



Feature Article
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Iran's policy toward the Caucasus and Central Asia

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Much of the analysis on Iranian foreign policy focuses on both Iran's positionality in relation to the Middle East, and its claim to the mantle of Shia Islamic leadership. However, a more detailed examination shows that Iran's foreign policy is also focused toward its neighbors to the north in the Caucasus and Central Asia. Tehran's policies toward these states reveals the realpolitik core of Iranian foreign policy, especially in relation to the Armenia-Azerbaijan conflict. Iran's foreign policy toward the Caucasus and Central Asia is intertwined with its domestic security, as several of Iran's major ethnic groups share ties with co-ethnics in these states. Iran and its neighbors in Central Asia and the Caucasus use a high degree of policy compartmentalization in order to simultaneously derive benefit and prevent open conflict.

Many Western policy makers relate to Iran as a Middle East country. However, Iran straddles the Caucasus and Central Asia, sharing over half of its borders with states in the region. Therefore, developments in the region can directly affect Iran's security and core interests. Successful policies toward Iran will take into consideration the significance of its interaction with the Caucasus and Central Asia, and not just the Middle East. Events in the Caucasus and Central Asia directly affect Iran's security not only as a bordering country, but they also can project onto Iran's domestic political arena and affect the stability of the ruling regime. This is because ethnic groups in Iran share ties with co-ethnic regions – chiefly Azerbaijan and Turkmenistan. Consequently, the chief factors in Iran's policy toward the region are defensive: preventing events in the

region from negatively affecting its national security and domestic political arena. While the Iranian regime formally declares that its foreign policy is based on Islamic solidarity, Tehran almost always puts pragmatic concerns above religious fraternity, especially in its close neighborhood. Iran's policy toward the region is guided by realpolitik: In conflicts waging in the region, Tehran sides mostly with non-Muslim countries, Armenia and Russia, versus the Muslim sides. In fact, Iran's closest ally in the region, Armenia, has occupied close to twenty percent of the territory of majority-Shia populated Azerbaijan, which is Iran's main nemesis in the region, despite sharing common Shia faith. Iran focuses its policies in the Caucasus and Central Asia on the state-to-state level with the governments of the region. At the same time, it maintains clandestine ties to representatives of local Islamic and

ethnic groups that could serve a lever of influence over the states in the region. For instance, Iran sponsors the Huseynyun brigades, which aim to overthrow the government in the Republic of Azerbaijan and maintain regular television and other media broadcasts from Qom. Tehran models the Huseynyun brigades on other militias it sponsors in the Middle East, such as the Hizballah in Lebanon.¹ Iran prefers, however, to promote its direct ties with the ruling governments in the region and primarily activates these other levers of influence only when it needs a tool to coerce policy change in certain states, or to threaten to destabilize governments that do not conform to Iran's demands. Iran maintains exceptionally large embassies and numbers of diplomats in the states of the region, something that helps facilitate this clandestine infrastructure. This paper will examine the main factors that guide Iran's policy toward the Caucasus and Central Asia.

Main Foreign Policy Factors

Iran's policy toward the region is guided by five main factors: First, Iran's national security. Second, prevention of anti-regime activity of Iran's Azerbaijani and Turkmen minorities. Third, Iran's relations with third parties, chiefly Turkey and Russia. Fourth, Iran's leadership role and integration in regional transit, transportation, and energy trade routes. Fifth and finally, economic benefits.

Defense First: Iran's National Security and the Prevention of Domestic Anti-Regime Activity of Co-Ethnics

From day one following the collapse of the USSR, Tehran viewed the independence of the new states in the Caucasus and Central Asia as potentially threatening to its national security. The new post-Soviet states, most of them Muslim-majority, were not viewed as objects of export of Islam or revolution, but rather as potential sources of ethno-nationalism that could project onto Iran's domestic arena. The *Tehran Times* editorial following the Soviet collapse clearly articulated Iran's concern that the new neighboring states could be sources of domestic instability that could affect Iran:

from the point of view in Tehran is the lack of political stability in the newly independent republics. The unstable conditions in those republics could be serious causes of insecurity along the lengthy borders (over 2,000 kilometers) Iran shares with those countries. Already foreign hands can be felt at work in those republics, [e]specially in Azerbaijan and Turkmenistan republics, with the ultimate objective of brewing discord among the Iranian Azeris and Turkmen by instigating ethnic and nationalistic sentiments.²

