

# BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION

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# The Fifth Element

## Iran in Post-Second-Karabakh War Environment

*Jahangir Arasli*

The set of outcomes produced by the Second Karabakh War has decisively changed the geopolitics and geo-economics of the Greater Caucasus region and, one could argue, the Silk Road region as a whole. The status quo that existed for more than a quarter of a century has been altered with the crucial politico-military success of Azerbaijan, which liberated in less than two months most of its territories in the former Nagorno-Karabakh oblast and those surrounding it from almost three decades of occupation by Armenian forces.

The resulting new regional reality has created new opportunities as well as new challenges. In the aftermath of the war, most political and security analyses have focused either on its two belligerents (Armenia and Azerbaijan) or the two regional powers (Russia and

Turkey) that have been directly and visibly engaged in shaping the postwar setting. Thus, the discourse generally overlooks the fifth element of the new regional equation, the Islamic Republic of Iran.

Such disregard is unreasonable—and not simply because Tehran is located much closer to the conflict zone than Moscow or Ankara. Caught amidst its own complex security environment, exacerbated threats perceptions, inner power struggles, and aggravating economic and ethnic problems, Iran may potentially play the role of spoiler vis-à-vis the newly established and still fragile status quo. Alternatively, it may—under certain conditions—act as a contributor to regional postwar stabilization.

To better understand this fifth element and its possible effects on the new regional equation, the

present essay will consider the set of motivations that seem to inform Iran's strategy towards the post-Second Karabakh War realities of the Greater Caucasus. Iran's strategy remains trapped between growing economic incentives, on the one hand, and its security and ideological paradigms, on the other hand. Tehran has yet to define its preferences and make its choices. These, once defined, are almost certain to bring to bear significant influence on (and be influenced by) the region's yet-to-be-set-in-stone strategic trajectory: remaining in a stage of antagonisms and rivalry, moving towards a stage characterized by mutually beneficial cooperation, or something in between.

### *Iran's Dual-Policy Track*

Iran essentially kept a low-profile role during the First Karabakh War and the interbellum period that followed, focusing instead on other regions and issues that it considered as more relevant to its security. Having officially denounced the Armenian occupation of Azerbaijan's sovereign territory, Tehran nonetheless went about establishing a beneficial relationship with Armenia that has continued into the present.

The primary emphasis of this resulting bilateral cooperation has been economic: Iran actively invested in the Armenian economy and encouraged the establishment of what has turned out to be a lucrative trading relationship. Figures from early 2019, for example, show that there were 5,301 companies with Iranian capital operating in Armenia (36.6 percent of the total number of foreign companies) and that Armenia was Iran's fifth largest trading partner.

There were also some security aspects to the bilateral relationship, given the transit access provided by Iran to Russia for the latter's resupply of its military bases and outposts in Armenia. This aspect of the relationship gained in importance in the wake of the 2008 Russo-Georgian War, a direct consequence of which was Tbilisi's refusal to allow Russia to use its territory as a resupply transit route for its military positions in Armenia.

All told, Tehran has considered relations with Armenia to be a strategic asset providing a vital transportation corridor to Russia and Europe as well as a barrier against various potential security threats.

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In contrast, Iran's relations with Azerbaijan remained cloudy during the interbellum period. Bilateral ties were for the most part characterized by mutual distrust albeit veiled behind a façade of polite diplomatic discourse that emphasized friendly and good-neighborly relations. Azerbaijan's secular political system, its involvement in international transportation- and energy-related projects in the Caspian Sea region, and its multi-vector foreign policy all became irritants for Iran.

Moreover, Azerbaijan's security cooperation with the United States, and especially Israel, was seen by Tehran as tantamount to waving a red flag. In addition, the existence of a huge, indigenous ethnic-Azerbaijani community in Iran produced, at least subconsciously, a fear of separatism in the eyes of the Islamic Republic's authorities. In turn, Baku's concern centered on Tehran's covert support for anti-government politico-religious groups in Azerbaijan as well as for other subversive activities, like the terrorist

plot against Israeli targets in Baku allegedly masterminded by Iranian proxies.

