Intra- and Inter-Societal Sources of Instability in the Caucasus and EU Opportunities to Respond

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Iranian influences on the South Caucasus

Part 1: The Overview of Iran & Caucasus Ties

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Executive Summary (0.0)

With the collapse of the Soviet Union and independence of the Caucasus countries, widespread changes emerged in the political geography of this region and the power vacuum created by the collapse of the Soviet created a new opportunity for regional and international actors to define new equations for their relations with the Caucasus countries according to their national interests and strategic goals.

Nearness of the Caspian Sea to the Caucasus and its significant sources of energy attracted the attention of international actors to this area. America, Russia, Europe, Iran, Turkey, China, India, and Israel are among the main powers and countries who made extensive efforts to attend in the area. These efforts along with the different and often conflicting interests of these powers and their strategic priorities led to wide competitions in the region. For Iran, the Caucasus is not a completely foreign territory and is highly similar to Iran from historical and cultural perspectives.

With collapse of the Soviet Union, Iran was forced to develop a policy to suit the new conditions. This policy was formed around several axes. Preserving security of the country and its territorial integrity, developing bilateral and multilateral economic relations, stressing the geopolitical importance of Iran regarding transit of goods as well as reconstructing the international image of the Islamic Republic of Iran.

Abandoning some ideological considerations of the Islamic revolutionary system, Tehran pursued a pragmatic prudent policy in relation to these countries. In addition, the Iranian authorities decided to set their policy in this area in close cooperation with Russia.

Due to the mentioned procedure, we can also talk about another development which is the importance of cultural approaches in Iran's foreign policy. According to this theory, relations between countries are set based on their identity and cultural components. Iran has a great Islamic-Iranian heritage across Central Eurasia and the Caucasus. Albeit, due to the severe impact of power equations and consequences of the big game on one hand and structural carelessness to these countries in Iran's foreign policy during the years following their independence, these socio-cultural assets are less used. Iran sees instability in the South Caucasus as a threat to its national security and hence, tries to consolidate stability and security of its borders by mediating in crises.

Efforts to resolve the Karabakh crisis is a clear example of this policy in establishing security and stability in the region. Emphasis on regional solutions has been the main approach of Iran's foreign policy in the South Caucasus. On the other hand, in the area of Caspian Sea, Iran has been making efforts to avoid excessive tensions in the relations with Azerbaijan Republic. Disputes between the two countries in the field of energy and its transport as well as legal issues of the Caspian Sea have confronted the prospect of their relations with ambiguities. The policy of Azerbaijan in closeness to the America and Israel has had direct effects on its relations with Iran. But relations with Armenia have been more stable, and closeness of Armenia and Iran to Russia has strengthened this stability. Iran's relations with Georgia are also very important because it is located on the energy route to Europe.

However, Russia's interests in the area of the Caspian Sea on the transmission of energy and exploitation of sea resources are in stark contrast to Iran's vital interests.1

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But the interaction between Iran and Russia in the South Caucasus has been shaped based on international approaches of the foreign policies of both countries, particularly in the context of relations with America in the region. In recent years, Syria has played a significant role in the promotion of cooperation between Iran and Russia. Therefore, Iran's foreign policy and its relations with the South Caucasus republics have been under the strong influence of orientations and policies of the regional and trans-regional actors. In general, Iran's interests in the Caucasus region can be summarized in the following categories:

1. Revive the traditional ties with the Caucasus region aimed at preventing threats against Iran's national security as well as economic and cultural advantages;
2. Gain Iran's interests in the Caspian Lake and extract oil and gas resources;
3. Take advantage of the linking situation of the Caucasus as an alternative route for Turkey to the Europe;
4. Restore the routes of energy to the economic and natural state with the aim of strengthening economic stability and advantage;
5. Prevent the formation of threatening processes by America, NATO, and Israel against Iran in the Caucasus.

After the Soviet collapse, Iran tried to enter that region and have a continuous presence there through communication and direct contact with the Caucasus countries. Therefore, as the first post-Soviet action, Iran recognized the newly independent republics including the three countries of Caucasus, and the IRI Ministry of Foreign Affairs began to establish its political representations in these countries immediately after declaration of independence of these republics. In this regard, Iran's interests in the Caucasus region can be divided into three geo-political, geo-economical, and geo-cultural fields.

**Iran's interests (0.0.1)**

1. **Iran's geopolitical interests in the Caucasus (0.0.1.1)**

   Soviet collapse and modern geopolitical upheavals caused by it have entailed opportunities and threats for Iran. The Soviet collapse caused a power vacuum in the Caucasus and cast new security threats on Iran.

   In other words, the threat against Iran due to military presence of the northern superpower was disappeared with the Soviet collapse. But on the other hand, this danger continued in other forms with the presence of America and Israel and internal conflicts in the Caucasus.

