianet.org/departments/insight/articles/eav021505_pr.shtml and Weinstein, Michael A. (2004) "Azerbaijan's Precarious Balancing Act", *Power and Interest News Report*, 22 September.

¹⁸⁰ For more information on Nagorno-Karabakh and the conflict surrounding it, see Wróbel, Jacek (2003) "Nagorno-Karabakh" in *Armed Conflicts in the Post-Soviet Region*, CES Studies No.9, June, Centre for Eastern Studies, Warsaw, pp.65-69.

¹⁸¹ See for example Weinstein, Michael A. (2004) "Azerbaijan's Precarious Balancing Act", *Power and Interest News Report*, 22 September. For a deeper historical analysis of the Nagorno-Karabakh conflict and its implications, see Cornell, Svante E. (2001) *Small nations and Great Powers: a Study of Ethnopolitical Conflict in the Caucasus*, Curzon Press, Richmond, pp.61-141.

In January 2005, the Parliamentary Assembly of the Council of Europe (PACE) adopted a resolution that was favourable to Azerbaijan on several accounts, for example by supporting Azerbaijani demands that all Armenian troops should be withdrawn from Azerbaijani territory before negotiations on the future status of Karabakh. However, the resolution also demanded that the Azerbaijani regime should engage in direct negotiations with the Nagorno-Karabakhi leaders, which the regime has so far refused to do.¹⁸²

In a wording that was particularly upsetting for the Armenians, the resolution stated that large-scale ethnic expulsions had taken place as a result of the Nagorno-Karabakh conflict (compare with section 6.2 on Armenian security development). However, with one important exception, an OSCE fact-finding mission into occupied Azerbaijani territory found no supporting evidence to the Azerbaijani accusations that Armenian authorities have deliberately sent more than 20,000 settlers to the area. According to the OSCE team – the first to enter the area since the end of the fighting in 1994 – the Armenian migration to the occupied areas was judged to be spontaneous in six of the seven inspected districts. The exception was the Lacin district that forms a strategic corridor between Armenia and Nagorno-Karabakh.¹⁸³

During Ilham Aliev's visit to Russia in February 2004, he downplayed the possibility that Azerbaijan might join Western institutions like the EU and NATO, which has been a stated aim of Azerbaijan since the country gained independence, saying it was a matter for the future.¹⁸⁴ Nevertheless, Azerbaijan is likely to continue to uphold good security relations with the United States and Turkey, at the same time as it tries to improve relations with Russia and Iran. All these countries can contribute in different ways to Azerbaijan's security (or lack thereof) and potentially help solve some sensitive issues in line with Azerbaijani interests.¹⁸⁵

Concerning Azerbaijan's relations with NATO, the hostile Azerbaijani-Armenian relations once more contributed to frictions in Azerbaijani dealings with external forces during the autumn 2004. In September 2004, the Azerbaijani government refused to grant visas to the Armenian officers who were supposed to participate in the NATO Partnership for Peace exercise Cooperative Best Effort 2004 on Azerbaijani territory. As a consequence, NATO decided to cancel the exercise, referring to the fact that the principle of inclusiveness had been violated. Regional analysts have concluded that the main reason for the late Azerbaijani refusal to except Armenian participation in the event was due to the strong internal opposition because of the conflict over Nagorno-Karabakh. Ilham Aliev's still relatively weak position can also have contributed to the decision not to go against public sentiments. Moreover, some analysts believe that the Azerbaijani perception of NATO's weak stance on the Nagorno-Karabakh issue also may have influenced the decision.¹⁸⁶

Azerbaijan has supported the United States' war on terrorism and USA seems anxious to maintain the relatively close security relations with Azerbaijan that were fostered during the reign of Heydar Aliev. U.S. oil companies have invested heavily in the extraction of oil from the Caspian Sea Basin

¹⁸² Peuch, Jean-Christoph (2005) "Azerbaijan: PACE Criticises Armenian Occupation of Azerbaijani Territory", *RFE/RL Feature Article*, 25 January, downloaded from the Internet 10 March 2005 on <http://www.rferl.org>.

¹⁸³ Peuch, Jean-Christoph (2005) "Mediator Sees No Organised Settlement Policy in Occupied Lands", *RFE/RL Feature Article*, 14 February, downloaded from the Internet 15 March 2005 on <http://www.rferl.org>.

¹⁸⁴ Tsereteli, Mamuka (2004) "Azerbaijan's Geopolitical Intentions Subject of Increasing Speculation", *Eurasianet.org*, 10 February, downloaded from the Internet 12 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav021004a_pr.shtml.

¹⁸⁵ See for example Weinstein, Michael A. (2004) "Azerbaijan's Precarious Balancing Act", *Power and Interest News Report*, 22 September.

¹⁸⁶ Vatanka, Alex (2004) "NATO Cancels 'Best Effort' Exercises", *Jane's Intelligence Review – Sentinel Worldview*, Vol.16, No.10, October. See also Alisayidov, Emin (2004) "NATO Exercises Cancelled in Azerbaijan", *Central Asia – Caucasus Analyst*, September 22, downloaded from the Internet 24 September 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2709.

and in building the BTC pipeline. Consequently, during the visits of a number of U.S. senior officials to Azerbaijan since Ilham Aliev was elected president, security in the Caspian Sea basin and for the BTC pipeline have been issues of particular concern. Defence Secretary Donald Rumsfeld's promise to increase U.S. military assistance to Azerbaijan and a subsequent 10 million U.S.-dollar grant given to Azerbaijan to fight the proliferation of weapons of mass destruction seemed to confirm this dedication.¹⁸⁷

Apart from Azerbaijan's interest in U.S. support for help in settling the division of the Caspian Sea and securing the BTC pipeline, there have been many speculations about whether the United States would build a permanent military base in Azerbaijan. The Pentagon has earlier conducted inspections of a number of airbases that could be suitable for a U.S. base.¹⁸⁸ In connection with the announcement in August 2004 that the United States would redeploy its troops from Europe to so-called forward staging bases, Azerbaijan was again mentioned as a strong candidate for hosting such a base. However, a month later, the U.S. ambassador to Azerbaijan declared that no such basing in Azerbaijan was currently under discussion.¹⁸⁹

5.3 Internal Politics

Ilham Aliev's presidency has been questioned from the beginning. He has succeeded his father as president but has no substantial political background and was consequently expected to lack his father's governing skills. Ilham Aliev's position as president was forecasted by analysts to be largely dependent on his father's political and economic allies, especially those in control of the energy sector, and he was also expected to be more disputed by both the public and the political opposition than his father. Not surprisingly, the popular uprising that led to the fall of Eduard Shevardnadze in Georgia caused deep concern within the new presidential regime.¹⁹⁰ However, as a Western-trained and experienced economist, Ilham Aliev could also be expected to implement necessary economic reforms that might strengthen his future position if they became successful.

In an apparent attempt to strengthen the new presidency, Ilham Aliev's first months in power were marked by a new level of government crack-down on opposition activity and the media. These actions raised sharp international protests from human rights organisations and international political institutions like the Council of Europe's Parliamentary Assembly. While the opposition temporarily became more muted, the opposition parties later increased their criticism of the conduct of Ilham Aliev's administration, claiming both that no steps have been made to improve the economy and that corruption has grown even worse since the elections.¹⁹¹

Despite their mutual hostility towards the government, the four main opposition parties remained split during the main part of 2003 and 2004 on who should take the leading role in engaging the leadership and on whether a direct dialogue with the ruling authorities is worthwhile or not. For example, the chairman of the Musavat Party, Isa Gambar, who was the candidate that officially received the most votes of the opposition candidates and claims that he actually won the election.

¹⁸⁷ Lee Hough, Richard (2004) "US Policy in Azerbaijan: A Backward Strategy from Freedom" *Eurasianet.org*, 11 February, downloaded from the Internet 13 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav021104_pr.shtml.

¹⁸⁸ Donaldson, John W. (2004) "Bilateral Agreement Raises Stakes in Caspian Competition", *Jane's Intelligence Review*, Vol.16, No.5, May.

¹⁸⁹ Weinstein, Michael A. (2004) "Azerbaijan's Precarious Balancing Act", *Power and Interest News Report*, 22 September.

¹⁹⁰ Compare with Brennan, Dan (2004) "Like Father, Like Son?", *Eurasianet.org*, 23 December, downloaded from the Internet 7 January 2004 on http://www.eurasianet.org/departments/insight/articles/eav122303_pr.shtml.

¹⁹¹ "Opposition in Azerbaijan Renews Political Attacks against President" (2004) *Eurasianet.org*, 9 February, downloaded from the Internet 12 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020904a_pr.shtml.

After the election, Gambar argued that he alone should represent the opposition in talks with the regime and that any other opposition leader engaging in such talks would be a traitor.¹⁹²

However, in early 2005, three of the major opposition parties formed a coalition that would participate in the up-coming parliamentary elections in November 2005. The new bloc – “Ugur” or success – joined the Azerbaijan Democratic Party, Popular Front Party and Musavat in a coalition that Isa Gambar claimed could collect as much as 75 per cent of the votes.¹⁹³ Since the proportional election system was replaced with a majoritarian system in 2002, forming a coalition has been essential for the opposition parties in order to be able to really challenge the ruling New Azerbaijan Party.¹⁹⁴

Because of the lack of unity within the opposition during 2003 and 2004 and since it lacks public resources, the most likely threat to Ilham Aliev’s position has been expected to come rather from within his own party and clan, than from the outside. If the opposition coalition manages to stick together, they now have the opportunity to present a real choice to the ruling party. Concerning the infighting within the ruling elite, political analysts have noted that there are lingering frictions between parts of the old ruling elite that has stayed on since Heydar Aliev’s presidency and the new members of the government and administration who are close to Ilham Aliev. Nevertheless, Ilham Aliev has shown that he has the political ability to balance the competing interests well enough to stay in power during his first year as president.¹⁹⁵ The political debate ahead of the parliamentary elections is likely to affect also the internal climate within the ruling elite and could consequently become a major political challenge for Ilham Aliev in 2005.

