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THE IRAN NUCLEAR DEAL AND GEOPOLITICAL REALIGNMENT

Abstract

The November 2013 interim nuclear deal that was signed between the P5+1 and Iran is an epochal event, though, given the volatile situation, it may be too early to make a correct prognosis of its ramifications. For one thing, the nuclear deal could complicate the regional security environment by exacerbating Saudi-Iranian tension, though as such, it is not the source. Regardless of Saudi displeasure at the conclusion of the accord, Iran's ascendancy is amply clear, with its ambiguous nuclear status playing a strategic role. While the dominant narrative currently is the centrality of Shia-Sunni regional tension represented by Iran and Saudi Arabia, reality is far more intricate and multi-dimensional, requiring a more nuanced appreciation of their relationship, which suggests that, for the foreseeable future it would be in the US interest to have Saudi Arabia, off-setting Iran, but from a much weaker position, in a replay of the game of balance of power achieved through sustained geopolitical manipulation, and a smaller American foot-print. The goal of Tehran's nuclear brinkmanship is essentially ensuring its regional primacy, which accords with US interests, too. While the recent interim Iran deal apparently concerns the nuclear issue, it has far-reaching implications for the global energy market, which the relaxation of economic sanctions and the integration of Iran as a legitimate member of the international community is certain to affect. US-Iran normalisation of relations is quietly enhancing China's role, both economic and military, in the Gulf region, whose energy resources for the foreseeable future would continue to remain crucial for Beijing. More than a reconciliation between Washington and Tehran, the essence of a real paradigm shift would involve a Saudi-Iranian accommodation, and de facto Saudi acceptance of Iran's regional pre-eminence.

1. Introduction

Considered to be a game-changer, the November 2013 Joint Plan of Action (JPOA),¹ a historic nuclear deal between the P5+1 (five permanent members of the United Nations (UN) Security Council plus Germany) and Iran, marks the turning of a page in the playbook of the United States-Iran reconciliation process. The first formal but preliminary US-Iran agreement in more than 34 years, it is expected to herald

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¹ For the full text of the Joint Plan of Action, see "Iran nuclear deal: joint plan of action - full document", *The Guardian*, 24 November 2013.

profound shifts in the regional geopolitical landscape, analogous to US President Richard M. Nixon's diplomatic breakthrough with the People's Republic of China in 1972. Going further back in history, one can perhaps liken it to *renversement des alliances* or diplomatic revolution, the first occurring in 1756, though in a vastly different context.² According to Vali Nasr, the Dean of Johns Hopkins University's School of Advanced International Studies, "It is a major seismic shift in the region. It rearranges the entire chess board."³ It was regarded as particularly contentious for members of US Congress,⁴ as well as America's regional allies, namely Saudi Arabia and Israel, in view of the haste with which it was concluded, and the secrecy that attended the negotiations held during the previous nine months, facilitated by Oman's Sultan Qaboos bin Sayid Al Sayid. Saudi Arabia "cautiously welcomed" the deal,⁵ despite being manifestly riled, whereas the Israeli Prime Minister Benjamin Netanyahu categorically denounced it as "a historic mistake".⁶

As a result of this interim accord, some US\$ 7 billion worth of "limited, targeted and reversible" economic sanctions would be lifted from Iran, in return for its suspension of uranium enrichment and additional International Atomic Energy Agency (IAEA) monitoring of its nuclear sites for the next six months. While the agreement is supposed to be a tentative resolution of the alleged Iranian nuclear programme, its scope is much more extensive, transcending the merely technical aspects to affect in an unprecedented manner the wider regional geopolitical environment. At the end of the day, it is more than a nuclear issue, or even a bomb; it is about the long-term and comprehensive political rapprochement between Washington and Tehran that would render the latter a major actor on the international stage. The final deal is expected to include the following: dismantling of the major portions of existing centrifuges and low enriched uranium; halting the under-ground nuclear facilities at Fordow, near Qom, and heavy water nuclear reactor at Arak; resolution of the weaponisation issue; and additional inspection and monitoring beyond the Action Plan. The inherent conflict between Iran's desire to increase the number of centrifuges (currently 19,000), available for uranium enrichment, and the Western goal of reducing it to around a few thousand renders the conclusion of a final agreement between the P5+1 and

² In 1756, during the Seven Years War, the Treaty of Versailles of that year transformed the Franco-Prussian Alliance against Great Britain and Austria into a Franco-Austrian Alliance against Great Britain and Prussia. See, Robert M. Cutler, "Washington's 'Fashoda' moment", *Asia Times Online*, 23 December 2013.

³ Mark Landler, "Nuclear Accord With Iran Opens Diplomatic Doors in the Mideast", *The New York Times*, 24 November 2013.

⁴ On 19 December 2013 a draft bill was introduced by 19 Democratic and 19 Republican members of the US Senate that, if enacted, would impose stringent sanctions on Iran in case of Iranian non-compliance with the previous November's interim nuclear deal with the United States. "Current sanctions brought Iran to the negotiating table and a credible threat of future sanctions will require Iran to cooperate and act in good faith at the negotiating table", said Sen. Bob Menendez, D-N. J., who undertook the legislative initiative along with Sen. Mark Kirk, R-Ill., who called the draft bill "an insurance policy to defend against Iranian deception". *Associated Press*, "Defying Obama, 26 Senators Push New Iran Sanctions", *NPR*, 19 December 2013; Joshua Hersh, "Iran Sanctions Bill From Sens. Bob Menendez and Mark Kirk Could Endanger US Negotiations", *Huffington Post*, 19 December 2013.

⁵ "Saudi Arabia Cautiously Welcomes Iran Nuclear Deal", *Voice of America, News/Middle East*, 25 November 2013.

⁶ Jodi Rudoren, "Israeli leaders Denounce Geneva Accord", *The New York Times*, 24 November 2013.

Iran questionable, the chances of which even the US President Barack Obama has admitted to be not more than “50/50”.⁷ Interestingly, if the final settlement requires another year of negotiation, it may be determined by the results of the US mid-term elections in November 2014.⁸

This paper seeks to explore the nature of the strategic paradigm shift, and the extent to which the JPOA recalibrates and reorders the regional geopolitical setting. It basically focuses on: i) the mutual interests of the United States and Iran in the deal; ii) its regional ramifications; iii) the potential impact of the deal on the global oil market; and iv) the prospects of a nuclear Iran, and assesses its overall geopolitical implications.

2. Historical Backdrop

At the heart of the conflict in the Persian Gulf region is the Saudi-Iranian rivalry over political influence not only in the Gulf region, but in the Levant and Afghanistan as well, leadership of the Muslim world, nuclear technology, and dominance of the global energy market.⁹ With Britain’s 1971 decision to withdraw from the “East of Suez,”¹⁰ a triangular regional security dynamic ensued, involving Iran, Iraq and a cluster of Gulf states led by Saudi Arabia. Since the vital interests (the perceived Soviet threat being the most prominent), of the United States coincided with those of Iran and Saudi Arabia, it considered them to be the “twin pillars” of regional security, or US “surrogates”. According to the position officially endorsed by the Nixon administration in the 1970s, US interests and policy in the Gulf region were, among other things, “Assist[ing] in the modernization of the armed forces of Iran and Saudi Arabia to enable them to provide effectively for their own security and to foster the security of the region as a whole.”¹¹ In the wake of the British withdrawal from the region, the late Mohammed Reza Shah Pahlavi of Iran, with US backing, made a bid for Tehran’s primacy, and to transform his country into “the policeman of the Gulf”. For

⁷ Bradley Klapper and Darlene Superville, “Obama on chance of Iran nuclear deal: Not more than 50/50”, *WorldNews on NBCNEWS.com.*, 07 December 2013.

⁸ Ankit Panda and Zachary Keck, “The Iran Nuclear Deal: As Seen From Asia”, *The Diplomat*, 26 November 2013.
⁹ Shahrbanou Tadjbakhsh, “The Persian Gulf and, Afghanistan: Iran and Saudi Arabia’s Rivalry Projected”, Paper 4 of the PRIO Project “Afghanistan in a Neighbourhood Perspective”, Peace Research Institute Oslo, March 2013, p. 4.

¹⁰ This decision is currently under review, though not well-articulated, indicating the possibility of Britain’s “return to east of Suez”, in the context of the political volatility in the region and partly due to the US rebalance toward the Pacific. See, Gareth Stansfield and Saul Kelly, “A Return to East of Suez? UK Military Deployment to the Gulf”, *Briefing Paper*, London: Royal United Services Institute, April 2013. Actually, the US Gulf security was based on the British security policy-paper whose stated long-term goal in the region was to “encourage an indigenous balance of power which does not require our military presence”. This strategy of balancing Iran and Saudi Arabia was subsequently adopted by the United States and came to be known as the “twin pillar” policy. Lee Smith, “For Gulf Allies, Obama’s Turn Away From the Region Looks Like a Gift to Tehran”, *Tablet Magazine*, 19 March 2014.

¹¹ US Assistant Secretary of State for Near Eastern and South Asian Affairs Joseph Sisco’s statement before Congress in August 1972. Major Randy M. Bell, US Marine Corps, *Expansion of American Persian Gulf Policy By Three Presidents*, CSC 1990, available at <http://www.globalsecurity.org/military/library/report/1990/BRB.htm>, accessed on 21 December 2013.

the good part of the 1970s, Iran, with armed forces twice the size of Iraq and four to six times larger annual defence outlays,¹² a large population and a robust relationship with the United States,¹³ was the pre-eminent regional power, a fact further bolstered by its capture of three Gulf islands disputed with the United Arab Emirates (UAE): Abu Musa, Greater and Lesser Tunbs. During this period, it also had cordial relations with Saudi Arabia, which was to change in the aftermath of the Islamic Revolution of 1979, when Iran became a challenger to the legitimacy of the Sunni Arab Gulf monarchies, and as such, the greatest perceived threat to regional security. Ever since, Iran and the Gulf states under Saudi leadership have been competing for regional power and influence, with Washington shifting its focus to Riyadh as a security partner. With the onset of the 1980-88 Iran-Iraq War, the US-sponsored Gulf Cooperation Council (GCC), composed of Saudi Arabia, Qatar, Kuwait, UAE, Bahrain and Oman, was established in 1981, to deal with the twin threats of secular, Ba'athist Iraq and Iranian revolutionary activism.