Thus, for a quarter of century, Iran effectually became a beneficiary of the conflict's status quo, skillfully balancing between the two belligerents whilst never calling into question Azerbaijan's sovereignty over Karabakh and the other occupied regions. While keeping close watch on Azerbaijan, Tehran, in parallel, profited from its relationship with Armenia, which, by 2018-2019, had risen to the level of a strategic partnership in all but name.

Meanwhile, by 2020 the prospects of a political settlement to the Armenia-Azerbaijan conflict had faded due in great measure to the obstructionist policies of Armenia's new leadership, which in some areas had gone further than the one it had replaced a few years earlier. Against this background, Azerbaijan exercised its legitimate right to restore its sovereignty and territorial integrity through a sophisticated military operation against

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the Armenian occupation forces that began on the morning of 27 September 2020 and ended in the early hours of 10 November 2020.

### *Tanks and Words*

The start of the Second Karabakh War was a strategic surprise for Tehran. Iran's initial reactions were cautious and limited to calling on both sides to cease hostilities. Iran's Supreme Leader Ayatollah Ali Khamenei reemphasized that Karabakh and the other Armenian-occupied regions were a part of Azerbaijan, and Iranian diplomats attempted to mediate a ceasefire—an initiative that did not bear fruit. However, with the successful breaching of the main Armenian defense line by the Armed Forces of Azerbaijan and their subsequent advance deep into the occupied lands through the Aras River valley, which borders Iran, Tehran's tactical posture changed dramatically.

In the last week of October 2020, after Azerbaijan had regained control over its entire common border with Iran, Tehran undertook a significant military deployment on its side of the Aras River. Although officially branded as a preventive measure to

“ensure the integrity of our national territory,” the troops' movements made it clear that they were not following regular, established procedures.

To reiterate: the Iranian military deployment did not begin at the start of the Second Karabakh War but almost a month later, and only after Azerbaijan's military successes became evident. Moreover, Iran deployed its troops along the entirety of the Iran-Azerbaijan border, including along its border with Azerbaijan's Nakhchivan exclave, where no fighting had or would take place. The composition of the deployed forces was also quite impressive: it involved up to eight brigades, both regular Iranian Army units and those belonging to the Islamic Revolutionary Guards Corps (IRGC)—and the deployed forces included not only infantry units but armor and artillery ones as well.

Six of the brigades that were deployed were not garrisoned in Iran's East Azerbaijan province, which borders the Republic of Azerbaijan; rather, their permanent bases were located in more distant provinces: Qazvin, Mazandaran, and West Azerbaijan. Interestingly, the two primary garrison formations based in the

East Azerbaijan province—namely, the IRGC 31<sup>st</sup> Ashoura Mechanized Infantry Division and the Army 21<sup>st</sup> Infantry Division—remained in their respective barracks in Tabriz, the provincial capital: they did not join their brothers in arms deployed to the border with Azerbaijan, notwithstanding the fact that these two formations constituted the most proximate available assets. Speculation at the time was focused on the likelihood that those two divisions were held in reserve to be able to react in the event of remonstrations by the ethnic-Azerbaijani majority population in that part of Iran.

Iran also positioned its most sophisticated air defense assets near the Azerbaijani border, under the guise of protecting its territory against stray missiles and drones from the combat zone (indeed, a few rockets and mortar shells did land inadvertently inside Iran during the war). Among them was the only Iranian battalion of SA-15 Gauntlet surface-to-air missiles—the same that had shot down Ukraine International Airlines flight 752 near Tehran in January 2020. The repositioning of that system potentially pointed to the evocation of fears concerning the possibility of a sudden strike against Iranian nuclear facilities by what it termed a “non-regional player” (e.g., the United States

and Israel). Simultaneously, the Iranian Air Force and the IRGC Aerospace Force commenced previously unannounced large-scale drills and publicly revealed underground missile bases. Completing the picture, engineering units with river-crossing equipment were also deployed to the area.

