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Research Report

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Turkey-Iran Rivalry in the Changing Geopolitics of the South Caucasus

Hamidreza Azizi and Daria Isachenko

The South Caucasus has long been a theatre of Turkish and Iranian cooperation and rivalry. While these two regional powers have historically balanced their interests, there are signs that rivalry is taking precedence. Turkey's unwavering backing of Azerbaijan during the 2020 Karabakh War consolidated Ankara's footprint in the region. Azerbaijan's retaking of the rest of Karabakh in the latest military strikes on 19 September 2023 makes a peace accord between Azerbaijan and Armenia more likely, furthering Turkey's interests, and potentially limiting Russia's role in the region. However, the prospect of a "less Russia, more Turkey" dynamic heightens Tehran's apprehensions towards Ankara. Particularly concerning for Iran is the clause within the Moscow-brokered ceasefire of November 2020 that mandates the rebuilding of a road and rail link connecting Turkey to mainland Azerbaijan via Azerbaijan's Nakhchivan exclave and Armenia's south-eastern Syunik province; this risks marginalising Iran. In addition, Tehran is anxiously observing the deepening of ties between Turkey's close ally, Azerbaijan, and Iran's key adversary, Israel.

Changes to the status quo in the South Caucasus benefited Turkey and have been viewed with growing unease in Iran. Tehran has been comfortable having Russia be the dominant power in the South Caucasus, yet the Kremlin's once relatively exclusive influence over the region is increasingly called into question. During the Second Karabakh War, Moscow succeeded in brokering a ceasefire agreement between Azerbaijan and Armenia on 9 November 2020. However, since the end of 2021, Russia has lost its monopoly over Azerbaijani and Armenian negotiations given the engagement of Washington and Brussels in the

peace talks. During the latest escalation on 19 September 2023, Russian peacekeeping forces were involved in reaching a ceasefire between Karabakh Armenians and Baku the next day. It remains unclear, however, how Russia will manage its damaged relations with Armenia, its only formal ally in the South Caucasus.

The results of what Baku called "local antiterrorist measures" accentuated additional conflictual dynamics in the region, namely with respect to the prospect of the Zangezur Corridor, which would link Turkey and Azerbaijan via the Azerbaijani exclave of Nakhchivan that is surrounded



geographically by Armenia and Iran. Once realised, it would grant Turkey direct land access to the Caspian region and Central Asia. Iran, however, fears that the Zangezur Corridor would undermine its geo-economic importance and regional influence by disrupting its critical position as a transit route between Azerbaijan and Nakhchivan, Turkey and Central Asia, and among members of the Eurasian Economic Union (EAEU) overall.

In 2021, Iran sought to capitalise on developments in its neighbourhood, integrating into the evolving regional order by supporting the “3+3” initiative. This cooperation format was intended to bring together Russia, Turkey, and Iran along with Armenia, Azerbaijan, and Georgia to work together on security, economic, and transportation affairs within the region. Having gained significant experience in regional conflict management in Syria, the Astana trio – Moscow, Ankara, and Tehran – appear to have been aiming to apply such joint coordination methods in the South Caucasus as well. Nonetheless, Iran’s expectations were left unmet, further complicating its position and exposing it to Turkey’s new regional aspirations. Consequently, in the South Caucasus, Iran is watching its influence wane as that of its age-old rival, Turkey, waxes.

Turkey’s comparative advantage

Turkey and Azerbaijan’s deep-rooted military alliance, as well as their strategic infrastructural collaborations in the rail and energy sectors, underscore Ankara’s significant presence in the South Caucasus. Furthermore, Turkey has the unique role of functioning as a linchpin that connects the South Caucasus and Central Asia by way of the Organisation of Turkic States, thus affording it a distinctively advantageous position within the region’s geopolitical landscape compared to Iran.

Ankara’s military support was essential to Baku’s victory in the 2020 war between Azerbaijan and Armenia over Karabakh and

seven regions surrounding it that have been occupied by Armenia since the First Karabakh War of the 1990s. Azerbaijan and Turkey cemented their close ties in the Shusha Declaration on Allied Relations in June 2021 and their close defence cooperation has been characterised by Turkey security experts as “two states, one military”.