Iran's foreign policy toward its neighbors in the Caucasus and Central Asia is also linked to domestic issues. More than half of Iran's citizens are of non-Persian origin. Most of Iran's major ethnic

¹ For more on ethnic politics in Iran and the connection to ties of the ethnic groups with the Republic of Azerbaijan and Turkmenistan, see Brenda Shaffer, *Iran is more than Persia*, Foundation for Defense of Democracies monograph, April 2021. (<https://www.fdd.org/analysis/2021/04/28/iran-is-more-than-persia>) and Brenda Shaffer, *Iran is more than*

Persia: Ethnic Politics in Iran Berlin: De Gruyter, 2022. For more on the topic of Iran's pragmatism, see: Brenda Shaffer, "The Islamic Republic of Iran: Is it really?" in Shaffer, *Limits of Culture: Islam and Foreign Policy*, Cambridge, MA: MIT Press, 2006.

² "Gorbachev's Downfall, and New Concerns in Iran," *Tehran Times*, December 30, 1991.

minorities share ties with co-ethnics in bordering states: Azerbaijan, Turkmenistan, Turkey, Iraq, Afghanistan and Pakistan. Three of Iran's border regions – with Iraq, Turkey, and Pakistan – are security hotspots with the shared ethnic factor playing a major role. Conflict between Armenia and Azerbaijan at times spilled over to Iranian territory as well.



Iran's policy toward Afghanistan is also guided by security concerns. Tehran promotes multiple interests in Afghanistan, including the protection and power of the Shia Hazara minority and other allies. In addition, Tehran strives for influence in the Herat region, which it views as part of historic greater Iran. However, its primary goal is preventing developments that could affect its national security, such as increased refugee flows into Iran.

Third Parties

Several regional and global powers are located near or active in the Caucasus and Central Asia. The borders of Iran, Turkey and Russia converge in the Caucasus. Tehran thus strives to maintain influence over the strategic architecture of the Caucasus and aims to limit Russian and Turkish military presence in the region and those states' control over major transport infrastructure, especially roads and rail that are close to Iran's border or that Iran regularly uses, such as the road to Armenia. That said, Iran does not seek conflict with Russia, and has tended to back down in any cases where their policies conflict in the region. Iran also strives to minimize the influence and presence of Israel³ and United States in the region.

Competition between the regional powers also spills over at times to their domestic arenas. In recent years, Iran has increased its support for the Kurdish separatist terrorist organization PKK (Kurdistan Workers' Party) that frequently conducts terrorist attacks in Turkey and at the Turkish–Iranian border. In response, Turkey has increased its vocal support for the rights of the Azerbaijani Turks in Iran (close to a third or Iran's population).

Regional Transit, Transportation, and Energy Trade

Throughout the post-Soviet period, Iran has sought to influence the establishment of regional transit,

³ Some analysts have explained Iran's hostility toward the Republic of Azerbaijan as a response to Baku's close ties with Israel, depicting Iran as being on the defensive in light of the cooperation between Israel and Azerbaijan. The timeline of this claim is simply not correct. Strategic cooperation between Azerbaijan and Israel commenced in 1995/1996. In contrast, Tehran has acted against Azerbaijan from the reestablishment of independence in 1991, long before Baku formed close links with

Israel. For more on Iran's policy toward Israel's presence in the region, see Avinoam Idan and Brenda Shaffer, "Israel's role in the Second Armenia-Azerbaijan War," in Turan Gafarli and Michael Arnold, eds., *The Karabakh Gambit: Responsibility for the future*, Ankara: TRT Research Centre, 2021.

(<https://www.fdd.org/analysis/2021/12/07/israels-role-armenia-azerbaijan-war>)

transportation and energy trade in the Caucasus and Central Asia in a manner that promotes its regional role and would create dependence of the landlocked region on Iran. However, over the years, most of Iran's initiatives in this sphere have been declined.

Energy

Iran does not play a major role in energy trade in the region, despite its efforts. The bulk of the major energy export from the region flows to the west from Azerbaijan via Georgia and Turkey to the open sea (Azerbaijan's Baku-Tbilisi-Ceyhan Pipeline and two natural gas export pipelines – the South Caucasus Pipeline and the Southern Gas Corridor; through Russia (Kazakhstan's CPC oil pipeline); or from Central Asia to China (Kazakhstan's oil pipeline to China; and Turkmenistan's major natural gas export to China via neighbors in Central Asia, which also transits modest gas export from Kazakhstan and Uzbekistan). Iran's energy trade with the region is limited to natural gas exports to Armenia (in barter exchange for electricity imports from Armenia to Iran); transit of Azerbaijani natural gas to Nakhchevan, Azerbaijan's exclave; limited Iranian gas imports from Turkmenistan⁴ and periodical transit of Turkmenistan's gas exports westward.