One of the three big players, Iraq was emasculated by three successive conflicts: the 1980-88 internecine war with Iran; the first Gulf War in 1991; and the US-led Operation Iraqi Freedom in 2003 which ousted the socialist, pro-Soviet/Russian (Sunni) government of President Saddam Hussein, hitherto a bane for both Iran and Saudi Arabia. With the elimination of Iraq as a power-centre, the Persian Gulf security scenario has been basically reduced to a "bipolar dyad", with regional countries either in the Iranian zone of influence (Syria and Iraq) or that of Saudi Arabia (the GCC members). This binary rivalry actually went beyond both ethnic and religious differences, as well as just Arab-Persian division.¹⁴

The overthrow of the Saddam regime led to a strategic regional reordering that was a "natural gift"¹⁵ for Iran, which American scholars (almost apologetically), refer to as unforeseen and "unintentional".¹⁶ In Juan Cole's assessment, in the decade since 2003, "the United States, *in a fit of absent-mindedness*, made Iran a regional hegemon [emphasis added];"¹⁷ with post-Saddam Iraq turning into a battle-ground for Iranian and Saudi strategic contest. Another causality of this changed setting was the till-then politically empowering concept of implicitly anti-Shia pan-Arabism, with profound consequences for the Gulf geopolitical milieu. The second strategic windfall for Iran was the phenomenon of the Arab Spring (2011), which overthrew most of the key Sunni Arab leaders – in Tunisia, Egypt, Yemen and Libya. In the case of Syria, the fact that President Bashar Al-Assad, an Iranian ally, has apparently survived the onslaught on his regime, is expected to further consolidate Tehran's influence

¹² Shahrbanou Tadjbakhsh, *op. cit.*, p. 5.

¹³ Afshin Molavi, "Iran and the Gulf States", *The Iran Primer*, Washington D.C., the United States Institute of Peace, 2010, available at <http://iranprimer.usip.org/resource/iran-and-gulf-states>, accessed on 21 December 2013.

¹⁴ Shahrbanou Tadjbakhsh, *op. cit.*, p. 6.

¹⁵ *Ibid.*, p. 20.

¹⁶ See Stephen M. Walt, "The Top 10 Lessons of the Iraq War", *Foreign Policy*, 22 March 2012.

¹⁷ Juan Cole, "The Rise of the Sunnis and the Decline of Iran, Iraq and Hizbullah: The Middle East in 2013", *Informed Comment*, 01 January 2013.

by extending it to the Mediterranean shores. The third crucial “gift” is the recent Iran nuclear deal which, for the Saudis is but another front in a Syria-centered sectarian proxy war that is set to reshape the Middle East, and stoke their rivalry with Iran.¹⁸ According to one Saudi commentary, “The Geneva negotiations are just a prelude to a new chapter of convergence” between Washington and Tehran,¹⁹ which potentially elevates Iran’s status in the regional hierarchy.

3. US-Iran Relations

It was the convergence of American and Iranian interests rather than the effects of Western economic sanctions²⁰ on the Iranian economy that provided the real impetus for Tehran to negotiate a nuclear deal at this point. How the US-Iran relations evolve over the years would determine the future contour of the regional security environment. While the two countries have historically maintained friendly ties, for various complex reasons these have not always been smooth; it may be mentioned that, even before the 1979 Islamic Revolution, in the hey-day of US-Iran relations during the late Shah’s reign, there was no formal alliance cemented between the two.²¹ Since the history of US-Iran relations over the last six decades is well documented,²² one can do without recounting it here. For an analysis of the current breakthrough in their bilateral relations, suffice it to say that, for more than a decade Iran had been making overtures to the United States for some sort of rapprochement. Having cooperated with it (despite being handicapped by the Clinton-era “dual-containment” policy), in overthrowing the Taliban regime in Afghanistan in 2001,²³ Tehran proposed a peace agreement with Washington, accommodating Iran’s ‘rightful’ political aspirations in the region which, as is well known, was not only spurned by US President George W. Bush, in the 2002 State of the Union address he famously designated Iran as a member of an “axis of evil”, along with Iraq and North Korea, in what appeared to be an apparent failure of Iranian diplomacy. However, on hindsight, it may not have been an unmitigated disaster, since in the interval, Iran’s bargaining position was significantly reinforced.

With a population of 78 million,²⁴ greater than the combined population of the GCC countries and Iraq, 9 per cent of global and 12 per cent of Organisation of

¹⁸ Robert F. Worth, “US and Saudis in Growing Rift as Power Shifts”, *The New York Times*, 25 November 2013.

¹⁹ *Ibid.*

²⁰ “Sanctions: How Much is Iran Hurting?”, *The Iran Primer*, the United States Institute of Peace, 18 November 2013.

²¹ Shireen Hunter of *Georgetown University* laments that, “The US never signed a comprehensive security agreement with Iran, and valued the country only as an export market, a client, and a buffer, not as an ally like Turkey or Saudi Arabia. In the 1970’s, when the Shah demanded to be treated like an ally, America came to see him as a liability, a view that helped shape events in the time leading up to the Islamic revolution there.” Shireen Hunter, “Dealing with Iran”, *Commentary*, 01 July 2006.

²² See Bryan R. Gibson, “Iran nuclear deal shows hawks that diplomacy actually works”, *CNN* (online), 25 November 2013.

²³ Gareth Porter, “How Neocons Sabotaged Iran’s Help on al-Qaeda”, *Antiwar.com*, 26 February 2006.

²⁴ “Iran Overview”, *The World Bank*, Washington D.C., September 2013, available at <http://www.worldbank.org/en/country/iran/overview>, accessed on 22 December 2013.

Petroleum Exporting Countries (OPEC) oil reserves,²⁵ and with 15.8 per cent of world's proven natural gas reserves,²⁶ dominating the 615-mile long²⁷ coast-line of the Persian Gulf, through whose Strait of Hormuz 22 per cent of global petroleum is transported,²⁸ and with a "frontage" on both the Gulf and the energy-rich Caspian Sea, Iran has a special place in US strategic calculus. With a capacity for influencing regional and international stability,²⁹ Iran also meets the basic criteria of being a pivotal state for the United States. Susan Maloney of the Brookings Institution argues that, for a successful implementation of US democratisation and liberalisation policy in the Muslim world, engaging Iran is essential.³⁰ It has been variously referred to as "the natural regional hegemon", a natural ally, (a reality subscribed to by a number of American policymakers and analysts),³¹ as well as a regional superpower,³² by virtue of which it is considered to be pre-eminently qualified to assume the role of a "pivotal" state. Even the former US Secretary of State, Henry Kissinger has acknowledged that Iran's real national interests actually "parallel" those of the United States.³³ Graham E. Fuller, a veteran Iran expert, has urged Washington to "liberate [its] geopolitical imaginations" in order to better understand Iran's place in the "new" but inchoate Middle East, since it impacts US policies toward Russia, China, Afghanistan, Central Asia, the Caucasus, Turkey, Israel, the Arab world, Pakistan, India, and East Asian energy.³⁴

That Iran under a different political dispensation is slated for a crucial role (even if its long-term cartographic shape is far from assured), is deftly put by Robert D. Kaplan,

A liberated Iran, coupled with less autocratic governments in the Arab world – governments that would be focused more on domestic issues because of their own insecurity – would encourage a more equal, fluid balance of power between Sunnis and Shia in the Middle East, something that would help keep

²⁵ According to *Oil & Gas Journal*, cited in Independent Statistics and Analysis, US Energy, available at Information Agency, 28 March 2013.

²⁶ *BP Statistical Review of World Energy*, June 2010, p. 22, available at http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/2010_downloads/statistical_review_of_world_energy_full_report_2010.pdf, accessed on 22 December 2013.

²⁷ Robert D. Kaplan, "The Geography of Iranian Power", *Stratfor*, 05 September 2012.

²⁸ Juan Cole, "Solar would be Cheaper: US Pentagon has spent \$8 Trillion to Guard Gulf Oil", *Informed Comment*, 08 December 2013.

²⁹ See, Robert S. Chase, Emily B. Hill and Paul Kennedy, "Pivotal States and US Strategy", *Foreign Affairs*, Vol. 75, No.1, 1996, p. 33.

³⁰ Susan Maloney, *Iran's Long Reach: Iran As A Pivotal State In The Muslim World*, the United States Institute of Peace, 2008, p. 6, available at http://bookstore.usip.org/resrcs/frontm/160127033X_intro.pdf, accessed on 22 December 2013.

³¹ Jeremy Shapiro, "Iran and the US-Saudi Grand Bargain", *Foreign Policy*, 05 December 2013; Edward N. Luttwak, "Three Reasons Not To Bomb Iran—Yet", *Commentary*, May 2006; Leslie H. Gelb, "Bomb Scare 'Unthinkable' by Kenneth M. Pollack", *The New York Times*, 05 September 2013.

³² Robert Baer, "Robert Baer on US-Iran Relations – Part 1/3", *BBC Hard Talk*, 24 July 2008.

³³ Quoted in Robert D. Kaplan, "Living With a Nuclear Iran", *The Atlantic*, September 2010; see also, Hossein Mousavian, "An Opportunity for a US-Iran Paradigm Shift", *The Washington Quarterly*, Vol. 36, No.1, 2013.

³⁴ Graham E. Fuller, "Iran Marks a Watershed in the Middle East", *The Huffington Post*, 12 December 2013.

the region nervously preoccupied with itself and on its own internal and regional power dynamics, *much more than on America and Israel*[emphases added].³⁵

The main US interest in the Persian Gulf region is essentially balance of power rather than governance, and if Iran can be instrumental in maintaining the former, then so be it, goes the intellectual drift in Washington. As an unequivocal matter of policy, the United States would conduct relations there in a “necessarily... transactional rather than strategic” manner, and would desist from taking sides for the sake of historic bonds or lasting friendship.³⁶ According to one particularly insightful observation, the path to Damascus, Baghdad and Asia runs through Tehran, which is thus urged to exercise its premium regional power and “sell it at a high price”.³⁷ Strategically speaking, the greatest benefit that Washington is set to reap from the interim nuclear deal is the scaling-down of US military presence,³⁸ hence spending, in the Gulf region, thus enabling it pivot or rebalance to the Asia-Pacific, ostensibly to counter an increasingly assertive China, but in reality to consolidate its military, economic and diplomatic presence in a more contested and strategic locale.