   On the other hand, because of having two conflicting countries, the Caucasus region puts the Islamic Republic of Iran in a complex political situation. After the Soviet collapse, the most important parameters affecting the minds of Iranian officials regarding Azerbaijan were ethnicity and nationalism. The mentioned issues regarding Armenia were geopolitical and geo-economic factors. Azerbaijani has the religion and ethnicity powers to affect the thought of the Islamic Republic authorities. But both governments have adopted prudent and realistic policies in relation with each other.²

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Stability and security of these republics are important in the aftermath of independence for the region countries and Iran believes that its interests in the region is directly linked with the stability of the Caucasus countries.³

2. Iran’s geo-economic interests in the Caucasus (0.0.1.2)

Iran's economy is complementary to the Caucasus republics and they can also have cooperation in oil and gas fields. The Caucasus is considered as one of the north-south transit routes and one of the intersections of energy and transport arteries to the Europe. Caucasus transit route to Europe has more advantages for Iran compared to the traditional Turkish route. From the Caucasus, Iran gets about 1000 km closer to some markets in the North and East Europe. Economic prosperity of the Caucasus countries is aligned with Iran's regional and economic policies. Hence, Iran welcomes it and believes that this economic boom opens a new market of goods and services for Iranian companies and also creates jobs in the Iranian provinces bordering Caucasus.

3. Iran’s geo-cultural interests in the Caucasus (0.0.1.3)

In geo-cultural terms, due to the historical background, Iran enjoys a better position compared to other actors. Azeri, Armenian, and Georgian ethnic groups are familiar with Iran and Persian culture and their language mates live in the territory of present-day Iran. In addition, Azerbaijan as the second Shia country is located in the Caucasus and the religious ties between Iran and Azerbaijan can meet Iran's interests there. North Caucasus, particularly Dagestan, is one of Iran's geo-cultural interests. On the other hand, we should refer to the strategic importance of this Republic because Iran can relate with it through the Caspian Sea and have access to the markets of Southern Russia.⁴

Features of IRI foreign policy (0.0.2)

1. Emphasis on national interests rather than ideology (0.0.2.1)

Unlike other aspects of Iran's foreign policy, its approach in the Caucasus is dramatically free from ideological influences.

This perspective almost began with the collapse of the Soviet Union and the presidency of Hashemi Rafsanjani in Iran's diplomatic apparatus. Accordingly, Iranian Foreign Ministry tried to avoid unduly and costly efforts in its foreign policy for achieving the vague doctrinal ideals of the Islamic Revolution in its surrounding areas, and emphasized more on national interests and regional cooperation. Especially in its relations with the countries of Central Asia and the Caucasus, Iran tried to achieve a realistic objective. Revolutionary politics were pursued through other organs such as Army of the Guardians of the Islamic Revolution and some religious institutions that were sometimes at odds with the central government.⁵

2. Giving priority to security interests (0.0.2.2)

The highest priority of Iran regarding the Caucasus is to safeguard the security of the borders of Iran and above all, its territorial integrity. This fundamental security

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³ Mahmoud Va'еzi (2006), Geopolitical crisis in Central Asia and the Caucasus. P.127
⁴ Kaweh Sadegh-Zadeh (2008), Iran's Strategy in the South Caucasus: http://www.cria-online.org/2_5.html#_ftn5
⁵ Jalaleddin Dehghani Firoozabadi, Foreign Policy of the Islamic Republic of Iran, Tehran, Samt, First edition, 2009, p. 220
importance is the origin of Iran's efforts to mediate internal conflicts in the Caucasus and prevent the spread of such ethnic and religious conflicts to the inside of Iran.  

3. Cooperation with Russia (0.0.2.3)

Iran's policy toward the Caucasus is mainly influenced by its desire to maintain good relations with Russia, even in cases that Russia is less interested in having close relations with Iran. This is despite the fact that in many economic and security aspects in the region, the two countries are rivals and have conflicting interests.

4. The transfer of energy to international markets (0.0.2.4)

With conclusion of major oil extraction contracts in Azerbaijan with the participation of Western and American companies, the transport route of extracted resources has always been important. Western sides have always proposed Georgia and Turkey and have shown no interest in transporting the extracted oil and gas from Russia or Iran. They have always stressed on Baku-Tbilisi route towards the Black Sea or Turkey. Therefore, Iran's regional policies have always emphasized the ability to transfer energy from Iran to Turkey or the Persian Gulf at lower costs. However, international political considerations have prevented its implementation. Iran also tries to play a role in the transfer of other energy pipelines in the Caucasus. With regard to the lifting of sanctions, these efforts can be seen in the Iranian-Caucasus policies which aim to join these international energy markets and particularly Europe.