While Iran and Russia cooperate in many fields, the states are potential competitors in the field of natural gas export. Russia worked to ensure that Iran was blocked from reaching gas markets in Europe via the Caucasus and challenge Russia's dominance

there. In response to Iran establishing gas export to Armenia, Gazprom bought the gas pipeline between the states and imposed a small circumference on it, so that it could not transit significant gas volumes and thus serve as a link to Europe. Iran's involvement in regional gas trade is posed to decline further with the establishment of a natural gas pipeline that will link Nakhchevan directly to the Turkish pipeline system and thus eliminate the need for Azerbaijan to supply its exclave through transit through Iran.

Over the years, Iran has used the dispute over Caspian Sea border demarcation as a means to try to block Caspian energy projects or at least impose Iranian inclusion. At times, such as July 2001 when Tehran sent gun boats targeting a BP survey vessel, the demarcation dispute raised tensions between Iran and Azerbaijan. However, in 2018, all the Caspian Sea states signed a demarcation agreement and all, but Iran consider the issue resolved. President Rouhani's government, despite signing it, did not bring the agreement to the Iranian parliament for ratification.

Trade and Transportation

Iran is interested in playing a major role in the rail and road transportation systems that link Asia and Europe, which transit Central Asia and the Caucasus, as well as serving as an export outlet for trade to and from the landlocked Caspian region. Through greater volumes of trade and transportation, Tehran aims for commercial benefits, as well as political benefits through deepening integration

⁴ Iran, while sitting on the second largest natural gas reserves in the world, regularly has gas shortages in the domestic market and is actually a net natural gas importer.

with Central Asia and the Caucasus and also building these states' dependencies on Iran.

Iran is linked with Central Asia and the Caucasus via the Chinese Belt and Road Initiative's rail and freight Middle Corridor. Thus, both Iran and the greater region share an interest in the prominence of this corridor. In response to the blockage of trade from Russia's Black Sea ports due to the invasion of Ukraine, the prospects of use of the Middle Corridor have grown significantly.

With the exception of Georgia, all the states of the Caucasus and Central Asia are landlocked.⁵ Thus, potential transit states, like Iran, gain influence through serving as the trade outlet for this landlocked region. Despite its aspirations, Iran doesn't allocate sufficient resources to building adequate transportation links with the region. For instance, a railway line that connects Russia, the Caucasus and Iran, allowing access to the Persian Gulf waterway, is not completed in a major section of Iran (Rasht to Astar), mandating use of trucks for part of the transit through Iran, thus raising costs and increasing transportation times, lowering the attractiveness of this route.

Iran's trade volumes with the Caucasus and Central Asia are modest despite its proximity to the region. None of the countries of the region are among Iran's top five trade partners. According to Iranian media, Iran's trade with the other Caspian littoral states

(excluding Russia) in 2021-2022, stood at approximately US \$ 1.2 billion.⁶

Iran's provinces that border the Caspian Sea (Gilan, Mazandaran, Gulestan) are particularly engaged in direct foreign trade with the neighboring states. East Azerbaijan province conducts direct trade also with the Republic of Azerbaijan. This trade line enables the residents of these provinces to interact regularly with the neighboring states and increased trade provides economic benefits to these provinces.

Iran's trade and cooperation with the states of Central Asia and the Caucasus is facilitated by special agreements between Iran and the Eurasian Economic Union (EAEU) and the Shanghai Cooperation Council. From October 2019, a preferential trade agreement (PTA) was implemented between Iran and the EAEU members, which allows for lower tariffs on 862 commodities, of which over 500 Iran exports to the EAEU region. Among EAEU members states, Armenia was Iran's second largest export market after Russia.⁷ In September 2021, Iran's request for membership in the Shanghai Cooperation Organization (SCO) was approved. It will likely take until late 2023 until Iran's membership can affect concrete trade and political coordination. The SCO is led by China and members include Russia, Central Asian states, Pakistan, and India. Iran's SCO membership will generate only modest trade and political benefits.