None of this was done in secret. The Iranian high command conducted all of the aforementioned military movements openly: footage was shown of armored columns and firepower assets moving towards the border with Azerbaijan.

In short, a public show of force by Iran took place during the Second Karabakh War: the potential option of military action “beyond” the Aras River had made its suggestive appearance.

The attendant rhetoric heightened significantly in the immediate aftermath of the 10 November 2020 tripartite agreement that cemented Azerbaijan’s victory in the Second Karabakh War. The concerns voiced by Iranian officials focused on two key points.

First, Iran rejected any revision of existing interstate borders, referring to them as constituting the “regional status-quo.” In late

October 2020, Major General Seyyed Abdolrahim Moussavi, the Commander-in-Chief of the Iranian Army, stated that “respect for the territorial integrity of countries and the protection of official international borders are among our known principles and we will not tolerate any changes for territorial integrity and oppose them.” Just a few days prior to the end of the Second Karabakh War, Brigadier General Kioumars Heidari, the Commander of the Iranian Army Ground Forces, asserted that “no power can try to change the geography of the region; we will not tolerate it.” Just after the tripartite agreement came into force, Saeed Khatibzadeh, the Foreign Ministry’s spokesperson, stated that “the geographical borders of the Islamic Republic in this region did not change at all and will not change in the future. Our perception of what has been announced is just a simple transit route [presumably a reference to Article 9 of the tripartite agreement], the security of which should be discussed and the Islamic Republic of Iran is following the issue closely.”

Second, Iran would combat any security threats arising from the conflict zone, specifically, be it the supposed “Israeli presence” in Azerbaijan or the alleged participation of “Syrian combatants”

in the war. More specifically, Major General Moussavi pointed out that the military “will deal severely” with the presence of “Takfiri terrorists, ISIL, and the Zionists”—i.e., Sunni jihadists, the Islamic State, and Israel—on the border with Azerbaijan. Army spokesperson Brigadier General Abolfazl Shekarchi echoed this statement, referring to the threat of “Israeli spy bases and Takfiris” in the region that “will not be tolerated in any way.” Khatibzadeh (the Foreign Ministry’s spokesperson) also indicated that “no player outside the region can set foot in this region and we have said it explicitly and those who should get the message have taken it. Outside of this path, it is natural that no process will take place.”

Shortly prior to and soon after the cessation of hostilities with Armenia, Baku repeatedly expressed official appreciation for Iran’s support for Azerbaijan’s territorial integrity and its intention to advance further bilateral relations. Still, subsequent developments indicated that such diplomatic messaging did not sufficiently assuage Iranian concerns.

For example, on 17 November 2020, Azerbaijan’s president, Ilham Aliyev, visited the centuries-old Khudaferin Bridge, located near

the liberated city of Jabrayil, located on the Aras River—right on the border with Iran. The next day, a photo of him in the crosshairs of an Iranian sniper’s telescopic rifle sight was leaked on social media. It is difficult to believe that an ordinary Iranian soldier would have done so on his own initiative; it is thus conceivable to interpret this embarrassing episode as a veiled threatening message sent by hardline elements within the Islamic Republic. It should be noted that neither Azerbaijan nor Iran made any official statement regarding the incident.

This was followed less than one month later by another incident that triggered a brief diplomatic row over Azerbaijan between Iran and Turkey. On 10 December 2021, Turkish president Recep Tayyip Erdogan gave an address in Baku on the occasion of the Victory Day parade in which he recited verses of Bakhtiyar Vahabzade’s 1959 poem “Gülüstan” that refers to the “forcible separation” of Azerbaijanis across the Aras River. The Iranian response was swift. Foreign Minister Javad Zarif tweeted that “Pres. Erdogan was not informed that what he ill-recited in Baku refers to the forcible separation of areas north of Aras from Iranian motherland. Didn’t he realize that he was undermining

