

ORION FORUM

Iran's Foreign Affairs in the Caucasus

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Iran has different foreign policy goals for various parts of its geographical periphery. The Caucasus is a matter of national security, internal stability, and international trade. Iran is not the only country with strategic interests in the Caucasus: Turkey and Russia seek to have an established presence in the region. There are historical, ethnic, and strategic concerns these three countries have in the Caucasus. Imperial Russia and the Soviet Union, the Persian empires and Iran, and the Ottoman Empire and Turkey have competed over this region since the 1400s. After the Soviet Union collapsed in 1991, Armenia, Azerbaijan, and Georgia gained independence. Since then, seven wars occurred, with most of the conflicts being between Armenia and Azerbaijan.

Iran seeks a balanced foreign policy approach with all its neighbors. Iran's foreign policy is to maintain positive relations with all 15 of its neighbors. Iran's foreign policy in the Caucasus is to limit regional competition and have a balanced geopolitical climate. Iran has diplomatic relations with Georgia, Armenia, and Azerbaijan. Turkey and Russia only have relations with two out of the three countries, and their foreign policy is to compete for supremacy in the Caucasus, which created further disability. Iran relies on Armenia and Azerbaijan for trade revenue; much of Iran's exports and trade infrastructure transit to or through these two countries to connect to Georgia, Eastern Europe, and Russia.

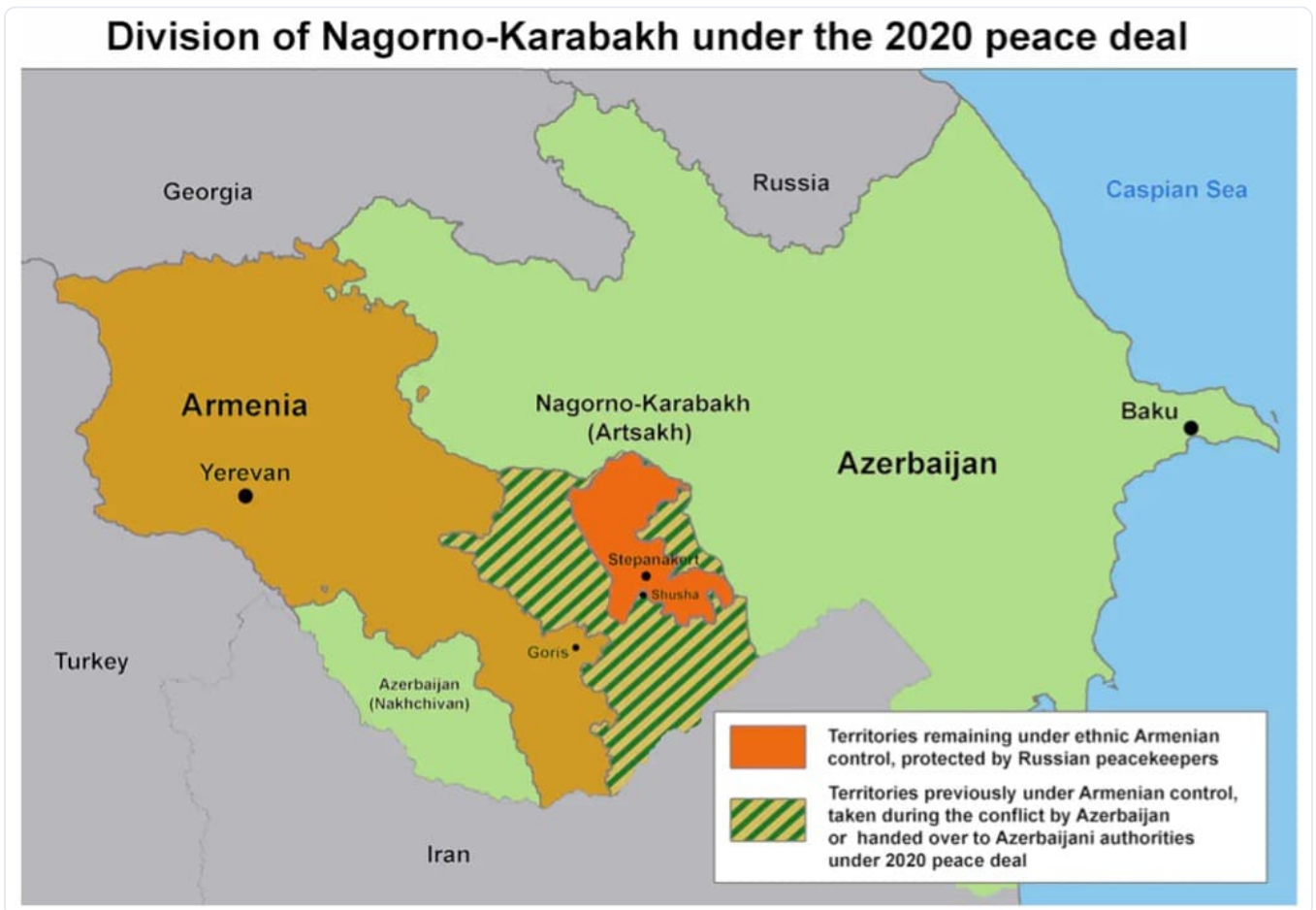
Iran's Strategic Competition and Foreign Policy Concerns:

Out of the three countries in the Caucasus, Iran is least concerned with Georgia because of Russia's involvement, Georgia's general pro-Western stance, and its geographical location. Iran's international relations with Armenia and Azerbaijan are delicate. Iran has closer relations with Armenia due to regional competition; Iran-Armenian relations balance Turkey's alliance with Azerbaijan. Iran and Azerbaijan have a complicated relationship. Azerbaijan's closest allies are Turkey and Israel, which threaten Iranian interests. Iran and Azerbaijan's disagreement on

land ownership, international trade, and security alliances hinders diplomatic relations. So, Iran prioritized discreet diplomatic channels with Armenia – Azerbaijan’s main adversary. Azerbaijan’s conflict with Armenia hinders Iran’s ability to conduct trade and evade sanctions. Though Azerbaijan is a Shia Muslim country, Iran supports Armenia more because Azerbaijan’s power is growing. Azerbaijan’s oil industry and military power are increasing, and Azerbaijan has security alliances with Turkey and [Israel](#).

After Azerbaijan gained independence from the Soviet Union in 1991, Iran quickly established diplomatic relations and signed many agreements, including the Organization of Islamic Cooperation. Iran saw Azerbaijan as an opportunity to spread [Shia Islam](#). The Azerbaijani government became skeptical of Iran’s motives and established firmer relations with Turkey to counterbalance Iranian influence. The Southern Azerbaijani National Liberation Movement and the Whole Azerbaijan Popular Front Party in Azerbaijan stated political aspirations to unite Azerbaijan proper with Azeri Iran to create “[Greater Azerbaijan](#).” Iran became skeptical of Azerbaijan and backed Armenia in the first Nagorno-Karabakh War in the early-mid 1990s and 2020. In the Nagorno-Karabakh War in 2020, Armenia failed to repel Azerbaijan’s offensive and lost territory. Armenia blamed Russia for not maintaining peace and defending Armenian interests. In 2022, Russia devoted all of its resources to the war in Ukraine, which currently leaves Armenia vulnerable to the Azerbaijan-Turkish alliance. So, Iran and Armenia engaged in discreet diplomatic relations to counterbalance Azerbaijan and Turkey in the South Caucasus.

[Borders](#) of the Post Nagorno-Karabakh Conflict as of 2024



Internal stability is one concern Iran has with Azerbaijan because the ethnic Azeri population in Iran’s northwest territory has separatist sentiments. Azeris are a Turkish ethnic group, and Iran is home to around [12-15](#) million ethnic Azeris. The Azeri population in Iran has a robust domestic lobby for peaceful relations with Azerbaijan. So, Tehran’s foreign policy with Azerbaijan has to be diplomatic, or political issues, as extreme as succession, could arise. The Nagorno-Karabakh conflict placed Iran in a difficult position because Iran supported Armenia over Azerbaijan but could not provide adequate support due to potential civil unrest.

Ethnic Azeri Population in Iran



Iran increased its partnership with Armenia as a strategic counterweight to challenge Turkish-Azeri relations. Iran will likely rely on its diplomatic skills to manage its tacit competition with Turkey and promote its role as a “mediator” amid ongoing uncertainty in the Azerbaijan-Armenia peace talks. The role of peace mediator will enable Iran to de-escalate tensions with Azerbaijan, keep Armenia close, maintain and expand economic ties to Turkey, and thus maintain enough influence in the vitally important [South Caucasus](#) region to protect its core interests.

After Iran tried to install a Shia government in Azerbaijan, Baku sought stronger relations with Turkey and Israel. Due to human rights concerns from the West and a lack of trust from Russia, Azerbaijan relies mostly on Turkey and Israel for security cooperation, [military aid](#), and technological collaboration. Iran’s foreign policy is complicated because one of Azerbaijan’s main allies is Iran’s main rival- Israel. Azerbaijan and Israel agreed that Israel can use Azerbaijan as a base for operations in Iran. Even after October 7th, Turkey and Azerbaijan publicly stated harsh [rhetoric](#) against Israel for its operations in Gaza but maintained commercial ties. Azerbaijan distanced itself from Russia for [three reasons](#): 1) Russia invaded Ukraine in 2022 and Azerbaijan fears future potential Russian neo-imperialism concerns, 2) Russia’s collusion with Iran, such as UAV and military imports from Iran to help with the war and Russian SU-35 exports to Iran, 3) Russia allies itself more to Armenia.

From 1979-2021, Iran’s oil industry led in its export revenue and economic development. But in 2022, [oil exports dropped](#) from \$30 billion to \$3 billion because of unsuccessful energy

subsidies, lower influx of foreign investments, [China-Iran](#) trade negotiations, and ineffective state-planned economic policies (this does not include Iran's illicit oil trade and sanctions evasion petroleum revenue). Azerbaijan is one of Iran's competitors in the oil industry; in 2022, [Azerbaijan's total oil exports](#) were around \$39 billion and made up over 90% of its exports, and Turkey and Israel are some of the top destinations. Due to economic sanctions, Iran has a limited market for oil exports, so Iran relies on [Armenia as a main importer](#) of Iran's petroleum gas and refined petroleum in the region.

