

# BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION

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# Strategic Rail Connectivity

## Time to Reconnect Iran and the South Caucasus

*Vali Kaleji*

The history of the railway connection between Iran and the Caucasus region goes back more than a century. This connection was the result of the development of the Tsarist Russian railway network in the Caucasus in the second half of the nineteenth century. The first section of the Trans-Caucasus Railway opened in 1865 from the Black Sea port city of Poti. The first railway line was laid in 1878 in the suburbs of Baku and opened in 1880. By the early 1880s, other major cities in the Caucasian part of the Russian Empire—e.g., Tbilisi and Batumi—were connected by rail. For example, the Kars-Gyumri-Tbilisi railway line was built in 1899.

The history of the introduction of railways in Iran took place during the reign of the Qajar dynasty and dates

back to the concession to build the Jolfa-Tabriz-Sufyan-Sharafkhaneh railway, signed with imperial Russia in 1912. Its construction was to be fully financed by Russian interests and the concession was supposed to run for 75 years (the Russian side also received numerous concessions for road construction in northern Iran and built nearly 800 kilometers of roads—Tehran-Anzali, Tabriz-Jolfa, and Qazvin-Hamadan—between 1893 and 1916). The length of the Tabriz-Jolfa railway was 146 kilometers and its construction was completed in 1916 in the midst of the First World War. The Sufyan-Sharafkhaneh railway, which was 53 kilometers long, was opened the same year. To connect the Iran-Russia railway network, an iron bridge was built over the Aras River between Jolfa and Nakhchivan in 1914.

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This railway line, which established a connection between Iran and the Caucasus region for the first time, was used by the Russians during World War I to transfer troops and military equipment. Writing in 1963, historian M.H. Baker contended that this line was essentially “an extension to Russia’s railways.” However, World War I did not allow the Russians to extend the railway

from Tabriz to Qazvin, which was very important in the context of the Anglo-Russian Convention of 1907. According to this treaty, Great Britain promised to stay out of northern Persia and Russia recognized southern Persia as part of the British sphere of influence. After the October Revolution, the new regime in Moscow transferred the ownership and rights of the Jolfa-Tabriz-Sufyan-Sharafkhaneh railway to the Iranian government.

During World War II, despite Iran’s declaration of neutrality, the Soviet Red Army from the north and the British and American armies from the south (Persian Gulf) occupied Iran in September 1941. The Soviet forces broke through the border and moved from Soviet Azerbaijan into Iranian

Azerbaijan. One of the main routes for the Soviet Red Army to enter Iran was the aforementioned metal railway bridge over Aras (during this military operation, three Iranian border guards lost their lives—an event that went

*The history of the railway connection between Iran and the Caucasus region goes back more than a century.*

on to acquire historical and symbolic significance for Iranians). Moreover, the Iranian railway network played a very important role in the rapid

transfer of Allied forces and equipment from southern Iran to the Soviet Union during World War II, because of which the Veresk railway bridge, constructed in 1934-1935 and located in northern Iran’s Mazandaran Province, is referred to as the Victory Bridge (*Pol-e Piroozi*).

Due to the military exigencies of World War II and the need for rapid transfer of men and material, the Soviet railway network in the Caucasus experienced further development. In 1941, the railway line was extended from Horadiz and Mincivan through Armenia, including a railway line extension to Kapan and from there to Julfa, located in the Nakhchivan exclave of Soviet Azerbaijan. Thus was Nakhchivan finally connected

with the rest of Soviet Azerbaijan by rail. Indeed, in 1941 the Soviet railway network was also extended southwards to Azerbaijan's Astara, located at the southern border with Iran and facing an identically named city in that country. Simultaneously, Iran's rail network also experienced expansion, and specifically Jolfa-Tabriz-Sufyan-Sharafkhaneh railway stretched from Tabriz to Tehran in 1958 with a length of 748 kilometers.

In general, during the Soviet era, the Tabriz-Jolfa railway route in Iran, which connected to the Julfa-Meghri-Zanglian-Baku line, and from there going on to Moscow, served as the main transit route for Iran's trade with the Soviet Union. It gradually came to play an increasingly significant role in Iran's trade transactions over time. Before the disintegration of the Soviet Union in 1991, about four million tons of goods were transported across this railroad on a yearly basis.

### The Railway Cutoff

In 1990 and 1991, the volume of cargo exchanges through the Jolfa border crossing amounted to 2.69 and 2.37 million tons, respectively. This amounted to over 10 percent of Iran's imports. In the aftermath of the First Karabakh War, the former Nagorno-Karabakh Autonomous Oblast (NKAO) as well as the regions of Fuzuli, Jabrayil, and Zangilan, located near the Iranian

border, came under the control of Armenian forces. One of the many consequences of the Armenian seizure of sovereign Azerbaijani lands was the severing of the railway connection between Azerbaijan's Nakhchivan exclave and the rest of the country. More than 240 kilometers of railway lines came under the control of Armenian forces.