the sovereignty of the Republic of Azerbaijan? NO ONE can talk about OUR beloved Azerbaijan.” Zarif was presumably referring to the terms of the peace treaties of Gulistan (1813) and Turkmenchay (1828) between the Russian Empire and the Sublime State of Iran that set part of the border between the two empires at the Aras River. The outcry in Iran was due to the interpretation of Erdogan’s words as a “manifestation of pan-Turkic ambitions,” in the words of one official. The Turkish ambassador was summoned to the Foreign Ministry in Tehran, protesters gathered in front of the Turkish Consulate in Tabriz, and the local media furiously accused Turkey of “imperial revisionism.” Meanwhile, 225 of 290 members of the Iranian parliament issued a proclamation declaring that “Azerbaijan will not be separated from Ayatollah Khamenei, the revolution, and Iran.” A few days later, after high-level conciliatory statements were made by Ankara, the situation deescalated, with President Rouhani saying, “in my opinion, with the explanations [they] gave, we can move beyond this issue, but the sensitivity of our people is very important. Based on my past knowledge of Mr. Erdogan, it is very unlikely that he had any intention of insulting our territorial integrity.”

The point here is that a significant shift in Iran’s approach to the Armenia-Azerbaijan conflict took place in the last three months of 2020 through the adoption of a tougher posture towards Azerbaijan. The swift transformation of the region’s geopolitical scenery due to Azerbaijan’s victory in war first caught Iran’s strategic elites off-guard. Tehran signaled its discontent by employing confrontational rhetoric to indicate its concerns and delineate its red lines coupled with the heightening of its military presence on the border with Azerbaijan.

### *What Worries Iran?*

Iran’s reflexive actions and statements between October and December 2020 mirror its deepening concerns about the geopolitical, security, and economic effects of the new postwar configuration in the South Caucasus. The Iranian calculus is presumably basing on the following set of considerations.

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First, Iran’s strategic elites are anxious about the potential rise of ethnic-Azerbaijani irredentism in the country’s northwest in the aftermath of Azerbaijan’s victory in the Second Karabakh War. Even before the end of the war, ethnic-Azerbaijani

protesters in Iran had demanded the closure of the country’s border with Armenia to prevent what was alleged to have been the shipment of Russian arms supplies to Armenian forces. Tehran considered even those limited demonstrations as a harbinger of how an empowered Republic of Azerbaijan may boost ethno-centric demands in the Islamic Republic of Iran. Given the size and influence of the ethnic-Azerbaijani community in Iran, any potential instability triggered by ethnic-Azerbaijani demonstrations in the country may prove consequential for an Iranian unitary state.

Second, Turkish hyperactivity in Iran’s neighborhood profoundly troubles Iran. The potent mix of historical memory, past revindications, geopolitical rivalry, and economic competition over

resources and transit routes fuel Tehran's perception of a Turkish neo-Ottoman grand strategy aiming to build a "Turkic world" under the auspices of Ankara. Bearing in mind what can be termed an emerging strategic symbiosis between Turkey and Azerbaijan—embodied in the phrase "one nation, two states"—that unquestionably contributed to the latter's battlefield successes, certain quarters in Tehran perceive Baku as a vanguard of Ankara's ambitions in the Silk Road region. Particularly, the potential for Turkey to have access to the Caspian Sea littoral goes contrary the Iranian concept of this area as being "free of foreign powers." Tehran would also be unhappy with a potential lasting Turkish military presence in Azerbaijan. There are other side effects, too. In particular, Tehran's allegations about the presence in Azerbaijan of the "Takfiri"—i.e., Turkey-outsourced Syrian combatants that Iran and its proxies are fighting in Syria—evoke patterns of the historic Shia-Sunni rivalry.