In 2000, Iran, Russia, and India established the International North-South Transport Corridor ([INSTC](#)) to promote international trade among the [Member States](#), which include Azerbaijan and Armenia. Due to Azerbaijan's increasing power in the Caucasus and its deepening relations with Turkey and Israel, Iran seeks to establish an alternate route for the INSTC that [excludes Azerbaijan](#) and includes Armenia. All goods shipped over land between Iran and Russia travel by Azerbaijan's roads and rail system. Azerbaijan takes advantage of this by installing [security checks](#), which harms Iran's arms trade to Armenia, oil smuggling routes, and sanctions evasion schemes.



Iran also relies on Azerbaijan as an intermediary country for trade between Iran and Armenia and goods destined for the Black Sea. The [Zangezur Corridor](#) is part of Armenia, separating Azerbaijan from the Nakhichevan Enclave. As part of China's [Belt and Road Initiative](#), it has the potential to be the fastest trade route from Asia to Europe. Azerbaijan intends to exploit this opportunity by imposing taxes on certain goods and countries like Iran.

Regional Competition with Turkey and Russia:

The competition between Iran and Turkey in the Caucasus dates back to the Ottoman and [Safavid](#) Empires in the 1400s. After the rise of Imperial Russia in the 17th century, the Caucasus was Russia's exclusive near-abroad and maintained hegemony until 2022. Russia has historical, linguistic, and cultural ties to the Caucasus countries and led the region since the collapse of the Soviet Union. In 2002, Moscow created the Collective Security Treaty Organization, which included most former Soviet States. Armenia was Russia's main ally in the Caucasus. Russian President Vladimir Putin partnered with the Iranian government because of trying to achieve his neo-imperialist Russian foreign policy objectives and to counteract the influence of NATO and the United States. After the Russian invasion of Ukraine in 2022, Russia shifted its focus away from the Caucasus, which left a power vacuum. The Russian invasion of Ukraine inhibits Russian support for Armenia. In February 2024, [Armenia suspended its membership in the Russian-led Collective Security Treaty Organization](#). And in March, the Armenian government requested Russian border troops to leave the international airport in Yerevan. Armenia wants to diversify its diplomatic relations and security policy with the European Union, the United States, and Turkey. In March 2024, diplomats from Turkey and Armenia met to normalize relations. Armenian normalization with the West and Turkey would be problematic for Iran because Iran would lose all leverage to keep Armenia in its sphere of influence. Turkey now has the most influence in the Caucasus, leaving Iran alone.

Turkey's Connection to [Central Asia](#) and China through the Caucasus



Currently, Turkey allies with Azerbaijan (a fellow Turkic state) and seeks to help Azerbaijan increase military dominance in the Caucasus so Turkey can gain strategic objectives. Erdogan’s foreign policy has a “no problems with neighbors” priority, so Turkey does not intend to threaten or escalate regional rivalries with Iran. Turkey seeks to increase regional hegemony and to improve access to Central Asian markets. Since the breakup of the Soviet Union in 1991, Turkey has been trying to gain strategic objectives in Central Asia as part of their “strategic depth” initiative, Turkey’s foreign policy of balancing East and West relations, Turkey’s continued efforts to further its sphere of influence around Iran’s northern borders in the Caspian Sea and Central Asian region with the Turkic states will enhance the ideology of [Pan-Turkism](#). Turkey plans to use Azerbaijan as a transit route to [Central Asian markets](#). In the 2020 Nagorno-Karabakh War, Turkey allied with Azerbaijan, and Iran partnered with Armenia. The Azeris, defeating the Armenians and its allied Nagorno-Karabakh separatists, cemented its politico-military alliance with Turkey, thus limiting Iran’s influence in the region.

Summary and Possible Changes in the Future:

Iran will likely continue to seek a balanced geopolitical climate in the Caucasus and continue to engage in talks with Armenia to counterbalance Turkey and Azerbaijan. Iran will not outwardly

support Armenia over Azerbaijan for economic, domestic, and security reasons. The Caucasus will be a foreign policy priority for Iran in the foreseeable future to limit Russian, Israeli, and Turkish influence, expand economic ties, ensure domestic stability, and maintain regional stability between Armenia and Azerbaijan.

Turkey and Azerbaijan will likely continue their partnership to boost economic ties with energy and trade and counterbalance Russia and Iran's influence. Russia's influence in the Caucasus may change in 2025 due to the collapse of the Assad regime in Syria and a possible change in Ukraine; with Russia's troops having to leave Syria and a potential peace deal led by President-elect Trump, Russia may devote more resources to the Caucasus to control its near-abroad and to project as much power as possible in the Middle East through Armenia. Georgia's new government may succeed in detaching itself from EU aspirations and, therefore, lean more towards Georgia, Turkey, or Iran, which means Georgia is a strategic prize that further complicates the region's geopolitical balance.

***image credit:** Anadolu Agency.

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