In these circumstances, the railway route in these areas was not only left unused, but it was also effectually destroyed. The new situation on the ground not only

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cut off the railway connection between the Republic of Azerbaijan and Armenia, but also the railway connection between Iran and the Caucasus region after seventy years. Notwithstanding the terms that ended the Second Karabakh War, which inter alia provided for the unblocking of all "economic and transport connections in the region," including "transport connections between the western regions of the Republic of Azerbaijan and the Nakhchivan Autonomous Republic," the "unobstructed movement of persons, vehicles, and cargo in both directions"

has not yet taken place—nearly two years after the document was signed. The railway network still needs to be completely replaced. While Iran's railway connection with the Caucasus was cut and cross-border cargo exchanges dropped sharply, the northern railway lines from Armenia to Georgia and Azerbaijan to Russia have continued to operate as before.

This unfortunate situation has not changed after three decades, and, despite the high volume of

trade and travel, Iran does not have a direct rail connection with the Caucasus region. This has had a very negative impact on the volume and pace of trade with the Caucasus countries as well as with Russia, causing, inter alia, heavy traffic on both sides of the land borders, including the Astara-Astara (Iran-Azerbaijan) and Noruduz-Meghri (Iran-Armenia) border crossing points. Over the last two decades, Iran, Armenia, Azerbaijan, and Russia have each proposed bilateral or multilateral rail projects with a view to ameliorate and overcome the rail and transit gap.

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Regretfully, none have been fully completed. The most important efforts in this regard will be discussed below, as will be the main causes of the failure to bring them to fruition.

### Rasht-Astara Railway

The International North-South Transport Corridor (INSTC) is a 7,200-kilometer-long multi-modal network of ship, rail, and road routes for moving freight between India, Iran, Afghanistan,

Azerbaijan, Russia, the Central Asian states, and the European continent. The route primarily involves moving freight from India, Iran, Azerbaijan, and Russia via ship, rail, and road. The objective of the Corridor is to increase trade connectivity between major metropolitan hubs like Mumbai, Moscow, Tehran, Baku, Bandar Abbas, Astrakhan, and Bandar Anzali. To realize this transit route, Russia, Iran, and India signed an agreement establishing the INSTC on 16 May 2002.

Within the framework of the Corridor, the first joint effort was made between Iran, Azerbaijan, and Russia to connect the Iranian railway network to the Caucasus region. The three parties signed an agreement on constructing the route in 2005, building on a Soviet extension of the railway southwards to Astara in Azerbaijan, at the southern border with Iran. As mentioned before, in 1941 the railway line was also extended southwards to Astara, located at the southern border of Azerbaijan with Iran. Therefore, in order to establish the rail contact, it was necessary to build a railway from Astara to Rasht and Qazvin in Iran.

Construction of the Rasht-Qazvin railway started in 2009 and took nearly a decade to complete.

The new railway network was officially inaugurated on 6 March 2019 by Iran's then-president, Hassan Rouhani, and Azerbaijan's then-minister of economy, Shahin Mustafayev. Officials from Pakistan and Iraq were also in attendance. However, to be made effective, the nascent Iran-Azerbaijan-Russia railway connection needs to be complemented with the 164-kilometer-long Rasht-Astara railway inside Iran itself. The lack of this railway connection has made it inevitable that freight trains at the Astara railway station on the Iranian side will be transferred to trucks, or vice versa. As is well-known, there is also a namesake city of Astara in the Republic of Azerbaijan.

The rail link between the 'two Astaras' was officially inaugurated in a ceremony held on 29 March 2018. Rouhani and Aliyev participated in the ceremony via a video link from the Iran-Azerbaijan Business Forum they were both attending in Baku. At present, more than 55 percent of Iranian goods are exported by land through the Astara border, yet the share of exports through the rail route is small. Needless to say, the completion of the Rasht-Astara railway project will increase Iran's export capacity to Russia by rail.

Construction of the Rasht-Astara railway has, unfortunately, faced serious problems, mainly due to financial constraints Iran has been facing in recent years, partly emanating from the unilateral sanctions regime imposed on Iran by the United States and some of its allies. According to an agreement between Iran and Azerbaijan made in early 2016, both sides pledged to provide \$500 million each to build the Rasht-Astara railway. In 2016, the International Bank of Azerbaijan signed a deal with Iran on the allocation of a \$500 million loan for this purpose.