5.4 Economic Development

Azerbaijan’s improved relations with Russia are not only linked to the security sphere, but also a result of the close economic relations between the two countries that have continued to improve during the last years. Bilateral trade grew quickly in both 2002 and 2003 and in connection with his visit to Russia in February 2004 Ilham Aliev made it easier for Russian business interests to invest in Azerbaijan, in particular in the energy sector.¹⁹⁶ Azerbaijan also pledged to continue to export oil via the Russian Novorossisk pipeline even after the BTC pipeline has become operational.¹⁹⁷ According to information from the Marketing and Economic Department of the State Oil Company of the Azerbaijan Republic (SOCAR) in early 2005, the company planned to export 2,5 million tons of crude oil via Novorossisk in 2005, which is the same amount as the preceding year.¹⁹⁸

Internationally, the discussions about Azerbaijani economy have focused on the BTC pipeline. The international creditors signed an agreement about a new package of loans for the construction of the pipeline in February 2004. At the time, the Azerbaijani part of the pipeline was estimated to be

¹⁹² Fuller, Liz (2004) “Waiting for a New Force in Azerbaijan” *RFE/RL Newswire*, Endnote, 7 January, downloaded from the Internet 8 January 2004 on <http://www.rferl.org/newsline/2004/01/5-NOT/not-070104.asp>.

¹⁹³ “Major Opposition Parties to Jointly Run for Parliamentary Election” (2005) *Azernews*, 23 March, downloaded from the Internet 11 April 2005 on <http://www.undp.org/undp/bulnews24/8.php>.

¹⁹⁴ Ismailzade, Fariz (2005) “Towards a Bi-Party System in Azerbaijan?”, *Central Asia – Caucasus Analyst*, February 09, downloaded from the Internet 29 March 2004 on http://www.cacianalyst.org/view/_article.php?articleid=3039.

¹⁹⁵ Compare with Peuch, Jean-Christoph (2004) “Azerbaijan: Ilham Aliev Ends Checkered Year As President”, *RFE/RL Feature Article*, 27 October, downloaded from the Internet 30 October 2004 on <http://www.rferl.org>.

¹⁹⁶ “Azerbaijan, Russia Formalize Modus Vivendi” (2004) *RFE/RL Caucasus Report*, Vol.7, No.7, 16 February, downloaded from the Internet 16 February 2004 on <http://www.rferl.org/reports/caucasus-report/>.

¹⁹⁷ Tsereteli, Mamuka (2004) “Azerbaijan’s Geopolitical Intentions Subject of Increasing Speculation”, *Eurasianet.org*, 10 February, downloaded from the Internet 12 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav021004a_pr.shtml.

¹⁹⁸ “SOCAR Ships 139,000 Tons of Crude from Novorossiysk Port” (2005) *Azernews*, 10 February, downloaded from the Internet 10 April on <http://www.azernews.net/view.php?d=5918>.

completed in September 2004 as the first of the legs in the three countries.¹⁹⁹ In early 2005, the president of SOCAR announced that the construction was delayed in all three countries. However, he predicted that the Azerbaijani part would be completed during the spring 2005 and that the total pipeline could still become operational by mid-2005.²⁰⁰

The Azerbaijani economy has continued to grow during 2003 and 2004, with a 10.2 per cent GDP growth in 2004 marking the best year in a decade in terms of macro economic indicators. GDP has been forecasted to continue to grow also during the next few years. Furthermore, a number of reform proposals have been passed during Ilham Aliev's presidency that are expected to curb the widespread corruption and contribute to a diversification of the economy. Despite these promising trends, the Azerbaijani economy remains precariously dependent on the oil sector and a number of additional measures need to be taken in order to substantially strengthen the non-oil sector.²⁰¹

Economic analysts as well as the political opposition has criticised the government of painting a too rosy picture of the Azerbaijani economy. According to the critics, the economic improvements have to a large extent been the result of the high international prices on oil and gas during the last years. Criticism has also been raised against how the government has chosen to spend the means from the State Oil Fund, implying that too little of the means has reached the population so far. For example, there has been a lingering energy crisis in Azerbaijan that the government has so far been unable to solve despite the raised export revenues. Moreover, the poverty level in Azerbaijan is officially estimated to remain above 40 per cent.²⁰²

Azerbaijan has been rated as one of the most corrupt countries in the world. According to a study by the Heritage Foundation, Azerbaijan has a weak banking system, low level of private sector economy and, crucially, a weak judicial system that cannot provide sufficient protection for private property. Due to these deficiencies, corruption has become the primary method to solve tariff problems and disputes and is spread throughout society. Few observers expect the new anti-corruption law to have any significant impact on the level of corruption in the country in the short perspective even though it constitutes an initiative in the right direction. The law was signed by the president in January 2004 and entered into effect a year later, in January 2005.²⁰³

Ilham Aliev has a Western and business oriented background and is interested in implementing reforms. However, the depth of the economic problems in Azerbaijan in combination with the political differences within the ruling elite makes it unlikely that Ilham Aliev will be able to produce fast economic improvements that could benefit the major part of the population in the short run. Economic progress has been made, but the economy is still to a large extent based on a single item and it will take time before the new reforms can lead to any widespread economic improvements for Azerbaijani society.

¹⁹⁹ "Accords on loans for Oil Pipeline Project Signed in Azerbaijan" (2004) *ITAR-TASS*, 3 February, downloaded from the Internet 4 February 2004 on <http://www.itar-tass.com/eng/print.html?newsID=379560>.

²⁰⁰ "Delays in BTC Construction Being Eliminated" (2005) *Baku Today*, 22 January, downloaded from the Internet 18 February 2005 on <http://www.bakytoday.net/print.php?id=12055>.

²⁰¹ "Government Presents 2004 Report" (2005) *Azernews*, 23 March, downloaded from the Internet 11 April 2005 on <http://www.un-az.org/undp/bulnews24/9.php> and "Oil and Gas Powering Double Digit Growth for Azerbaijan" (2005) *Baku Today*, 7 March, downloaded from the Internet 11 March 2005 on <http://www.bakytoday.net/print.php?id=13062>.

²⁰² Ibid. See also Peuch, Jean-Christoph (2004) "Azerbaijan: Ilham Aliev Ends Checkered Year As President", *RFE/RL Feature Article*, 27 October, downloaded from the Internet 30 October 2004 on <http://www.rferl.org>.

²⁰³ Ismailova, Gulnara (2005) "Efficiency of Anti-Corruption Act Questioned in Azerbaijan", *Central Asia – Caucasus Analyst*, January 26, downloaded from the Internet 30 January 2005 on http://www.cacianalyst.org/view/_article.php?articleid=3004.

5.5 Foreign Political Relations

As was implied in the section on security development, Azerbaijan has during Ilham Aliev's time as president tried to establish a more balanced foreign policy compared to the mainly Western oriented policy during his father's presidency. Most strikingly, Iran has pursued better relations with Russia and Iran while simultaneously maintaining good relations with the United States and Europe. To many observers, this has partly been the result of a perceived lack of strong support from the United States concerning some Azerbaijani key foreign policy issues and the Nagorno-Karabakh settlement, in particular.²⁰⁴

The negotiations on the division of the Caspian Sea have earlier to a large extent foundered on disagreements between Azerbaijan and Iran.²⁰⁵ Furthermore, in 2001 Iranian military clashed with Azerbaijani vessels in the Caspian Sea and Iran also raised strong protests against the naval exercises held by Azerbaijan in cooperation with the United States in August 2003 with the aim to prevent attacks against oil platforms and terrorist insurgents.²⁰⁶ However, soon after Ilham Aliev became president, signals emerged from the Azerbaijani side that it was prepared to cooperate more closely with Iran.

Apart from more expected visits to Kazakhstan, Uzbekistan and Turkey, Ilham Aliev has also visited Iran after becoming president. In combination with new initiatives in the Nagorno-Karabakh negotiations and improved relations with Russia, the new overtures to Iran could lead to a significantly improved foreign policy climate for Azerbaijan in its neighbouring region. As with the other policy fields, it remains to be seen if Ilham Aliev will be able to manage such a balancing act between its foreign policy priorities, in particular with regard to potential American reactions.²⁰⁷

Turkey has been Azerbaijan's main regional strategic ally. The strong cultural and linguistic ties that exist between the two countries have contributed to the development of political, economic and military ties during the years of Azerbaijani independence. For example, the Turkish military has helped train the new Azerbaijani army. During the last years, the construction of the BTC pipeline has become a particularly strong uniting link between Azerbaijan and Turkey. However, as Turkey has deepened its efforts to join the EU, concerns have arisen in Azerbaijan about the improved Turkish-Armenian relations and the prospects that these could lead to pro-Armenian concessions from Turkey on key Azerbaijani foreign policy issues. Overall, however, the two countries still have a number of uniting factors in common and Azerbaijan in particular is likely to be very interested in maintaining close relations with Turkey.²⁰⁸

The new Georgian President Mikhail Saakashvili has been anxious to maintain good relations with Azerbaijan – not least out of concern for the BTC project – and Azerbaijan was the third country Saakashvili visited after he became president. During these talks, the presidents discussed the mutual problems of ethnic separatism, in addition to economic relations and the BTC construction.

²⁰⁴ Compare with Weinstein, Michael A. (2004) "Azerbaijan's Precarious Balancing Act", *Power and Interest News Report*, 22 September.

²⁰⁵ Compare with section on Iranian foreign politics, page 23.

²⁰⁶ *Nezavisimaya gazeta*, 19 August 2003.

²⁰⁷ Compare with Ismailzade, Fariz (2005) "Azerbaijan Wrestles With Geopolitical Dilemma", *Eurasianet.org*, 15 February, downloaded from the Internet 16 February 2005 on http://www.eurasianet.org/departments/insight/articles/eav021505_pr.shtml and Vatanka, Alex (2005) "Azerbaijan Improves Relations With Iran", *Jane's Intelligence Review – Sentinel Worldview*, Vol.17, No.3, March.

