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Iran and the Second Karabakh War:

Assessing the new regional balance of power in the South Caucasus

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Iran and the Second Karabakh War: Assessing the new regional balance of power in the South Caucasus

The second Karabakh war between Azerbaijan and Armenia in September of 2020 opened a new page in the modern history of the post-Soviet region and explicitly changed the geopolitical landscape in the South Caucasus. With Baku regaining control over large swathes of territories, Turkey has obtained a greater role in the region, acting as a guarantor of the ceasefire regime between Azerbaijan-Armenia alongside Russia, whereas Iran's diminished position has gotten less attention.

Indeed, in the post-war period, Tehran saw a steep decline in its regional influence in the Southern Caucasus, losing its direct land route to Armenia and facing the growing influence of Russia, Israel, and Turkey (Figure 1). Prior to the conflict, Iran had long pursued a balanced foreign policy in the region, developing a partnership with Armenia and Azerbaijan, respectively. However, Turkey's close relations with Azerbaijan since the 1990s prevented Iran from establishing powerful leverage over this country, unlike landlocked Armenia, which has relied on Iran as one of the main economic partners. Ankara's growing role in the South Caucasus has been a driving force behind closer Iran-Armenia strategic cooperation since the end of the first Karabakh war in 1994. Moreover, for Tehran, relations with Armenia were seen as important to break Iran's international isolation due to Western-imposed sanctions on its alleged nuclear program, helping to diversify trade relations.

Yet, following the second Karabakh war, the loss of a direct land route to Armenia, and diminished influence shifted Iranian foreign policy, moving from vocal pro-Armenian rhetoric to partnership rhetoric towards Azerbaijan in order to ensure at least limited influence in this country.

Bringing order to a complex relationship

Profound geopolitical changes in the South Caucasus have considerably influenced Iran's relations with Azerbaijan, Armenia and Georgia ("The South Caucasus Between integration and fragmentation," 2015). The region's importance for Tehran has grown steadily since the early 2000s, becoming a key transit hub for regional trade routes and critical energy projects. Hence, Baku and Tehran managed to establish pragmatic regional cooperation to bolster bilateral trade, regional connectivity, and critical infrastructure projects. The rapprochement process was smooth, particularly during President Hasan Rouhani's administration. During this time, the non-oil trade turnover between Baku and Tehran accounted for \$326.91 million in 2019.¹

Both states heavily invested in transit projects such as Astara-Rasht-Qazvin railway, Baku-Astara-Ardabil-Rasht highway to facilitate economic relations.² Although Baku-Tehran regional cooperation have been firmly on track toward rapprochement since the election of President Hassan Rouhani in Iran, political relations remained fraught due to the warm relations between Iran and Armenia. For nearly three decades, Tehran had maintained close relations with Yerevan on a broad spectrum of fields, as Iran has seen the strategic partnership with Armenia as an ideal counterbalance to Azerbaijan – Turkey alliance in the region.

However, the second Karabakh war put Iran's position in this region under tremendous pressure. Iran was alarmed by the proactive role of Russia and relative newcomer Turkey following the results of the war, fearing that of being kept on the sidelines in the post-conflict period. Unlike Iran, Russia and Turkey took leading roles during the war and post-war periods. On the contrary, Tehran adopted a neutral stance but later offered to mediate between warring parties by proposing its own peace plan developed by then-Deputy Foreign Minister of Iran Abbas Araghchi, though with no success.³ However, neither

1 Financial Tribune, "Iran's Non-Oil Trade with Azerbaijan Up 35%." 27 January 2019. URL: <https://financialtribune.com/articles/domestic-economy/96402/irans-non-oil-trade-with-azerbaijan-up-35>

2 APA, "Azerbaijan and Iran signed an agreement on connecting the Baku-Astara and Erdebil-Rasht trunk roads." 18 January 2021. URL: <https://apa.az/en/xeber/infrastructure/Azerbaijan-and-Iran-signed-an-agreement-on-the-connecting-of-the-Baku-Astara-and-Erdebil-Rasht-trunk-roads-340541>

3 Tehran Times, "Araghchi held 'very good' talks during the regional tour: Zarif." 1 November 2020. URL: tehrantimes.com/news/454169/Araghchi-held-very-good-talks-during-regional-tour-Zarif

Iran's neutral stance nor proposed peace plan was sufficient to bring Baku and Yerevan to a consensus, mainly because of the existing discontent and mistrust within Azerbaijani society over Iran's pro-Armenian sentiments before and during the Karabakh war.⁴ As of 2022, considering the current state of Iran-Azerbaijan relations and new stakeholders, it is unlikely that the new administration of conservative President Ebrahim Raisi could be able propose a renewed comprehensive peace plan for the Karabakh conflict.

