

# GEOPOLITICAL, TRADE, AND ECONOMIC INTERESTS OF TURKEY AND IRAN IN THE SOUTHERN CAUCASUS

(TÜRKİYE VE İRAN'IN GÜNEY KAFKASYA'DAKİ JEOPOLİTİK, TİCARİ VE EKONOMİK ÇIKARLARI)

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**Abstract:** *This article provides a narrative of the political and economic ambitions of both Turkey and Iran in the Transcaucasian region. It also provides insight into the web of relations between all the countries in the region not only in terms of Turkey and Iran, but amongst each other. The article points the fact that Turkey's and Iran's ambitions in the region are not motivated by an overarching ideology, but by practical considerations that involve securing energy and resources routes and becoming the dominant power in the region. In this respect, both Turkey and Iran are not only in a competition against each other, but also against Russia to the North. The US' objectives in the region, which entail limiting both Turkey's and Iran's influence in the region, further complicates the outlook in Transcaucasia.*

**Keywords:** *Turkey, Iran, Transcaucasia, energy and resource routes, foreign policy*

**Öz:** *Bu makale hem Türkiye hem de İran'ın Transkaşkasya bölgesindeki siyasi ve ekonomik hedeflerini anlatmaktadır. Makale sadece Türkiye ve İran açısından değil, aynı zamanda bölgenin tüm ülkeleri açısından aralarındaki ilişkiler ağının içyüzünü okuyucuya sunmaktadır. Makale, Türkiye ve İran'ın bölgeye yönelik amaçlarının kapsayıcı bir ideolojiyle değil, bölgenin baskın gücü olmak adına enerji ve doğal kaynak rotalarını güvenceye almak için yapılan pragmatik hesaplamalarla şekillendiğine işaret etmektedir. Bu bağlamda Türkiye ve İran sadece kendi aralarında değil, aynı zamanda kuzeydeki Rusya ile de rekabet içerisindedir. Türkiye ve İran'ın bölgedeki etkisini sınırlamak isteyen ABD'nin bölgedeki hedefleri ise Transkaşkasya'daki durumu daha karmaşık hale getirmektedir.*

**Anahtar kelimeler:** *Türkiye, İran, Transkaşkasya, enerji ve doğal kaynak rotaları, dış politika*

Over the last quarter of a century, the geopolitical landscape of the Southern Caucasus has been affected by a serious change. The newly formed regional states that emerged after the USSR disintegration, have gained an opportunity to define their national interests independently and to build up relationships with the outer world on that basis. On the other hand, the neighboring states, such as Turkey and Iran, have been granted free access to penetrate into the region and to promote their own interests there. These two nations are currently the chief competitors of Russia in the struggle to get the upper hand in establishing the spheres of influence in the Transcaucasian region. The rivalry among Russia, Turkey, and Iran for getting control over the flow of energy resources is regarded as a critical factor that determines the core aspects of international relations in the region.

The Southern Caucasus has paramount relevance for Turkey and Iran as a region that is vitally important for safeguarding their trade and economic interests, as well as maintaining their national security. It should be noted that up until the early 19<sup>th</sup> century, certain regions of the Caucasus were part and parcel of the Ottoman Empire and Iran, so consequently, they have retained historical and cultural connections with them. Naturally, after the USSR disintegration, Turkey and Iran were the first nations to recognize the nascent Southern Caucasus states and to establish diplomatic relations with them. From the very beginning, the leaders of the two nations tried to act vigorously and aggressively with respect to the newly independent states.

Inversely, for the majority of the newly independent states of the Caucasian-Caspian region, the most practicable route to the open seas and a very convenient and cost-effective surface road to the Arab world lies through Iran and Turkey.

### **1. Turkey's Strategy in the Southern Caucasus**

Most recently, Turkey has applied more concerted efforts to assert its status of a Eurasian power with growing geopolitical ambitions. It has been engaged more actively in promoting the implementation of its foreign policy program seeking to reinforce its regional positions. The fact that Turkey's neighborhood includes the states, whose territories can boast three quarters of the world's proven oil and gas reserves, allows it to make a statement about positioning itself as a "regional center of the energy". Certain steps undertaken by the Turkish government in the Caucasus have provided an indication that Turkey is indeed planning to be transformed into a robust energy transit hub for Europe and Asia in the foreseeable future. However, Turkey is confronted with such

challenges along the way that sometimes it seems to be almost impossible for it to handle them. Nevertheless, under conditions of stiff competition not only among the regional states, but also among the leading world powers, Turkey has managed to exert a tangible influence on the regional developments, and thus to facilitate its geopolitical interests.