²⁰⁸ Compare for example with Ismailzade, Fariz (2004) "Azeri Public Express Anger over the Idea of Turkish-Armenian Border Opening", *Central Asia – Caucasus Analyst*, 7 April, downloaded from the Internet 14 April 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2294 and Ismailzade, Fariz (2004) "PACE Incident Could Hurt Azeri-Turkish Relations", *Central Asia – Caucasus Analyst*, 5 May, downloaded from the Internet 30 May 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2343.

There have been some frictions in Azerbaijani-Georgian relations during 2004, for example concerning the treatment of ethnic Azerbaijanis in Georgia. Another factor worsening relations was the Azerbaijani decision to introduce a limit on cargo transits from Azerbaijan to Georgia in November 2004 on the grounds that part of these were transported on to Armenia. However, because of the importance of the links uniting the countries, including the BTC, the two governments are not likely to let these frictions grow into serious disputes.²⁰⁹

5.6 Conclusions

In terms of external security, the lingering dispute over Nagorno-Karabakh poses the most threatening scenario of a military conflict that would be likely to involve a number of countries in the neighbouring region. However, at the end of the year 2004 the prospects for such a conflict appeared small in a short-term perspective, as did the possibility for a quick settlement of the conflict. The dispute over the division of the Caspian Sea seemed also likely to remain unresolved for the foreseeable future, despite some progress in the negotiations on low-key issues.

Internally, Ilham Aliev's new position as president has been challenged by the opposition and is considered to be weak vis-à-vis the allies of his father within the ruling clan and party and consequently also within the ruling business elite. However, the opposition has been internally divided on how to confront the regime. Moreover, none of the other major international powers that have stakes in the Azerbaijani development have appeared willing to support an oppositional candidate to Ilham Aliev so far. In this respect, the new government's strategy of balancing the interests of Russia and the United States have proved successful during 2003 and 2004. However, the position of the ruling clan around Ilham Aliev could become increasingly challenged if the opposition manages to stay united ahead of the parliamentary elections in November 2005.

Concerning the Azerbaijani foreign policy in general, Azerbaijan has managed to open up better relations with primarily Russia and Iran, while maintaining favourable contacts with its former allies. The improved relations with Iran provides quite a contrast to the hostility that characterised the relations a few years ago, even though there are a number of issues that could complicate the relations in the future. Azerbaijan's relations with Russia have continued to improve despite the Azerbaijani-Armenian deadlock and so has the relations with Kazakhstan on the other side of the Caspian Sea. Azerbaijan's relations with Turkey and the new regime in Georgia have continued to be positive and are likely to remain stable, not the least because of the mutual interest in the successful completion of the BTC pipeline.

In short summary,

- Azerbaijan's external security situation has remained quite stable during 2003 and 2004 and no short-term solutions can be expected either in the Nagorno-Karabakh or the Caspian Sea disputes
- Ilham Aliev has asserted his position as president since the autumn 2003 despite his comparatively weak position and the unsolved socio-economic problems in the country, but could become increasingly challenged in 2005 if the opposition manages to stay united
- Azerbaijan has gained improved relations with Russia and Iran during Ilham Aliev's presidency, while maintaining relatively close relations with the United States and Europe, even though the dispute with Armenia sometimes has had a negative impact on external relations

²⁰⁹ Valiyev, Anar & Valiyev, Yusuf (2005) "Azerbaijan-Georgian Relations Put to the Test", *Central Asia – Caucasus Analyst*, 26 January, downloaded from the Internet 30 January 2005 on http://www.cacianalyst.org/view/_article.php?articleid=2998.

6 Armenia

Population: 3,326,448 (July 2003 estimate)²¹⁰

Major ethnic groups: Armenians 93%, Russians 2%, Azeri 1% (as early as the end of 1993, almost all Azeris formerly living in Armenia had emigrated from the country), others (mostly Yezidi Kurds) 4% (2002)²¹¹

Border countries: Azerbaijan-proper 556 km, Turkey 268 km, Azerbaijan-Naxcivan exclave 221 km, Georgia 164 km, Iran 35 km²¹²

President: Robert Kocharian

GDP per capita: purchasing power parity - \$3,800 (2001 estimate)²¹³

Armed forces: 44,874 (estimate)²¹⁴

6.1 Introduction

Armenia held highly disputed presidential and parliamentary elections in 2003 that have had repercussions on the internal political stability ever since. In the spring 2004, several thousand people participated in protests against the regime intended to force President Robert Kocharian to resign. The authorities responded by forcefully cracking down on the protesters. The regime's heavy-handed responses against the opposition are only likely to further increase the hostility of the former and the discontent among the Armenian population in general and have made certain that the major security threat against Armenia is internal strife, not any external threats.²¹⁵

The major external threat lies in the possibility of a resumption of the fighting with Azerbaijan over Nagorno-Karabakh, which would involve not only these two countries, but also Russia, the United States, Turkey and possibly Iran. Russia remains Armenia's primary strategic and economic partner, but Armenia has also managed to maintain quite good relations with the United States and Iran. Moreover, despite EU criticism of the flawed elections and democratic backlash currently visible in Armenia, Armenian relations with the EU have generally remained positive. Regarding Turkey, relations have become less antagonistic during the AKP's rule in Turkey and in connection with the increased efforts to join the EU, although the prospects for opening up the border between the two countries still seem distant.²¹⁶

6.2 Security Development

Apart from having a hostile relationship with Azerbaijan, Armenia has been a relatively stable country squeezed in between relatively unstable neighbouring countries, with Georgia as the most

²¹⁰ CIA (2003) *The World Factbook. Armenia*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/am.html>.

²¹¹ Ibid.

²¹² Ibid.

²¹³ Ibid.

²¹⁴ The International Institute for Strategic Studies (IISS) (2004) *The Military Balance 2004/2005*, London, Oxford University Press, p.80. According to other sources, the Armenian army is believed to have closer to 60,000 troops. ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, p.11.

²¹⁵ Compare for example with "Government Forcefully Breaks up Opposition Protests" (2004) *Eurasianet.org*, 13 April, downloaded from the Internet 14 April 2004 on http://www.eurasianet.org/departments/rights/articles/eav041304_pr.shtml.

²¹⁶ Compare with ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.21-26.

obvious case. This factor seems sometimes to have contributed to a more beneficial view on Armenia on the part of the United States and the EU than it has warranted in practice. It is consequently not surprising that the Armenian leaders were anxious about the impact that the peaceful revolution in Georgia might have on Armenia. Not only did it worry the increasingly authoritarian regime in Armenia because it could constitute an example for the Armenian opposition and population (as it obviously has done). It also implied the possibility of increased pressure on Armenia to implement real political and economic reforms.

The role of the Armenian diaspora has been one factor contributing to the lesser pressure put on Armenia than on some of its neighbours from for example the EU and the United States. It has also had an impact on the continued stand-off between Armenia and Turkey because of Turkey's strong support for Azerbaijan in the Nagorno-Karabakh dispute.²¹⁷ Nagorno-Karabakh remains the most challenging external security problem for Armenia. The negotiations have remained deadlocked, but the fact that there was a resumption of direct talks between the Azerbaijani and Armenian presidents might still be seen as a positive development.²¹⁸

However, since the positions of both presidents are internally weak after the flawed elections, both presidents can be expected to officially embrace the most populist positions in their respective countries. Consequently, Robert Kocharian began his new term as president by stating that he will not back from the demand that Nagorno-Karabakh should either be granted independence or be formally annexed to Armenia.²¹⁹ Over the years preceding and following the Nagorno-Karabakh war, the Nagorno-Karabakh dispute has turned into a symbolic issue in Armenia. Nagorno-Karabakh has come to represent the historical injustices Armenia has suffered from Turks, which has very little to do with present-day Nagorno-Karabakh. As a consequence, the issue has become extremely sensitive in Armenian politics and the politicians have been very hesitant to embrace initiatives aimed at reaching a solution that involves compromises.²²⁰

The Armenian PACE delegation raised strong protests against the January 2005 PACE resolution, which it saw as Azerbaijani biased. The resolution criticised the continued occupation of Azerbaijani territory by Armenian forces and gave support to the Azerbaijani demand that all Armenian occupying forces should be withdrawn from Azerbaijani territory before the future status of Nagorno-Karabakh is settled. By contrast, Armenia has insisted that the status of Karabakh should be settled before any troop withdrawal. Furthermore, the Armenians were particularly upset about a passage in the resolution that stated that the conflict had led to large-scale ethnic expulsions that had resulted in the creation of mono-ethnic areas.²²¹

Armenia has been Russia's only close security partner in the South Caucasus within the Commonwealth of Independent States (CIS), both bilaterally and as a partner in all security cooperation within the CIS framework, including the Collective Security Treaty. For example, in mid-September 2001, Sergei Ivanov confirmed after a meeting that Russia and Armenia would form joint military units. These would serve to strengthen the Russian military presence in Armenia (i.e.,

²¹⁷ The recent development in Armenia's relations with Turkey will be discussed further in section 6.5.

²¹⁸ Compare with Giragosian, Richard (2004) "Armenia 2003: Burdened by the Unresolved", *Transitions Online*, Annual Survey, 15 April. For more information on the recent developments concerning the Nagorno-Karabakh conflict, compare with section 5.2 in the chapter on Azerbaijan.

²¹⁹ Compare with Abbasov, Shahin (2004) "No Closer Prospects for the Settlement of the Karabakh Conflict", *Central Asia – Caucasus Analyst*, February 11, downloaded from the Internet 29 March 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2113.

²²⁰ Compare for example with ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.5-6 and 26.

