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Iran's Foreign Policy Toward Azerbaijan Amidst the War in Ukraine: Assertive Geopolitics, Incapacity, or Identity?

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Executive Summary

Ongoing tensions between Iran and Azerbaijan, which emerged in the aftermath of the Second Karabakh War in 2020, have reached a critical level in the wake of the Russian invasion of Ukraine. Ambiguity around the implementation of the Zangezur Corridor and mutual accusations over alleged ties to hostile countries are among the primary sources of contention.

Though there have been previous periods of less than ideal Iran-Azerbaijan relations, the current tension is unprecedented in recent history. The sides both perceive security threats from the situation, prompting fears that the situation could escalate to a point that could have military implications or destabilise the region further. External factors, such as warming Russia-Iran relations and growing cooperation between Israel and Azerbaijan based on their shared distrust of Iran, could further exacerbate the situation.

The objective of this policy memo is to analyze Iran's policy towards Azerbaijan in the context of Russia's aggression against Ukraine and other novel geopolitical factors. The paper evaluates the various factors that influence the ongoing crisis, with the aim of providing useful insights

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that can assist interested actors in devising effective strategies to ensure regional security and stability in the South Caucasus.

Key words: Azerbaijan, Karabakh War, Iran, Ukraine, Russia, Israel, Zangezur Corridor, Armenia

Introduction

Iran and Azerbaijan share strong cultural and historical ties. However, since the dissolution of the USSR, Iran has pursued a relatively passive policy towards Azerbaijan, viewing it as part of Russia's sphere of influence with distinct socio-political dynamics. Consequently, Tehran has opted for a state-to-state approach in its interactions with Baku, refraining from supporting Shia activists in Azerbaijan. In return, Baku has abandoned the pan-Turkic rhetoric of former President Elchibey, which sought to advocate for Iran's large Azeri minority.

This approach to bilateral relations underscores Tehran's defensive foreign policy orientation, wherein its paramount concerns are safeguarding national security and maintaining domestic political stability amidst regional developments. As part of its regionalist strategy of excluding the West, Tehran has supported Russia's dominant role in managing the Nagorno-Karabakh conflict. Despite occasional tensions with Baku, it has managed to prevent the situation from escalating, enjoying economic benefits and maintaining a relatively stable northern border, in contrast to more volatile neighbors such as Iraq and Afghanistan. However, since Azerbaijan's triumph over Armenia in the autumn of 2020, tensions between the two states have escalated, thereby introducing a novel security risk for the region. This crisis has been marked by a series of reciprocal military drills, the expulsion of diplomats, a deadly attack on the Azerbaijani embassy in Tehran, and the arrest of alleged Iranian spies in the last three years.

This policy memo examines the prevailing tension between Tehran and Baku, with a particular focus on Iran's modus operandi while also accounting for the role of external factors. The paper will additionally explore the successes and constraints of Tehran's foreign policy vis-à-vis Baku and the risks for the region, with the aim of determining the primary obstacles and proposing potential strategies for addressing these challenges in bilateral relations.

The Second Karabakh War: The Gamechanger for Tehran and Baku

The recent shift in Tehran's regional approach stems from growing apprehension over its potential loss of influence in the South Caucasus. While Russia, Turkiye, and Israel emerged as winners alongside Azerbaijan in the aftermath of the Second Karabakh War, Iran found itself among the losers. Its proposed "3+3" format of regional cooperation between Russia, Turkiye, Iran, Azerbaijan, Armenia, and Georgia aimed to sideline Western powers from the South Caucasus, but received limited interest. Tehran was not invited to participate in infrastructure projects in the territories returned to Azerbaijani control, despite being the only neighbor with a border adjacent to the Karabakh region.

In order to understand the current Iran-Azerbaijan tensions, it is particularly crucial to consider the differences in regional interests between Iran and Russia. Firstly, while the Kremlin tacitly supports the establishment of the Zangezur Corridor, an initiative that would grant Azerbaijan unimpeded passage to its Nakhchivan exclave and onward to Turkiye through Armenia's Syunik province, Tehran perceives this project as a major security threat. The discord between Yerevan and Baku over the Zangezur Corridor stems from different interpretations of Article 9 of the trilateral statement of November 10 2020. Armenia claims that the term "corridor" only specifies the Nagorno-Karabakh region's access to Armenia via the Lachin Corridor, while Azerbaijan insists that the Zangezur Corridor should also have extraterritorial status. As the Syunik Province connects Armenia and Iran, Tehran fears that establishing the corridor could potentially disrupt its transport route with Yerevan and reduce its geopolitical influence in the wider Caucasus region.