Moreover, Iran's attempts to mediate the Karabakh conflict had been overshadowed by media reports of the alleged transfer of the Russian-made military equipment to Armenia via Iranian territory during active military operations triggered mass protests among the sizeable ethnic Azeri minority in Iran, who took streets and demanded that the local authorities close the country's border with Armenia.⁵ Indeed, an explicit patriotic surge among ethnic Azeris renewed Tehran's fears of possible separatism attempts in the northern part of the country. In order to tackle such fears, Iranian authorities made warnings that "Azerbaijani Armed Forces military operations against Armenian forces at the doorstep of Iran are the source of concern and therefore unacceptable."⁶ Also, Tehran criticized Ankara "for adding fuel to the fire instead of helping to resolve the conflict."⁷ Such statements were calculated to coerce Azerbaijan to stop the counter-attack operations in Karabakh, and simultaneously confront Turkey's influence. Notwithstanding the fact, Tehran's coercion strategy did not yield any result but provoked reaction of official Baku.⁸ Given Tehran's delicate threats, Azerbaijani President Aliyev has answered plainly that "Azerbaijan will continue to plan its external relations and internal affairs as it likes."⁹

Simultaneously, the outcomes of the second Karabakh war created numerous challenges for Iran, including the growing influence of another important non-regional actor, Israel, a long-time arch-foe of Iran. The latter's high-level military cooperation with Azerbaijan since the early 2000s helped it acquire modern weaponry and upgrade its defense industry and military capabilities in the last two decades.

For Tehran, the Azerbaijan-Israeli partnership seems threatening due to Israel's "intensifying efforts to move closer to Iranian borders as a way of pressuring it." However, it should not come as a surprise since Israel's attempts to counter Iranian influence in the South Caucasus mirror Tehran's efforts to assert its foothold on Israel's doorstep in Syria and Lebanon. Moreover, Iran is also peeved by the deep military cooperation between Israel and Azerbaijan for many years, which generated baseless conspiracy theories in Iran about "its encirclement" by Baku and Tel-Aviv. This makes it hard for Iran to keep Israel at bay and articulate a policy to neutralize it.

In October of 2021, Tehran accused Azerbaijan of "hosting Israeli military on its soil," even though it failed to provide physical evidence of Israeli presence in Azerbaijani-Iranian border area.¹⁰ Between September-October of 2021, Baku and Tehran engaged in war of words, which culminated in unprecedented large-scale military drills conducted by the Iranian Armed Forces on its border (700 km) with Azerbaijan, involving a large proportion of tanks, howitzers, aircrafts, domestically manufactured drones, and military personnel.¹¹

Also, the recently conducted Turkey-Azerbaijan-Pakistan joint military exercises of Special Forces dubbed as "Three Brothers 2021" was yet another catalyst behind Tehran's muscle show in the borderline against Baku.¹²

4 Amir Toumaj, "Iran's Weak Position in the South Caucasus." Newlines Institute. 17 December 2020. URL: <https://newlinesinstitute.org/u-s-foreign-policy/irans-weak-position-in-the-south-caucasus/>

5 Daily Sabah, "Pro-Azerbaijan protestors in Tabriz demand closure of Iran-Armenia border." 1 October 2020. URL: dailysabah.com/politics/pro-Azerbaijan-protestors-in-Tabriz-demand-closure-of-Iran-Armenia-border/news

6 Al-Monitor, "Iran protests spillover shelling from Armenia-Azerbaijan war." October 7, 2020. URL: [iran-protests-spillover-shelling-from-armenia-azerbaijan-war](https://www.al-monitor.com/originals/2020/10/iran-protests-spillover-shelling-from-armenia-azerbaijan-war)

7 Al-Monitor, "Iran criticizes Turkey's role in Nagorno-Karabakh conflict." October 6, 2020. URL: [al-monitor.com/originals/2020/10/iran-criticize-turkey-role-nagorno-karabakh-armenia-azeri.html](https://www.al-monitor.com/originals/2020/10/iran-criticize-turkey-role-nagorno-karabakh-armenia-azeri.html)

8 RFE/Liberty, "XIN: 'Anti-Azarbaycan kampaniyası İrana xeyir gətirməyəcək.'" October 11, 2021. URL: [azadliq.org/a/iran-azerbaycan-serhed/31503021.html](https://www.rferl.org/a/iran-azerbaycan-serhed/31503021.html)

9 Kourosh Ziabari, "Azerbaijan picks a surprise fight with Iran." Asia Times. 2 November 2021. URL: <https://asiatimes.com/2021/11/azerbaijan-picks-a-surprise-fight-with-iran/>

10 Times of Israel, "Azerbaijan denies Iran's claim it is hosting Israeli military troops." 4 October 2021. URL: [timesofisrael.com/Azerbaijan-denies-iran-s-claim-it-is-hosting-israeli-military-troops/](https://www.timesofisrael.com/azerbaijan-denies-iran-s-claim-it-is-hosting-israeli-military-troops/)

11 Aljazeera, "Iran army holds drill near Azerbaijan border amid tensions." October 2021. URL: [aljazeera.com/news/2021/10/1/iran-army-holds-drill-near-azerbaijan-border-amid-tensions](https://www.aljazeera.com/news/2021/10/1/iran-army-holds-drill-near-azerbaijan-border-amid-tensions)

12 Menekse Tokay, "Turkey, Azerbaijan, Pakistan launch 'Three Brothers' joint military exercises." 14 September, 2021. URL: <https://www.arabnews.com/node/1928836/middle-east>

Iran's post-conflict bellicose rhetoric and actions give the impression of wanting to halt Israeli influence in the region, but in fact, it is much worried about Turkey's growing footprint in the South Caucasus region with its pan-Turkism and pan-Islamist ideologies, which could threaten the position of Iran and its conservative Shi'a ideology. With the end of the Karabakh war, Ankara now aspires to have the role of the strong neighbor in the region and hence proposes new trade links and infrastructure projects with Azerbaijan with the aim to exacerbate its soft power. (Figure1 -?)