²²¹ Peuch, Jean-Christoph (2005) "Azerbaijan: PACE Criticises Armenian Occupation of Azerbaijani Territory", *RFE/RL Feature Article*, 25 January, downloaded from the Internet 10 March 2005 on <http://www.rferl.org>.

apart from the 102nd Russian military base already in Armenia, which is the largest Russian military base in the South Caucasus).²²²

Russia hopes to be able to deploy the forces it has kept in Georgia to Armenia when these are withdrawn, which could happen sometime in 2007. Armenia has reportedly agreed to this in principle, but has attached a number of conditions that need to be further discussed.²²³ Furthermore, as a result of a 2001 agreement that allowed Russia to purchase 100 percent of the shares in Armenian plants, Russia has gained control over five per cent of Armenia's defence and power industries. A substantial part of these have been traded to Russia in exchange for debt reductions. According to several observers, Russia has during 2003 and 2004 become increasingly intent on gaining more economic leverage in Armenia in addition to its military presence.²²⁴

Even though the cooperation between Armenia and Russia remains strong, both countries have some causes for concern about the relationship. For example, Russia is anxious not to jeopardise its improved relations with Azerbaijan and wants to maintain a more balanced policy towards both Armenia and Azerbaijan. This could contribute to a more constructive Russian stance concerning, in particular, the Nagorno-Karabakh dispute. At the same time, it has reportedly already made parts of the Armenian society question the potential support Armenia can get by maintaining preferable relations with Russia. Furthermore, there have been some Russian concerns about the plans to build a gas pipeline between Armenia and Iran, which would reduce the Armenian energy dependence on Russia.²²⁵

Armenia remains to a large extent dependent on Russia for economic and military support, but has also been anxious to strengthen its relations with the western countries in general and the United States in particular, in line with the official foreign policy of complementarity. Armenia has supported the U.S. war on terrorism and seems intent on continuing to participate actively within the NATO Partnership for Peace Exercises. In 2004, a decision was taken to send about 50 Armenian troops to Iraq and Armenia is also sending some officers to study at U.S. military colleges.²²⁶

However, according to the International Crisis Group, the Armenian public is still divided over the increased military cooperation with the United States and in particular the decision to send troops to Iraq. The Armenian regime is anxious about not provoking either the internal attitudes or potential Russian reactions towards the increased security cooperation with the USA and NATO and

²²² Ibid.; *Nezavisimaya gazeta*, 14 September 2001 and 15 September 2001.

²²³ *Kommersant Daily*, 31 March 2005.

²²⁴ ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.21-22. Compare also with Blank, Stephen (2005) "Does Armenia Face a Major Crisis?", *Central Asia – Caucasus Analyst*, 26 January, downloaded from the Internet 6 February 2005 on http://www.cacianalyst.org/view/_article.php?articleid=3000.

²²⁵ Compare with ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.21-22 and Poghosyan, Tevan (2005) "Armenia's Foreign Policy: Towards Real Complementarity", *Central Asia – Caucasus Analyst*, 23 March, downloaded from the Internet 26 March 2005 on http://www.cacianalyst.org/view/_article.php?articleid=3161. Concerning the Russian view, see also *Kommersant Daily*, 31 March 2005.

²²⁶ Compare with Poghosyan, Tevan (2005) "Armenia's Foreign Policy: Towards Real Complementarity", *Central Asia – Caucasus Analyst*, 23 March, downloaded from the Internet 26 March 2005 on http://www.cacianalyst.org/view/_article.php?articleid=3161 and Blank, Stephen (2005) "Does Armenia Face a Major Crisis?", *Central Asia – Caucasus Analyst*, 26 January, downloaded from the Internet 6 February 2005 on http://www.cacianalyst.org/view/_article.php?articleid=3000.

consequently keeps a more distant relation to NATO than Azerbaijan and Georgia does. For example, Robert Kocharian did not take part in the NATO summit held in Istanbul in June 2004.²²⁷

6.3 Internal Politics

The two main Armenian opposition parties – the so-called Justice Block and the National Unity Party have been divided on how to best challenge the position of President Kocharian and his administration, which they accuse of having usurped power in rigged elections in 2003. In general, the opposition has embraced the surprising idea of holding a national referendum of confidence in the president floated by Armenia's High Court in connection with the flawed presidential elections in the spring 2003. However, the opinions about the best means to force through such a referendum have been divided. The parliamentary boycott launched by the two main opposition parties in early 2004 seemed to fail to impress the incumbent regime and prompted the more controversial decision to organise massive public protests against the regime inspired by Georgia's "revolution of roses".²²⁸

Kocharian's regime claimed after its brutal break-up of the opposition protests in Armenia in April 2004 that the protesters had provoked the police and that the forceful actions were necessary to combat political extremism that threatened the country. Apart from dispersing the protesters, the authorities moved to shut down opposition party offices and arrest a number of opposition MPs, prompting several prominent opposition figures to go into hiding. The Organisation for Security and Cooperation in Europe (OSCE) claimed that both the opposition and the regime had taken actions that had contributed to the violence.²²⁹

Despite international criticism, the parliament subsequently put a ban on all demonstrations held in major public places like for example squares in the largest Armenian cities. Ahead of the new political season in September 2004, the parliament ruled on an indefinite ban on demonstrations outside the Presidential palace.²³⁰ Nevertheless, apart from holding joint demonstrations and continuing to boycott the parliament, the opposition is to a large extent uncoordinated and has major differences in particular concerning ideological issues. Furthermore, it has not been able to present a unified political agenda that could offer a credible and concrete alternative to the present policy of the ruling coalition. Consequently, the Armenian public has reportedly become increasingly politically apathetic.²³¹

The political apathy is one reason why the opposition has failed to gather significant crowds for staging protests against the regime. Another factor is that, unlike the case of the Georgian Rose

²²⁷ ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.23-24.

²²⁸ Compare with Danielyan, Emil (2004) "Armenian Opposition Mounts Fresh Attack against President" *Eurasianet.org*, 6 February, downloaded from the Internet 9 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020604_pr.shtml. For more information about the peaceful "Rose revolution" in Georgia in November 2003 when former President Eduard Shavardnadze was forced from power, see for example Sakevarishvili, Revaz & Akhvlediani, Margarita (2003) "'Rose Revolution' Sweeps Away Shevardnadze", *Institute for War and Peace Reporting Georgia Alert*, No.01, 24 November, downloaded from the Internet 15 September 2004 on http://www.iwpr.net/index.pl?archive/cau/cau_200311_ga_01_1_eng.txt.

²²⁹ "Government Forcefully Breaks up Opposition Protests" (2004) *Eurasianet.org*, 13 April, downloaded from the Internet 14 April 2004 on http://www.eurasianet.org/departments/rights/articles/eav041304_pr.shtml and Glasser, Susan (2004) "Armenian Protests Falter Under Authoritarian Rule", *Washington Post*, 11 July, downloaded from the Internet on 15 July 2004 on <http://www.washingtonpost.com>.

²³⁰ See ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, p.5.

²³¹ *Ibid.*, pp.8-13.

revolution, Armenia presently lacks a sufficiently charismatic opposition leader who is not associated with old ruling elites in Armenian politics. There have been some talks about forming a new opposition bloc, but it is still too early to predict whether such an initiative could lead to a credible political alternative.²³²

Apart from the opposition protests, President Kocharian was also challenged from within the ruling coalition during the spring 2004. The leader of one of the three parties taking part in the coalition accused his coalition partners of manipulating the 2003 parliamentary election. Furthermore, he accused Kocharian of not doing enough to stamp out corruption and injustices. Kocharian's official response was dismissive but rather cautious in order to try to preserve the coalition. These accusations have further underscored Kocharian's fragile position. However, since the party launching the accusations did not object to the fraudulent presidential elections in 2003 that brought Kocharian back for a second term, the chances of an alignment with the opposition outside the ruling coalition appeared slim.²³³ Mainly, the coalition appears to have remained united because of the mutual interest in staying in power.

6.4 Economic Development

Generally, the Armenian economic performance has been quite positive considering the obstacles posed by both the Soviet heritage and a landlocked geographic position in combination with the blocked borders to both the east and west since ten years back. Because of its macroeconomic progress, Armenia has received substantial support from the international financial organisations and the major donor countries, creating a rather heavy dependence on foreign assistance. However, like most of its CIS neighbours, the government has not been equally successful in addressing the growing economic inequalities and high unemployment rate. Nearly 50 per cent of the population is officially estimated to be living below the poverty line and the standard of living has not improved among the large part of the population despite the impressive macroeconomic numbers.²³⁴

The economic growth has to a large extent been concentrated to central Yerevan and has mainly benefited people with connection to the government. By contrast, the situation across large parts of the countryside remains unchanged with real unemployment estimated to approach 30 per cent. In some villages, all men between 15 and 45 have reportedly left for work in Russia. According to the International Organisation on Migration, over 1 million Armenians have left Armenia since the country became independent. The remittances from the people working outside Armenia are important for the families that remain in the country. However, the money is mainly used for immediate consumption, which keeps down investments in small businesses. Furthermore, the huge migration has created a substantial brain-drain at the same time as the education system continues to erode and the people who have been most successful on the Russian work market have started to apply for Russian citizenship.²³⁵

²³² Levina, Mariam (2005) "Opposition Still Boycotting Armenian Parliament", *Institute for War and Peace Reporting Caucasus Reporting Service*, No.273, 9 February, downloaded from the Internet 20 February 2005 on http://www.iwpr.net/index.pl?archive/cau/cau_200502_273_3_eng.txt. Compare also with ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.12-13.

²³³ Danielyan, Emil (2004) "Armenia's Ruling Coalition Beset by Renewed Infighting" *Eurasianet.org*, 13 February, downloaded from the Internet 16 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav021304_pr.shtml.

²³⁴ Giragosian, Richard (2004) "Armenia 2003: Burdened by the Unresolved", *Transitions Online*, Annual Survey, 15 April.

²³⁵ Compare with ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.17-20.