⁵ For more on how the landlocked geography of the Caucasus and Central Asia affects the region, see Avinoam Idan and Brenda Shaffer "The Foreign Policies of Post-Soviet Landlocked States," *Post-Soviet Affairs*, vol. 27 no. 3, 2011, pp. 241-286.

⁶ "Iran's Trade With Caspian States Hit \$3.4b in Fiscal 2021-22," *Financial Tribune*, May 10, 2022.

⁷ Vali Kaleji, "Iran and Eurasian Economic Union Negotiations: Upgrading EAEU-Iran Preferential Trade Agreement into a Free Trade Agreement," Russian International Affairs Council, January 24, 2022. <https://russiancouncil.ru/en/analytics-and-comments/columns/middle-east-policy/iran-and-eurasian-economic-union-negotiations-upgrading-eaeu-iran-preferential-trade-agreement-into-/>.

In contrast to its professed Islamic solidarity, during the period of Armenia's occupation of close to twenty percent of neighboring Azerbaijan's territory, Iran engaged in direct trade and cooperation with the Armenian occupation authorities. As part of this cooperation, Iranian and Armenia established a hydropower plant complex and dams on the Araz river near the Khudafarin Bridge, which is on the border between Iran and the previously occupied territories.⁸ In addition, over forty Iranian companies operated in Azerbaijan's territories during the three decades of Armenian occupation.⁹ As part of this, an Iranian company even conducted restorations of the Govhar agha mosque in Shusha.

The 2020 Armenia-Azerbaijan War

Tehran's policies toward the 2020 Armenia-Azerbaijan War are illustrative of the factors that guide Iranian policy toward the greater region of the Caucasus and Central Asia. Iran's alliance with Armenia illustrates the non-ideological nature of Iranian foreign policy, when there are geopolitical trade-offs for implementing these policies. In the case of the war between Iran's two northern neighbors, the clash between ideology and pragmatic considerations was unmistakable: Christian Armenia had invaded Shiite Azerbaijan, captured close to a fifth percent of its territory, and turned almost a million Azerbaijani Shiites into refugees. Tehran hoped that the devastation and poverty created by the war and

occupation in Azerbaijan in the early years of the conflict would serve the Iranian regime's goal of limiting ties between its Azerbaijani minority and the new Republic of Azerbaijan. As part of this policy, Tehran supported Yerevan in its wars with Azerbaijan and has continued close cooperation with Armenia.

Tehran acknowledges that its stance toward the conflict is forged by its national security interests and especially its domestic security concern due to its Azerbaijani minority. Mahmoud Va'ez, who served as Deputy Foreign Minister of Iran, responsible for the former Soviet region during the first war in the early 1990s, pointed to internal considerations as one of Iran's major factors in its policy toward the Karabakh conflict:

Iran was in the neighborhood of the environment of the conflict. Karabakh is situated only 40 km distance from its borders. At that time, this possibility raised that the boundaries of conflict extended to the beyond of Karabakh. Since then, Iran's consideration was based on security perceptions. [...] Iran could not be indifferent to the developments occurring along its borders, security changes of the borders and their impact on Iran's internal developments.¹⁰

Iran has been an active player in the Armenia-Azerbaijan conflict, supporting Armenia in both the First (1992-94) and the Second Armenia-Azerbaijan War in 2020. During both wars, Iran served

⁸ After the establishment of the hydropower plant, in 2016 Iran and Azerbaijan signed an agreement formally allowing Iran to use the occupied territories, thus Iran formally recognized of Azerbaijan's sovereignty over the territory.

⁹ "İşğal zamanı Qarabağda fəaliyyət göstərən İran şirkətləri – Siyahı," Qavqazinfo.az October 11, 2021.

(<https://qafqazinfo.az/news/detail/isgal-zamani-qarabagda-fealiyyet-gosteren-iran-sirketleri-siyahi-339172>.)

