



Center for Strategic & International Studies
Washington, DC

Iran and the Caucasus

Alex Vatanka, Jane's Information Group
Richard Giragosian, Abt Associates, Inc.

Russia and Eurasia Program
Caucasus Initiative

February 14, 2005

Alex Vatanka opened the discussion by speaking about relations between Azerbaijan and Iran. When Azerbaijan became independent in 1991, Iran hoped to develop a natural alliance between the two states, as Azerbaijan had formerly been part of the Persian Empire. This did not happen, however. Instead, Iran faced a government that prioritized the establishment of a “greater Azerbaijan” i.e., the unification of the northern part of Azerbaijan with its southern part located in Iran.

As a result, Iran turned to developing its relations with Armenia. Iran maintained a neutral position on the Nagorno-Karabakh conflict, although some Azerbaijanis speculate that Iran actively helped Armenia in the conflict. After Heidar Aliyev came to power in Azerbaijan, the rhetoric regarding greater Azerbaijan faded. Azerbaijan's priority was to strengthen the country economically, in order to succeed as an independent state and to successfully face down the threat from Armenia. Azerbaijan also began to develop more tangible foreign policy interests because of oil and gas assets in the Caspian region. This led to a dispute with Iran regarding the division of the Caspian Sea: if Azerbaijan were to get its way, Iranians would get only 13 percent of the Caspian, as opposed to the 20 percent share they sought.

In the past, Azerbaijan was oriented towards Turkey and, by extension, the United States, both major rivals of Iran. Azerbaijan's western orientation prompted Iran to maintain friendly relations with Armenia; today these relations continue to be based mainly on two issues, trade and energy cooperation. More recently, however, Azerbaijan has begun to bridge the gap between it and both Iran and Russia. This change of focus can be attributed in part to Azerbaijani disappointment with its relations with Turkey and, in particular, Turkey's lack of leverage to promote Azerbaijani interests internationally. Moreover, Azerbaijan fears that in the event of poor relations with Iran, Tehran will seek to adversely influence politics in Azerbaijan by funding radical Islamist parties. Finally, the Azerbaijani government worries about U.S. intentions for regime change in the region, especially in light of events in Georgia and Ukraine.

Vatanka noted that Iran, for its part, feels trapped by the United States and is convinced that recent actions in Iraq and Afghanistan are moves primarily directed at itself. Also, Iran would prefer to have ties with autocratic leaders, such as Azerbaijani President Ilham Aliyev, rather than with democratic regimes. Vatanka later noted that if democracy were to be established in Azerbaijan, it could have a positive influence on democratic development in Iran.

Richard Giragosian followed by addressing Armenian-Iranian relations. From Iran's perspective, relations with Armenia are driven primarily by a feeling of isolation. Iran's strategic view of Armenia stems from its interest in a North-South transport network that includes rail transport, communications, and energy. Iran also has connections with Armenia thanks to commercial ties and the presence of Iranian students in Armenian universities. Iran also wants to counter Turkey's role as the traditional U.S. regional proxy. Armenia's military ties with the U.S., in particular Armenia's deployment of troops to Iraq, troubles both Iran and Russia.

Giragosian then examined relations from the Armenian perspective, which is rooted in a similar perception of isolation but also stems from the positive history of Iran's Armenian community. As a landlocked country, Armenia is trying to overcome the blockade Turkey and Azerbaijan have imposed against it, and to establish and expand external links with Russia, Georgia, and Iran. However, Armenia looks to Iran with some caution, especially after the U.S. imposed sanctions in 2002 on Armenian firms dealing with Iran. Armenia subsequently tightened export controls and began to work closer with the U.S. on nonproliferation and border security issues.

Giragosian indicated two major factors driving Iran-Armenian relations: energy and geopolitics. A soon-to-be constructed natural gas pipeline, at a total cost of over \$210 million, will provide Armenia with gas from Iran in exchange for electricity. The original plan for the pipeline was to connect to Georgia, and then to European markets via the Black Sea and Ukraine. However, as constructed, the Iran-Armenia pipeline will have a local capacity that satisfies only Armenian needs and prohibits any bigger export ambitions. This reduction in the pipe's diameter may be viewed as an attempt by Iran to dilute Russian concerns that Tehran is seeking to establish itself as a competitor for gas exports to Europe.

In addition to gas and electricity, Giragosian noted there are plans to establish a railway link between Iran and Armenia and to link a fiber optic cable network between the two countries.

Giragosian concluded by noting that Armenia's foreign policy is based on the notion of complementarity. Armenia balances its reliance on Russia with a pro-Western approach, but it also seeks flexibility due to the blockade. It seeks as many options as possible by maximizing opportunities and minimizing risks. Iran's ambitions for developing a North-South corridor are similarly pragmatic.

Summarized by Natalia Moustafina