Secondly, Iran is uncomfortable with increasing Turkish ambition in the South Caucasus. The joint monitoring centre for the Karabakh ceasefire formed by Moscow and Ankara, the prospect of the Zangezur Corridor connecting Russia and Turkiye through Azerbaijan, as well as Russia's silence on a series of joint drills between Azerbaijan and Turkiye, have exacerbated Iran's concerns. Thirdly, Russia does not view the strengthening alliance between Azerbaijan and Israel as a security threat, in stark contrast to Iran's perception of the matter. Tehran sees Israel's actions in the South Caucasus as part of its effort to encircle Iran, mirroring how Iran consolidates its presence on Israel's borders in Syria, Lebanon, and Gaza. By contrast, the Kremlin maintains amicable relations with Tel Aviv and adopts a position in the South Caucasus akin to its approach in Syria, a disposition that is not conducive to Tehran's interests.

The Conquerors of Khyber military exercises in October 2021 were the first overt manifestation of Iranian apprehension over the geopolitical changes caused by the Second Karabakh War. By

flexing its military muscles close to Azerbaijan's borders and invoking the historical Khyber battle between Jews and Muslims, Tehran explicitly conveyed its discontent regarding Israel's expanding foothold along its northern borders. The timing of the drills coincided with Iran's expression of discontent on all these issues, which it articulated through both military and civil channels. While Tehran's stance didn't directly change the security situation on the ground in Armenia's Syunik Province, it contributed to Armenia's ability to withstand Baku's pressure over the Zangezur Corridor. Nevertheless, Iran's efforts to enlist Moscow's cooperation against threats to its interests in the South Caucasus failed, as Russian Foreign Minister Sergei Lavrov expressed disapproval of the military maneuvers in a meeting with his Iranian counterpart, Amir Abdullahian (TRT Russian 2021).

Russia's Invasion of Ukraine and Its Implications in the South Caucasus

Russia's distraction in Ukraine has not only helped Azerbaijan consolidate its military victory over Armenia but has also prompted Tehran's security apparatus to become more vigilant. This response is primarily driven by the current power vacuum in the South Caucasus. Russia's diminished influence, coupled with its growing dependence on Baku and Ankara for trade and transit due to Western sanctions, has contributed to Iran's heightened security concerns. However, Moscow's increasing reliance on Tehran has increased the latter's room for maneuver and strengthened its hand in terms of being able to defend its interests. For example, in response to Azerbaijan's September 2022 offensive against Armenia over the latter's refusal to open the Zangezur Corridor, Iran quickly responded with strong actions of its own. It inaugurated a consulate in the Syunik region and held large-scale war games featuring simulated crossings of the Aras River, signalling its readiness to confront the Azerbaijani army over the security of its land border with Armenia. Iran's increased leverage over Russia meant that, unlike in the previous year, Russia didn't oppose these drills. This more muscular Iranian stance, in combination with the deployment of the EU mission on the Azerbaijan-Armenia border, played a crucial role in assisting Yerevan to counter Baku's ambitions. The idea of a corridor further lost its relevance after Azerbaijan started to effectively control the Lachin Corridor by setting up a checkpoint and limiting free movement through the area at the end of 2022. Nevertheless, Iran's increasing role as a regional security provider reflects its shifting security perception, which has exerted a dissuasive influence on Azerbaijan during the post-war phase. It is no coincidence that Iran's Islamic Revolutionary Guard Corps (IRGC) has

assumed a more prominent role in relation to Azerbaijan in recent years, overshadowing the Ministry of Foreign Affairs in significance.

In contrast to its military activities, Iran's diplomatic endeavours vis-à-vis Baku have encountered limited success. Notably, the Azerbaijani embassy remains non-operational in Iran since the attack on it in January 2023. Additionally, reciprocal actions have led to the designation of four diplomats from each side as *personae non grata*. President Ilham Aliyev has described relations between the countries as being "at their lowest level ever" (Azertag 2023). From the Iranian perspective, the inauguration of the Azerbaijani embassy in Tel Aviv has exacerbated the deterioration of diplomatic ties. Tehran fears that an emboldened Baku could potentially function as a staging ground for Israel on Iran's border. As part of its policy of establishing stronger ties with Iran's neighbours, Tel Aviv seeks to extend its influence in regions such as the Persian Gulf, northern Iraq, the South Caucasus, and Central Asia and to form a "united front" with Baku to counter Tehran (Anadolu Agency 2023). In this context, the successive visits of high-ranking Israeli officials to Baku with a particular emphasis on the Iranian threat (Times of Israel 2023, APA 2023, Al-Monitor 2023) raises apprehension in Tehran.