The government has taken a number of measures intended to stamp out the lingering corruption in Armenia. The Armenian economy grew by around 13 per cent in 2003, but in order to maintain the economic growth, international organisations have tried to assist the Armenian government in fighting corruption in order to attract more foreign investments to Armenia. Transparency International listed Armenia as one of the least corrupt states in the former Soviet Union, but corruption was nevertheless described as pervasive throughout the country. Observers have raised concerns that the implementation of proposed legislation and the corruption within the administration is likely to be inefficiently addressed.²³⁶

6.5 Foreign Political Relations

Armenia and Iran have had close historical relations and Iran has been one of Armenia's closest regional partners since the country gained independence. The closed borders to Turkey and Azerbaijan have been a primary driving factor behind Armenia's interest in maintaining a strategic relationship with Iran. Apart from the northern route via Georgia, the Iranian border has represented the only transportation route for trade in and out of Armenia since 1993 and account for approximately 20 per cent of the Armenian land trade.²³⁷

During the early years of Armenian independence, Iran became Armenia's most important trading partner. The bilateral trade between Iran and Armenia has subsequently decreased, but the two countries are involved in negotiations about longer-term projects, in particular in the energy sector. Apart from smaller projects, like building a series of hydroelectric stations along a river that runs between the two countries, the plans to build a gas pipeline connecting the two countries would be the most important bilateral project. Some construction has reportedly already begun in 2004 and there are plans to complete the first stage in 2007. However, there are analysts that dispute whether Armenia will dare to provoke the United States – its largest bilateral donor – if the USA object too strongly to the project. So far, the Armenian regime has expressed hopes that it will be able to maintain preferable cooperation with both the United States and Iran.²³⁸

Some political parties in Armenia have looked quite favourably upon the prospects for normalising bilateral relations between Armenia and Turkey. In particular, opening the Turkish-Armenian border would give a boost to the trade between the two countries that now has to pass through either Georgia or Iran. However, some influential political groups, like the most vocal part of the Armenian diaspora and the smallest party within the present ruling coalition, strongly oppose a resumption of bilateral relations with Turkey. They demand that Turkey first agrees to recognise the massacre in 1915 of a large albeit disputed number of Armenians in the Ottoman Empire as genocide.²³⁹

Like the case of the Nagorno-Karabakh dispute, Robert Kocharian has been reluctant to distance himself from the groups that oppose a normalisation of relations with Turkey at a time when his political position has been precarious. However, most Armenians reportedly favour increased

²³⁶ Khachatryan, Haroutiun (2004) "Armenia Struggles to Stamp out Corruption" *Eurasianet.org*, 12 February, downloaded from the Internet 13 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav021204a_pr.shtml.

²³⁷ ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, p.25.

²³⁸ Ter-Saakian, Karine (2005) "Armenia, Iran Strengthen Ties", *Institute for War and Peace Reporting, Caucasus Reporting Service*, No.275, 24 February, downloaded from the Internet 30 February 2005 on http://www.iwpr.net/index.pl?archive/cau/cau_200502_275_2_eng.txt.

²³⁹ Compare with Khachatryan, Haroutiun (2003) "Olive Branch from Ankara Raises Hopes and Challenges in Armenia" *Eurasianet.org*, 24 June, downloaded from the Internet 25 June 2003 on http://www.eurasianet.org/departments/insight/articles/eav062403a_pr.shtml.

cooperation and want to see the border reopened between the Armenia and Turkey. It has been estimated that Armenian transportation costs to Europe would fall with 30 to 50 per cent if the border would be opened. Apart from the obvious economic benefits, Armenian dependence on Georgia and Iran would be substantially reduced. However, since so many countries have strong interests in the issue – either in opening up or keeping the border closed – a joint effort involving Russia as well as the United States and EU will be necessary in order to break the current deadlock. The improved relations between Armenia and Turkey speak in favour of a solution, but it is not likely to happen in the close future.²⁴⁰

Given Armenia's blocked borders, it is not surprising that the Armenian regime was very cautious in its reactions to the Georgian "Rose revolution". Despite a number of obstacles in the Armenian-Georgian relations, Armenia nevertheless had fairly stable and predictable relations with Georgia under former president Eduard Shevardnadze, especially related to trade. Regardless of these fears, the relations between Armenia and Georgia seem not to have deteriorated to any particular extent during 2004, but are still significantly characterised by the Armenian dependence on Georgia. The importance of relations with Georgia has increased even further during the last years as trading costs via Georgia have decreased and contributed to a boost in Armenian trade with Russia, Ukraine and Turkey at the expense of the traditionally important trading relations with Iran.²⁴¹ However, bilateral trade between Armenia and Georgia remains low and the two governments have tried to use the role and status of the Armenian minority in Georgia to their own favour by manipulating sentiments.²⁴²

6.6 Conclusions

Despite the unresolved status of the Nagorno-Karabakh dispute and Armenian concerns about the revolution in Georgia, the external security threats against Armenia have largely remained unchanged during 2003 and 2004. Internally, the regime under President Robert Kocharian has had more reason to fear the example of the Georgian revolution. The protests against the regime have been strong, in particular during the spring 2004. The growing economic disparities between the ruling elite and the large part of the population have also continued to increase, further contributing to the dissatisfaction with Kocharian's government. The prospects for internal strife consequently constitute the major threat of a violent conflict in Armenia. However, the established opposition has so far failed to present a credible and truly challenging alternative to the present government.

Throughout 2003 and 2004, the Armenian foreign policy of complementarity appears to have been quite successful. Armenia maintains close military and economic relations with Russia at the same time as the relations with the United States have grown in importance. Moreover, Armenia has so far been able to maintain favourable relations with Iran. However, there are strong differences between various parts of the Armenian political elite and society over which relations that ought to be prioritised. This forces the government to be very careful in its foreign relations in order not to provoke too strong opposition either internally or from other countries.

²⁴⁰ Compare with Philips, David L. (2005) "Hopeful Signs for Turkey, Armenia", *The Boston Globe*, 19 April, downloaded from the Internet 20 April 2005 on <http://www.boston.com> and ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, p.24.

²⁴¹ Ter-Saakian, Karine (2005) "Armenia, Iran Strengthen Ties", *Institute for War and Peace Reporting, Caucasus Reporting Service*, No.275, 24 February, downloaded from the Internet 30 February 2005 on http://www.iwpr.net/index.pl?archive/cau/cau_200502_275_2_eng.txt.

²⁴² Compare with ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf, pp.25-26.

Armenia's severed relations to Azerbaijan and Turkey remains the most important factors threatening Armenian stability and economic development. The closed borders contribute to Armenia's continued regional isolation and keeps it locked out from important cooperation projects. Armenia has small chances of improving these deadlocks by its own initiative, in particular since Robert Kocharian's political position remains so weak that he is unlikely to press forward on these sensitive issues. This may prove internally counterproductive in the long run, as this impediment to the progress of the Armenian economy contributes to the general discontent and dissatisfaction with the regime among the Armenian population. In time, this may make it easier for the opposition to encourage larger groups of the population to participate in protests against the regime.

The initiative for solving both the Nagorno-Karabakh conflict and removing the Turkish border blockade must consequently come from the outside. Both the United States and the EU have interests in solving these regional disputes. A consolidated encouragement and pressure from the Europe and the USA could lead to intensified and more sincere negotiations and efforts to solve the disputes. However, in order to reach a final solution, Russian support will also be crucial. So far, neither of these powers have appeared sufficiently willing to push forward for a solution in the short perspective.

In short summary,

- there are no obvious increased external security threats to Armenia although the Nagorno-Karabakh dispute looks likely to remain unsettled for the foreseeable future and Armenia has relatively close security cooperation with both Russia and the United States
- internal political tensions have intensified primarily during the spring of 2004 and are likely to continue to grow as long as the economic development in Armenia seems to benefit only the people within the elite
- Armenia has tried to develop better relations with regional countries in order to break its present isolation but internal as well as external stalemates still converge to keep Armenia out of any major regional cooperation projects

7 References

7.1 Literature and Journals

Amuzegar, Jahangir (2004) "Iran's Unemployment Crisis", *Middle East Economic Survey*, 10 October, Vol.XLVII, No.41, downloaded from the Internet 19 October 2004 on <http://www.mees.com/postedarticles/oped/a47n41d01.htm>.

Bucta, Wilfried (2000) *Who Rules Iran? The Structure of Power in the Islamic Republic*, Washington, The Washington Institute for Near East Policy and the Konrad Adenauer Stiftung.

"Checking Iran's Nuclear Ambitions: Report Recommendations"(2004) in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>.

Cornell, Svante E. (2001) *Small nations and Great Powers: a Study of Ethnopolitical Conflict in the Caucasus*, Curzon Press, Richmond.

Diamond, Larry (2004) "What went Wrong in Iraq", *Foreign Affairs*, September/October, downloaded from the Internet 8 September on <http://www.foreignaffairs.org>.

Donaldson, John W. (2004) "Bilateral Agreement Raises Stakes in Caspian Competition", *Jane's Intelligence Review*, Vol.16, No.5, May.

CIA (2003) *The World Factbook. Armenia*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/am.html>.

CIA (2003) *The World Factbook. Azerbaijan*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/aj.html>.

CIA (2003) *The World Factbook. Iran*. (online), downloaded from the Internet 3 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/ir.html>.

CIA (2003) *The World Factbook. Iraq*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/iz.html>.

CIA (2003) *The World Factbook. Turkey*. (online), downloaded from the Internet 24 September 2003 from <http://www.cia.gov/cia/publications/factbook/print/tu.html>.

Ehteshami, Anoushiravan (2004) "Iran's International Posture in the Wake of the Iraq War", *The Middle East Journal*, Spring, Vol.58, No.2, pp.179-194.

Fuller, Graham E. (2004) "Turkey's Strategic Model: Myths and Realities", *The Washington Quarterly*, Vol.27, No.3, Summer, pp.51-64.

Gilinsky, Victor (2004) "Iran's 'Legal' Paths to the Bomb" in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>.

Molavi, Afshin (2004) "Buying Time in Tehran", *Foreign Affairs*, November/December, Vol.83, No.6, downloaded from Iran-va-Jahan 1 November 2004 on <http://www.iranvajahan.net>.

Olsen, Robert (2004) *Turkey-Iran Relations, 1979-2004: Revolution, Ideology, War, Coups and Geopolitics*, Costa Mesa, Mazda Publishers.