Whereas Baku can count on Ankara to strengthen its military capacity, Ankara sees Baku as an indispensable entry point to the South Caucasus and Central Asia. Thanks to Azerbaijan, Turkey’s connections to the South Caucasus boast several strategically significant schemes of cooperation, among them being the Baku-Tbilisi-Kars railway, the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, and the Southern Gas Corridor that consists of the Baku-Tbilisi-Erzurum (BTE), Trans-Anatolian (TANAP), and Trans-Adriatic (TAP) natural gas pipelines. Furthermore, Turkey, Azerbaijan, and Georgia conduct trilateral military trainings on an annual basis.

For Ankara, the South Caucasus also represents a bridge to Central Asia. Current Turkish foreign policy treats the South Caucasus and Central Asia as a closely connected if not indivisible space. Both regions form the basis of the “Turkic World” that in Ankara’s view used to span “from the Adriatic Sea to the Great Wall of China”.

Capitalising on the Turkic connection, the Cooperation Council of Turkic Speaking States was established in 2009; apart from Turkey, this intergovernmental body consisted of Azerbaijan, Kazakhstan, Kyrgyzstan, and Uzbekistan with Hungary, Turkmenistan, and North Cyprus among its observers. In 2021, the Council was renamed to the Organisation of Turkic States, marking the growing agenda of the “Turkic World”. Indeed, according to Azerbaijani President Ilham Aliyev, the Zangezur Corridor is expected to “unite the entire Turkic world”.

Iran’s ties with the region

Iran’s historical-cultural ties and geopolitical engagement with the South Caucasus

anchor its connections with the region. From Tehran's perspective, mutual bonds with Azerbaijan are reinforced through the nations' shared Shiite faith and close cultural ties — as observed in the presence of millions of ethnic Azeris in Iran. Regional ties are also coupled with the historical integration of Armenians into Iranian society.

Geopolitically, the South Caucasus became more important to Iran following the collapse of the Soviet Union. Iran tried to exert influence over its newly sovereign neighbour Azerbaijan by highlighting cultural and religious affinities but this policy backfired, only arousing apprehension in Azerbaijan. It also coincided with Baku's increasing cooperation with the West, a dynamic that Iran perceived as threatening.

In response, Iran adopted a pro-Armenian position to counterbalance Baku, a strategy that was observed during the First Karabakh War of the 1990s. At the same time, Iran strived to mediate peace, a policy that it maintained until the Second Karabakh War in 2020. Until that point, Iran primarily acted to preserve the status quo in the region, exerting influence over Armenia as its sole southern route and significant neighbour aside from Russia. Additionally, Tehran had leverage over Baku as it was the only way that Azerbaijan could access its Nakhchivan exclave without passing through Armenia.

However, during the 2020 Karabakh War, Iran notably shifted its stance in favour of Azerbaijan, abandoning its previous pro-Yerevan approach. Prominent Iranian figures, including Supreme Leader Ayatollah Seyyed Ali Khamenei, openly supported Azerbaijan's "liberation" of Armenian-controlled territories, characterising them as "Muslim lands under occupation". This change was primarily motivated by the calculation that Azerbaijan would likely emerge victorious in the conflict. By siding with the presumed winner, Iran sought to position itself advantageously in the post-war arrangements.

Moreover, Iran faced a delicate situation in which siding against Azerbaijan could have had adverse consequences. Firstly,

Azerbaijan's status as a fellow Muslim country made it challenging for Iran to adopt an openly oppositional stance. Secondly, Tehran was concerned about potential backlash emerging from its ethnic-Azeri population given their ties to Azerbaijan.