US-Iran improved ties will not only facilitate an energy corridor from Central Asia to South Asia and the Persian Gulf, it would also allow mutually beneficial market-access to Iranian oil and natural gas. The US commercial interests too, are expected to be promoted as a result of the lifting of economic sanctions on Tehran, especially in its vital energy sector where at least US\$ 200 billion investments are required.³⁹ In brief, the future of their bilateral relations holds enormous promise for American as well as international security and economy. The potentialities of US-Iran rapprochement, which are considerable, however, can reach fruition only if the outstanding challenges in Iran’s neighbourhood, namely Iraq and Afghanistan, are resolved satisfactorily.

3. Regional Ramifications

3.1 Iraq

Hostile rhetoric notwithstanding, the stabilisation of Iraq and Afghanistan, and the Caucasus (along with the question of elusive energy independence), are the three “lowest-hanging fruits”, where US-Iranian cooperation and partnership are deemed

³⁵ Robert D. Kaplan, “The Geography of Iranian Power”, *op. cit.*

³⁶ Jeremy Shapiro, *op. cit.*

³⁷ Marianna Charountaki, “The increasing importance of Iran”, *Your Middle East*, 12 December 2013.

³⁸ Currently the United States has 35,000 military personnel in the region, of which 10,000 are regular army soldiers with helicopter gunships, 40 naval vessels and an aircraft carrier battle group in the Gulf region. It also has a number bases there, with the headquarters of the US Fifth Fleet in Bahrain. The US Department of Defense has, since 2007 approved more US\$75 billion in arms sales to GCC countries. See, Chuck Hagel, *Address at the 9th IISS Regional Security Summit: The Manama Dialogue*, delivered on 07 December 2013, in Manama, Bahrain.

³⁹ Pepe Escobar, “All in Play in the New Great Game”, *Dissident Voice*, 23 December 2013.

to be crucial.⁴⁰ From the American perspective, military withdrawal from Afghanistan would presumably be “more comfortable” if US-Iran relations are normalised.⁴¹ While outlining the scope of future US-Iran dialogue, Hossein Mousavian, the former Iranian nuclear negotiator, stressed the need for forging a broader framework for interaction beyond the nuclear talks. He pointed out the commonalities of interests between the two heretofore estranged countries: “... We have crisis in Afghanistan. US is a big player, Iran is big player, they have many common interests. We have crisis in Iraq. US is a big player, Iran is big player...[sic].”⁴²

Iraq, not nuclear weapons, then is the main issue in US-Iran negotiations.⁴³ Stabilisation of Iraq is a US priority which Iran can do much to advance, and simultaneously consolidate its power and influence there, since as long as it is “a playing-field rather than a player”, it is going to be the regional geopolitical focal-point, as well as a factor in empowering Iran.⁴⁴ The recent⁴⁵ recrudescence of insurgency in the sunni-dominated Anbar province has led to Iran offering, jointly with the United States, military assistance to Baghdad,⁴⁶ even though the long-term prospects of Prime Minister Nouri Al-Maliki’s hold over that province, thus Iraq’s territorial integrity, is open to question. It was the only country that attacked Iran (during the 1980-88 war), and the key obstacle for Iranian access to the broader Middle East,⁴⁷ and by the same token, a strategic gateway for Iranian entry into the region, where it’s influence can be further projected, as well as have its western borders safeguarded.⁴⁸ Gaining strategic depth in Iraq has been a boon for Iran,⁴⁹ since as a virtual Iranian backyard, the source of its national security is believed to be actually in Iraqi territory, with forward Iranian defence, according to Vali Nasr, beginning specifically in Basra.⁵⁰ Robert Baer, a former US Central Intelligence Agency (CIA) official, opines that deeply imbued with a sense of exceptionalism and destiny, and possessing “an imperial

⁴⁰ Vali Nasr, *Symposium on Iran and Policy Options for the Next Administration: Session Three*, (video), Council on Foreign Relations, 05 September 2008, available at <http://www.youtube.com/watch?v=7yd2xfw3-Ro>, accessed on 28 December 2013.

⁴¹ Vali Nasr, quoted in Tracy Tong, “Here’s why the US dance with Iran will ultimately affect Afghanistan and Pakistan”, PRI’s The World, 26 November 2013, available at <http://pri.org/stories/2013-11-26/heres-why-us-dance-iran-will-ultimately-affect-afghanistan-and-pakistan>, accessed on 28 December 2013.

⁴² Hossein Mousavian, “The US and Iran: A Breakthrough Moment?”, (video), New York, Asia Society, 17 December 2013, available at <http://asiasociety.org/video/policy/us-and-iran-breakthrough-moment-complete>, accessed on 28 December 2013.

⁴³ George Friedman, “Thinking About the Unthinkable: A U.S.-Iranian Deal”, *Geopolitical Weekly*, Stratfor, 01 March 2010.

⁴⁴ F. Gregory Gause, “The Emerging Shia Crescent Symposium: Implications for U.S. Policy in the Middle East”, Council on Foreign Relations, 05 June 2006.

⁴⁵ December 2013/January 2014.

⁴⁶ Thomas Erdbrink, “U.S. and Iran Face Common Enemies in Mideast Strife”, *The New York Times*, 06 January 2014.

⁴⁷ *Ibid.*

⁴⁸ Reva Bhalla, “The US-Saudi dilemma – Iran’s reshaping of Persian Gulf politics”, *Stratfor: Global Intelligence*, 23 July 2011.

⁴⁹ Mohsen M. Milani, “Meet me in Baghdad: U.S.-Iran Tensions Flare in Iraq”, *Foreign Affairs*, 20 September 2010.

⁵⁰ Vali Nasr, “Symposium on Iran and Policy Options for the Next Administration: Session Three”, *op. cit.*

mind-set", Iranians seek a sphere of influence in Iraq and Afghanistan...,⁵¹ granting which is not adverse to US interests. The Iranian strategic priority is to promote an Iraq with a weak central government and strong provinces, in other words, to prevent the emergence of a strong Iraq as a counter-weight to Iran, which Tehran is capable of ensuring.⁵² The extent of its authority over Baghdad was epitomised recently when the Iraqi Foreign Minister Hoshayer Zebari, while condemning the Iranian violation of Iraqi airspace for sending military assistance to the government of Syrian President Bashar Al-Assad, ruefully admitted that, "But we do not have the ability to stop it".⁵³ Disconcertingly for Riyadh, Tehran's access to Iraqi territories has brought the Islamic Republic in close proximity to the Saudi borders, enabling easier communication with its Shia minority groups.⁵⁴

3.2 Afghanistan

Regardless of Iraq's importance, it should be reiterated that Iran's long-term future is further east and north, that is, economically dynamic South and Central Asia, with which the issues of energy resources, markets, energy transportation corridor, etc. are intertwined. Tehran, moreover, is aware that without stabilising its eastern borders with Afghanistan and Pakistan, its ability to project power towards its west and south is circumscribed.⁵⁵ In this regard Afghanistan's position is paramount, where US and Iranian interests have been aligned since 1979,⁵⁶ with Mohammad Javad Zarif, then chief Iranian negotiator and now foreign minister and a key figure of the nuclear deal, playing a decisive role in the formation of the post-Taliban government of President Hamid Karzai at the November 2001 Bonn Conference.⁵⁷ The government of President Hassan Rouhani is expected to play a similar role in the forthcoming April 2014 Afghan elections. Conflating Shia'ism and Iran has produced a particularly remarkable scenario in post-Taliban Afghanistan, where an unprecedented Shia, (hence Iranian) empowerment has made their inclusion in the government positions, and with the new constitution recognising Shia religion and law, for the first time in history a candidate from that sect could actually be the president of Afghanistan.⁵⁸

The tussle going on between the Obama administration and President Karzai over the issue of a US-sponsored Bilateral Security Agreement (BSA),⁵⁹ determining the future of American military presence in Afghanistan after 2014, is but one aspect of the

⁵¹ Robert Baer, *BBC/Hard Talk*, part 3, 24 July 2008.

⁵² George Friedman, "Thinking About the Unthinkable: A U.S.-Iranian Deal", *Geopolitical Weekly, Stratfor*, 01 March 2010.

⁵³ Dr. Ghassan Shabaneh, "Kerry's Visit to Saudi Arabia and the Saudi American Relations", *Al-Jazeera Center for Studies*, 09 December 2013.

⁵⁴ *Ibid.*

⁵⁵ "Iran's Geopolitical Priorities in South Asia", *Stratfor*, 04 December 2013.

⁵⁶ Ray Takeyh, "Symposium on Iran and Policy Options for the Next Administration: Session Three", (video), Council on Foreign Relations, 05 September 2008.

⁵⁷ Mohammed Ayoob, "Consequences of the Iran Deal", *Foreign Policy*, 28 November 2013.

⁵⁸ Vali Nasr, "Symposium on Iran and Policy Options for the Next Administration: Session Three", *op. cit.*

⁵⁹ It would permit the stationing of US troops on a permanent footing in the nine American military bases situated near the borders of China, Pakistan, Iran, Turkmenistan, Tajikistan and Uzbekistan.

looming drama at the intersection of the Middle East and South Asia, which is likely to be transformed into another battleground for Saudi-Iranian contest for power.⁶⁰ While opposing the idea of a US-Afghanistan security pact, Tehran itself concluded a Memorandum of Understanding (MoU), covering mainly security issues, with Kabul in August 2013, some of whose provisions implicitly referred to Pakistan as the regional “menace”⁶¹. They have also agreed to sign another broader, long-term cooperation and friendship accord with it soon.⁶² Although instrumental in ousting the Taliban regime in 2001, Iran has demonstrated its pragmatism and geopolitical acumen by providing “measured” support,⁶³ as well as maintaining a line of communication with it, to the understandable annoyance of the Karzai government.⁶⁴

A change in the theocratic/ideological pitch in Tehran would also generate greater Iranian soft power in Central Asian republics, whose ethnic Muslim identity is not consonant with the banner of radical Islamism.⁶⁵

3.3 *Multilateral Cooperation and China*

An enduring resolution of the Afghan crisis would necessarily require the cooperation of the neighbouring countries including China,⁶⁶ which all have interests at stake in that embattled territory, involving the real possibility of being “on the menu”, if they are not present “at the table”.⁶⁷ All are keenly cognizant of the fact that the failure to successfully resolve the crisis would intensify the rivalry in Afghanistan between Shia Iran and Sunni (Wahhabi/Salafi) Saudi Arabia on the one hand, and India and Pakistan on the other, with each side extending its support to opposing factions in the ensuing scramble for power, thereby undermining overall regional peace and stability. However, it would indeed be a difficult enterprise, given the number of neighbours involved and their multiple and often conflicting interests in Afghanistan.⁶⁸ Launched in 2011 with US support by Turkey and Afghanistan, as a prospective “mechanism” for conflict-resolution and confidence-building among

⁶⁰ One cogent American perspective of the post-2014 Afghan situation is provided by Seth G. Jones and Keith Crane, *Afghanistan After the Drawdown*, Council Special Report No. 67, Council on Foreign Relations, November 2013.