However, the agreement failed to be implemented in practice due to the comprehensive U.S. sanctions on Iran's banking network. Given Iran's practical need for the construction and completion of the Rasht-Astara railway on the one hand, and Azerbaijan's decision not to expose itself to the effects of U.S. secondary sanctions by provide its share of the agreed investment on the other, Tehran turned to Moscow for support. In this regard, it was reported that during President Ebrahim Raisi's visit to Moscow in January

2022, the two sides finalized a previously agreed-upon \$5 billion credit line for the completion of several development projects in Iran. As noted by the Iranian Minister of Economy, Ehsan Khandouzi, the Rasht-Astara railway is one of the projects covered by the Russo-Iranian agreement.

In the latest development signifying growing regional prioritization for the Astara-Rasht-Qazvin railway and the INSTC more broadly, Rostam Qassemi, the Iranian Minister for Roads and Urban Development, visited Moscow on April 30, 2022. Following his talks with the Russian Transport Minister Vitaly Savelyev, the two officials signed a comprehensive agreement on cooperation in the field of transportation. As reported, both ministers emphasized the importance of establishing a railway connecting West Asia's north and south, notably stressing the need to complete the missing Rasht-Astara portion of the INSTC as soon as possible.

Despite the inevitably negative impact of the current West-led sanctions and export restrictions regime

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against Russia, it is hoped that Moscow will be able to mobilize the financial resources needed for the completion of the Rasht-Astara railway. Should this be realized, the International North-South Transit Corridor and the Middle Corridor could both end up benefit from the region-wide geopolitical reverberations caused by the Russo-Ukrainian war.

### *Norduz-Meghri*

The extensive railway system constructed during the Soviet period encompassed regions that later gained or re-gained independence. One such country was Armenia, which enjoyed modern rail access to Baku, Tbilisi, and Kars, as well as Russia and Iran. In the late 1980s, about 85 percent of imports to Soviet Armenia were shipped by rail, mostly from Russia and through mainland Azerbaijan and its Nakhchivan exclave.

However, this situation changed swiftly following the collapse of the Soviet Union. In the volatile years that ensued, Armenia lost rail access to Russia after the Abkhaz-Georgian War of 1992-1993. The Turkish blockade of Armenia, beginning in 1993, cut all direct access to Türkiye and its Mediterranean ports. However,

and perhaps most importantly, Armenia lost rail and highway access to both Iran and its own southern region during the First Karabakh War. These conditions did not change between 1993 and 2009, and no attempt was made to re-establish the rail connection between Iran and Armenia.

The actual need for rail access felt by Iran and Armenia led both countries to explore the possibility of establishing a railway connection between the two states. In 2009, Armenia and Iran signed an agreement to construct a Southern Armenia Railway that would connect Yerevan with the cities of Norduz and Meghri, located along their common border. This project was intended to connect the Iranian city of Marand in Iran's East Azerbaijan Province to the land border with Armenia in Norduz-Meghari, the length of which, according to initial calculations, is about 60 kilometers inside Iran. The length of the portion from Norduz-Meghari to the railway network in Yerevan is about 410 kilometers. Thus, the total length is understood to be 470 kilometers. The total cost of building this railway has been estimated at about \$ 3.5 billion. The mountainous terrain of Armenia, requiring the construction of 86 bridges and 60 tunnels, and a total

of 27 stations inside Armenia, has made the intended project quite expensive.

Thus far, and mainly due to Armenia's limited financial resources, the project has not been implemented. Armenia has tried to overcome the constraint through, *inter alia*, reaching in January 2013 an agreement with the Dubai-based investment fund Rasia FZE and South Caucasus Railway (SCR), a subsidiary of Russian Railways (RZD). The MoU covered the construction of both a 316-kilometer railway linking Gavar, 50 kilometers east of Yerevan near Lake Sevan, with the Iranian border near Meghri, and a 110-kilometer highway in its southern province of Syunik. The total cost of the two projects was estimated to be around \$3 billion—an astronomical sum given the realities of the Armenian economy. Thus, nothing happened: the agreement remained but paper.

After this unsuccessful attempt, Armenia tried to involve China in the project. In this regard, Armenia's then-president, Serzh Sargsyan, visited Beijing in early March 2015 and announced that the Iran-Armenia railway project was in line with China's Belt and Road Initiative (BRI). As a fol-

low-up measure, his prime minister, Hovik Abrahamyan, visited Beijing in September 2015 and once again called for the participation of the Chinese in the Iran-Armenia railway construction project.

The Armenian political efforts, however, failed to convince the Chinese side to respond positively to such overtures; the end result was the same as the previous effort. Subsequent Armenian efforts, including those by Prime Minister Nikol Pashinyan, undertaken after assuming office in May 2018, have also failed to attract foreign investment for the railway project.