5. Confronting military activities of the trans-regional countries (0.0.2.5)

South Caucasus countries do not consider the presence of trans-regional powers as a threat. But the Islamic Republic of Iran has always pursued the presence of Israel in Azerbaijan as well as America's military and security forces in the region with sensitivity. NATO's presence may not be of much importance to Iran but the presence of Israel and America are considered as a security threat and Iran tries to adjust its policy with the Caucasus countries according to their relations with Israel and America.

6. The transit policy (0.0.2.6)

Caucasus countries do not have access to trans-boundary waters and need to have proper routes to access the seas in the south and advance their economic programs. Iran provides the best route among the available routes regarding high security and facilitated communication. Iran considers its transit policies in the North-South corridor project and tries to further involve the Caucasus countries in this project.

7. Participating in mediation and resolving regional conflicts (0.0.2.7)

Iran feels that the power and influence of the Islamic Republic of Iran in resolving regional conflicts have been ignored by actors such as Russia, Europe and America. Hence, it has tried to be individually effective. Karabakh issue is the most important practical instance of Iran's activities in this field which failed once in 1992. But in the last Karabakh conflict in April 2016, it managed to be more influential through regional cooperation with Russia and Turkey.

The reasons for passivity of IRI's policies (0.0.3)

1. Lack of a clear and long-term policy (0.0.3.1)

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6. Richard Weitz (2015), Iran's empowerment in Central Asia and the South Caucasus:
Some believe that Iran does not generally follow a specific program in its foreign policy. However, Iran's foreign policy trends in other regions show that this country has always defined and implemented some plans and strategies, e.g., in the Middle East, and has acted more or less in accordance with developments in the region during different time periods. In the period after the nuclear deal and changes in Iran's foreign policy, we have been observing the focus of Iran's foreign policy on regional issues and cooperation, and the commute of political and economic delegations in the Caucasus, which might be a sign indicating the beginning of a specific long-term policy in the Caucasus region.

2. Iran's relations with the South Caucasus affected by Iran's relations with America and Russia (0.0.3.2)

Some believe that because of Iran’s need to establish a strategic relationship with Russia, it cannot seriously compete with Russia in the region and create an obstacle to the hegemony of Russia in the Caucasus. Thus, although the two countries are rivals in the region on some issues, especially on trade and energy in the region, and the lack of diplomatic relations between Iran and America has led Iran to adopt a Russian-centered policy. Thus, it has not been able to set its own national interests with respect to its position. Therefore, due to the need for military and civilian technologies and Russia's vote in international institutions, it has refused any action which challenges the status quo and has not played any of its roles as the center of Islamic civilization in the region or Iranian culture and civilization. America also has struggled, with political pressure on countries in the region, to advance all social, cultural, economic, and political phenomena of Caucasus without Iran.  

3. Weak economic relations between Iran and the region (0.0.3.3)

Although Iran has much economic and cultural interests in this region, it does not use all available capacities. Low volume of trade exchange and investment in various sectors which is somewhat natural due to Iran's weak economy and sanctions indicate that economic goals have not been the most important objectives in this area. Only at the beginning of the independence of the Caucasus countries, Iran's economic position in this region was significant and Iran's economic relations with these countries started to decline after the nuclear deal in July 2015, we observed a boom in economic relations and especially in long-term agreements which can turn Iran as one of the most important economic partners of the region countries in the next decade. Iran exchanges with the total area has grown more than 70% compared to before the nuclear deal.  

Iran also has failed to create institutions which can advance the country's foreign economic policy. South Caucasus countries gained independence when Iran was rebuilding its war-torn economy and consequently, strategic investment was not possible. It should also be noted that the current Iranian economy which is getting out

of sanctions lacks the ability to compete with Turkey, Israel, America, China, Russia, and Europe in the years after the Soviet collapse in the region.\textsuperscript{9}

4. Negative attitude of media towards Iran in the Caucasus (0.0.3.4)

Political conflicts in the Islamic Republic of Iran and inability of the media to justify regional policies has led to the transfer of such negative views through the Caucasus media to the public. For example, in Azerbaijan, people think that Iran always sends military and economic aids to Armenia to preserve Karabakh. In Armenia, people think that Iran is a backward country in economic and cultural terms.\textsuperscript{10}

\textbf{Security strategies of IRI in the Caucasus (0.1)}

Lack of a pervasive and sustainable system and continuation of insecurity and instability in the Caucasus are associated with several factors such as geopolitical position and huge resources of oil and gas in this region. As a result, religious extremism, ethnic and sectarian tensions, terrorism, fragile and weak states, and distrust between regional actors are of special importance in this regard.