⁶¹ Thomas Ruttig, “Can Kabul Carry Two Melons in One Hand? Afghanistan and Iran sign strategic cooperation agreement”, *Afghanistan Analysts Network*, 06 August 2013.

⁶² Hamid Shalizi, “Afghanistan, Iran plan cooperation pact amid tensions with U.S.”, *Reuters*, 08 December 2013. The official Iranian position as enunciated by President Hassan Rouhani is, “All foreign troops should be withdrawn from the region... [The] security of Afghanistan should be entrusted to the Afghan people”, *Ibid.*

⁶³ Alireza Nader and Joya Laha, Iran’s Balancing Act in Afghanistan, Occasional Paper, National Defense Research Institute, 2011, pp. 1-5.

⁶⁴ Ruttig, “Can Kabul Carry Two Melons in One Hand? Afghanistan and Iran sign strategic cooperation agreement”, *Afghanistan Analysts Network*, 06 August 2013.

⁶⁵ Bayram Balci, “The Myth of Rising Radical Islamism in post-2014 Central Asia”, *World Politics Review*, 30 December 2013; see also, Robert D. Kaplan, “The Geography of Iranian Power”, *op. cit.*

⁶⁶ Indrani Bagchi, “Trilateral helps India air opinion about Afghanistan’s future”, *The Times of India*, 04 March 2013.

⁶⁷ Sharbanou Tajbakhsh, “The Afghanistan Security Transition: the Role and Importance of Afghanistan’s Neighbors”, (video), the United States Institute of Peace, 06 April 2012.

⁶⁸ Alireza Nader, *op. cit.*

Afghanistan's "near and extended neighbours"⁶⁹ beset by common challenges like counter-terrorism, counter-narcotics, poverty, and extremism, the "Heart of Asia", also known as Istanbul Process or Ministerial, is too fraught with internal tension to be truly successful.⁷⁰ Besides, the potential contest between Tehran and Ankara for regional influence may prove to be an impediment in its effective functioning.⁷¹ It may be mentioned that Beijing, which is hosting the forthcoming "Istanbul process" meeting in Tianjin next August, is poised to emerge as a key player in post-2014 Afghanistan, which has profound geopolitical implications.

3.4 India

The greatest beneficiary of Iranian attention eastward would be India, the fourth largest consumer of oil after the United States, China and Russia, and slated to be the top two energy importers along with China, by 2035. India is actively assisting Iran in developing the Chabahar port (having a role in its construction), for its oil exports, which would also orient the Central Asian states toward Iran by giving the energy-rich but land-locked republics a port access once their rail-links with it are improved.⁷² Besides, Iran and India maintain a robust defence nexus, whose significance cannot be overlooked. The strategic partnership agreement of 2003 between Tehran and New Delhi provides India with access to Iranian military bases, in return for Indian defence-related products, technology and training. With a convergence of Iranian and Indian interests in Afghanistan, the US-Iran détente could raise Indian geopolitical profile in Afghanistan, and further enhance Indian influence in Central Asia. India, it may be mentioned, not only has a strategic cooperation agreement with Afghanistan,⁷³ it also maintains an active defence cooperation with Israel,⁷⁴ which evidently is not in conflict with Indo-Iranian relations.

⁶⁹ They are Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan; India, Pakistan and Iran; further west, Turkey (which took the initiative) and Azerbaijan; Saudi Arabia and the United Arab Emirates from the Arab world; and Russia and China. See, AstriSuhrke, "Towards 2014 and beyond: NATO, "Afghanistan and the "Heart of Asia", *NOREF Policy Brief*, NOREF, Norwegian Peace Building Resource Centre, August 2012, p. 2.

⁷⁰ The full name of the process is, "The Istanbul Process on Regional Security and Co-operation for a Secure and Stable Afghanistan". For a critical analysis of the Istanbul Process, see S. Reza Kazemi, "Over-Promising, Under-Delivering: The Outcome of the Afghanistan Conference in Kazakhstan", *Afghanistan Analysts Network*, 30 April 2013.

⁷¹ Julian Borger, "Iran expected to block steps towards regional deal on Afghanistan", *The Guardian*, 01 November 2011.

⁷² John Daly, "Iranian Sanctions Easing To Benefit India", *The Diplomat*, 07 December 2013.

⁷³ Abubakar Siddique, "The Afghanistan Security Transition: the Role and Importance of Afghanistan's Neighbors", (video), U.S. Institute of Peace, 06 April 2012.

⁷⁴ Alvite Singh Ningthoujam, "India deflects Israel's Iran warning", *Asia Times Online*, 19 December 2013; see also, David Shamah, "Cybersecurity projects next on Israel-India agenda", *The Times of Israel*, 24 June 2013; see also, "India to Buy Israeli Barak Missiles", *DefenceTalk: Global Defense, Aerospace and Military Portal*, 31 December 2013.

3.5 The Persian Gulf Region

For the Saudi government, the ultimate nightmare is a US-Iran rapprochement which would alter the regional geopolitical dynamics, to Riyadh's detriment. In the terse observation of one Saudi journalist, when US-Iran relations improve, "We panic".⁷⁵ And not without reason. While the interim agreement is about Tehran's nuclear programme, it has implications for the broader regional balance of power which, by unfettering it from the sanctions regime, is clearly empowering Iran, the long-standing rival of Saudi Arabia, as well as paving the way for a Shia Persian political ingress in a predominantly Sunni Arab setting. The Saudi King Abdullah has long been urging the United States to "cut off the head of the snake" by air-striking the Iranian nuclear infrastructure,⁷⁶ but apparently to no avail, which the controversial deal attests. There is an acute sense of resentment, bordering on betrayal, in the Saudi leadership, since it signals the possible unraveling of Saudi-US relationship, for long considered to be unassailable. Judging the interim accord in zero-sum terms, for Riyadh it is *ipso facto* "a bad deal",⁷⁷ which one Saudi commentator characterised as being "more dangerous than 9/11".⁷⁸ It is not realistic, though, to expect an abrupt termination of this long-standing strategic partnership with Washington since, with the core Saudi-US grand bargain, based on the *quid pro quo* of unimpeded flow of oil and Gulf security remaining vital,⁷⁹ it's focus is more likely to gradually shift from being strategic to mutually beneficial "transactional".⁸⁰

The basic Saudi insecurity stems from the apprehension that the interim accord could be the beginning of US ratification of Iranian regional primacy, which Prince Turki al-Faisal, the former intelligence chief of Saudi Arabia calls "unacceptable",⁸¹ since it exacerbates Riyadh's complicated relationship with Tehran, which Mohsen M. Milani views to be "neither natural allies, nor natural enemies, but natural rivals".⁸² Informed as it is by antagonism to Tehran's bid for leadership of the Islamic world,⁸³ it carries disturbing implications for the domestic stability of Saudi Arabia which has a substantial Shia minority (10 per cent), especially in its oil-rich Eastern Province.

⁷⁵ Frida Ghitis, "Iran Deal Already Shifting Regional Power", *World Politics Review*, 05 December 2013.

⁷⁶ *Ibid.*

⁷⁷ Shadi Hamid, "To Win Arab Trust On Iran, Washington Should Broaden Scope Of Final Deal", Brookings Institution, 24 November 2013.

⁷⁸ Ashley Smith, "Why did the U.S. and Iran Make a Deal?", *SocialistWorker.Org.*, 10 December 2013.

⁷⁹ F. Gregory Gause, "Why The Iran Deal Scares Saudi Arabia", *The New Yorker*, 26 November 2013; see also, GawdatBahgat, "The Changing Saudi Energy Outlook: Strategic Implications", *The Middle East Journal*, Vol. 67, No. 4, 2013.

⁸⁰ Gregory Gause III, "Saudi Arabia in the New Middle East", *Council on Foreign Relations Report*, No. 63, December 2011, pp. 23-24, quoted in Tadjbakhsh, *op. cit.*, p. 46.

⁸¹ Steven Erlanger, "Saudi Prince Criticizes Obama Administration, Citing Indecision in Mideast", *The New York Times*, 15 December 2013.

⁸² Quoted in Sharbanou Tadjbakhsh, *op. cit.*, p.15.

⁸³ Robert F. Worth, "U.S. and Saudis in Growing Rift as Power Shifts", *The New York Times*, 25 November 2013.

The improved Egyptian-Iranian relations in the post-Mubarak era has also added to Tehran's regional clout, what with Iranian ships now traversing the Suez Canal, thus making its presence felt in the Red Sea area, something that could not even be contemplated previously.⁸⁴

In response to the politically jarring deal, the Saudi government has even contemplated a "new defense doctrine" for the purpose of containing what it perceives to be a resurgent Iran,⁸⁵ involving a planned Riyadh-based 100,000-strong Gulf command force,⁸⁶ though the implementation of the goal remains uncertain, given the limited options available to it. At the 9th International Institute of Strategic Studies Regional Security Summit, the Manama Dialogue, held in December 2013, the Saudi proposal of political integration of the GCC into a Gulf Union was dismissed by Oman,⁸⁷ a member country with "special ties" with Iran.⁸⁸ UAE, Kuwait and Qatar too, are said to be skeptical about the merits of a greater regional integration at Riyadh's behest, which is a testament to Iran's astute diplomatic efforts to prevent such a union.⁸⁹ The interest of the individual GCC countries in bilateral dialogue with Iran is essentially advantageous for the latter, which has stymied Riyadh's efforts to oppose Tehran.⁹⁰ The intra-GCC rift however, does not bode well for Washington, which prefers unity among its Gulf allies. It needs to be borne in mind that, the evolving US posture, dictated by the current budget crisis, signals a diminished appetite for military role in regional conflicts, thus throwing the question of building local partner capacity for providing security in the Persian Gulf into sharp relief.⁹¹

Regardless of Saudi displeasure at the conclusion of P5+1 and Iran accord, the latter's ascendancy is amply clear, with its ambiguous nuclear status playing a strategic role. And with all regional geopolitical roads leading to Tehran, Riyadh could be pondering the challenges of forging a route in a different direction. Despite initial Saudi indignation about the nuclear deal, there are indications that, it may be exploring a conciliatory move toward its Persian nemesis, a shift discretely fostered by the United States.⁹² This is nothing surprising given the Obama administration's stated goal of a "geopolitical equilibrium" in the region by "balancing traditional American

⁸⁴ Dr. Ghassan Shabaneh, "Kerry's Visit to Saudi Arabia and the Saudi American Relations", *op. cit.*

⁸⁵ "Saudis concerned about spread of Iran influence", *Alalam*, 26 November 2013; Nawaf Obaid, "Saudi Arabia's Gulf Union project includes military dimension", *Al-Monitor*, 19 December 2013.