This costly railway project also fell victim to the consequences of the outcome of the Second Karabakh War. The revival of the idea of building the Soviet-era railway route between Jolfa in Iran and Nakhchivan, and its reconnection to southern Armenia and Azerbaijan, practically marginalized the costly Norduz-Meghri railway project. The newly-proposed connection of the Armenian railway network to Iran via the Yerevan-Nakhchivan-Jolfa route seemed a more practicable and less costly project. However, the new conceived project is also subject to overcoming a political disagree-

ment between Baku and Yerevan over the interpretation of Article 9 of the 10 November 2020 tripartite statement that ended the war.

As partially noted above, the relevant portion of that document states the following: “All economic and transport links in the region shall be restored. The Republic of Armenia guarantees the safety of transport links between the western regions of the Republic of Azerbaijan and the Nakhchivan Autonomous Republic in order to organize an unimpeded movement of citizens, vehicles, and goods in both directions. Control over transport shall be exercised by the bodies of the Border Guard Service of the Federal Security Service (FSB) of Russia.”

Armenia’s reticence to the full implementation of Article 9, as interpreted by Azerbaijan, which has taken to calling the projected links the “Zangezur Corridor,” prevents any progress towards the construction of the Yerevan-Nakhchivan-Jolfa railway line.

### *Reviving Soviet-Era Railways*

In the aftermath of the Second Karabakh War, a new opportunity has emerged for re-connecting Iran’s railway network to the Caucasus: that is, the revival of Soviet-era connections in Nakhchivan and along the southern borders of both Armenia and mainland Azerbaijan. The basis for this is contained in Article 9 of the 10 November 2020 tripartite statement that ended the war, which was cited above. While the three sides have been engaged in working out the exact details, Azerbaijan has been forging ahead with a new railway link to the Armenian border. The new route will relieve Baku of the ordeal of reaching its disconnected western exclave via an 840-kilometer detour around Armenia through Georgia and Türkiye.

It is of note that, since the 1990s, transit between mainland Azerbaijan and its Nakhchivan

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exclave has been possible only through Iran (700 kilometers) or through Georgia and Türkiye (1,200 kilometers). A proposed Aras Rail Link would instead cut transit distance to about 550 kilometers and provide a cost-effective transportation mode for bulky products and long-distance shipping. It would also support the economic development of Nakhchivan. For these reasons, the situation that emerged after the Second Karabakh War prompted Baku to ponder and pursue various projects for the revitalization and reconstruction of the railway network in the areas around the former NKAO, including the 110-kilometer long Horadiz-Aghband Railway between the Zangilan, Jabrayil and Fizuli districts—the foundation of which was laid by Aliyev in February 2021.

The revival of the Soviet-era railway network will provide Iran with two rail routes, both starting from Jolfa in East Azerbaijan Province in northwestern Iran and moving into Nakhchivan’s Julfa District. The first route (south-

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in Iran, west and north to Yerevan, and east along Armenia’s southern border towards Azerbaijan.

No wonder that Tehran has been quick to show its support for the Nakhchivan railway connection. The Jolfa-Nakhchivan railway is a 105-year-old route. Its restoration represents both the easiest and cheapest way for Iran to access the Caucasus region since the collapse of the Soviet Union. “The re-opening of the Jolfa-Nakhchivan railway line is necessary for Iran’s access to neighboring countries and the Eurasian market,” former Iranian Foreign Minister Mohammad Javad Zarif said at an 18 February 2021 meeting with the governor of Iran’s largely Azerbaijani-speaking northwestern province of East Azerbaijan.

north) would then proceed to Yerevan and Tbilisi. The second route (west-east) would cross the southern borders of Armenia and Azerbaijan to Baku and from there proceed to Russia. Or, to put it another way, in Julfa, the railway route in question is divided into three parts: south to Jolfa

Along the same line of expressing Iranian interest, then Managing Director of Iran Railways, Saeed Rasouli, visited Yerevan on 29 May 2021 and announced that the completion of the western part of the corridor would connect Iran to the Black Sea and Russia via Jolfa, Nakhchivan, Armenia, and Georgia. He emphasized that reconstructing the Jolfa-Armenia railroad would pave the way for a Caspian-Black Sea Transit Corridor in the near future, and that a memorandum of understanding had been signed between Iran and Armenia so that the two countries could exchange tariff information to reach an executive plan to start the exchange of rail freight as soon as possible.

Rasouli and Iran's former Transport and Urban Development Minister Mohammad Eslami also visited Nakhchivan and Baku, where they emphasized that existing infrastructure can potentially join Nakhchivan to the rest of the Azerbaijan Republic, while the Tabriz-Nakhchivan railway could be revived and extended to Tbilisi. They also raised the possibility of constructing a railway from Nakhchivan to Kars in Türkiye.