Sobhani, Rob S. (2004) "The Prospects for Regime Change in Iran" in Sokolski, Henry & Clawson, Patrick (eds.) *Checking Iran's Nuclear Ambitions*, Strategic Studies Institute, January, downloaded from the Internet 3 March 2004 on <http://www.carlisle.army.mil/ssi/pubs/2004/chekiran/chekiran.pdf>.

Somer, Murat (2004) "Turkey's Kurdish Conflict: Changing Context, and Domestic and Regional Implications", *The Middle East Journal*, Vol.58, No.2, Spring, pp.235-253.

The International Institute for Strategic Studies (IISS) (2004) *The Military Balance 2004/2005*, London, Oxford University Press.

The International Institute for Strategic Studies (IISS) (2003) *The Military Balance 2003/2004*, London, Oxford University Press.

The International Institute for Strategic Studies (IISS) (2002) *Strategic Survey 2001/2002*, London, Oxford University Press.

The International Institute for Strategic Studies (IISS) (2004) *Strategic Survey 2003/2004*, London, Oxford University Press.

7.2 Papers, Reports, Internet and Other Sources

Abbasov, Shahin (2004) "Azerbaijan Mulls Stronger U.S. Ties", *Eurasianet.org*, 1 December, downloaded from the Internet 12 February 2005 on http://www.eurasianet.org/departments/insight/articles/eav120104_pr.shtml.

Abbasov, Shahin (2004) "No Closer Prospects for the Settlement of the Karabakh Conflict", *Central Asia – Caucasus Analyst*, February 11, downloaded from the Internet 29 March 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2113.

Alisayidov, Emin (2004) "NATO Exercises Cancelled in Azerbaijan", *Central Asia – Caucasus Analyst*, September 22, downloaded from the Internet 24 September 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2709.

Aras, Bulent (2005) "Turkish-Russian Relations: Implications for Eurasia's Geopolitics", *Power and Interest News Report*, 9 February

Aras, Bulent (2005) "Turkish-Iranian-Syrian Relations: Limits of Regional Politics in the Middle East", *Power and Interest News Report*, 7 March.

"Asia - Azerbaijan" (2004) *Jane's Intelligence Review*, 19 May.

Baker, Mark (2004) "Iraq: Civilians – Not U.S. Soldiers – Becoming Targets of Choice in Bombings", *RFE/RL Feature Article*, 11 February, downloaded from the Internet 12 February 2004 on <http://www.rferl.org>.

Blank, Stephen (2005) "Does Armenia Face a Major Crisis?", *Central Asia – Caucasus Analyst*, 26 January, downloaded from the Internet 6 February 2005 on http://www.cacianalyst.org/view/_article.php?articleid=3000.

Brennan, Dan (2004) "Like Father, Like Son?", *Eurasianet.org*, 23 December, downloaded from the Internet 7 January 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav122303_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav122303_pr.shtml).

Danielyan, Emil (2004) "Armenia Frustrated as Ties with Turkey Remain Strained" *Eurasianet.org*, 28 May, downloaded from the Internet 31 May 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav052804 .shtml](http://www.eurasianet.org/departments/insight/articles/eav052804.shtml).

Danielyan, Emil (2004) "Armenian Opposition Mounts Fresh Attack against President" *Eurasianet.org*, 6 February, downloaded from the Internet 9 February 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav020604_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav020604_pr.shtml).

Danielyan, Emil (2004) "Armenia's Ruling Coalition Beset by Renewed Infighting" *Eurasianet.org*, 13 February, downloaded from the Internet 16 February 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav021304_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav021304_pr.shtml).

Entekhabi-Fard, Camelia (2004) "Iran Sliding towards Political Confrontation", *Eurasianet.org*, 5 February, downloaded from the Internet 6 February 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav020504_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav020504_pr.shtml).

Entekhabi-Fard, Camelia (2004) "Turnout Controversy Taints Iran's Parliamentary Election", *Eurasianet.org*, 23 February, downloaded from the Internet 24 February 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav022304_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav022304_pr.shtml).

Esfandiari, Golnaz (2004) "Guardians Council Seen as Having Free Hand to Quash Reforms", *RFE/RL Feature Article*, 21 January, downloaded from the Internet 22 January 2004 on [http:// www. rferl. org](http://www.rferl.org).

Esfandiari, Golnaz (2004) "Reformist Deputies Continue Sit-In Protest at Parliament", *RFE/RL Feature Article*, 14 January, downloaded from the Internet 15 January 2004 on [http:// www. rferl. org](http://www.rferl.org).

Esfandiari, Golnaz (2004) "Iran: IAEA Chief Says Tehran Has Agreed to Speed up Cooperation", *RFE/RL Feature Article*, 7 April, downloaded from the Internet 8 April 2004 on [http:// www. rferl. org](http://www.rferl.org).

Esfandiari, Golnaz (2004) "Iran: Reformists Fire Unprecedented Criticism at Supreme Leader", *RFE/RL Feature Article*, 18 February, downloaded from the Internet 19 February 2004 on [http:// www. rferl. org](http://www.rferl.org).

Esfandiari, Golnaz (2004) "Iran: U.S. Says It's Confident IAEA Will Get Tough with Iran", *RFE/RL Feature Article*, 11 March, downloaded from the Internet 12 March 2004 on [http:// www. rferl. org](http://www.rferl.org).

Esfandiari, Golnaz (2004) "Iran: What Does Conservative Victory in Parliament Mean for Future?", *RFE/RL Feature Article*, 26 February, downloaded from the Internet 27 February 2004 on [http:// www. rferl. org](http://www.rferl.org).

"Freedom of the World 2003: Turkey" (2003) *Freedom House*, 18 June, downloaded from the Internet 29 April 2004 on [http:// www. freedomhouse. org/ research/ freeworld/ 2003/ countryratings/ turkey/ htm](http://www.freedomhouse.org/research/freeworld/2003/countryratings/turkey/htm).

Giragosian, Richard (2004) "Armenia 2003: Burdened by the Unresolved", *Transitions Online*, Annual Survey, 15 April.

"Government Forcefully Breaks up Opposition Protests" (2004) *Eurasianet.org*, 13 April, downloaded from the Internet 14 April 2004 on http://www.eurasianet.org/departments/rights/articles/eav041304_pr.shtml.

ICG (2004) *Armenia: Internal Instability Ahead*, ICG Europe Report No.158, Yerevan/Brussels, 18 October, downloaded from the Internet 30 October 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/158_armenia_s_internal_instability_ahead.pdf.

ICG (2004) *Azerbaijan: Turning over a New Leaf?*, ICG Europe Report No.156, Baku/Brussels, 13 May, downloaded from the Internet 17 May 2004 on http://www.crisisweb.org/library/documents/europe/caucasus/156_azerbaijan_turning_over_a_new_leaf.pdf.

ICG (2003) *Iran: Discontent and Disarray*, Middle East Briefing, Amman/Brussels, 15 October, downloaded from the Internet 16 October 2003 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iran_discontent_disarray.pdf.

ICG (2005) *Iraq: What Can the U.S. Do in Iraq*, ICG Middle East Report No.34, Amman/Brussels, 22 December, downloaded from the Internet 11 January 2005 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iraq_iran_gulf/34_what_can_the_us_do_in_iraq.pdf.

ICG (2003) *Iraq: Building a New Security Structure*, ICG Middle East Report No.20, Baghdad/Brussels, 23 December, downloaded from the Internet 8 January 2004 on http://www.crisisweb.org/library/documents/middle_east_north_africa/20_iraq_new_security_structure.pdf.

ICG (2004) *Iraq: What Can the U.S. Do in Iraq*, ICG Middle East Report No.34, Amman/Brussels, 22 December, downloaded from the Internet 11 January 2005 on http://www.crisisweb.org/library/documents/middle_east_north_africa/iraq_iran_gulf/34_what_can_the_us_do_in_iraq.pdf.

ICG (2003) *War in Iraq: Political Challenges after the Conflict*, ICG Middle East Report No.11, Amman/Brussels, 25 March, downloaded from the Internet 26 March 2003 on http://www.crisisweb.org/projects/middleeast/iraq_iran_gulf/reports/A400927_25032003.pdf.

"Iran" (2004) in *Terrorism: Questions and Answers*, Council of Foreign Relations in Cooperation with the Markle Foundation, downloaded from the Internet 22 April 2004 on <http://www.terrorismanswers.com/sponsors/iran/print.html>.

Iran: Time for a New Approach (2004) Independent Task Force Report, Council on Foreign Relations, July, downloaded 1 December 2004 on http://www.cfr.org/pdf/Iran_TF.pdf.

Iraq in Transition: Post-Conflict Challenges and Opportunities (2004) Open Society Institute & United Nations Foundation, November, downloaded from the Internet 2 February 2005 on http://www.soros.org/initiatives/washington/articles_publications/publications/iraq_20041112.

"Iraq: Ibrahim Jaafari" (2005) *Council on Foreign Relations*, 25 February, downloaded from the Internet 28 February 2005 on http://www.cfr.org/background/iraq_aljafaari.php?print=1.

“Iraq: Iraq, Iran and Islam” (2005) *Council on Foreign Relations*, 28 January, downloaded from the Internet 1 March 2005 on http://www.cfr.org/background/iraq_islam.php?print=1.

“Iraq: Military Outsourcing” (2004) *Council on Foreign Relations*, 20 May, downloaded from the Internet 27 January 2005 on http://www.cfr.org/background/background_iraq_outsourcing.php?print=1.

“Iraqi Military Reconstruction” (2004) *Global Security.org*, 21 December, downloaded from the Internet 1 February 2005 on <http://www.globalsecurity.org/military/world/iraq/iraq-corps3.htm>.

“Iraq: Non-US Forces in Iraq” (2005) *Global Security.org*, 15 January, downloaded from the Internet 27 January 2005 on http://www.globalsecurity.org/military/ops/iraq_orbat_coalition.htm.

“Iraq: The Iraqi Economy” (2004) *Council on Foreign Relations*, 16 June, downloaded from the Internet 20 June 2004 on http://www.cfr.org/background/background_iraq_economy.php?print=1.