⁸⁶ Habib Toumi, "GCC to have 100,000-strong joint security force", *Gulf News*, 21 December 2013.

⁸⁷ Wafa Alsayed, "Oman says no to Gulf Union", *Manama Voices*, 09 December 2013; *Reuters*, "Saudi Call For Gulf Arab Union Faces Hurdles", *Gulf Business*, 10 December 2013; Madawi Al-Rasheed, "Omani rejection of GCC union adds insult to injury for Saudi Arabia", *Al-Monitor*, 09 December 2013.

⁸⁸ "Iranian FM praises HM's role in promoting peace", *Oman Tribune*, 05 January 2014. Oman and Iran are also planning the construction of an overpass bridge connecting them over the Strait of Hormuz. "Oman-Iran plan causeway over Hormuz", *Gulf News*, 06 March 2014.

⁸⁹ Sharmine Narwani, "Security Arc forms amidst Mideast terror", *Al-akhbarenglish*, 21 December 2013.

⁹⁰ Theodore W. Karasik et al., *Saudi-Iranian Relations Since the Fall of Saddam: Rivalry, Cooperation, and Implications for U.S. Policy*, Santa Monica: Rand Corporation, 2009, p. xiii.

⁹¹ Elizabeth Dickinson, "US looks to allies to secure Arabian Gulf", *The National*, 24 April 2013.

⁹² F. Gregory Gause, III, "Saudi-Iranian Rapprochement? The Incentives and the Obstacles", Project on Middle East Political Science, Brookings Institution, 17 March 2014, available at <http://www.brookings.edu/research/articles/2014/03/17-iran-ksa-rapprochement-gause>, accessed on 27 December 2013.

Gulf allies like Saudi Arabia against Iran".⁹³ For one thing, changes on Syria policy at the top level of Saudi decision-making may induce a more pragmatic approach toward Iran, as is indicated by the fact that Prince Mohammed bin Nayef, a more moderate figure than Prince Bandar bin Sultan, is now in charge of the Syria issue, a probable sign of waning Riyadh's enthusiasm for backing the rebels there.⁹⁴ It may be mentioned that, Syria has been a contentious matter between the two sides, with the Saudi interest being financially and militarily assisting the anti-regime forces there to continue fighting until the overthrow of the government of President Bashar Al-Assad, in contrast to US reluctance for military intervention for political change there. According to Bryan Crocker, a former American diplomat, in the light of the prevailing impasse, the United States needs to work with President Assad, the other available options being even "worse."⁹⁵

It is equally significant that the Iranian President Hassan Rouhani too, has expressed his country's willingness to improve relations with Saudi Arabia, and even referred to the Sunni neighbour as "a friend and a brother".⁹⁶ The acceptance by President Rouhani of the recent Saudi invitation to visit Riyadh indeed augurs well for the defusion of the seemingly intractable neighbourhood sectarian discord, as well as a subtle hint of the tempered Saudi view of the nuclear deal.⁹⁷ Besides, Iran also has certain limitations in its quest for playing a dominant role, and is aware of the difficulties it would encounter in this regard without some sort of accommodation with the regional Sunni-powers. On balance, there is yet scope for some sort of "course correction" between the two key regional competitors whose rivalry has often been more "subdued" than overt.

Under the circumstances, the Saudi kingdom may prefer some sort of dialogue within a security framework,⁹⁸ which would at least have the salutary effect of transforming the regional countries into "stakeholders rather than potential or actual spoilers."⁹⁹ Suggestions have even been made to re-create a regional collective security structure on the model of the now-defunct Cold War-era Central Treaty Organisation.¹⁰⁰ The Iranians themselves have envisaged a Persian Gulf Security Cooperation Organisation, a regional version of the Organisation of Security and Cooperation in Europe (OSCE), whose expanded scope may ultimately include the

⁹³ Lee Smith, "For Gulf Allies, Obama's Turn Away From the Region Looks Like a Gift to Tehran", *Tablet Magazine*, 19 March 2014.

⁹⁴ F. Gregory Gause III, *op. cit.*

⁹⁵ Bryan C. Crocker, "Assad is the Least Worst Option", *The New York Times*, 21 December 2013.

⁹⁶ "Iranian president: Saudi Arabia is a 'friend and brother', *Al Arabiya*, 19 September 2013.

⁹⁷ "Rouhani accepts invitation to visit Saudi Arabia", *The Daily Star* (Lebanon), 08 March 2014.

⁹⁸ Richard Youngs and Eric Wheeler, "Iran and the West: beyond the nuclear deal", *Policy Brief*, No.170, FRIDE, European Think Tank for Global Action, December 2013.

⁹⁹ Rouzbeh Parsi, Exploring Iran & Saudi Arabia's Interests in Afghanistan & Pakistan: Stakeholders or Spoilers - A Zero Sum Game? Part 2: Iran, CIDOB, Barcelona Centre for International Affairs, April 2013, p.15; see also, Amir Handjani, "The Saudi dilemma", *The National Interest*, 02 January 2014.

¹⁰⁰ James M. Lindsay and Ray Takeyh, "After Iran Gets the Bomb: Containment and its Complications", *Foreign Affairs*, Vol. 89, No. 2, 2010.

entire Middle East.¹⁰¹ However, such a security order would be difficult to implement without first resolving the festering Palestine-Israel conflict, another fallout of the deal. For long a top priority of US Middle East policy, it has now been reduced to a “distraction,” having been consigned to the back-burner of regional politics.¹⁰² This, in effect, signifies a diversion of attention from the real issue in the Middle East, with Iran instead of Israel being portrayed as the real regional concern.

4. Global Oil Market

While the recent interim Iran deal apparently concerns the nuclear issue, it has far-reaching implications for the global energy market, “a linchpin” of the international order,¹⁰³ which the relaxation of economic sanctions and the integration of Iran as a legitimate member of the international community is certain to reorder. Since the United States and the European Union (EU) imposed additional sanctions on Iranian petroleum exports in 2012,¹⁰⁴ its oil production has dropped to 1 million barrels per day (mbd) from the previous level of 2.5mbd,¹⁰⁵ and the high oil price resulting from its full contribution being kept off the market, has basically favoured the Saudis. With Iran now poised to return as a “normal” country, the energy market, along with regional geopolitics, is on the cusp of a major shift. The main Saudi concern is that a resurgent Iran is bound to dominate the OPEC, and thereby jeopardize its strategic position in the cartel as “the world’s de facto central banker for energy”.¹⁰⁶

The Rouhani administration is set to introduce structural reforms in the Iranian economy that may ultimately lead to the privatisation of state-run enterprises, amendment of investment and banking rules, easy credit, tax incentives and overall improved labour laws, to boost up the private sector,¹⁰⁷ thus inevitably affecting the energy sector. The return of the former oil minister Bijan Namdar Zanganeh,¹⁰⁸ is expected to loosen the national oil company’s control over Iran’s vast petroleum industry, and open it up for foreign investments. Again in charge of that portfolio, Zanganeh seeks to increase crude-oil production to the pre-2005 level of 4.2 mbd, and focus on the south Pars offshore oil fields, for long lagging behind due to financial and technical difficulties.¹⁰⁹ There are also plans to restore oil production to the pre-1979 level of 6 mbd by mid-2015,¹¹⁰ and offer lucrative production-sharing agreements to attract

¹⁰¹ Hossein Mousavian, “An Opportunity for a U.S.-Iran Paradigm Shift”, *The Washington Quarterly*, Vol. 36, No. 1, 2013, p.141.

¹⁰² Elias Groll, “Israel-Palestine Isn’t America’s Top Mid-East Priority Anymore”, *Foreign Policy*, 11 December 2013.

¹⁰³ Thanassis Cambanis, “American energy independence: the great shake-up”, *The Boston Globe*, 26 May 2013.

¹⁰⁴ “Q&A: Iran Sanctions”, *BBC News: Middle East*, 08 November 2013.

¹⁰⁵ Vali R. Nasr, “Iran’s Economic Crossroads”, *The New York Times*, 04 December 2013.

¹⁰⁶ Mohammed Bin Nawaf Bin Abdulaziz Al Saud, “Saudi Arabia Will Go It Alone”, *The New York Times*, 17 December 2013.

¹⁰⁷ Vali R. Nasr, “Iran’s Economic Crossroads”, *op. cit.*

¹⁰⁸ From 1997-2005 he was the Iranian oil minister.

¹⁰⁹ “Dreaming of a new golden age”, *The Economist*, 31 August 2013.

¹¹⁰ “The Future of OPEC: Saudi, Iraq and Iran”, *Stratfor*, 05 December 2013.

foreign private investments, which it so direly needs.¹¹¹ This is evidently aligned to the US policy of “democratisation” of the global oil market by encouraging free interaction of demand and supply unimpeded by government control.¹¹² A seemingly benign shift, it has potentially far-reaching implications not only for the Iranian oil industry, but for the global economy and geopolitics as well, the full shape of which is now only beginning to be delineated.