Third, Iran anticipates that the new realities in the South Caucasus resulting from the outcome of the Second Karabakh War could negatively affect its economic and trade interests. More specifically, the primary matter of concern is the so-called longitudinal Zangezur transit corridor—a

42 km-long sector of the Iran-Armenia border that would provide vital transportation access into Armenia itself, and then to Georgia, Russia, and Europe (via the Black Sea). Under the provisions of the tripartite agreement, the formerly defunct (latitudinal) transportation corridor Turkey-Armenia-Azerbaijan-Central Asia will become operational eventually, thus creating a viable alternative to existing transit routes that traverse Iran. The emerging corridor would bypass Iran, which would likely deprive the country of much-needed transport and cargo transit revenues—not only at the local level between Nakhchivan and the main part of Azerbaijan, but also at the trans-regional level. With regards to the latter, Iran is naturally concerned that it could find itself largely excluded from an important branch of the Belt and Road Initiative as well as from upcoming regional energy-related projects.

Fourth, Iran's frankly delusional perception of Azerbaijan as a forward staging base for an Israeli surprise attack against Iran's nuclear infrastructure has become fashionable again, given the heightening level of Israeli-Azerbaijani cooperation in the field of defense and security. A sophisticated intelligence operation in November 2020 to

assassinate Mohsen Fahrizadeh, the chief Iranian nuclear scientist, only amplified such fears—a reflection of the degree of security neurosis in the Iranian establishment over the survivability of its nuclear program.

Last, but not least, one should not neglect the weight of historical memory for the Iranian nation. Between the sixteenth and nineteenth centuries, imperial Iran was engaged in a long-lasting struggle with both the Ottoman and Russian empires for control over the Caucasus—a struggle it ultimately lost. The reemergence of a strategic game with the same trio of players in the region no-doubt evokes negative *déjà vu* sentiments amongst Iranian elites—obvious differences in the correlation of forces and governing ideologies notwithstanding.

These and similar considerations have given cause to observers like Alex Vatanka of Washington's Middle East Institute to assert that the outcome of the Second Karabakh War constitutes Iran's "worst nightmare;" Umut Başar of the IRAM Center in Ankara to opine that the outcome of

the war effectively ejected Iran from the South Caucasus by relegating it into a "losers club" together with Armenia; and Middle East political analyst Dnyanesh Kamat to assert that the war's result amounts to a "strategic disaster" for Tehran. Perhaps the situation is not quite so dramatic. No doubt, though, that the sorts of considerations outlined above have contributed to further strengthening the Iranian establishment's besieged fortress mentality that has been embedded deeply into the country's strategic culture since the 1979 Islamic Revolution. One thing's for sure: the South Caucasus is now a top priority in Iran's matrix of national security concerns.

### *How Will Iran Respond?*

Iran's initial knee-jerk reactions during and in the immediate aftermath of the Second Karabakh War clearly indicate its unease with the collapse of the former status-quo with regards to the Armenia-Azerbaijan conflict. Still, it is safe to assume that Tehran has been busily deliberating about how to recalibrate its approach and initiate damage-control

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procedures sooner rather than later. Ever since the dawn of the Islamic Republic, Tehran has demonstrated in many instances a sophisticated ability to adapt rapidly to new realities and devise effective counter-strategies. Tehran's future course of action would be exceedingly difficult to attempt to chart at present. Still, it appears already possible to surmise several operational outlines. Of course, not being privy to the inner workings of the Iranian establishment, what follows is by definition a speculative endeavor.

Iran may consider synchronization with Russia to counterbalance a hyperactive Turkey in the South Caucasus. Although the Iranians may feel themselves to have been sidelined by the Russians as they went about unilaterally brokering the tripartite agreement that ended the Second Karabakh War, Tehran at present enjoys a cozier relationship with Moscow than it does with Ankara. At least in the South Caucasus theater, the same could be said for the Kremlin's attitude towards Iran, given that Russia is becoming increasingly concerned by Turkey's growing influence in the post-Soviet space. This last consideration could result in Moscow choosing, eventually, to abandon its desire to erode NATO cohesion through the cultivation of Turkey and turn instead to Tehran in order

to contain Ankara's encroachment in an area it considers its legitimate sphere of influence.