Despite its shifted position in favour of Azerbaijan, Iran's expectations that a post-war settlement would safeguard its security and economic interests were not fully met. Tehran sought to be included in post-war economic projects and it desired assurance against potential threats from Israel, which had gained influence in the South Caucasus by providing Baku with significant military support. Since these aspirations were not realised, some speculate that Iran might return to a more pro-Armenia approach in its foreign policy. Indicators of this change include the establishment of an Iranian consulate in Armenia's Syunik region and a notable increase in high-level meetings between Iranian and Armenian officials.

Tehran's growing concerns

In the aftermath of the Second Karabakh War, Iran's interactions with Turkey in the South Caucasus have undergone a significant shift, leading to the erosion of Tehran's relative influence in the region compared to its long-time rival. The Russia-mediated post-war agreements between Baku and Yerevan marked a shift away from the previously Russia-dominated regional order. This transition points towards a more multi-polar landscape, where the Turkey-Azerbaijan axis plays an increasingly pivotal role, challenging the longstanding status quo that Iran had enjoyed for years. The old order ensured that Western powers could not establish a firm foothold in the region and it also curbed Turkey's influence. The emergence of the new post-war multilateral regional order, however, has exposed Iran to new potential threats.

On the one hand, Iran is deeply frustrated by Turkey's growing trade and energy cooperation with Azerbaijan and Georgia, as

it has chipped away at Iran's economic significance — or relevance — in the region, especially in the face of US sanctions that are already isolating Iran from global markets. On the other hand, Iran has been increasingly worried about what it perceives as Turkey's "pan-Turkist" agenda in the South Caucasus and Central Asia, fearing the potential ramifications this could have with respect to its own Turkic/Azeri-populated regions.

Once again, Tehran is deeply concerned about Ankara's support of Baku's plans to establish the Zangezur Corridor that would bypass Iran and directly link Turkey with Central Asia via Armenia and Azerbaijan. For Azerbaijan and Turkey, this question is now becoming a priority as signalled by Turkish President Recep Tayyip Erdoğan during his speech at the annual UN General Assembly in New York on 20 September 2023 in which he expressed the hope that this would be achieved "without delay".

The corridor question

The proposed Zangezur Corridor threatens to strip Iran of two geopolitical advantages: its exclusive facilitation of access between Nakhchivan and Baku, and its direct land route to Armenia. The Azerbaijani proposal situates the Corridor along the current Iranian-Armenian border, which risks making Iran reliant on Azerbaijan for trade with and transit to Armenia, an unacceptable shift in South Caucasus geopolitics according to Iranian leaders.

Further, Iran perceives this proposal as part of a larger scheme perpetrated by Turkey and its NATO allies to destabilise Iran. Some Iranian analysts frame the Zangezur Corridor as "NATO's Turani Corridor", designed to undercut Iran's sovereignty and stability. Moreover, the Corridor could form part of the Belt and Road Initiative's Middle Corridor, supported by Turkey, diminishing Iran's role in this important east-west transit route.

Moscow also appears to endorse the opening of the Azerbaijan-Nakhchivan

route via Armenia, aiming to ensure for itself a controlling function. The ceasefire agreement of 9 November 2020 stipulates that the Border Guard Service of the Russian Federal Security service would be in charge of overseeing the route. Russia, having strategic and economic partnerships with Azerbaijan and Turkey, stands to gain from their regional cooperation; this is critical as it grapples with Western sanctions following the invasion of Ukraine.

Iran, in turn, finds itself with limited options given its isolated position in the region. Tehran is particularly apprehensive to "geopolitical changes in the region" that could emanate from the establishment of the Zangezur Corridor. This is evident in the fact that Erdoğan identified Tehran, rather than Yerevan, as the primary impediment to opening the Corridor.

From a broader perspective, Tehran's concerns are amplified by the perception that Erdoğan, bolstered by his recent electoral triumph, is adopting policies that Iran sees as overly ambitious if not expansionist. For Iran, this stretches beyond the South Caucasus, involving other regions such as Iraq and Syria, where the two countries have competing interests. The possibility that Turkey's post-election foreign policy might gravitate towards greater Western cooperation further intensifies Iran's concerns.