Execution of the policy of containment against Iran by the US and international sanctions have restricted the active role of the Islamic Republic of Iran in the region and, despite having many in common and historical ties with the people of Azerbaijan, Georgia, and Armenia, reduced opportunities for development of relations with the South Caucasus states. Hence, Iran has forcibly switched to regional alliances with other influential countries in the Caucasus like Russia and Turkey in order to advance its goals.\textsuperscript{11} Baku-Tehran-Moscow axis, Baku-Tehran-Ankara axis, Moscow-Tehran-Yerevan, and Tbilisi-Yerevan-Tehran axes are among the political-security activities of Iran.\textsuperscript{12}

Additionally, "pattern of cooperative security" is pursued by Iran as a long-term plan in the region. Having a different approach to international politics, the central idea governing this pattern is providing the relative security of all countries through accepting mutual commitments on limiting one's military capabilities. The Caspian Sea demilitarization policy is a good example of this pattern. Nevertheless, Iran announced in April 2010 that it had launched a Jamaran-class ship (a smaller corvette) in the Caspian. With a displacement of about 1,400 tonnes, the Jamaran is the largest ship in its 90-something Caspian fleet, and is designed to host an armed helicopter. Iran is also planning to build 75 smaller missile boats of the Peykaap II class, which

\begin{itemize}
\item\textsuperscript{9} Bahram Amir Ahmadian (2011), \textit{Iran’s Opportunities and Challenges in Caucasus}: http://www.iranreview.org/content/Documents/Iran%E2%80%99s_Opportunities_and_Challenges_in_Caucasus.htm
\item\textsuperscript{10} Mahmoud Va’ezzi (2009), \textit{Mediation in Central Asia and the Caucasus: Experience of the Islamic Republic of Iran}, Tehran: Institute for Political and International Studies. pp. 62-53
\item\textsuperscript{11} Evanthia Balla (2013), \textit{Turkish and Iranian interests and policies in the South Caucasus}: http://noref.no/var/ezflow_site/storage/original/application/4b0857e9346d1c11fe98dc3a42c49a.pdf
\item\textsuperscript{12} \textit{After Sanctions, Iran’s Growing Role in the Caucasus} (2016), https://www.stratfor.com/analysis/after-sanctions-irans-growing-role-caucasus
\end{itemize}
though they will likely be largely based in the Persian Gulf, Russian analysts believe could be transported by land to the Caspian if necessary.¹³

As an active and influential regional player which shares common border with two of the three Caucasus countries, Iran considers a special importance and priority for the Caucasus in its security policy and is the only neighbor of the Caucasus which has normal relations with the three countries of the region. Iran has always followed a realistic and pragmatic security policy towards the Caucasus which is driven by interests and geopolitical considerations. The Islamic Republic of Iran has attempted to provide and ensure its border security, territorial integrity, national unity and sovereignty, political stability, and economic development by establishing a cooperative security system and structure in the region. From the perspective of Iran, despite its geopolitical and geo-economic importance and position, the Caucasus is faced with major security challenges. Hence, Iran believes that securing and maintaining peace and stability in the region require the cooperation and joint action of all countries in the region without the interference of extra-regional powers. Iranian security model involves 3 countries of the Caucasus (Armenia, Azerbaijan, and Georgia), 3 neighboring countries of the Caucasus (Russia, Turkey, and Iran), and the European Union and other international organizations (3+3+1).¹⁴

Competition of extra-regional actors and great powers on resources and energy transfer, security dependence of this region on extra-regional powers, power competing blockings, mutual and opposing military alliances, leaving aside some of the regional players including Iran from security arrangements and structures, militarization of the region, and a weapon race between Azerbaijan and Armenia are other obstacles to the formation of a cooperative security system in the Caucasus. Therefore, it can be argued that as the establishment of regional security arrangements is not possible without cooperation of regional actors, formation of such a security system is impossible without assistance from extra-regional actors. Hence, establishment of peace and security in the Caucasus requires cooperation, participation, and assistance of all the relevant regional and extra-regional actors on the basis of mutual interest and respect. It seems that the Islamic Republic of Iran has found that has the ability to negotiate with all actors.

Based on the concept of cooperative security, Iran has proposed security projects and initiatives that involve all the three Caucasus countries and three regional power (Iran, Russia, and Turkey) and also allows the possibility for cooperation of influential international actors such as the Europe Union (Organization for Security and Cooperation in Europe and NATO). Thus, during the August 2008 war between Russia and Georgia, Iran proposed the 3+3 plan for peaceful settlement of the conflict and establishment of peace and stability in the Caucasus. This peace plan, which was previously proposed for the settlement of the Nagorno-Karabakh War, is based on

cooperation, coordination, and consultation between the three Caucasus countries and three regional powers (Iran, Russia, and Turkey) for crisis management and peaceful settlement of disputes and conflicts. Then, Iran expanded the scope of the security plan to include the Europe Union, too. As a result, the 3+3+1 Peace Plan was proposed by the Iranian Foreign Minister. In the framework of the Caucasus diplomacy, Iran made great efforts to convince regional and extra-regional actors for participation in joint crisis management. This policy been put into action since 2008. Diplomatic missions of former foreign minister, Manouchehr Mottaki, after the conflict of August 2008 to Tbilisi, Ankara and Moscow was one of these activities.