For one thing, it is poised to reverse the four decades of state-control over oil production, when in the aftermath of the 1973 OPEC-initiated embargo, two-thirds of international ownership of oil was transferred from American and European-owned private companies to state-owned national oil companies. Inevitably, the denial of the operation of market forces led to spikes in oil prices that was a curse for the countries dependent on imported oil – but a blessing for the oil-producing Middle Eastern ones.¹¹³ At the same time, it reinforced US reliance on Saudi Arabia as an assured source of oil supply at a reasonable price, in return for American security guarantee for the Saudi kingdom. Riyadh, (with a spare capacity of about 2-3.5 mbd), in particular has been eminently useful as “a swing producer” in stabilising the oil market, so crucial for the global and American economy.¹¹⁴ The US-Iran rapprochement and the lifting of sanctions may add some 1.5 mbd to the oil market and concomitantly reduce its price.¹¹⁵

Complicating the scenario is the return of Iraq as a major actor in this field, currently producing about 3.5mbd of oil, with plans to further augment it to 9-10mbd by 2020, which however, experts consider to be rather too ambitious for such a short time frame.¹¹⁶ With the sanctions being the main obstacle to increased oil production, Iran may have a relatively easy transition to the pre-2005 production-level once the external constraints are removed.¹¹⁷ During the sanctions-induced Iranian absence, Saudi Arabia and Iraq benefitted the most, making billions of dollars of gains at the expense of the former, thus incurring its displeasure. With its re-emergence as the second largest oil producing country, Iran is poised to play a more assertive role in OPEC decision-making. One delegate, presumably Saudi, to the OPEC meeting held in Vienna in December 2013, expects “...the Iranians to say, ‘We’re coming back to the market and we need some space’”.¹¹⁸ These developments may adversely affect the role of OPEC controlling about 1/3 of global production, in the oil market, with far-reaching geopolitical repercussions. The already tenuous relationship between Saudi Arabia and Iran could be affected, since the latter’s addition to the global oil market

¹¹¹ “Dreaming of a new golden age,” *The Economist*, 31 August 2013.

¹¹² Amy Myers Jaffe and Ed Morse, “The End of OPEC,” *Foreign Policy*, 16 October 2013.

¹¹³ *Ibid.*

¹¹⁴ Jeremy Shapiro, “Iran and the U.S.-Saudi Bargain,” *Foreign Policy*, the Middle East Channel, 05 December 2013.

¹¹⁵ *Ibid.*

¹¹⁶ “The Future of OPEC: Saudi, Iraq and Iran,” *Stratfor*, 05 December 2013, *op. cit.*

¹¹⁷ *Ibid.*

¹¹⁸ Peg Mackey and Alex Lawler, “Iran to reassert authority at OPEC after nuclear deal,” *Reuters*, 02 December 2013.

may lower the price to a level undesirable for the Saudis, but which it may be unable to offset by curtailing production of its own. Increased shale-oil production¹¹⁹ in the United States (8mbd),¹²⁰ and elsewhere could make maintaining US\$100 per barrel price an added challenge for OPEC.

Last December Zanganeh threatened that, no matter what, Iran will aspire to produce 4mbd, “even if the price of oil falls to US\$20 per barrel,” adding, “we will not give up our rights on this issue”.¹²¹ This forthright stance was tempered, in the light of reality, by a former National Iranian Oil Company official who stated that, “...the Iranians don’t want to rock the boat and put \$100 oil under threat, so they need the cooperation of the Saudis”.¹²² Although the member states have agreed to produce 30mbd for the first half of 2014, there is a likelihood of an increase in oil supply later by Iraq, Iran and Libya, which elicited the Saudi Oil Minister Ali al-Naimi’s nonchalant remark, “Everyone is welcome to put in the market what they can. The market is big and has many variables. When one comes in another comes out”.¹²³

US-Iranian reconciliation is likely to attract massive Western investments in the Iranian energy sector, to Russia’s detriment, that may be further aggravated by Tehran shifting its commercial attention away from Moscow, and importing Western products and technology. It may moreover, be deprived of its role as a mediator between the Islamic Republic and the Western world including the United States.¹²⁴ An Iran free from the sanctions can potentially undermine Russia’s role in the strategically important Caucasus and Turkey. In Armenia it could challenge the entrenched Russian position by enhanced natural gas export to that country, which currently relies predominantly on Russian supplies. While it may not wean Armenia away from Moscow’s sway, it could at least increase Tehran’s leverage over Yerevan. There is yet scope for an assertive Iran to exercise its influence in Azerbaijan where both Turkey and Russia have economic and strategic interests to uphold. Regardless of the final outcome of US-Iran negotiations, an improvement in the investment environment and the expansion in Iranian energy production could reduce Turkey’s dependence on Russia (currently the source of 57 per cent of its natural gas imports),¹²⁵ and raise Ankara’s geopolitical profile in the Black Sea and the Caucasus.¹²⁶ Iran’s assumption of the role of a regional super power could

¹¹⁹ Leonardo Maugeri, “The Shale Oil Boom: A U.S. Phenomenon”, *Geopolitics of Energy Project*, Discussion paper 2013, BelferCenter for Science and International Affairs, Harvard University, 05 June 2013.

¹²⁰ “The Future of OPEC: Saudi, Iraq and Iran”, *Stratfor*, 05 December 2013, *op. cit.*

¹²¹ Majid Rafizadeh, “Iran aims to regain a global role at OPEC”, *Al-Arabiya News*, 06 December 2013.

¹²² Peg Mackey and Alex Lawler, “Iran to reassert authority at OPEC after nuclear deal”, *Reuters*, 02 December 2013.

¹²³ “OPEC leaves 2014 oil output steady despite anticipated Iran, Iraq surge”, *Deutsche Welle*, 04 December 2013.

¹²⁴ Richard Weitz, “Russia and Iran: A Balancing Act”, *The Diplomat*, 21 November 2013.

¹²⁵ According to *Oil & Gas Journal*, cited in *Independent Statistics and Analysis*, *op. cit.*

¹²⁶ “Turkish Relations with Russia Hinge on Iran”, *Stratfor*, published in *Natural Gas Europe*, 17 December 2013.

possibly challenge Russia's pre-eminence in its strategic near abroad, and compel it to make contingency planning to deny Iran any zone of influence in the Caucasus and Central Asia.¹²⁷

Although not so well publicised, the Shia majority government in post-Saddam Iraq has provided significant share of its oil licenses to Chinese firms, "probably upon Iranian requests,"¹²⁸ which is likely to enhance Beijing's presence in the region. As currently the largest net oil importer,¹²⁹ and with a voracious appetite for energy resources for its economic development (which by 2025 could be importing as much as 70 percent of its oil demand, which currently stands at 59 per cent),¹³⁰ China's long-term engagement with the Persian Gulf countries is assured, since a preponderant share of its oil imports originate there. China, which played an important role in facilitating the 2013 nuclear deal, is Tehran's largest buyer of oil, amounting to around 9 per cent of its import.¹³¹ Though China enjoyed stable energy cooperation with Iran, the sanctions regime was an impediment in this matter. Being careful about not antagonising Washington, Beijing played a balancing act between the United States and Iran. According to one Chinese scholar, "It would be the end of the world if China had to choose between the United States, Saudi Arabia and Iran."¹³² In other words, US-Iran detente would benefit China by allowing it to import oil from Iran with greater ease. Historically enjoying harmonious relations, China in modern times has implicitly supported Iran's destiny to play a pre-eminent role in the Persian Gulf region,¹³³ with Iranian officials emphasising the strategic nature of Sino-Iranian relations.¹³⁴

Although China currently buys twice the amount of oil from Saudi Arabia than Iran, the latter could play an important role in bolstering its energy security: firstly, Iran has the capacity to be one of China's major oil suppliers; and secondly, located between the Caspian Sea and the Persian Gulf, it could also offer China a westward source of petroleum that bypasses the Strait of Hormuz.¹³⁵ Eventually, China's oil dependence on the Gulf countries may become a challenge or even a liability for it, the strategic compulsions of which it may be unable to overcome. According to one

¹²⁷ Njdeh Asisian, "Russia & Iran: Strategic Alliance or Marriage of Convenience", *Small Wars Journal*, 23 November 2013.

¹²⁸ Brian M. Downing, "Securing the Persian Gulf: After fiscal cliff and 'pivot' to Asia, U.S. strategy could change", *World Tribune.com*, 4 December 2012.

¹²⁹ "China poised to become the world's largest net oil importer later this year", *Today in Energy*, 09 August 2013.

¹³⁰ Sarah A. Emerson and Andrew C. Winner, "The Myth of Petroleum Independence and Foreign Policy Isolation", *The Washington Quarterly*, Vol. 37, No. 1, 2014.

¹³¹ Nasser Al-Tamimi, "Why China is still dealing with Iran?", *Al Arabiya News*, 10 February 2013.

¹³² John B. Alterman, "China's Balancing Act in the Gulf", *Gulf Analysis Paper*, Center for Strategic and International Studies, August 2013, p. 6.

¹³³ See John W. Garver, *China and Iran: Ancient Partners in a post-Imperial World*, Seattle, WA: University of Washington Press, 2006, p. 294.

¹³⁴ Scott Harold and Alireza Nader, *Iran and China: Economic, Political and Military Relations*, Occasional Paper, Center for Middle East and Public Policy, RAND, 2012, p.5.

¹³⁵ Al-Tamimi, *op. cit.*

analysis, "... [E]ven if China decides that conservation and diversification are better answers than becoming a Persian Gulf military power, the Chinese military, like any good bureaucracy, will argue for expanded capabilities and deployments as a hedge".¹³⁶

5. Nuclear Iran?

Two parallel but contradictory trends can be evinced in the US policy community deliberations regarding Tehran's nuclear issue: one being the assumption that Iran does have a clandestine weapons programme, which has generated a vigorous debate¹³⁷ about the pros¹³⁸ and cons¹³⁹ of the use of force to thwart its nuclear ambition. One side puts forth spirited arguments as to why air strikes should be made, with the other justifying, with equal verve, why it is *not* prudent to attack the Iranian nuclear sites: (i) that it would not only be hazardous to do so, but would be counterproductive, given the physical obstacles posed by Iran's territorial size, terrain, nationalism, technological know-how, etc., which would only delay the process of weaponisation, but would not permanently eliminate its nuclear infrastructure, (ii) Iran would block the Strait of Hormuz (even though not possessing the naval capability to do so), (iii) Israel's air force was deemed to be too small for effective strikes, etc. Arguably, there is no possibility of military strikes against Iran either by Israel or the United States, simply because there is *no need*, in view of the lack of conclusive evidence from any reliable source, including the UN watchdog IAEA, that Iran is developing nuclear weapons. The Islamic Republic has consistently maintained that it is enriching uranium only for peaceful purposes, in accordance with the Nuclear Non-Proliferation Treaty (NPT), while its religious leaders have condemned weapons of mass destruction as "un-Islamic",¹⁴⁰ with Javed Zarif, the current Iranian Foreign Minister, calling their use and development "illegal, immoral and non-human".¹⁴¹

¹³⁶ Sarah A. Emerson and Andrew C. Winner, *op. cit.*

¹³⁷ See Austin Long and William Luers, *Weighing Benefits and Costs of Military Action against Iran*, New York: The Iran Project, 2012, p. 9.