### *The Role of Azerbaijan in Turkey's Energy Projects*

Turkey's influence on Azerbaijan has been generally treated with a lot of skepticism on behalf of Western states. In their view, the country that possesses key oil and gas resources, as well as energy transit routes, should not be exposed to any serious influence from Turkey. After the demise of the USSR, the Western community has declaratorily hailed the Turkish secular political model being applied to the Muslim states of Eurasia.

The West preferred to see Azerbaijan as a westernized state where Islam would have a purely formal value. Currently, Azerbaijan is seen by Europe as an "Iranicized country, although speaking a Turkic language, that has a long history of atheism, deep-rooted traditions of a secular Soviet society featuring a relatively thin population, which permits to integrate the country into the European political, social and economic space "without any major problem".<sup>1</sup>

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Due to the above specificity, the West was not motivated to sustain the Turkish efforts aimed at absorbing Azerbaijan. The apprehension of the Western states that Turkey might make an attempt at getting Azerbaijan associated with it and turning Azerbaijan into a "formal, subordinate state formation" has been steadily growing over the recent period.<sup>2</sup>

The interest of the Western states towards Azerbaijan is largely related to its

1 I. Muradyan, "Turkey's Political Goals in the Southern Caucasus, ("Irates de facto", Armenia)", translated by G. Matevosyan, *Inosmi.ru*, 18/11/2009, <http://inosmi.ru/caucasus/20091118/156559040.html>

2 Muradyan, "Turkey's Political Goals in the Southern Caucasus...".

geopolitical and mineral resources potential. This has been especially conspicuous after the moves made by the Ukrainian leaders in 2008-2009 with respect to the Russian natural gas that was supplied to Europe through the Ukrainian territory. We would like to remind the reader that because of the insufficient delivery of hydrocarbons from Russia, some European countries were forced to use their last remaining energy reserves.

At the “Southern Corridor - New Silk Road” summit held in Prague, the Western countries discussed energy transportation projects dealing with the enhancement of Europe’s energy security. The summit focused on addressing the problem of how to overcome the European states’ dependence: 1) on the Russian natural gas; 2) on Russia’s intermediary functions in ensuring deliveries of energy resources from the Caspian-Asian region.<sup>3</sup> In order to meet the declared objective, it was required to link the post-Soviet states of Central Asia and Azerbaijan with Europe by new pipelines through the Turkish territory.

Following the results of the meeting, a Joint Declaration was endorsed whereby the summit participants agreed to undertake a responsibility of providing political assistance as well as technological and financial support to the “Southern Corridor” projects, in particular, the Nabucco, ITGI, and Trans-Caspian Route projects. The above projects were designed to ensure the delivery of energy products from Central Asia and the Middle East to the European markets.

However, with a view to making sure that the Nabucco project, that was supposed to provide the foundation for the Southern Corridor, should start functioning within the designated timeframe, it was essential to sign an appropriate inter-governmental agreement. Nevertheless, Turkey, that was regarded as a most vital connecting link between Europe and Asia in conjunction with their energy collaboration, could not offer the expedient infrastructural facilities, neither did it possess a relevant legal framework to sustain the natural gas transportation plans. Moreover, the gas transportation arrangements in Turkey were substantially different from the common European standards, and it was a serious handicap for the implementation of the Nabucco and other natural gas transportation projects through the transit pipelines in Turkey. It should be also noted that the legal basis for the petroleum transportation was developed in Turkey relatively recently, in 2000, within the framework of the Baku-Tbilisi-Ceyhan project.

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3 “The South Corridor Is Not Sought by Everyone”, *Euronews*, 08/05/2009, <http://ru.euronews.com/2009/05/08/no-uzbek-kazakh-turkmen-gas-for-eu>

Meanwhile, the Turkish leaders have declared their stance on multiple occasions, including in the opening address at the Prague summit, essentially that Turkey was fully aware of its role in ensuring Europe's energy security and was prepared to carry out its obligations assumed in this respect with a full sense of responsibility.