Nonetheless, two prevailing factors are forcing Iran to employ a cautious approach to Turkish involvement in the South Caucasus. Firstly, already facing sanctions, Iran relies heavily on economic collaboration with Turkey, thus making a direct conflict with Ankara untenable. Secondly, Russia's apparent accommodation of Turkish interests in the South Caucasus leaves Iran without substantial external backing in its opposition to Ankara's regional ambitions.

The Israel factor

Israel's rapidly flourishing political, economic, and military ties with Azerbaijan is also cause for concern when it comes to

Iran's position in the South Caucasus. In 2021, the Stockholm International Peace Research Institute (ISPI) revealed that Israel had exported weaponry to Azerbaijan in exchange for the continued sale of oil to Israel and the alleged sharing of Azerbaijani intelligence on Iran. Israeli weapons played a pivotal role in Azerbaijan's victory in the Second Karabakh War.

This intensifying relationship is seen by Iran as part of a broader Israeli strategy to encircle and counteract Iranian influence. The Abraham Accords, which aimed at normalising relations between Israel and several Arab states, is another facet of this perceived strategy. In that sense, Iran views the strengthened Azerbaijan-Israel strategic partnership as a move to isolate Tehran in the South Caucasus and therefore also sees it as a threat to its national security and interests. After the September 2022 clashes along Armenia-Azerbaijan provisional borders, Israel's former Defence Minister Benny Gantz visited Azerbaijan, further solidifying their partnership. Iran subsequently performed military drills entitled "Conquerors of Khyber" along its border with Azerbaijan, an act that could be interpreted as a direct signal to both Azerbaijan and Israel. Overall, the growing partnership between Israel and Azerbaijan has contributed to heightened tensions between Tehran and Baku, and this has been coupled with Iran's own provocations directed at its northern neighbour – including its backing of anti-government militant factions in Azerbaijan.

Should these tensions escalate uncontrollably, Iran may resort to a more confrontational policy, especially if there is a conflict between Azerbaijan and Armenia over Zangezur. One plausible scenario could see Iran disregarding its previous restraint and offering military support to Armenia. This would likely provoke a reaction from Turkey, Azerbaijan's ally, and inadvertently push Iran and Turkey towards confrontation despite their disinclination for such a conflict.

Implications for the South Caucasus and the European Union

Intensified Turkish-Iranian competition in the South Caucasus as well as deepening Azerbaijan-Israel ties could have significant negative implications for the region and the European Union. There is a dual risk: First, Armenia's acceptance of Azerbaijan's control over the rest of Karabakh does not mean the end of tensions, as the Zangezur Corridor still remains high on the agenda of Baku and Ankara. Second, there is a potential risk of a broader confrontation in the region involving Iran, Turkey, and Israel, especially given that Iran's rivalry with Turkey and its covert war with Israel have already been escalating across the Middle East. The fallout from such a conflict would be multifaceted. Regionally, prolonged hostilities would deter crucial foreign investment, disrupt pivotal trade routes, and stymie economic development. Moreover, new conflict could result in civilian casualties and displacement as well as widespread infrastructural damage.

For the European Union, the potential repercussions of instability in the South Caucasus could be profound. As a vital corridor for energy resources bound for European markets, this region plays a crucial role in Europe's energy security. Disruptions in this region, whether due to conflict or political instability, could jeopardise Europe's energy supplies, especially at a time when the absence of Russian energy resources following the war in Ukraine has already strained the European energy landscape. Moreover, Europe's economic interests in the South Caucasus, spanning from investments to trade partnerships and infrastructure projects would be at risk in an unstable environment.

While navigating this intricate geopolitical landscape, the EU should prioritise open channels of communication, not just with states in the South Caucasus but with its influential neighbours. Recognising the complexities, especially given Russia's objection to a pronounced role of the EU in the South Caucasus and the EU's limited

dialogue with Tehran, the EU should proactively engage with Turkey and Israel. Such outreach should aim to align the interests of these states with those of the EU while fostering an environment conducive to mutual understanding and the de-escalation of tensions.

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