¹³⁸ Matthew Kroenig, "Time Time to Attack Iran: Why a Strike Is the Least Bad Option", *Foreign Affairs*, Vol. 91, No. 1, 2012; Michael McAuliff, "Senators Offer License To Strike Iran Nuclear Program", *The Huffington Post*, 29 February 2012; Evelyn Gordon, "There's No More Time to Waste on Iran", *Commentary*, 31 July 2013; Jeffrey Goldberg, "The Point of No Return", *The Atlantic*, 11 August 2010.

¹³⁹ "Attacking or Threatening Iran Makes No Sense (Key Points)", *American Foreign Policy Project*, 2009, available at <http://americanforeignpolicy.org/military-option-iran/attacking-iran>, accessed on 27 December 2013; James Kitfield, "Power or Persuasion: More Sanctions or Bombs for Iran?", *Defense One*, 16 December 2013; Michael Boyle, "The US must stop the strategic blunder of an attack on Iran", *The Guardian*, 27 February 2012; "U.S. bombs not strong enough to destroy Iran's nuclear program, report says", *Ha'aretz*, 28 January 2012; Colin H. Kahl, "Still Not Time to Attack Iran: Why the U.S. Shouldn't Play Chicken with Tehran", *Foreign Affairs*, Vol. 93, No.1, 2014; Michael Adler, "News Analysis: Debate Over Iran Shifts Away From Attack", *Arms Control Today*, April 2012.

¹⁴⁰ See President Hassan Rouhani, "What Iran Wants in 2014", *Today's Zaman*, 26 December 2013,

¹⁴¹ "Iranian FM praises HM's role in promoting peace", *Oman Tribune*, 05 January 2014.

With the debate related to Iranian nuclear question couched in stark, black and white terms, the choice presented is either (i) bombing Iran, or (ii) Iran with a bomb. On closer inspection, there is an apparent inconsistency in the US rhetoric, which claims the alleged Iranian nuclear weapons programme to be “unacceptable” for the United States, and an “existential” threat for Israel.¹⁴² In the words of Gary Samore, former White House coordinator for Arms Control and Weapons of Mass Destruction, “... Obama cannot afford to agree to let Iran have a credible option to produce nuclear weapons – much less possess nuclear weapons – because it would pose unacceptable security risks to the US and its Middle East allies such as the increased likelihood of war and further nuclear proliferation.”¹⁴³

The other trend involves an equally serious discussion about a post-nuclear Iran,¹⁴⁴ containing and deterring¹⁴⁵ such an entity, and a consensus that a “nuclear” Iran would be rational, more concerned with its national interests rather than threatening other countries, and not necessarily a threat to the United States or Israel, and as such, both Washington and Tel Aviv could live with it.¹⁴⁶ Most importantly, there is concurrence that even in the event of a nuclear breakout in Iran, the likelihood of a nuclear “cascade,” with Saudi Arabia acquiring similar capability, is negligible.¹⁴⁷ In the summer of 2012 the late neo-realist international relations theorist, Kenneth N. Waltz created a stir by articulating in a *Foreign Affairs* piece¹⁴⁸ that a nuclear-capable Iran would have a stabilising and salutary effect on regional politics, and redress the power imbalance created by Israel’s military preponderance, both conventional and nuclear. According to him, “Power begs to be balanced” and, in this particular case, by Iran. In his formulation, peace can be established only through nuclear weapons-induced stability, since obtaining nuclear weapons is a sobering event.¹⁴⁹

While the Israeli Prime Minister Benjamin Netanyahu has famously denounced the interim nuclear deal as “a historic mistake”, his assertion does not accord with reality. Even inside Israel, opposition figures have criticised his reaction as “unnecessary panic”,¹⁵⁰ and one former Israeli Deputy National Security Adviser even

¹⁴² James M. Lindsay and Ray Takeyh, “After Iran Gets the Bomb: Conatainment and its Complications”, *Foreign Affairs*, Vol. 89, No. 2, 2010; see also, Ehud Eiran and Martin B. Malin, “The Sum of All Fears: Israel’s Perception of a Nuclear-Armed Iran”, *The Washington Quarterly*, Vol. 36, No. 3, 2013.

¹⁴³ Gary Samore’s Address to the 2013 Manama Dialogue, “Iran Matters”, Harvard University, 13 December 2013, available at <http://iranmatters.belfercenter.org/blog/gary-samore-speaks-2013-manama-dialogue-bahrain>, accessed on 27 December 2013.

¹⁴⁴ “Vali Nasr on U.S.-Iranian Relations”, (video), Council on Foreign Relations, 25 January 2012.

¹⁴⁵ See Christopher J. Bolan, “The Iranian Nuclear Debate: More Myths Than Facts”, *Parameters*, Vol. 42, No. 3, 2013.

¹⁴⁶ See, Alireza Nader, *Iran After the Bomb: How Would a Nuclear-Armed Iran Behave?* RAND, National Security Research Division, 2013, available at http://www.rand.org/content/dam/rand/pubs/research_reports/RR300/RR310/RAND_RR310.pdf, accessed on 27 December 2013; Robert D. Kaplan, “Living With a Nuclear Iran”, *op. cit.*; Mohammed Ayoob, “Can the world live with a nuclear Iran?”, *CNN: opinion*, 14 December 2011.

¹⁴⁷ Colin H. Kahl, Melissa G. Dalton and Matthew Irvine, *Atomic Kingdom: If Iran Builds the Bomb, Will Saudi Arabia be Next?* Washington, D.C.: Center for a New American Security, February 2013.

¹⁴⁸ Kenneth N. Waltz, “Why Iran Should Get the Bomb”, *Foreign Affairs*, Vol. 91, No. 4, 2012.

¹⁴⁹ P. J. Tobia, “The Upside of a Nuclear Iran: A Chat With Kenneth Waltz”, *PBS Newshour*, 06 July 2012.

¹⁵⁰ G. Balachandran and S. Samuel C. Rajiv, “Iran Nuclear Deal: The Fine Print”, *IDSA Defence Brief*, Institute for Defence Studies and Analyses (IDSA), 09 December 2013, p. 14.

considered the deal to be “good for Israel.”¹⁵¹ According to Robert Einhorn, former US nuclear negotiator, it’s a win-win situation: if the negotiations with Iran are successful, it’s fine. If not, that is, if it acquires nuclear capability, then the United States could always strengthen its security ties with the regional countries including Israel, to Iran’s disadvantage.¹⁵²

Merely having a crude nuclear device or a few, without war-heads, functional delivery systems, reliable testing and a retaliatory second-strike capacity, does not make a country a nuclear power, and as such, is incapable of posing a credible threat to a full-fledged nuclear-armed state. In that case, it is difficult to accept the notion that a “nuclear” Iran would pose an existential threat to Israel (with an arsenal of more than 200 nuclear bombs of its own), as it claims, when that would be clearly suicidal.¹⁵³ Sharbanou Tadjbakhsh aptly states that, the very fact that Iran’s nuclear dossier is a global rather than only a regional concern, has elevated Tehran’s negotiating position at the international level, which along with the elimination of its neighbouring adversaries in Iraq and Afghanistan have, “*upped the ante* for Iran.”¹⁵⁴

As a matter of fact, the mere reference to Iran as a threshold-nuclear state would suffice it to achieve its political objectives, namely enhancing its security and ensuring regional pre-eminence. Therefore, having what is called “nuclear latency”¹⁵⁵ would yield a strategically potent outcome. The recent nuclear deal actually highlights this ambiguity, since Iran’s uranium enrichment activities have not been stopped, but only restricted to a certain level (5 per cent), which will be continued even during the interim period. By conveniently keeping Iran’s right to enrich uranium unclear, the deal tacitly endorses it, which in Ray Takeyh interpretation means that, it is “respected in practice but not acknowledged just yet.”¹⁵⁶ Security experts have also been skeptical about the efficacy of the provisional deal, and in so doing they are giving the politically useful message of Iran’s possible nuclear future. No less a personage than Henry Kissinger has expressed his doubts, arguing that it legitimises what was previously denounced as illegal and unacceptable, and the “danger of the

¹⁵¹ Chuck Freilich, “A Good Agreement for Israel”, Belfer Center for Science and International Affairs, Harvard Kennedy School, 06 December 2013, available at http://belfercenter.ksg.harvard.edu/publication/23722/good_agreement_for_israel.html, accessed on 23 December 2013.

¹⁵² Robert Einhorn, “Iran and the Nuclear Issue: The November 7-8 Geneva Round”, transcript, Brookings Institution, Saban Center for Middle East policy, 01 November 2013, available at http://www.brookings.edu/~media/events/2013/11/01%20nuclear%20iran/20131101_iran_nuclear_transcript, accessed on 28 December 2013.

¹⁵³ Zbigniew Brzezinski, “Schieffer Series: The Iranian Nuclear Deal with Zbigniew Brzezinski, Tom Friedman, and Bob Einhorn”, (video), Washington, D.C., Center for Strategic and International Studies, 09 December 2013, available at <http://csis.org/event/schieffer-series-iranian-nuclear-deal-new-direction-tehran-west>, accessed on 24 December 2014.

¹⁵⁴ Sharbanou Tadjbakhsh, “The Persian Gulf and, Afghanistan: Iran and Saudi Arabia’s Rivalry Projected”, *op. cit.*, p. 26.

¹⁵⁵ Roland Popp, “Iran’s Real Intention: Nuclear Latency”, (audio), *ISN: ETH Zurich*, 06 September 2012, available at <http://isn.ethz.ch/Digital-Library/Audio/Detail/?param0=Middle+East+%2f+North+Africa&lng=en&id=152990>, accessed on 24 December 2014.