In addition, reviving the Jolfa-Nakhchivan railway has attracted attention amongst those using social media in Iran,

with users stating that the railway could connect Iran not only to the three South Caucasus states, but also to Russia and the European continent. In this regard, former chief of Iran's railway Mohsen Pourseyyed Aqaei stated in March 2022 that "if Azerbaijan Republic and Armenia reach a lasting peace, there would be no need for an Iran-Armenia railway [i.e., the building of the aforementioned Norduz-Meghri rail route], as the part of the Iran-Azerbaijan railroad which was destroyed during the Karabakh conflicts could be reconstructed, connecting Iran to Armenia."

It should be noted that following the initial agreement between Iran and Azerbaijan on a Nakhchivan-Tabriz-Mashhad railroad project in February 2016, Iran opened a direct passenger train route between its northeastern city of Mashhad and Nakhchivan in December 2016—a practical measure to provide the landlocked Azerbaijani exclave with wide access to Iran's national rail network. The service was launched during a ceremony attended by the co-chair of the Tenth Iran-Azerbaijan Joint Economic Commission Mahmoud Vaezi, Iran's former Minister of IT and Communications,

and Azerbaijan's Minister of Economic Development Shahim Mustafayev. The train from Nakhchivan travels to Iran's northwestern city of Tabriz through Jolfa and thereon to Tehran and finally to Mashhad.

Raisi's government, which assumed office in August 2021, has continued the same positive approach to the idea of connecting the Iranian railway network to the Caucasus region, especially through the Jolfa-Nakhchivan route. As expounded by Raisi and senior Iranian officials, this is in fact a reflection of Tehran's emphasis on "Neighborhood Policy" and "Economic Diplomacy" as the two major priorities in Iran's current foreign policy. In this regard, Rostam Ghassemi, Minister of Roads and Urban Development and the co-chairman of the Azerbaijan-Iran State Commission on Economic, Trade, and Humanitarian Cooperation, underlined in the course of his visit to Nakhchivan in March 2022 the importance of re-opening of the Jolfa-Nakhchivan Railway. The fact that the issue keeps being raised and discussed between the senior officials of both countries points to the degree of its importance in both capitals.

Notwithstanding the expressed interest, especially on the part of Iran, political disagreements between the concerned countries in the region—most notably, differences in the interpretation of Article 9 of the 10 November 2020 tripartite statement that ended the Second Karabakh War, including Armenia's opposition to the Zangezur Corridor—have thus far prevented any meaningful progress in the revival of Soviet-era railway plans (the Aras Rail Link) and the re-opening of the Jolfa-Nakhchivan line.

It might be also of note that on 20 March 2021, Pashinyan stated that "reopening transit across Nakhchivan and Syunik would also benefit Armenia by providing a reliable railway and land communication with Russia and Iran." In this regard, the restoration of the Yeraskh-Julfa-Meghri-Horadiz railway is on the agenda of the Armenian government. Armenian Deputy Prime Minister Mher Grigoryan believes that "the construction of the 45-kilometer railway in the Meghri section will cost about \$200 million, and the construction will take about three years."

If this railway line is restored, it will not only connect Armenia and Azerbaijan. Armenia will also re-

ceive a railway connection with Russia and Iran, and Azerbaijan with its Nakhchivan exclave. At the same time, experts explain that the Yerashk-Julfa-Meghri-Horadiz railway is not considered as a route for exporting goods to Azerbaijan, but rather is seen as a transit road for exporting products to other countries. Either way, it would be quite beneficial for all relevant stakeholders.

### *A Bypass Agreement*

Tehran's latest—fourth—attempt to connect its railways network to the Caucasus took place on 11 March 2022. The Republic of Azerbaijan and the Islamic Republic of Iran agreed to establish new railway, highway, communications, and energy supply lines connecting Azerbaijan's East Zangezur Economic Region to its exclave of Nakhchivan through Iranian territory.

The intended project will be 55 kilometers long, starting from the Azerbaijani village of Aghbend,

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located in the Zangilan District. The village fell under the control of Armenian forces in October 1993, during the First Karabakh War, but was retaken by Azerbaijan in October 2020, in the course of the Second Karabakh War. Aghbend is located in the southwestern corner of the Zangilan District, close to the border with both Iran and Armenia. It is physically separated from Iran by the Aras River that forms the Azerbaijani-Iranian border there. In addition to this highway, Tehran and Baku plan to build two railway bridges and a road bridge over the Aras River. From that point on, the highway will pass through the Iranian province of East Azerbaijan and connect back across the border to the city of Ordubad, in southern Nakhchivan. For the highway to reach Ordubad, three more bridges (two rail, one road) will have to be constructed across a more westerly part of the Aras River.