Iran & Caucasus Ties (0.2)

Armenia- Iran ties (0.2.1)

Relations between Iran and Armenia, under the influence of the consolidation of Tehran-Moscow-Yerevan axis, are more political and economic than cultural. Armenia like many Central Asian republics and the Republic of Azerbaijan, has no access to open sea. This geopolitical capacity is well taken into consideration in Iran's relations with this country. Armenia's geographical location and access to European countries, Nagorno-Karabakh conflict, the country being surrounded by Azerbaijan and lack of a common border with Russia and the special situation of Iran in the region have all led to the continuous development of the relations between the two countries. Being in the southern coast of the Caspian Sea and the northern coast of the Persian Gulf and the Sea of Oman, Iran has a significant role in connecting Armenia to global markets. Armenia's geographical location can also play an important role in Iran and Europe transportation. The continuing crisis of Nagorno-Karabakh and the continued presence of Russian troops in Armenia have destroyed the possibility of establishing good relations with the Republic of Azerbaijan as well as Turkey which defends Azerbaijan's positions on the matter. However, any changes in relations between Armenia and Turkey can have an immediate impact on this equilibrium. The main goal of Armenia is to resolve Nagorno-Karabakh crisis such that the total security of Armenians living in Karabakh is provided. By the way, Eastern Azerbaijan province is known as the leading province in the economic relations with Armenia.

Existing facilities and needs of Armenia in the field of energy, transportation, industries and mines, cheap labor, expertise and technology in synthetics manufacturing on the one hand, Iran's advantage, expertise and experience in exploitation of mines, having rich energy resources and technology for the production of certain goods on the other hand are all examples of the good potentials of the two countries to expand their economic cooperation. Armenia's comparative advantage in some industries, particularly industries related to minerals or light industries, has increased the possibility of expanding trade with Iran. Establishing a border crossing,

removing transit visa restrictions for drivers, passengers, and businessmen, establishment of a joint chamber of commerce are all reasons for the growth of bilateral trade between the countries. In the latest political developments, Foreign Minister of Armenia in Tehran also signed a document abolishing the visa regime between the two countries in August 2016.

**Azerbaijan-Iran ties (0.2.2)**

The political relations between the two countries have always been influenced by Azerbaijan's strategic alliance with the United States of America, Turkey and Israel, as well as disputes over the Caspian Sea's legal regime. Indisputably, one of the main barriers to the expansion of economic relations between Iran and Azerbaijan should be sought in the political relations between the two countries. The sameness of language in Azerbaijan and some sections of Iran, which is not at all a negative property in nature, due to some tensions between the two countries, the presence of America and Israel, as well as the activities of separatist movements in Iran has played a negative role rather than positively impact the relations between the two countries.

The economic relations between Iran and Azerbaijan have been in the fields of oil, gas, electricity, customs, commerce, communication, transportation and construction. Iran-Azerbaijan relations in the field of gas have been mostly focused on the axis of khoy-Nakhchivan gas pipeline which finally became operational in December 2005 with a capacity of a million cubic meters of natural gas. In November 2006, Iran and Azerbaijan agreed on the construction of two hydroelectric power plants over Aras River so that the two countries use the Aras river water equally.

It is very important to note that, regarding the trade relations between the Republic of Azerbaijan and Iran, Iran has fallen from its position among the trading partners of Azerbaijan over the past two decades. In November 1995, within 9 months, Iran became the major trading partner of Azerbaijan by exchanging more than 180 million dollars’ worth of goods. In the same period, Russia and Turkey were the second and third trading partners of Azerbaijan. However, this trend was reversed in the later years. In the first four months of 2016, Iran exported 178 million dollars to Azerbaijan, whereas during the twelve months of the last year, the total value of 232 million dollars' worth of exports to this country has been registered. The imports from Azerbaijan have also increased; contrary to the large volume of Iran's exports, Azerbaijan's exports to Iran which were 15 million dollars’ worth of goods during the twelve months of the last year, amounted to the same volume during the first three months of 2016 (only non-energy trade). Iran, however, does not have a position among the top 10 economic partners of Azerbaijan. Regarding the nuclear deal and the cooperation documents signed during both presidents' visits to Tehran and Baku in 2016, however, it seems that Iran will become one of five major economic partners of Azerbaijan in the medium term (by 2020).