¹⁰ Mahmud Va'ez in Interfax (in English), March 25, 1992 (FBIS-SOV-92-059). See, also, *Tehran Times*, March 10, 1992, p. 2 for reference to the internal Azerbaijan and Armenian factor as affecting its suitability to mediate in the conflict.

as the main channel of supplies to Armenia. In the 2020 war, Iran's involvement in the conflict reached a new height, with Iranian forces crossing the border into Azerbaijan's territory several times, where they disrupted the battlefield advances of the Azerbaijani forces. Moreover, in its actions against Azerbaijan, Iran goes beyond its normal model of working through proxies, as in Lebanon and Iraq, with its forces directly aiding Armenia during the wars. In the 2020 war, Iran intervened directly in the battlefield in an attempt to slow down Baku's advance. When Azerbaijan's forces reached the province of Zangilan, which borders Iran, and were engaged in serious battles with Armenia, Iranian forces crossed the border into Azerbaijan on October 17, 2020, and placed large concrete blocks on the road in a section in Jabrayil region, close to Zangilan, cutting the Azerbaijani forces in Zangilan from supplies and reinforcements.¹¹

In addition, during the 2020 war, Iranian forces also crossed several times into Nakhchevan, Azerbaijan's exclave that borders Iran.¹² Tehran also blocked communications of the Azerbaijani forces at times during the war and provided Armenia with information on Azerbaijani troop movements in the provinces that border Iran. Iran had access to information on Azerbaijani troop movements since Iranian intelligence units were able to intercept communications of

Azerbaijani troops as well as to observe their movements.¹³ Iran also sought to maintain Armenia's control of Azerbaijani regions that border Iran and sought to prevent deployment of foreign forces near its border.

Russia supplied Armenia during the war both via flights that overflew Iran and also via land shipments from Iran's Anzali port on the Caspian Sea. Iran's support for Armenia in the war incensed large swaths of the ethnic Azerbaijani community in Iran. Still, this indicates the coordination between Russia, Iran and Armenia on security and military matters.

Iran's regional position and security has weakened as a result of the 2020 war. The security architecture that emerged in the South Caucasus following the 2020 war between Armenia and Azerbaijan led to significant changes for the region's three main powers: Russia and Turkey gained increased power in the region, while Iran's leverage in the region declined. The war outcomes also strengthened domestic challenges from Iran's large ethnic Azerbaijani community, which opposed Tehran's support for Armenia in the war.

Conclusions

Many assume that religious based ideology plays a major role in Iran's foreign policy. As this

¹¹ "How Iran invaded Azerbaijan during 44-Day War in 2020," Contreras Report YouTube, October 10, 2021. Accessed at: <https://www.youtube.com/watch?v=iuzJbnl12xw>.

¹² Author's interviews, October 2020.

¹³ Author's interviews, September 2021; "How Iran invaded Azerbaijan during 44-Day War in 2020," Contreras Report

YouTube, October 10, 2021. Accessed at: <https://www.youtube.com/watch?v=iuzJbnl12xw>; "Иран вторгся в Азербайджан: сенсационные подробности 44-дневной войны," Caliber, October 9, 2021. Accessed at: <https://caliber.az/ru/post/28990/>.

discussion of Iran's policy toward the neighboring states in Central Asia and the Caucasus, the Islamic Republic of Iran could be the posterchild for *realpolitik*. Iran's primary concern in its interaction with the region is promotion of its national security. Tehran is especially prevention of developments in the region from projecting onto its domestic political arena, since over a third of the population of Iran shares co-ethnic ties with the peoples in Central Asia and the Caucasus. Iran's policies toward neighboring states are much more practical and cautious than those in non-bordering regions, where it can employ ideological rhetoric with few consequences.

Iran and its neighbors in Central Asia and the Caucasus use a high degree of policy compartmentalization in order to simultaneously derive benefit and prevent open conflict. Iran for instance, can cooperate with Azerbaijan on transportation and energy projects, while at the same time render military support to Armenia and sponsor forces aimed at changing the form of government in the Republic of Azerbaijan. The states of the region welcome Iran into regional transportation and economic projects, while at

the same time are very cautious about its activity in their domestic arenas.

Washington and Brussels need to further integrate developments and options on Iran's northern borders with its Iran policies. The U.S. and Europe tend to view Iran through the lens of the Middle East. Institutionally, Iran is analyzed primarily as part of the Middle East. In U.S. Department of State and relevant divisions in the American Department of Defense as well as most European state institutions, Iran is analyzed, and policy set within divisions dealing with the Middle East. In contrast, the bordering regions of Central Asia and the Caucasus are generally part of Europe divisions (the Caucasus) and Asia divisions (Central Asia). Thus, despite the fact that Iran borders both regions, and as seen in this paper, interacts intensively, comprehensive policy options toward Iran are often lost.

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