From Baku's point of view, the construction of this trans-Iranian Aghbend-Ordubad connection is important for a

number of reasons. First, it will be a continuation of the Horadiz-Jabrayil-Zangilan-Aghbend highway that passes through the Fuzuli, Jabrayil, and Zangilan districts, physically linking these southern regions bordering the former NKAO to Nakhchivan and onward all the way to Türkiye. This transit link will be of significant economic importance for Azerbaijan, as it would help rebuild its southwestern territories following the destruction caused by the First and Second Karabakh Wars. Aliyev's foreign policy adviser, Hikmet Hajiyev, indicated in March 2022 that "the new multimodal corridor [along Iran's side of the Aras River] will connect Azerbaijan, Iran, and Türkiye, and, as such, will change the transportation-communication picture of the region."

Second, the agreement with Tehran will allow Baku to reestablish a rail link between mainland Azerbaijan and the Nakhchivan exclave for the first time since the First Karabakh War. Although the November 2020 tripartite agreement ending the Second Karabakh War raised expectations that the three-decades-long deadlock on regional transport redevelopment—especially railways—would be resolved, Armenian objections and considerations regarding the Zangezur Corridor have so far de-

flated hopes for quick progress. Given these circumstances, the Azerbaijani government seems to have reached the conclusion that a rail link to Nakhchivan via Iran could be a safe and viable alternative to rebuilding the Soviet-era railway across southern Armenia, which is an (as-yet unfulfilled) obligation of the tripartite statement that ended the Second Karabakh War.

Iran, in turn, has its own considerations and interests for allowing the construction of a highway and railway between Zangilan and Nakhchivan across its own territory. In the aftermath of the First Karabakh War, Iranian territory has been used as a transit route for buses and trucks between mainland Azerbaijan and Nakhchivan for the past three decades. Therefore, the construction and operationalization of the trans-Iranian Aghbend-Ordubad highway complements and strengthens the traditional route of the Republic of Azerbaijan's mainland to its Nakhchivan exclave through Iran.

Indeed, given that, first, the revival of the Soviet-era railway network across southern Armenia remains practically uncertain for the foreseeable future and, second, that the north-south Rasht-Astara railway inside Iran



remains to be completed, the mere construction of a railroad between Azerbaijan's mainland and Nakhchivan crossing Iranian territory appears to provide a feasible window of opportunity and notable benefits to both Baku and Tehran. While Baku would regain a higher-capacity overland link with its exclave, Iran's rail access to Azerbaijan would mean the establishment of a physical connection to the Russian Federation. This would make it possible for Iranian companies to take fuller advantage of the preferential trade agreement between the Islamic Republic and the Moscow-dominated Eurasian Economic Union (EAEU).

### Necessary Rail Connections

With an area of 1,648,000 square kilometers, Iran ranks seventeenth in size among the countries of the world and second in the Middle East. Iran has fifteen neighbors; and its strategic location between landlocked countries in the north and east, the oil-rich Persian Gulf and the Caspian Sea regions, as well as its position between Asia and Europe, has historically created a unique economic and geopolitical advantage for the country.

It is clear how important a well-developed transportation network—especially the rail component—is to this vast and strategic geography. Currently, the length of the railway network in Iran is 14,270 kilometers, with an additional 10,000 kilometers of new rail routes being studied or implemented. While Iran's extensive rail network is connected with Central Asia, Afghanistan, Pakistan, and Türkiye, there are two main gaps in this field. First, the lack of rail connection with the South Caucasus region; second, the lack of rail connection with Iraq.

To solve these two gaps, the construction and completion of the aforementioned 164-kilometer Rasht-Astara rail line and a 32-kilometer railway between Basra (Iraq) and Shalamcheh (Iran) is very important. If these two railway routes are completed, Iran's railway network will be fully established with all its surrounding regions and countries.

Having discussed the previous and on-going efforts on the part of Iran towards reconnection with the railway network in the South Caucasus, we can now turn to the growing importance of such a liaison from the vantage point of relations with the EAEU. The EAEU-Iran Preferential Trade Agreement (PTA), signed on 17

May 2018 within the framework of the Astana Economic Forum came into effect on 27 October 2019, offers lower tariffs on 862 commodity types, of which 502 are Iranian exports to the EAEU.