Seen in this light, the Russia-brokered ceasefire agreement signed in November of 2020 stipulates the opening of a new transit corridor via the Nakhchivan exclave linking Baku and Ankara directly, which is another triggering point of dissatisfaction in Tehran. Indeed, a new land route between Azerbaijan and Turkey will give the latter more of a stake in the region, increase trade volume, and diminish Iran's role as a transfer country nearly after 30 years. Simply put, Turkey, which borders Nakhchivan, gains a direct link to the entirety of Azerbaijan without having to pass through Iran or Georgia and setting up a direct trade route to critically important Central Asia and the Caspian basin.

Recognizing the severity of the unexpected challenge in the post-war period and inability to influence the conflict, Tehran has tried to adapt to new geopolitical realities since the only option for Iran now is to shift to the good neighbor diplomacy to restore constructive dialogue with Baku, and engage in the post-conflict reconstruction process of the war-torn Karabakh region.

As such, Iran and Azerbaijan agreed to mend ties "through dialogue" weeks after the military drills.¹³ Iran officially expressed the willingness of its state-owned companies to contribute to the rebuilding of the Karabakh region and boost economic partnership.¹⁴ Furthermore, Baku and Tehran very recently inaugurated the construction of a new transit road bridge over Astarachay River on the two countries' border which is another critical joint infrastructure project. This shows that Iran, which lost its leverage over the region, will likely try to compensate it by boosting its economic influence. This is an inevitable process amid recent Turkey's normalization process and re-opening of borders with Armenia, a long-time regional ally of Iran.¹⁵

Since space for Iran's diplomatic maneuvering is limited, Tehran would keep relying on its other strategic partner – Russia, to mobilize Moscow's support for its confrontation with Azerbaijan-Turkey and Azerbaijan-Israel alliances. However, Moscow's ignorance of harsh statements made by the Iranian Foreign Minister Hossein Amirabdollahian during his very recent visit to Moscow suggested that the Kremlin sees the current state of power in the region as satisfactory.¹⁶ With Iran losing its influence in the South Caucasus region in last years, its reliance on Russia and opposition to Turkey will steadily grow, as the outcomes of the Karabakh war offers no advantage for Tehran. The recent meeting of President Raisi and President Putin in Moscow on 19 January of 2022 resulted in a new 20 years-long strategic partnership agreement, guaranteeing Moscow's economic and military support to Iran.¹⁷

13 France24, "Azerbaijan, Iran agree to mend ties 'through dialogue.'" 13 October, 2021. URL: <https://www.france24.com/en/live-news/20211013-azerbaijan-iran-agree-to-mend-ties-through-dialogue>

14 Iranian Press Agency, "Iranian road minister heads to Azerbaijan Republic." 24 January, 2022. URL: <https://iranpress.com/content/53789/iranian-road-minister-heads-azerbaijan-republic>

15 Caspian News, "President Aliyev Says "New Page" Opened in Azerbaijani-Iranian Relations." 28 January 2022. URL: <https://caspiannews.com/news-detail/president-aliyev-says-new-page-opened-in-azerbaijani-iranian-relations-2022-1-27-0/>

16 Robert Cutler, "Iran Stirs the Pot in the South Caucasus." Geopolitical Monitor. 7 October 2021. URL: <https://www.geopoliticalmonitor.com/iran-stirs-the-pot-in-the-south-caucasus/>

17 Chris Devonshire-Ellis, "Russia and Iran to Sign 20 Year Cooperation Deal." Russia Briefing. 13 December, 2021. URL: russia-briefing.com/news/russia-and-iran-to-sign-20-year-cooperation-deal.html/

Conclusion

The South Caucasus region is increasingly fractured, with different regional actors pulling it in different directions. Iran's three-decades-long maneuvering diplomacy between Armenia and Azerbaijan is no longer an option in the current phase as it has little chance to deter Turkish, Russian, and Israeli influences. In this realm, the following steps for Iran would be a gradual de-escalation of the diplomatic standoff with Azerbaijan by switching to the previously successful formula of economic partnership.

As for official Baku, it will keep smooth rhetoric toward Iran and rely on future joint transit and energy projects to mend bilateral ties, but will still keep some distance from Tehran in certain political issues. Seemingly, Russia and Turkey will remain the key actors in the South Caucasus for the next few years, making adopting a more proactive regional policy for Iran inevitable amid the growing uncertainty of future regional balance of power. Also, the new policy must be realistic in expectation since neither Azerbaijan nor Iran will change their short and long-term priorities.