19. Geoffrey Gresh (2006), Coddling the Caucasus: Iran’s Strategic Relationship with Azerbaijan and Armenia: http://www.cria-online.org/1_1.html
With the construction of Qazvin-Rasht-Astara railway till 2018, northern Europe from the Finnish border to St. Petersburg and Moscow would be connected to the Persian Gulf through Iran's territory. The railroad will have an important role in the transit of goods and passenger transportation. Iran has supported the membership of the Republic of Azerbaijan in the North-South corridor and the Republic of Azerbaijan has also supported Iran's membership in the "TRACECA" corridor.20

The normalization of Iranian-Azerbaijani political, economic, business and social relations would have a significant impact on the regional geopolitical picture. For most of 1990s, the region was divided between an Azerbaijan-Georgia-Turkey alignment and a Russia-Armenia-Iran axis. Iran and Azerbaijan refrained from much economic cooperation, and the two countries had virtually little mutual investments. Yet this new chapter in bilateral relations could bring new business opportunities for both countries, which have suffered from low oil prices.21

**Georgia-Iran ties (0.2.3)**

Georgia is of great importance for Iranian policies providing the geopolitical stability of the Caucasus. Iran and Georgia have similar geopolitical challenge; both neighboring Russia. Iran borders Russia by Caspian Sea zone, and Georgia borders Russia by the Caucasus mountain passes and the Black Sea zone. To Tehran and Tbilisi, the important thing is how to set their regional policies pursuing relations with the trans-regional actors, especially America, so that both countries' friendly and good-neighborly relations with Russia are preserved.

After independence, Georgia, compared with Azerbaijan, has not had extensive relations with Iran. Lack of a common border between Iran and Georgia has been one of the geopolitical factors in the limited relations between the two countries. As a result of Eduard Shevardnadze's visit to Iran in February 1992, the statement of principles of cooperation between Iran and Georgia was signed by the presidents of both countries. The statement stressed the two countries' cooperation at the regional and global level and also building economic relations between Iran and Georgia in the fields of gas, transportation, trade, and laying the groundwork to link the Black Sea, the Caspian Sea and the Persian Gulf. Iran and Georgia have had high economic relations from the beginning; however, their cultural relations have not been very extensive.

There have always been American and Israeli sensitivity towards the relations of Iran and Georgia.22 Moreover, in 2006, the U.S ambassador to Georgia said that Washington is against Iran-Georgia strategic relations. After the Rose Revolution in Georgia, Iran showed an approving yet cautious reaction. Iran's policy was not

20. TRACECA (acronym: Transport Corridor Europe-Caucasus-Asia) is an international transport programme involving the European Union and 14 member States of the Eastern European, Caucasian and Central Asian region. It has a permanent Secretariat, originally financed by the European Commission, in Baku, Azerbaijan, and a regional office in Odessa, Ukraine. Since 2009 the organization has been entirely financed by member countries. (http://www.traceca-org.org/en/home/)
affected by the relations with Russia even after the August 2008 war, but rather a year later, Iran's consulate in Batumi was opened. Nevertheless, no presidential visits have been done during the past decade.

The export of 30 million cubic meters of Iranian gas to Georgia in the winter of 2006 following Russian gas being cut off, which led to the loss of 90 percent of the country's gas, failure of electricity power plants and the cold crisis in Georgia, is a clear example of the significance of Iran in foreign relations of Georgia. Gilan province is known as the leading province in the economic relations with Georgia. Iran's exports to the country include food, clothing, building materials and sanitary products, office and business supplies, and water heater. On the other hand, Georgia exports mechanical machinery, pipes and fittings, aluminum and boilers to Iran.

During Saakashvili's visit to Iran, a memorandum of understanding on "the principles of reciprocal relations and the basics of cooperation between the two countries," a business contract, cultural exchange programs, the Additional Protocol to the Air Transport Agreement, an agreement on development assistance of the Islamic Republic of Iran to Georgia were all signed. After 8 years, it was agreed to reopen the Joint Economic Commission of the two countries.

Cultural and social relations cannot be overlooked but should be considered besides the political and economic relations. Iran has tried to affect the Azerbaijani minority and the Shia in southern Georgia by founding religious schools and supporting Shia institutions and also afford to establish chairs in Georgia for Iranian studies and the Persian language.

Common grounds and obstacles to cooperation between Iran and EU in the South Caucasus (0.3)

A review of the history of relations between Iran and the European Union reveals that the mutual relations between them have always been associated with challenges and ups and downs over the past quarter century, despite multiple opportunities and areas of cooperation. The most important areas of bilateral relations between Iran and the European Union include Iran's geopolitical location and its position in the field of resources and energy transfer. The European Union is concerned about threats such as terrorism, organized crimes, regional conflicts, and insufficient states in the South Caucasus, while Iran could be an important and influential actor in the fight against these threats. The importance of Iran is no longer due to oil or Islamic ideology but because of its role in the fight against new types of threats which have attracted the attention of all in the region.