The agreement has served as the catalyst to significantly increase trade volume between Iran and EAEU member states during its first year: between October 2019 and 2020, trade increased by more than 84 percent. However, the rapid spread of COVID-19 and the consequent border closures and health restrictions served to curb that growing trend. Originally slated to expire in October 2022, the parties agreed to extend the PTA's validity for three additional years or until negotiations on upgrading it to a fully-fledged free trade agreement (FTA) are completed—whichever comes first. In early October 2022, Russian Economic Development Minister Maxim Reshetnikov stated that he expects talks on an FTA will be successfully concluded “next year”—i.e., in 2023. The working assumption is that once upgraded, the number of items falling within

the scope of the agreement will rise to at least 8,000, which is expected to set off a massive increase in the volume of trade between Iran and the EAEU.

Considering the potential of fast-growing increase in the volume of trade between Iran and the EAEU, the question of rail communication becomes all the more important and urgent. In Central Asia, the Iran-Turkmenistan-Kazakhstan railway network (The Railway of East of the Caspian Sea) has solved this problem, which is not the case in the Caucasus. As already discussed,

the Rasht-Astara Railway needs to be constructed and completed as a matter of priority.

The practical difficulties arising from this missing link have already been addressed. Moreover, given the fact that Russia accounts for more than 80 percent of Iran's trade with the EAEU, the re-establishment of direct rail communication between Iran and Russia will serve to increase the volume of trade between the two countries, especially in parts of western and southern

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Russia—particularly in the North Caucasian Federal District, the Volga Federal District, and the Southern Federal District.

### *INSTC and the Ukraine War*

The importance of re-connecting the Iranian railway network and the Caucasus region has acquired even higher significance and urgency in the context of the ongoing Russo-Ukrainian War. The conflict has had a direct impact on the status of the various China-Central Asia-Russia-Europe transit corridors that traverse the Silk Road region. The Northern Corridor branch of China's Belt and Road Initiative (BRI), in particular, has faced serious challenges and limitations, forcing a halt to the so-called "New Eurasian Land Bridge" project that was supposed to link Russia, Ukraine, Poland, and Belarus with, ultimately, East Asia.

This has given new impetus to the deeply-felt need for the development of the so-called Middle Corridor—more formally known as the Trans-Caspian International Transport Route (TITR)—which starts from Southeast Asia and China, and, bypassing Russia,

runs through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and further on to the European mainland. Another budding option, particularly for the landlocked Central Asian region, is to build north-south linkages to Iran's overland transit network, which offers further connections to Türkiye, the Middle East, and Europe, as well as to Iranian seaports on the Persian Gulf and the Gulf of Oman.

As for Russia—now suffering a severe and tightening pressure due to the West-led sanctions and export restrictions regime imposed in the wake of its assault on Ukraine—the growing challenges it faces with maintaining west-east routes across its territory have also incentivized Moscow to focus more on trans-regional north-south routes to Central Asia and the South Caucasus and, from there, to Türkiye and Iran.

By strengthening these transit corridors, Moscow hopes to counter the tightening economic sanctions and transit restrictions it is currently facing. The pursuit of this strategic policy is expected to continue well into the foreseeable future. To this end, one of the most important prospects for Russia is to strengthen the land and rail routes that fall within the pur-

view of INSTC. To the east of the Caspian Sea, there exists a working railway route from Russia through Kazakhstan and Turkmenistan to Iran, which is not the case along the western shore of the Caspian. As previously discussed, in the South Caucasus region, the linked railway networks of Russia and Azerbaijan still lack a physical railway connection with Iran.

It is quite understandable that, under current circumstances, Moscow should exhibit a higher level of interest in, and attention to, the construction and completion of the Rasht-Astara railway. The completion of this project as a matter of priority for Russia, Iran, and Azerbaijan should therefore be seen as a new opportunity for each of the three countries from their particular vantage point.

Needless to say, given the history of efforts geared to the re-connection of the railway network with the Caucasus region, the new window of opportunity that has opened up should be viewed in Iran with particular interest. It is also important to note that the scope of tripartite cooperation between these three countries—once realized with regard to the completion and operationalization of the Rasht-Astara railway route—could hopefully be extended

to the revival of the Soviet-era railway route between Jolfa and Nakhchivan.

Armenia, which is both part of the INSTC as well as a member of the EAEU, can join the process of reviving the Soviet railway in the Aras rail link and re-opening of the Jolfa-Nakhchivan Railway. Such a venture would most probably receive the active support of Russia, Azerbaijan, Türkiye, and Iran—each for their own reasons. Reopening the Aras Rail Link could also serve to provide momentum to reopen the Gyumri-Kars railway, which would, in turn, facilitate trade between Armenia and Türkiye on the one hand, and between Nakhchivan and Türkiye on the other, hence providing an additional incentive for its reopening.