“Iraq: U.S. Civil Administrator Appoints Defence Minister, Intelligence Chief” (2004) *RFE/RL Feature Article*, 5 April, downloaded from the Internet 6 April 2004 on <http://www.rferl.org>.

“Iraq: U.S. Commander Hands Ultimatum to Al-Fallujah Insurgents” (2004) *RFE/RL Feature Article*, 23 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

“Iraqi Governing Council Signs Interim Constitution” (2004) *RFE/RL Feature Article*, 8 March, downloaded from the Internet 8 March 2004 on <http://www.rferl.org>.

Ismailova, Gulnara (2005) “Efficiency of Anti-Corruption Act Questioned in Azerbaijan”, *Central Asia – Caucasus Analyst*, January 26, downloaded from the Internet 30 January 2005 on http://www.cacianalyst.org/view/_article.php?articleid=3004.

Ismailzade, Fariz (2005) “Azerbaijan Wrestles With Geopolitical Dilemma”, *Eurasianet.org*, 15 February, downloaded from the Internet 16 February 2005 on http://www.eurasianet.org/departments/insight/articles/eav021505_pr.shtml.

Ismailzade, Fariz (2004) “Azeri Public Express Anger over the Idea of Turkish-Armenian Border Opening”, *Central Asia – Caucasus Analyst*, 7 April, downloaded from the Internet 14 April 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2294.

Ismailzade, Fariz (2004) “Is Ilham Aliev Fulfilling Expectations?”, *Central Asia – Caucasus Analyst*, February 25, downloaded from the Internet 29 March 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2149.

Ismailzade, Fariz (2004) “Is Azerbaijan Turning Towards Russia?”, *Central Asia – Caucasus Analyst*, February 11, downloaded from the Internet 29 March 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2145.

Ismailzade, Fariz (2004) “PACE Incident Could Hurt Azeri-Turkish Relations”, *Central Asia – Caucasus Analyst*, 5 May, downloaded from the Internet 30 May 2004 on http://www.cacianalyst.org/view/_article.php?articleid=2343.

Ismailzade, Fariz (2005) "Towards a Bi-Party System in Azerbaijan?", *Central Asia – Caucasus Analyst*, February 09, downloaded from the Internet 29 March 2004 on [http:// www. cacianalyst. org/ view/ _ article. php? articleid=3039](http://www.cacianalyst.org/view/_article.php?articleid=3039).

"Internal Affairs: Turkey" (2004) *Jane's Sentinel Security Assessment – Eastern Mediterranean*, 28 October.

Katik, Mevlut (2004) "Turkish Troop Development in Iraq Now 'Out of the Question'", *Eurasianet.org*, 21 April, downloaded from the Internet 22 April 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav042104c_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav042104c_pr.shtml).

Katik, Mevlut (2004) "United States and Turkey Strive to Deepen Relations", *Eurasianet.org*, 4 February, downloaded from the Internet 5 February 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav020404_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav020404_pr.shtml).

Khachatrian, Haroutiun (2004) "Armenia Struggles to Stamp out Corruption" *Eurasianet.org*, 12 February, downloaded from the Internet 13 February 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav021204a_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav021204a_pr.shtml).

Khachatrian, Haroutiun (2003) "Olive Branch from Ankara Raises Hopes and Challenges in Armenia" *Eurasianet.org*, 24 June, downloaded from the Internet 25 June 2003 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav062403a_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav062403a_pr.shtml).

Kiesow, Ingolf and Sandström, Emma (2003) *Spelen kring kärnvapnen i Nordkorea och Iran*, Swedish Defence Research Agency, Strategiskt Forum No.10, September.

Knox, Kathleen (2003) "Iran: Who Are The Vigilantes Fighting Pro-Reform Protesters?", *RFE/RL Weekday Magazine*, 17 June, downloaded from the Internet 29 June 2003 on [http:// www. rferl. org/ nca/ features/ 2003/ 06/ 17062003164142. asp](http://www.rferl.org/nca/features/2003/06/17062003164142.asp).

Krastev, Nikola (2004) "Turkey: Erdogan Expresses Concern over Greater Kurdish Autonomy in Iraq", *RFE/RL Feature Article*, 27 January, downloaded from the Internet 28 January 2004 on [http:// www. rferl. org](http://www.rferl.org).

Lee Hough, Richard (2004) "US Policy in Azerbaijan: A Backward Strategy from Freedom" *Eurasianet.org*, 11 February, downloaded from the Internet 13 February 2004 on [http:// www. eurasianet. org/ departments/ insight/ articles/ eav021104_ pr.shtml](http://www.eurasianet.org/departments/insight/articles/eav021104_pr.shtml).

Levina, Mariam (2005) "Opposition Still Boycotting Armenian Parliament", *Institute for War and Peace Reporting, Caucasus Reporting Service*, No.273, 9 February, downloaded from the Internet 20 February 2005 on [http:// www. iwpr. net/ index. pl? archive/cau/ cau_200502_ 273_3_ eng.txt](http://www.iwpr.net/index.pl?archive/cau/cau_200502_273_3_eng.txt).

Marquardt, Erich (2004) "After Winning Concessions, Al-Sadr Tries His Hand at Diplomacy", *Power and Interest News Report*, 13 October.

Marquardt, Erich (2005) "Iraq's Perilous Elections and the Need for Exit Strategies", *Power and Interest News Report*, 17 January.

Mc Mahon, Robert (2004) "Iraq: 100 Days Before Handover of Sovereignty, UN Poised for Difficult Mission", *RFE/RL Feature Article*, 24 March, downloaded from the Internet 25 March 2004 on [http:// www. rferl. org](http://www.rferl.org).

Mite, Valentinas (2004) "Iraq: Analysts Say Borders Are Lines in the Sand That Are Easily Crossed", *RFE/RL Feature Article*, 5 March, downloaded from the Internet 8 March 2004 on <http://www.rferl.org>.

Mite, Valentinas (2004) "Iraq: Through Small in Number, Al-Mahdi Army Posing Challenges to Coalition Troops", *RFE/RL Feature Article*, 8 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

Mite, Valentinas (2004) "Iraq: U.S. Forming Elite Defence Corps to Help Fight Insurgency", *RFE/RL Feature Article*, 8 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

Mite, Valentinas (2005) "Iraq: Troubled Town Mosul Very Different from Al-Fallujah", *RFE/RL Feature Article*, 10 January, downloaded from the Internet 11 January 2005 on <http://www.rferl.org>.

Moaveni, Ardeshir (2004) "Factional Infighting in Iran Could Hamper Conservatives' Political Agenda in Parliament", *Eurasianet.org*, 18 March, downloaded from the Internet 26 March 2004 on http://www.eurasianet.org/departments/insight/articles/eav031804_pr.shtml.

Moaveni, Ardeshir (2003) "Recent Clashes Open New Fault Lines in Iran", *Eurasianet.org*, 1 July, downloaded from the Internet 2 July 2003 on http://www.eurasianet.org/departments/insight/articles/eav070103a_pr.shtml.

Moaveni, Ardeshir (2003) "Reformists' Resignations Raise Stakes in Iranian Political Showdown", *Eurasianet.org*, 2 February, downloaded from the Internet 3 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020204_pr.shtml.

"Opposition in Azerbaijan Renews Political Attacks against President" (2004) *Eurasianet.org*, 9 February, downloaded from the Internet 12 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav020904a_pr.shtml.

O'Rourke, Breffni (2004) "Turkey: EU Entry Appear As Far Away As Ever", *RFE/RL Feature Article*, 9 April, downloaded from the Internet 12 April 2004 on <http://www.rferl.org>.

Osman, Hiva (2004) "Kurdistan Picks up the Pieces", *Institute for War and Peace Reporting Iraqi Crisis Report*, No.48, 17 February, downloaded from the Internet 19 February 2004 on http://www.iwpr.net/index.pl?archive/irq/irq_48_1_eng.txt.

Otterman, Sharon (2004) "Training Iraqi Forces", *Council on Foreign Relations*, 7 October, downloaded from the Internet 30 October 2004 on <http://www.relifweb.int>.

Persbo, Andreas (2004) "The IAEA and Iran - Iran's check-mate prematurely called", *BASIC Notes*, British American Security Information Council, 10 September, downloaded from the Internet 1 November 2004 on <http://www.basicint.org/pubs/Notes/BN040910.htm>.

Peuch, Jean-Christophe (2003) "Ankara Moves to Curb Military's Influence, While EU Awaits Implementation", a *Eurasianet.org* Partner Post from RFE/RL, 2 August, downloaded from the Internet 5 August 2003 on http://www.eurasianet.org/departments/insight/articles/pp080203_pr.shtml.

Peuch, Jean-Christoph (2004) "Azerbaijan: Ilham Aliev Ends Checkered Year As President", *RFE/RL Feature Article*, 27 October, downloaded from the Internet 30 October 2004 on <http://www.rferl.org>.

Peuch, Jean-Christoph (2005) "Azerbaijan: PACE Criticises Armenian Occupation of Azerbaijani Territory", *RFE/RL Feature Article*, 25 January, downloaded from the Internet 10 March 2005 on <http://www.rferl.org>.

Peuch, Jean-Christophe (2003) "Caucasus: Russia, U.S. Played Key Role as Events in Georgia, Azerbaijan Unfolded", *RFE/RL Weekday Magazine*, 11 December, downloaded from the Internet 12 December 2003 on <http://www.rferl.org/nca/features/2003/12/11/11122003184039.asp>.

Peuch, Jean-Christoph (2005) "Mediator Sees No Organised Settlement Policy in Occupied Lands", *RFE/RL Feature Article*, 14 February, downloaded from the Internet 15 March 2005 on <http://www.rferl.org>.

Poghosyan, Tevan (2005) "Armenia's Foreign Policy: Towards Real Complementarity", *Central Asia – Caucasus Analyst*, 23 March, downloaded from the Internet 26 March 2005 on http://www.cacianalyst.org/view_article.php?articleid=3161.