Studying two major issues of strategic trends and policies of each of the three South Caucasus countries clarify the points that these countries have basically chosen a western orientation in their security policies (occasionally Russian and Turkish orientation). Hence, Iran has taken into account this in its Caucasian policies.

There are different views about the attitude of the three countries of the South Caucasus towards the exercise of Iran's role along with the European Union. Armenians have always welcomed the positive role of Iran in regional developments, but Azerbaijan's stances in this regard have always been associated with ambiguity, although this does not mean that any involvement of Iran in regional security arrangements will be rejected by Baku. However, relations between these countries have increased in recent years at the security and political levels. Georgia also has a neutral attitude towards Iran, as they will welcome Iran's involvement in regional arrangements if it assists to solve security problems of Tbilisi. Similar to relations between Iran and the European Union which include a combination of challenges and opportunities for cooperation, attracting the positive, winning the approval of three countries of the Caucasus about the joint cooperation of the Islamic Republic of Iran and the European Union on providing stability in the South Caucasus requires the realization of a list of conditions, at the top of which is removal of barriers to relations between Iran and the US. Such a development activates Iran's potential capabilities and capacities in the region and paves the way for any cooperation. After the nuclear deal, reaching an agreement on the participation of Iran and the European Union in the Caucasus is not far-fetched. In Iran's idea, the European Union's role in regional security arrangements with different objectives is relatively welcomed.

Despite the positive view of Russia about Iran's regional policies, Russia will be in doubt about the goals and outcomes of Iran's cooperation with the European Union, especially on the way of interaction with regional interests of Russia. According to Moscow's view, cooperation between Iran and the European Union will form if Iran and the West overcome the barriers to their relations. Realization of this condition is assessed a potential threat to regional interests of Russia and will not be welcomed by this country.

As the traditional rival of Iran in the region, Turkey's stances are somewhat similar to those of Russia. What distinguishes Turkey's stance is the prospect of eventual membership of this country to the European Union. Until the fulfillment of membership, Turkey will not have a positive opinion about cooperation of the European Union with Iran, because this can limit Turkey's influence in the region especially on the economic dependency. In overall, the current conditions are not provided for acceptance the shared role of the European Union and Iran by three countries of the US, Russia, and Turkey. However, potential future developments such as improvement of relations between Iran and the US and Turkey's membership to the European Union can change the status quo and provide the conditions for cooperation. The nuclear deal and creation of common interests between the European Union and Iran can be effective in adaptation of Iran's policies on the Caucasus with those of the European Union.

To the Islamic Republic of Iran and the European Union, as two actors in the South Caucasus, developments and potential threats and opportunities in the region are of special and serious importance. Obviously, like other issues in international relations, cooperation between Iran and Europe is also faced with obstacles and limitations that are mainly caused by conflicts in bilateral relations, political and security orientation of the three countries of South Caucasus, and disagreement of the US, Russia, and Turkey with promotion of Iran's role in the South Caucasus.
In the case of rule of participation and its domination over the climate conflict and competition in a rational pattern, it seems that cooperation between Iran and the European Union on providing stability in the South Caucasus can be to the benefit of all regional and extra-regional actors. Partnership with the European Union can bring remarkable achievements for the Islamic Republic of Iran, which is faced with serious constraints in collaboration with other regional and extra-regional actors, including the US. Iran and the European Union have much in common in the Caucasus, the most important of which is energy security and transfer.

**Conclusion (0.4)**

Although Iran has long had many links and commonalities with the Caucasus, specific conditions and features of countries in this region, political and security implications, and abundance and diversity of presence of countries and various regional and global powers in this region have caused Iran to face various threats and opportunities. Given that providing security of the Caucasus would not be practically possible without Iran’s presence, the Islamic Republic of Iran has adopted the following practical strategies and tactics in its relations with the Caucasus countries:

- Using Iran’s geopolitical positions, as the North-South corridor, which could play an important role for the transport connections and cooperation with the Caucasus and beyond it.
- Affecting the security arrangements in this region through signing bilateral and trilateral agreements with the Caucasus and surrounding countries.
- Seeking opportunities in the region for talks with the US within the framework of national interests (Cooperation against Islamic Fundamentalism from the Caucasus) as well as undermining the influence of Israel.
- Using religious, linguistic, and ethnic commonalities and cultural ties with the Caucasus countries.
- Taking advantage of divergence of Russia and the West and promotional efforts to reduce the Russian security in the event of alignment with the US policies in the region.
- Mutual use of the capacities of China and Turkey for strategic competition with the US and changing the status quo in the region.
- Keeping the constructive and mediating role of Iran in regional conflicts.
- Continuing the use of economic diplomacy and increasing trade exchanges with countries in the region.