The Baku-Tbilisi-Erzurum (South Caucasus pipeline) gas pipeline is currently in operation in the Caucasus providing for the flow of Azerbaijani natural gas in the capacity of 2 billion cubic meters per year, and the Baku-Tbilisi-Ceyhan pipeline that allows to transport oil to Turkey in the amount of up to 50 million tons per year.

The future of Turkey as the "major continental transit country" depends, to a certain extent, on the implementation of the Turkish Stream project, among other things. Many experts believe that due to the delivery of hydrocarbons exclusively from the Caspian region, it will be possible not only to effectively diversify the sources of supply for Europe, but also to fully meet Turkey's own needs in energy resources. It is related to the fact that the Caspian Sea Basin Region accounts for 5% of the world's oil reserves and 4% of the world's natural gas reserves, overall. Such figures do not permit the Caspian Sea area to be considered as a powerful energy platform.

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When the energy routes in the Caucasus are explored, it should be borne in mind that in the early 1990s, when the United States developed a new political doctrine with respect to the countries of the Caspian region in the hope of building up an energy corridor to the Western nations markets there, almost all of the projects envisaged the pipelines to be laid through the territory of Armenia. However, the implementation of these projects was practically inconceivable because of the Nagorno-Karabakh problem, the Turkish stance with regard to this conflict, and the existing Turkish-Armenian disagreement as such.

### *Existing Disagreement between Turkey and Armenia*

Armenia is a country with which Turkey has to maintain ambivalent relations as a result of the demands advanced by the Western states, on the one hand, and expectations entertained by fraternal Azerbaijan, on the other hand, and, thirdly, its own foreign policy ambitions. Within the framework of negotiation process regarding Turkey's accession to the European Union, the "Armenian issue" is regarded by Turkey, in contrast to other European nations, as a condition that is outside the scope of the "Copenhagen criteria". One of the primary tasks facing the Turkish experts specializing in this field is to convince the Europeans that their attempts to restrict the Turkish participation in the EU through imposing special requirements outside the scope of general criteria applicable to the countries seeking the EU membership are not justifiable. However, as the EU member states believe, Turkey needs to handle the "Armenian issue" in accordance with the principle of establishing good neighborly relations with all of its neighboring states. It is apparent that the rigid position held by the EU, as far as the "Armenian issue" is concerned, can be accounted for by its desire to reinforce its influence in Transcaucasia.

The strategy towards expansion of economic ties maintained by the EU member states calls for the establishment of diplomatic relations between Turkey and Armenia. On the other hand, the Armenian leadership has demonstrated a certain degree of interest in strengthening its economic and political cooperation with the EU. With this end in view, Armenia has carried out a number of reforms and introduced some amendments into its legislation in compliance with the Armenian Plan of Actions developed within the framework of the European Neighborhood Policy (ENP).

The opening of the borders between Turkey and Armenia would carry vast significance for the EU in the sense that it could relieve the EU of any additional costs associated with the construction of a new railway line linking Kars, Turkey, with Akhalkalaki, Georgia. According to the EU, it would be much more economically advantageous to restore the existing Kars-Gyumri railway line. The EU member states are interested in the full integration of the Armenian economy into the European market. It was stated by Torben Holtze, Head of the European Commission Delegation to Georgia and Armenia, at the Security in South Caucasus Seminar held by the NATO Parliamentary Assembly in joint effort with the National Parliament of Armenia in Yerevan on 7<sup>th</sup> October, 2005.<sup>4</sup>

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4 A. Kazinyan, "NATO Is Modelling the Security System in the Southern Caucasus", *REGNUM IA*, 20/11/2006, <http://www.regnum.ru/news/polit/742254.html>

On 12<sup>th</sup> March, 2009, the European Parliament passed a resolution regarding the Turkey 2008 Progress Report No. SEC (2008) 2699, released by the European Commission on 5<sup>th</sup> November, 2008, which said that the EU urged Turkey and Armenia to accomplish the following actions: 1) to treat the past and present of both countries with mutual respect; 2) to allow to conduct open discussions on the 1915 events; 3) with the assistance of the European Commission, to embark on the “compromise process” in pursuit of normalizing the Turkish-Armenian relations.<sup>5</sup>