In broader terms, Russia continues to contemplate its South Caucasus policy through the prism of its overall confrontation with the United States. It is most likely that the perpetuation of such an approach would be welcomed with open arms by Tehran. The idea of a tactical alliance with Iran is already present in some strategic quarters and think-tanks in Moscow.

Already, both players already depend on each other in the region: Iran remains a vital logistical hub for supplying the Russian 102<sup>nd</sup> Military Base deployed in Armenia, and Russian forces effectively serve as a guarantee for Iran's continued access to Armenia via the Zangezur corridor. Moscow and Tehran are also discussing the feasibility of Iran's accession to the Eurasian Economic Union.

That being said, one point should not be ignored: in the last three decades, Iran has acted as a strategic lone wolf on the international stage and has proven to be a tough partner. Thus, any plausible Russo-Iranian situational partnership in the South Caucasus would neither be an easy nor a linear undertaking, as was demonstrated, for

instance, by frictions in the Syrian theater. Although dependent on many dynamic factors, including hard-to-predict developments in two sets of bilateral relationships (Russia-Turkey and Iran-Turkey), a marriage of convenience, as it were, between Russia and Iran in the South Caucasus may yet emerge as a significant geopolitical factor in the time ahead.

Potentially, Tehran may also start rearranging assets it has invested in foreign conflicts taking place in other theaters in order to free up resources to focus more on engagement within the South Caucasus. Iran's major focus on supporting prolonged expeditionary warfare in the Levant, Iraq, and Yemen is consuming efforts, blood, and money: for sound strategic reasons, until the outcome Second Karabakh War transformed the regional equation, Iran could afford to relegate the South Caucasus to the relative sidelines. Extracting itself with elegance from present priorities in other theaters would not be easy, as Iran is presently quite bogged down in the perennial conflicts characteristic of those areas.

Yet, the emerging shift towards a partial normalization of relations with the Arab Gulf states could potentially ease Tehran's burden

and allow it to focus more on its northern theater. It may seem odd at first blush, but a certain form of pragmatic collaboration between Iran and its Arab regional rivals to contain mounting Turkish pressure is not an impossible scenario. Another option in this regard remains raising the Kurdish question, which has for decades caused Turkey to react in a predictable manner. Generally, the rapidly evolving geopolitics of the Middle East, but also of Central and South Asia (especially in the wake of the American abandonment of Afghanistan) is likely to be an important factor in determining Iran's future posture towards the South Caucasus.

Iran may also consider strengthening its relations with Armenia to counterbalance an emboldened Azerbaijan and keep open its own access to the strategic Zangezur corridor. For instance, the project to construct an Iran-Armenia railway and connect it to the existing regional transportation network is already on the table. In January 2021, Tehran and Yerevan signed an agreement to increase their annual bilateral trade turnover to \$1 billion. And Iran appears to be quite willing not only to fill the market niche created by the recently-announced Armenian boycott of Turkish goods but also to build a gas pipeline to Armenia.

But most of all, the Iranians are reportedly interested in forming a multi-modal Persian Gulf-Black Sea International Transport and Transit Corridor that would connect Iran with Europe and Russia. If operationalized, this last would multiply Iranian export options, grant them access to Europe without having to involve Turkey, and instantly become a competitor to the east-west Zangezur corridor championed by Azerbaijan and Turkey in the wake of the Second Karabakh War.

To ultimately achieve such an objective, one could reasonably surmise that Iran may be prepared to manage the reinforcement of Armenian military capabilities: the UN arms embargo against Iran expired in October 2020, clearing the way for Tehran to legally export weapons. The plausibility of the scenario is reinforced by the fact that Armenia may well be seeking Iranian support to counterbalance and mitigate Azerbaijan's military superiority by providing a land-sea bypass access route to Russia via Iran's Caspian Sea ports.