Geopolitical factors necessitate cooperation of the Islamic Republic of Iran with republics of the South Caucasus in various fields. Being surrounded by land, these countries (except Georgia) have provided an unprecedented geopolitical opportunity for Iran. However, influenced by the behavior of regional and extra-regional actors,

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proper cooperation between Iran and these countries has not been expanded in a balanced way. In the light of the increasing development of Armenia's relations with Russia, Iran-Armenia relations have followed a sustainable growth. With regard to the consequences of the Nagorno-Karabakh war and economic blockade of Karabakh, Iran-Armenia trade relations present a good example of taking advantage of geopolitical opportunities.

Useful and constructive relations with Azerbaijan and using the geopolitical capacities for comprehensive development of Iran's relations with this country have not enjoyed a proper and balanced trend of expansion. With the power of the moderate government of President Hassan Rouhani in Tehran, relations between Iran and Azerbaijan have undergone changes in recent years, promising positive future relations. Accordingly, both countries possess unused capacities in political and economic areas which can be put into action considering the requirements mentioned in the path of mutual enjoyment. Intense political considerations, impressibility of Azerbaijan by relation with the US and Israel, and Iran's relations with Russia and Armenia have caused the development of relations to face some challenges. Iran and Azerbaijan have unused capacities for cooperation on energy that indifference to them can be followed by the loss of opportunities for both countries. Nevertheless, Azerbaijan and Iran have a chance to radically change the nature of their relations, and move away from decades dominated by suspicion and antagonism in their bilateral relations. This would bring not only a new picture to the regional geopolitics, but also significantly shift regional trade and commerce and boost economic development.

The quality of relations between Iran and Georgia is also influenced by the competition of the US and Russia on this country. Given the geopolitical realities of benefits of development of cooperation with Iran, pressures of the US and Israel in the years of sanctions have not prevented Tbilisi from approaching Tehran and both countries have always tried to advance their relations with the least influence from the third countries.

In overall, one of the practical strategies of Iran in the Caucasus is economic cooperation and strength economic ties with Caucasian republics. Thus the importance of political, security and economic of Caucasus to Iran and the role of multilateral cooperation with the Caucasian countries on the other hand, makes clear the need for an active role of Iran in the Caucasus. Economic underdevelopment of the country can have disastrous effects on the security and the economy. While Iran will certainly become more active in the region politically, and while it will increase trade with every South Caucasus country, it will encounter significant obstacles along the way. The success of bilateral and regional economic relations with countries in the South Caucasus, in addition to preventing the isolation of Iran, prevented the formation of groups hostile to neighboring Iran. Iranian economic influence in the region is due to geographical location and economic revival of North-South and East-

West Iran as a gateway for connecting Europe, the Middle East, Western Asia and Eastern Europe to each other.\textsuperscript{28}

On the other hand, Iran's development of trade relations with these countries could create jobs for citizens, especially the population of the border areas. The establishment of border markets could prevent the negative effects of the presence and influence of foreign countries, create jobs and income in the border areas and prevent the migrations in these areas. Development of provincial cooperation (along the borders), strengthen and encourage of private sector activities, and implementation of projects based on signed agreements, can directly influence on Iranian interests.

Cultural cooperation with the South Caucasus countries despite historically and culturally appropriate contexts, acceptably has not been developed. The common heritage of Iranian-Islamic culture has provided fertile ground for diverse cultural cooperation. In view of the globalization of culture, such collaborations help procreation of valuable cultural heritage and regional integration.

In short, Iran's policies in relation to the Caucasian countries are as follows:

A. Iran and Azerbaijan:
   1. Making efforts to gain the cooperation of Azerbaijan in guiding new approaches to energy transfer from its territory;
   2. Promoting good neighborliness with reliance on religious, historical, and cultural commonalities with Azerbaijan;
   3. Development of trade, economic and technical relations with Azerbaijan;
   4. Promotion of economic relations;
   5. Resolving the legal issues of the Caspian Sea.

B. Iran and Georgia:
   1. Supporting and facilitating investments in Georgia;
   2. Expansion of cultural and historical commonalities with Georgia;
   3. Strengthening trade and markets in line with the needs of Georgia;
   4. Energy supply;
   5. Using Georgian territory for transit to/from Europe;

C. Iran and Armenia:
   1. Strengthening the policy of convergence with Armenia; especially on security and economic,
   2. Providing the requirements of Armenia on oil and energy;
   3. Joint exploitation of the Aras River;
   4. Development of cultural relations;
   5. Facilitation of access to International waters for Armenia.

\textsuperscript{28} Luke Coffey (2015), \textit{After the nuclear deal Iran eyes S Caucasus}: http://www.aljazeera.com/indepth/opinion/2015/08/nuclear-deal-iran-eyes-caucasus-150822094307004.html