In Turkey, people tend to believe that the persistence of Armenians regarding Turkey’s acknowledgement of the “Armenian genocide” has been prompted by the following considerations: first, this is conducive to the consolidation of unity and solidarity among all Armenians not only within their native country, but also beyond its boundaries; second, it allows to achieve support and empathy on behalf of the world community, as was the case with the ethnic Jewish representatives; third, it makes it possible to use this issue as a “master card” in normalizing the Turkish-Armenian relations; fourth, consequently, after conceding guilt for the “Armenian genocide” and assuming a responsibility for it, Turkey, as a legal successor of the Ottoman Empire, will be obliged to pay a financial compensation to Armenia and its residents, as well as to recognize the validity of their territorial claims. Some Turkish experts have asserted that if Turkey recognizes the “Armenian genocide”, it might carry a threat of discrimination with respect to ethnic Turks who reside in the EU member states.<sup>6</sup>

Former Turkish President Abdullah Gül, during his visit to Azerbaijan, stated that the responsibility for the current vexatious relations between Turkey and Azerbaijan did not rest with Turkey. “I cannot say that we are satisfied with this situation. For the sake of regional tranquility and stability, it is required that all of the regional states maintain good-neighborly relations. As long as Armenia is continuously engaged in lobbying the 1915 events in the Parliaments of other nations, no normalization of bilateral relations between Turkey and Armenia can be expected”.<sup>7</sup>

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5 A. Iskandaryan and S. Minasyan, “Pragmatic Foundation of Politics through the Prism of Realities Reflecting the Historical Limitations: Analyzing the Armenian-Turkish Process”, *Analytical Reports of the Caucasus Institute*, Yerevan, No.1, January, 2010, [http://e-i.am/research/paper%201\\_rus.pdf](http://e-i.am/research/paper%201_rus.pdf)

6 G.S. Derman, “Ermeni Sorununun Türk Dış Politikasına Etkisi”, *Yeni Türkiye Dergisi*, No. 60, 2004, <http://haypedia.com/makale/Osman!%C4%B1%20Tarihi/3e3378f5-750c-4c00-ab94-c057e648c21b.pdf>

7 M. Yılmaz, “Cumhurbaşkanı Abdullah Gül’ün Azerbaycan Ziyareti”, *21.Yüzyıl Türkiye Enstitüsü*, 20/08/2010, <http://www.21yyte.org/tr/arastirma/azerbaycan/2010/08/20/5343/cumhurbaskani-abdullah-gulun-azerbaycan-ziyareti>

As a brief reminder: on 10<sup>th</sup> of October, 2009, Foreign Ministers of Turkey, A. Davutoglu, and Armenia, E. Nalbandyan, signed the following documents in Zurich: 1) Protocol on the Establishment of Diplomatic Relations between the Republic of Armenia and the Republic of Turkey; 2) Protocol on the Development of Diplomatic Relations between the Republic of Armenia and the Republic of Turkey. The signing of the Zurich Protocols was largely facilitated, according to the majority of Turkish experts, by the firm stance adopted by the European Union. The process of normalizing bilateral relations that has got under way was highly assessed in Europe. EU High Representative

for Common Foreign and Security Policy Javier Solana said that the European Union was in favor of carrying forth the ongoing dialogue and supported all efforts undertaken along this direction.<sup>8</sup>

*As long as such disagreement persists, the frontier between Turkey and Armenia will remain closed. Nevertheless, it should be noted that the progress of the Turkish-Armenian relations can be impacted, to a certain extent, by the position held by the Western states. The European nations are interested in the establishment of diplomatic relations between Turkey and Armenia and insist on the opening of the Turkish-Armenian border. At the current stage of the Turkish-EU negotiation process, the European Union, which seeks to enhance its geopolitical and economic influence in the Caucasus, has no intention of reneging on its demands towards Turkey. It should be noted that a certain impact has been exerted on the EU policy by the Armenian diaspora residing in the European nations.*

However, the Protocols were never ratified by the Parliaments of both nations. The Turkish opposition forces voiced their stern protest against the approval of the Zurich accords. The stance taken by Azerbaijan also impeded the development of the Turkish-Armenian dialogue. Moreover, the Turkish authorities have reiterated that the opening of the Turkish-Armenian border depends on

the process of resolving the Nagorno-Karabakh controversy. Armenia, for its part, does not intend to make any amends in connection with the acknowledgement of the 1915 events as genocide against the Armenian people.