¹⁵⁶ Quoted in Mark Landler, “Kerry Defends Nuclear Pact with Iran”, *The New York Times*, 24 November 2013.

present dynamic [being] that it threatens the outcome of Iran as a threshold nuclear weapons state".¹⁵⁷

The bottom-line is that, whether Iran actually has a credible nuclear weapon programme or not, is beside the point since, what matter in this case are the right atmospheric, and the logic of if-there-is-smoke-there-is-fire. According to Stratfor analyst George Friedman,

Assuming the Iranians are rational actors, their optimal strategy lies not in acquiring nuclear weapons and certainly not in using them, but instead in having a credible weapons development program that permits them to be seen as significant international actors. Developing weapons without ever producing them gives Iran international political significance, albeit at the cost of sanctions of debatable impact.¹⁵⁸

This is not only convenient for Iran, but safe for both the United States and Israel, since it obviates the risk of actually striking Iran militarily. While the case of an Iranian nuclear weapons programme is largely unsubstantiated, the ratcheting up of the rhetoric of the challenge posed by a nuclear-armed Iran has enabled further consolidation of American naval presence in the Persian Gulf, and significantly enhanced the US role in crafting a stronger Gulf security architecture by providing its Gulf allies necessary missile defences.

At this juncture it would not be unwarranted to add a coda to the narrative of Iran-Israel hostility, which on closer inspection does not appear to be as implacable as it is projected to be, at least, it is not borne out by historical facts. According to Avigdor Lieberman, the Israeli Foreign Minister, "[W]e enjoyed really friendly relations with the Iranian people for hundreds, maybe thousands of years".¹⁵⁹ Having accorded a de facto recognition to Israel, a strategic nexus between the two was fostered throughout the late Shah's reign.¹⁶⁰ Despite overt, much-publicised animosity, the post-1979 Islamic

¹⁵⁷ Henry A. Kissinger and George P. Schultz, "What a Final Iran Deal Must Do", *The Wall Street Journal*, 02 December 2013.

¹⁵⁸ George Friedman, "War and Bluff: Iran, Israel and the United States", *Geopolitical Weekly, Stratfor: Global Intelligence*, 11 September 2012.

¹⁵⁹ Quoted in Susan Maloney, "Israeli Foreign Minister on Iran: If You Want To Shoot, Shoot; Don't Talk", Brookings Institution, 07 December 2013, available at <http://www.brookings.edu/blogs/iran-at-saban/posts/2013/12/07-avigdor-lieberman-israel-saban-forum-iran>, accessed on 28 December 2013. It is even hypothesised that the true provenance of Judaism was 5th century B.C. Persia. See, "Persia and Creation of Judaism", 1998, The Circle of Ancient Iranian Studies (CAIS), available at http://www.cais-soas.com/CAIS/Religions/non-iranian/Judaism/Persian_Judaism/Persia_created_judaism.htm, accessed on 28 December 2013.

¹⁶⁰ Iran-Israeli relations received a further boost after the Six-Day War of June 1967, when Iranian oil was shipped to Israel through the Eilat-Ashkelon, or Trans-Israel pipeline. The pipeline, whose construction actually began in 1956, linked the Israeli ports of Eilat on the Gulf of Aqaba, in the Red Sea, with Ashkelon on the Mediterranean Sea. It was used not only for supplying oil from Port Bandar Abbas in Iran to Eilat, but also for transporting Iranian oil to the European market, by-passing the Suez Canal. Yosi Melman, "Secret Talks: Israel and Iran – It's a Business Arbitration, and It's Not Friendly", *Spies Against Armageddon*, 26 July 2013.

Republic of Iran and Israel have *unofficially* cooperated with each other in dealing with a number of mutual interests and security challenges.¹⁶¹ The general verdict is that the recent nuclear deal is favourable for Israel, in view of the fact that “both the Jewish state and the Persian Shiite state” are “outsiders” or the “odd-men out”, in a largely Sunni Arab region, and as suggested by Trita Parsi, “tend to view themselves as somewhat superior to their Arab neighbours”.¹⁶²

Significantly, the Iranian military never participated in any of the Arab wars against Israel, and was assisted by the latter during the 1980-88 Iran-Iraq war,¹⁶³ with Iran purchasing more than US\$ 500 million worth of arms from Israel between 1980 and 1983.¹⁶⁴ The current Iranian administration of President Hassan Rouhani, in contrast to the previous regime of Mahmoud Ahmedinejad, actually condemns the Holocaust, and implicitly recognises Israel’s right to exist, with the Iranian Foreign Minister greeting Jews on their new year.¹⁶⁵ It has been suggested that the vitriolic anti-Israeli invectives routinely hurled by the Iranian leadership are mainly for conciliating the Arab countries, its support for the Palestinian cause being a tool for advancing Tehran’s goal of leadership of the entire Muslim *ummah*,¹⁶⁶ and generating the perception of Iran being the *only* regional country capable of challenging the United States in particular and the West in general.¹⁶⁷ Seen through the Iranian lens, Israel is some kind of “lightning rod” for deflecting Arab militancy toward the latter instead of Iran.¹⁶⁸

6. Conclusion

According to an apocryphal story, Chairman Mao Zedong responded, when asked about the impact of the French Revolution, “it was far too early to tell” or something to that effect. Likewise, given the fluidity of the prevailing situation, it may be too early to make a correct prognosis of the ramifications of US-Iran rapprochement, even though there are indications of a geopolitical reconfiguration of epic proportions. While six months down the road, a permanent settlement of the nuclear issue could be attained, in reality there may not be any forthcoming, with the interim accord extended for an indefinite period.

¹⁶¹ Aviv Melamud and Arianne Tabatabai, “An Israeli and an Iranian on the Way Forward”, *The National Interest*, 23 December 2013.

¹⁶² Trita Parsi, *Treacherous Alliance: The Secret Dealings of Israel, Iran and the U.S.*, London: Yale University Press, 2007, pp. 5-7, quoted in Asya Pereltsvaig, “Israel and Iran Before the Revolution: A Not-So-Secret Marriage of Convenience”, *Geo Currents*, 12 September 2013.

¹⁶³ David Patrikarakos, “Iran, From Enemy to Ally”, *The New York Times*, (op-ed), 08 December 2013.

¹⁶⁴ Trita Parsi, referred to in Tadjbakhsh, *op. cit.*, p.18.

¹⁶⁵ Moussavian, “The US and Iran: A Breakthrough Moment?”, (video), Asia Society, 17 December 2013, *op. cit.*

¹⁶⁶ Vali Nasr, CFR, “Symposium on Iran and Policy Options for the Next Administration: Session Three”, (video), *op. cit.*

¹⁶⁷ Dr. Ghassan Shabaneh, “Kerry’s Visit to Saudi Arabia and the Saudi American Relations”, *op. cit.*

¹⁶⁸ Robert B. Reppa, Sr., *Israel and Iran. Bilateral Relationships and Effect on the Indian Ocean Basin*, New York: Praeger, 1975, p. 73, quoted in Asya Pereltsvaig, “Israel and Iran Before the Revolution: A Not-So-Secret Marriage of Convenience”, *Geo Currents*, 12 September 2013.

For one thing, the nuclear deal could complicate the regional security environment by exacerbating Saudi-Iranian tension, though as such, it is not the source. It may render the Persian Gulf zone the virtual epicentre of global conflict by upending the delicate regional order, and empowering Iran at the expense of Saudi Arabia, thus entailing serious repercussions for the global energy market. While the intricacies of international politics are not fully apparent and difficult to grasp, US-Iran normalisation of relations is quietly enhancing China's role, both economic and military, in the Gulf region, whose energy resources for the foreseeable future would continue to remain crucial for Beijing's economic development. Interestingly, in tandem with Iran, China is also expected to play a prominent role in post-2014 Afghanistan, whose strategic implications cannot be over-emphasised.

While the dominant (and simplified), narrative currently is the centrality of Shia-Sunni regional tension represented by Iran and Saudi Arabia, reality is far more intricate and multi-dimensional, requiring a more nuanced appreciation of their relationship, which is actually one of "managed rivalry", involving a mix of conflict, cooperation, pragmatic accommodation and compromise. The exaggerated projection of ethno-religious divisions and weak national cohesion is not particularly helpful since, by underscoring the sectarian differences, it is obscuring the complexity of the situation, and hindering the scope for diplomatic understanding between Riyadh and Tehran, hostility between whom are neither foreordained nor irreconcilable. It needs to be borne in mind that the antagonistic sectarian impulse is not necessarily the sole driving-force in the regional turmoil, where multiple factors, both internal and external, are at play. Nor is the alleged Iranian nuclear ambition the main cause of concern – rather, it is the exponential expansion of Iran's geopolitical influence itself, with or without nuclear capability that comprises the core threat-perception. That is to say, the goal of Tehran's nuclear brinksmanship is essentially ensuring its regional primacy, especially in Iraq and Afghanistan, which accords with US interests, too. In this context, the hype of a nuclear Iran being an "existential threat" for Israel, as well as the discrepancy between the much-discussed Iranian-Israeli enmity and historical facts, merit further study. Unfortunately, as is apparent from this brief overview of the geopolitical implications of the Iran nuclear deal, further instability may be in the cards, including increasing fracturing of the existing Levant-Mesopotamia area state-system, as a part of the ineluctable political transformation that is underway.

A regional balance of power, minimising the prospects of war, is in conformity with American strategic aspirations suggests that, for the foreseeable future it would be in the US interest to have Saudi Arabia, which yet has considerable strategic relevance for Washington, off-setting Iran, but from a much weaker position, in a replay of the game of balance of power that once upon a time in the not-so-distant past was called the "twin pillars" policy, achieved through sustained geopolitical manipulation, and a smaller American foot-print. In the so-called "post-American" era, Washington continues to possess a wide range of options for managing regional politics to its

advantage, and ensuring that the reordering of the proverbial chess-board is aligned with its interests. Besides, Iran too, has certain limitations in its quest for exercising a hegemonic role, and is aware of the exigency of some sort of adjustment with the regional Sunni-powers.

A classic example of *Realpolitik*, the nuclear deal highlights the broader, long-term US-Iran strategic convergence of interests, which is likely to establish Iran as the regional security provider, thus paving the way for the institutionalisation of *pax Iranica* – and conceivably benefiting Chinese regional investments in the energy sector, too. However, more than a reconciliation between Washington and Tehran, the essence of a real paradigm shift would involve a Saudi-Iranian accommodation, and de facto Saudi acceptance of Iran's regional pre-eminence.