Mounting irredentist inclinations in Baku's official discourse also serve as an irritant to Tehran (Jafarli 2022). Given the substantial ethnic Azerbaijani population in Iran, Baku's stance has implications for Iran's domestic political landscape, potentially affecting the stability of the Islamic Republic. To this end, President Aliyev declared that Baku will persist in its efforts to guarantee that those "separated from Azerbaijan remain loyal to the ideas of Azerbaijanism and never cut ties with their historical homeland," and local media outlets have called them "southern Azerbaijanis" (President.az 2022). This idea has garnered support from hawkish American pundits and the Israeli Knesset (i24 News 2023), further complicating the situation. Conversely, heightened tensions with Tehran offers Baku the opportunity to strengthen its appeal to the West as a bulwark against "Iran-backed Islamic extremism." This perceived threat provides a justification for authoritarian policies and human rights violations within the country. The Azerbaijani authorities have subjected religious community to tighter state scrutiny and control over the last three years, resulting in increased restrictions on religious liberties and the frequent arrests of Shia believers (US Department of State 2023).

Economic Interests as a Deescalatory Factor

As for Tehran's economic priorities, transportation links, particularly the International North-South Transportation Corridor (INSTC), play a pivotal role. Initiated in 2000, the INSTC serves as a strategic response to Western sanctions for both Russia and Iran. With a combined investment commitment of approximately \$25 billion, this regional network's development aims to establish trade routes connecting India, Iran, Azerbaijan, Russia, and the West. Recent discussions among government representatives have focused on advancing the completion of the Astara-Rasht-Qazvin railway. This railway link would connect the existing rail networks of Russia, Azerbaijan, and Iran into the broader INSTC framework.

Moscow and Tehran are collaborating on constructing a railway that stretches from Russia to ports along the Persian Gulf. This strategic partnership envisions a transportation route through Azerbaijan, which would have significant implications for both nations grappling with the consequences of Western sanctions. Russia and Iran are in the process of formalizing an agreement with Baku concerning the corridor's development. Tehran remains cautious about the possibility of Azerbaijan reconsidering its commitment to this agreement, and instead favoring heightened engagement in the Middle Corridor, which is an east-west trade route that will link Europe and Asia, bypassing Russia and Iran.

Tehran is concurrently pursuing the activation of the South Araz corridor and intensifying its participation in a three-way gas swap deal between Iran, Turkmenistan and Azerbaijan. The South Araz corridor is anticipated to enhance connectivity between Azerbaijan's Eastern Zangezur economic region and Nakhchivan through Iranian territory. The expansion of Iran's gas transit capacity serves the dual purpose of helping Azerbaijan to meet its burgeoning domestic energy needs and supplying the European market with gas. In this regard, Tehran has an interest in deescalating tensions with Baku in order not to draw its neighbour closer to Israel and in order to safeguard these substantial economic initiatives. Iran's recent efforts at reconciliation with Azerbaijan, such as Iranian foreign minister Amir Abdullahian's phone call to his Azerbaijani counterpart during which the boosting of bilateral ties and a pledge to improve embassy security was discussed, should be interpreted within this context as well.

Conclusion

Iran's overarching strategic approach towards Baku is shaped by the interplay of historical ties, geopolitical shifts, and economic imperatives and revolves around the preservation of regional equilibrium. Its current agenda is not to heighten tensions with Azerbaijan or engage in any form of military confrontation. However, the ongoing situation signifies a reevaluation of Tehran's strategic considerations and priorities. While previously relations with Azerbaijan were a subject of foreign policy concern, now they have become an issue of paramount national security significance for the Islamic Republic. The potential adoption of a Middle Eastern paradigm within Iran's policy towards the South Caucasus is of particular concern to Baku. Should this come to pass, the contours of Tehran's regional policy would be moulded by the IRGC, leading to the enhancement of both Iran's conventional and unconventional deterrence capacities vis-à-vis Baku. In contrast to Russia, the absence of significant asymmetric power disparities between Iran and other key regional actors within the South Caucasus suggests that Tehran is poised to evolve into a formidable force characterized by a heightened challenge in terms of strategic equilibrium. Consequently, there is a heightened probability that Iran will continue to behave assertively in its future tensions with Azerbaijan.

Acknowledging the presence of important structural impediments in their ideological orientations, it becomes evident that a close partnership between Tehran and Baku is improbable in the short term. However, the relatively cordial relations that characterised the pre-war period indicates that there is potential for a new *modus vivendi* and the fostering of amicable neighbourly relations. The present predicament arises primarily from the evolving geopolitical landscape rather than fundamental disparities in the identities of the two nations. The reopening of embassies has the potential to ameliorate tensions in Baku-Tehran relations in this regard. Furthermore, bilateral economic interests can have positive impacts on relations. In light of these multifaceted dynamics, effective strategies for regional stability require a nuanced approach that considers Iran's concerns, Azerbaijan's interests, and the roles of other actors. It is necessary for both parties to provide mutual assurances and build trust in order to achieve effective de-escalation. Engaging in diplomatic dialogue, fostering economic cooperation, and addressing mutual threats are crucial steps towards mitigate tensions and promoting a secure South Caucasus.

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