Beyond that, Iran could undertake measures to tighten its control over the country's ethnic-Azerbaijani community. To ensure its loyalty, both carrots and sticks would be employed, perhaps more of the latter than the former.

The arrest and conviction of ethnic-Azerbaijani activists in January 2021 gives credence to the thesis that the stick rather than the carrot remains a preferred instrument of choice for the Islamic Republic, which remains dominated by the security apparatus led by the IRGC.

Finally, the shifting balance of power in the South Caucasus, coupled with rising Turkish ambitions in the region, would likely constitute an additional argument for the hardliners in Iran's security establishment to accelerate the acquisition and operationalization of the ultimate deterrence tool: nuclear weapons.

### *Confrontational Relapse*

After its initial uneasy reactions demonstrated at the end of 2020, Tehran toned down its rhetoric, moderated its actions, and began accommodating itself to new realities. As early as January 2021, Iran's foreign minister visited Azerbaijan, Russia, and Armenia to discuss postwar developments. Zarif's trip was an indication of Iran's willingness to assume a more proactive policy towards the region as well as participate in postwar reconstruction and development projects. In particular, the Islamic Republic's

chief diplomat extended an offer to the three countries he visited to utilize Iran as their principal gateway to the Persian Gulf.

Throughout 2021, Iranian officials have also carried out a greater number of discussions with their counterparts in both Armenia and Azerbaijan on possible mutual projects related to interregional transportation routes, primarily the Persian Gulf-Black Sea Transit Corridor and the International North-South Transport Corridor. They also expressed an interest in taking up a share of the \$25 billion reconstruction portfolio for the liberated regions offered up by Azerbaijan.

However, the prospect for postwar development in the South Caucasus based on the vision set forth in the tripartite agreement has been marred by a lack of progress in the implementation of its provisions. The chosen tactics of the Armenian government include delaying the process of unblocking communications routes and delineating the interstate Armenia-Azerbaijan border, as well

as indicating an unwillingness to recognize Karabakh and the surrounding regions as integral parts of Azerbaijan (all of which are preconditions for concluding a broader peace treaty). These have contributed to a gradual increase in tensions between Yerevan and Baku. Multiple border skirmishes between Armenian and Azerbaijani forces took place in the spring and summer of 2021, as Baku began upping political and military pressure on Yerevan to force it to fulfill its obligations under the tripartite agreement.

This recurrence of tensions indirectly involved Iran as well. At end of June 2021, after Azerbaijan and Turkey had begun joint naval drills in the Caspian Sea, Iran launched its own wargame in the same area. In mid-August 2021, Azerbaijan submitted a diplomatic note to Tehran to protest Iran-based

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trucks traffic entering those parts of Karabakh controlled by the Russian peacekeepers without having cleared Azerbaijani customs and border controls. Two weeks later, Azerbaijan's military temporarily halted traffic between Armenia and Iran



for the same reason. And in mid-September 2021, as this edition of *Baku Dialogues* was going to press, something similar took place.

### *Speculating About Tomorrow*

For Iran, the outcome of the Second Karabakh War basically amounted to a “black swan event.” Having been focused almost exclusively for the better part of three decades on its confrontation with the United States, Israel, and the Arab Gulf states, Tehran suddenly and unexpectedly had to deal with a sweeping transformation in its northern backyard.

Elements of this transformation include the military victory that empowered Azerbaijan, the weakening of Armenia upon its defeat, the resulting Russian military-peacekeeping presence, and the unfolding penetration of Turkey into the Silk Road region. Against this background, Iran has felt itself sidelined from the region’s diplomatic processes and deprived of potential dividends from regional energy projects and transit trade routes. Beyond feeling politically

and economically excluded, it has also become wary of the potential security gap emerging on its doorstep.

Such a paradigm shift has increased the level of strategic apprehension in Tehran, imposing on Iran’s establishment a need to figure out available ways and means to deal with this new regional reality. So far, the response has been more reactive than proactive. However, there is no reason to think that Iran will remain defensive or passive in the time ahead. Its complex national security machinery—with its delicate balance between hardliners and pragmatists—will elaborate the Islamic Republic’s strategy sooner rather than later.