The reopening of the Gyumri-Kars railway, which would cut down on the transit cost of goods for Armenia, is of course conditional on the normalization of relations between Yerevan and Ankara, which the latter has made clear is itself contingent on the normalization of relations between Yerevan and Baku.

If successfully implemented, the Aras Rail Link would demonstrate that practical technical cooperation is feasible even between

post-conflicting parties, thus contributing to broader peacebuilding efforts in the South Caucasus and supporting regional stability and prosperity. Arguably, reviving Soviet-era railroads in the South Caucasus could help the region converge and play the same pacifying role for Armenia and Azerbaijan as the Coal and Steel Community played for post-war France and Germany in the 1950s.

### *Hopeful Perspective*

Iran's railway connection with the Caucasus region has a history that goes back more than a century. The trajectory of the connection—the relationship, really—over this rather long period clearly shows the preponderance of a number of determining factors: first and foremost, politics in the proper sense of the word, and geopolitics, to be more specific. The very establishment of a railway network in Iran during the last decade of the nineteenth century was the result of the region's geopolitical exigencies at the time, as was its connection with the then existing networks in the region. As shown in the essay, the ups and downs in the liaison also point to the inevitable critical impact of the nature of politics of the countries concerned, as well as of the na-

ture of the relations between and among them.

The essay has also discussed and shown that the question of the revival of the railway route between Iran and the South Caucasus is bound to serve as a catalyst in strengthening the relationship between Iran and a host of countries of the region in quite a number of important fields. The revival of the railway connection should help expand the volume and level of trade, and, in fact, improve overall economic relations. It should also serve to assist the countries involved with their larger development processes, respectively. Moreover, it should serve to ease political tensions between and among countries in the region. Lastly, the reconnection of the railway network between Iran and the South Caucasus should, over time, contribute to the promotion of peace and stability within the region—the shadows of which have affected relations between the region and beyond.

Clearly, the revival of the railway network between Iran and the South Caucasus serves much larger political objectives—both at the level of countries, and more importantly, at the level of peoples and nations. To use a somewhat cliché term of our time, the reconnection of the railway network is a “win-win

game” for all the countries involved: Iran, Azerbaijan, Armenia, Russia, Türkiye, and Georgia.

This essay's examination of various efforts by Iran to realize the reconnection of the railway network with the Caucasus since the fall of the Soviet Union points a number of salient factors. The efforts have thus far failed to bear fruit, most notably due to a lack of necessary funds by the concerned parties—whether due to general economic hardship or such other factors as a lack of interest and political will, or emanating from inter-state tensions and conflicts in the region.

Under the currently not-so-promising vista for any positive movement towards unlocking the serious obstacles on the way to the actualization of the projects enumerated in this essay, I am of the considered view that practical access to the needed funds—i.e., a pure economic solution—may not be at hand in the short-term. Indeed, it is reasonable to assume that the economic difficulties of the

countries involved, including Iran, might persist in the short-term.

That being the case, an essentially *political* approach to the existing connectivity problems and bottlenecks might instead turn out to be a more viable option to pursue. For the countries in the region to look positively at the question of making serious investment efforts at the regional level—in getting projects off the ground that have a history of failure—it almost goes without saying that making decisions for such ventures would depend on serious political decisions at the highest possible levels. In other words, the question of green-lighting strategic connectivity projects finally boils down to a choice by national leaders to make the relevant political decisions on how to look at the state of relations with

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*The question of green-lighting strategic connectivity projects finally boils down to a choice by national leaders to make the relevant political decisions on how to look at the state of relations with other countries and players in this part of the Silk Road region.*

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other countries and players in this part of the Silk Road region.

As for Iran, notwithstanding the negative impact of the continuation of severe unilateral American sanctions on the Iranian economy—which I hope will be soon relieved

through the restoration of the Joint Comprehensive Plan of Action (JCPOA)—the Raisi Administration looks favorably to strengthening regional political relations as well as expanding economic relations with Iran's neighboring countries. This approach, once pursued in earnest, should also serve to ease tensions in series of bilateral relationships with countries in the surrounding area, and, in turn, create a more conducive ambiance for easier trade and economic ties—perhaps even political ones.

**M**y last word concerns the rather peculiar circumstances in the greater region created by the continuation of the

Russo-Ukrainian War. As discussed in this essay, the exigencies arising from this unfortunate situation might—as a silver-lining to the storm clouds—serve to convince the countries in the region that closer trade and economic relations between and among them would certainly help each to better secure their national interests and longer-term security and development perspectives. A better future for all the region's states—and, in the final analysis, all the nations that live in this part of the world—depends, first and foremost, on lack of inter-state tension and conflict, and the establishment and perpetuation of peace and stability throughout the Silk Road region. **BD**

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