Recknagel, Charles (2003) "Iran: Protests Highlight Reformist Students' Frustration with Khatami", *RFE/RL Weekday Magazine*, 17 June, downloaded from the Internet 18 August 2003 on <http://www.rferl.org/nca/features/2003/06/17062003155935.asp>.

Recknagel, Charles (2003) "Iran: Students Clash with Police in Continuing Anti-Government Protests", *RFE/RL Weekday Magazine*, 12 June, downloaded from the Internet 19 June 2003 on <http://www.rferl.org/nca/features/2003/06/12062003161835.asp>.

Recknagel, Charles (2004) "Iraq: Bomb Attacks Spark Debate over U.S. Security Role", *RFE/RL Feature Article*, 3 March, downloaded from the Internet 4 March 2004 on <http://www.rferl.org>.

Recknagel, Charles (2004) "Iraq: Companies Vie for Reconstruction Contracts at Regional Fairs", *RFE/RL Feature Article*, 14 January, downloaded from the Internet 15 January 2004 on <http://www.rferl.org>.

Recknagel, Charles (2004) "Iraq: Soldiers Death Focus Attention on Problems with the Army", *RFE/RL Weekday Magazine*, 7 January, downloaded from the Internet 8 January 2004 on <http://www.rferl.org/nca/features/2004/01/07012204155334.asp>.

Recknagel, Charles (2004) "Iraq: Some Arabs Fleeing Northern Iraq as Kurdish Refugees Return", *RFE/RL Feature Article*, 20 February, downloaded from the Internet 23 March 2004 on <http://www.rferl.org>.

Recknagel, Charles (2004) "Iraq: U.S. Slows Once-Ambitious Plans to Reconstruct National Economy", *RFE/RL Feature Article*, 22 January, downloaded from the Internet 23 January 2004 on <http://www.rferl.org>.

Recknagel, Charles (2005) "Iraq: What Could Shi'a Win Mean for Mideast?", *RFE/RL Feature Article*, 24 January, downloaded from the Internet 25 January 2005 on <http://www.rferl.org>.

Recknagel, Charles (2003) "2003 and Beyond: Iranian, North Korean Nuclear Crisis Remain Open Issues", *RFE/RL Weekday Magazine*, 10 December, downloaded from the Internet 11 December 2003 on <http://www.rferl.org/nca/features/2003/12/1010122003172457.asp>.

Recknagel, Charles (2005) "Iraq: As Coalition Shrinks, Who Will Shoulder Additional Burdens?", *RFE/RL Feature Article*, 18 January, downloaded from the Internet 19 January 2005 on <http://www.rferl.org>.

Rogers, Paul (2004) "Fallujah and Its Aftermath", *Oxford Research Group*, International Security Monthly Briefing, November.

Takevarishvili, Revaz & Akhvlediani, Margarita (2003) "'Rose Revolution' Sweeps Away Shevardnadze", *Institute for War and Peace Reporting Georgia Alert*, No.01, 24 November, downloaded from the Internet 15 September 2004 on http://www.iwpr.net/index.pl?archive/cau/cau_200311_ga_01_1_eng.txt.

Synovitz, Ron (2004) "British Probe Killing of Five Protesters at Al-Amarah", *RFE/RL Weekday Magazine*, 12 January, downloaded from the Internet 13 January 2004 on <http://www.rferl.org/nca/features/2004/01/12012004171918.asp>.

Ter-Saakian, Karine (2005) "Armenia, Iran Strengthen Ties", *Institute for War and Peace Reporting, Caucasus Reporting Service*, No.275, 24 February, downloaded from the Internet 30 February 2005 on http://www.iwpr.net/index.pl?archive/cau/cau_200502_275_2_eng.txt.

Tomiuc, Eugen (2004) "Iraq: Poland's Hesitation Raising New Doubts about Cohesion of Coalition", *RFE/RL Feature Article*, 22 April, downloaded from the Internet 28 April 2004 on <http://www.rferl.org>.

Tsereteli, Mamuka (2004) "Azerbaijan's Geopolitical Intentions Subject of Increasing Speculation", *Eurasianet.org*, 10 February, downloaded from the Internet 12 February 2004 on http://www.eurasianet.org/departments/insight/articles/eav021004a_pr.shtml.

Tully, Andrew (2004) "Iraq: Long U.S. Military Presence Could Compromise New Government", *RFE/RL Feature Article*, 9 March, downloaded from the Internet 10 March 2004 on <http://www.rferl.org>.

"Turkey: Oil to flow in Baku-Ceyhan pipeline by mid 2005" (2004) *Energy Bulletin*, originally published 11 November 2004 by Reporter.GR, downloaded 23 March 2005 on <http://www.energybulletin.net/3123.html>.

Valiyev, Anar & Valiyev, Yusuf (2005) "Azerbaijan-Georgian Relations Put to the Test", *Central Asia – Caucasus Analyst*, 26 January, downloaded from the Internet 30 January 2005 on http://www.cacianalyst.org/view/_article.php?articleid=2998.

Vatanka, Alex (2005) "Azerbaijan Improves Relations With Iran", *Jane's Intelligence Review – Sentinel Worldview*, Vol.17, No.3, March.

Vatanka, Alex (2004) "NATO Cancels 'Best Effort' Exercises", *Jane's Intelligence Review – Sentinel Worldview*, Vol.16, No.10, October.

Weinstein, Michael A. (2004) "Azerbaijan's Precarious Balancing Act", *Power and Interest News Report*, 22 September.

Wróbel, Jacek (2003) “Nagorno-Karabakh” in *Armed Conflicts in the Post-Soviet Region*, CES Studies No.9, June, Centre for Eastern Studies, Warsaw.

7.3 Newspapers and Compilations of News

Azernews

BBC News

Baku Today

Dagens nyheter

DAWN.com

Guardian Unlimited

ITAR-TASS

Kommersant Daily

Newsobserver.com

Nezavisimaya gazeta

RFE/RL Newsline

RFE/RL Caucasus Report

RFE/RL Iran Report

Reuters.com

Svenska Dagbladet

The Boston Globe

The Daily Star

The New York Times

The Peninsula On-line

Washington Post

Yahoo!News

Appendix 1

Iran's top political power structure:

Supreme leader The incumbent supreme leader is Ayatollah Ali Khamenei. The supreme leader is appointed for life by the Assembly of Experts and overrules all other authorities. He heads the Office of the Supreme Leader of the Revolution, which consists of four permanent members who are all high clerics and ten special advisors, plus a large number of other employees. The supreme leader is responsible for choosing a number of key persons, including the clerics in the Guardians Council, the head of the judiciary and the supreme commanders of both the regular military and security services and of the Islamic Revolutionary Guard Corps (IRGC). The supreme leader is the commander in chief of all armed forces and determines the main guidelines for the country's foreign policy as well as for the domestic policy.²⁴³

Assembly of Experts A constitutionally endorsed council that chooses the Supreme Leader from its own ranks (and can remove him if he loses his ability to perform his duties). It consists of 86 clerical members who are elected for eight years by popular vote. Each of Iran's 28 provinces has the right to elect at least one cleric as its representative to the council. If the population of a province exceeds one million people, it can elect an additional representative for each additional half-million inhabitants. The candidates for the Assembly of Experts must be approved by the Council of Guardians on the basis of, among other things, their knowledge of the Islamic jurisprudence (*feqh*) and their proven loyalty to the Islamic Republic.²⁴⁴

Expediency Council The 31-member council is currently headed by former president Akbar Hashemi Rafsanjani. The Expediency Council was set up to mediate in disputes between the parliament and the Council of Guardians. The Expediency Council comprises members from different ideological currents within the leadership elite. Since the parliamentary elections in 2000 that brought a majority of moderate or reformist politicians to power in the parliament, the Expediency Council has mostly sided with the Council of Guardians in its arbitrations. The members of the Expediency Council are appointed by the Supreme Leader.

Council of Guardians The 12 member council is currently headed by Ayatollah Ahmed Jannati, who is considered as one of the leading hard-line conservative clerics. Half of the council members are clerics directly chosen by the Supreme Leader. The other six members are jurists chosen by the head of Iran's judiciary, who in his turn has been appointed by the supreme leader, and approved by the parliament. The Council of Guardians vets candidates for the presidential and parliamentary elections, as well as for the elections for the Assembly of Experts. It also checks the compatibility of elections passed by parliament with Islamic laws and the constitution. Bills that are rejected are either sent back to parliament to be amended or to the Expediency Council for arbitration. Its members serve six-year terms.²⁴⁵

President Incumbent president is Mohammad Khatami, who is considered as a moderate reformist. The president is elected for four-year terms and can run for re-election once. He is the head of the executive and responsible for appointing the Council of Ministers (with 22 members) who are subsequently confirmed by the parliament. The president's main influence is over the social, cultural and economic policies of the country, whereas his influence is limited in the spheres of

²⁴³ Compare with Bucta, Wilfried (2000) *Who Rules Iran? The Structure of Power in the Islamic Republic*, Washington, The Washington Institute for Near East Policy and the Konrad Adenauer Stiftung, pp.2-3, 8, 23-25 and 46-47.

²⁴⁴ Bucta, Wilfried (2000) *Who Rules Iran? The Structure of Power in the Islamic Republic*, Washington, The Washington Institute for Near East Policy and the Konrad Adenauer Stiftung, pp.59-61.

²⁴⁵ Esfandiari, Golnaz (2004) "Guardians Council Seen as Having Free Hand to Quash Reforms", *RFE/RL Feature Article*, 21 January, downloaded from the Internet 22 January 2004 on <http://www.rferl.org>.

foreign and security policy. This also means that the foreign policy of the president and the supreme leader respectively is not always consistent.

Parliament Consists of 290 members who are elected by popular vote for four-year terms. Introduces and passes laws that are consequently subject to approval by the Guardians Council. The parliament elected in the spring of 2000 has been dominated by reformist and moderate political factions. This has created tensions since most pro-reform bills passed by the parliament have been rejected by the Guardians Council.