This has not yet happened, however. The June 2021 presidential elections that brought Ebrahim Raisi to power resulted in a political transition that has not yet been fully completed. By the time this edition of *Baku Dialogues* is printed, informed observers of developments in Iran may be in a better position to ascertain in which strategic direction the new conservative government will choose to go.

What is certain is that the competing interests of Russia, Turkey, and Iran will greatly determine the security

equilibrium in the South Caucasus in the time ahead. Beyond the internal dynamics within this strategic triangle, external influencing factors also need to be taken into account by the new administration in Tehran.

Foremost amongst these is the still-in-the-making policy of the Biden Administration towards Moscow, Ankara, and Tehran. Particularly unknown, as of this writing, is the White House’s concrete intention regarding the warming of relations with Iran. At least for now, it appears that Tehran sees a window of opportunity opening up in Washington. But how wide and for how long? In the case of even a partial normalization of relations and the easing of punishing sanctions, Tehran would likely feel emboldened in its foreign policy—the reverberations of which would probably be felt in the South Caucasus. In addition, if America toughens its posture towards both Russia and Turkey, then this is likely to result in a push for Moscow and Ankara to cooperate more closely with each other. This could in turn cause further distress and consternation in Iran.

Then there is China and the EU as factors. The development—negative or positive—of their respective relations with Iran may

also (at least indirectly) influence Tehran’s policy towards the South Caucasus. A case in point is the March 2021 China-Iran strategic agreement, whose full details have not been made public. More recently, the effects of the Taliban’s takeover of Afghanistan in August 2021 and the range of its potential consequences also could emerge as a paramount factor influencing Iranian strategy not only towards the South Caucasus but the Silk Road region as a whole (as well as other theaters).

Here we can reiterate the basic point of this essay: no accurate forecast of the future of the South Caucasus can be made without factoring in the fifth element of the new regional equation—the Islamic Republic of Iran—alongside the two belligerents of the Second Karabakh War (Armenia and Azerbaijan) and its two most visibly active regional powers (Russia and Turkey).

In all likelihood, Iran will eventually assume a more active role in the postwar disposition of the South Caucasus. This can consist in Tehran choosing to disrupt an already-emerged equilibrium and thus act as a spoiler—especially if it feels its security is at stake: after all, Iran has legitimate strategic interests in the South Caucasus. At the same time,

Tehran's inflated threat perception and a tendency to assume a zero-sum posture sometimes disproportionately affects the clarity of its strategic thinking.

One evident way to avoid the spoiler scenario is for the Islamic Republic to be incentivized sufficiently to include itself in shared regional projects that are integral to the postwar vision set forth in the tripartite agreement that ended the Second Karabakh War. Determining shared interests and building confidence to

advance them is, to my mind, the only prospective way to overcome historic antagonisms, mistrust, and geopolitical rivalries. The dividends are obvious to grasp but hardly straightforward to achieve: multilateral regional collaboration that benefits all sides and that, in turn, comes to serve as the keystone of a new and inclusive regional security architecture—one that, by inheritance and geography, and perhaps in the not-too-distant future by strategic disposition, ought to include Iran. **BD**

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## CASPIAN CENTER FOR ENERGY AND ENVIRONMENT



The Caspian Center for Energy and Environment (CCEE), a core institution of ADA University, provides policy relevant and academic research, teaching, and training, as well as a variety of outreach activities in the sphere of energy and environment in the wider Caspian region.

Held annually in July, in partnership with the State Oil Company of the Azerbaijan Republic (SOCAR) and BP in Azerbaijan, the Baku Summer Energy School (BSES) is our flagship two-week certificate program. It brings together world-renowned scholars, academics, and policymakers to examine and gain a better understanding of the energy and environmental issues with a particular focus on the Caspian region.

[ccee.ada.edu.az](http://ccee.ada.edu.az)