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8 A. Gadzhiev, "On the Issue of Turkey's Weight in the Global Arena", *Middle East Institute*, 31/07/10, <http://www.iimes.ru/rus/stat/2010/31-07-10.htm>



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### *Geopolitical Significance of Georgia for Turkey*

By the time Mikhail Saakashvili came to power, Turkey had already handled many of its problems related to its political presence in the region. The Turkish government was apprehensive that the Saakashvili team would not fulfil its obligations to resettle the ethnic Meskhetin Turks to South Georgia. But, the principal concern was that the more aggressive involvement of the Western community in the Georgian affairs would not leave any room for Turkey's influence. This could deprive Turkey of the prospect for Georgia to be included in its zone of influence, as envisaged under the Neo-Ottomanism concept.

The US was always apprehensive about the prospect of Turkey increasing its political influence in the region. The "Caucasian Factor", within the framework of Turkish-US relations, gradually started to acquire features that were not welcome by the US. Suffice to remember that over the period when the Georgian-Russian relations experienced a deepening crisis throughout 2005-2008, the US persistently tried to encourage Turkey to support Georgia. However, the Turkish authorities decided to act with restraint and to pursue a balanced policy. Turkey's stance, obviously, can be accounted for by its hopes to boost cooperation with Russia. At the same time, such a reaction was an admonishment to the US that it should not view the Georgian airfields as an alternative to the Turkish military bases.

Justifying Turkey's stance in August, 2008, Prime Minister R.T. Erdoğan then said: "We have a very substantial trade turnover with Russia. We will act in such a way that is required in connection with the national interests of Turkey".<sup>9</sup>

It stands to mention that the unstable civic and socio-political situation in Georgia was one of the reasons why Turkey resorted to adopting an alternative geopolitical course, whose core strategy was to absorb the non-Turkic peoples,

9 H. Yıldırım, "Türkiye-Gürcistan İlişkileri: İşbirliği Alanları, Sorunlar ve Çözüm Önerileri", *Akademik Perspektif*, 05/01/2013, <http://akademikperspektif.com/2013/01/05/gecmisten-gunumuze-turkiye-gurcistan-iliskileri-isbirligi-alanlari-sorunlar-ve-cozum-onerileri-1>

who had formerly been a segment of the Ottoman Empire. Moreover, Georgia is currently a vital element of geopolitics for Turkey. Under conditions of closed Turkish-Armenian border and restricted opportunities available for any movement through the Iranian territory, Georgia has become -de facto- the only territory providing access to Azerbaijan, the Southern Caucasus, and Central Asia. On the other hand, the Turkish-Georgian collaboration is an important factor for the economic survival of Georgia. We should not forget that the most significant political objective facing Turkey in the Southern Caucasus is to oppose Russia and, partially, Iran. On this score, Turkey and the US share a common ground and have some disagreement, at the same time. In truth and in fact, the US is interested in Turkey as an instrument of driving Russia out of the region, but not as a power capable of exerting its influence on the political processes under way in the Southern Caucasus states.

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To sum up, let me repeat that Turkey's energy strategy should be viewed as a dynamic range of tasks targeted at meeting the country's needs in energy resources, maximizing the revenues of the Turkish budget generated from the transit of hydrocarbons, facilitating a greater involvement of the Turkish business in the regional energy projects, enhancing Turkey's global influence and geopolitical weight across the expanse of the Southern Caucasus, Central Asia, the Middle East, the Balkans and the Black Sea waters, overall. However, not a single of the above challenges can be met at the expense of Turkey's own resources in such a way that the Republic of Turkey would not be dependent on one or more supplying countries, such as Russia, Azerbaijan or Iran. Apart from that, as the chief user of oil and gas transported through the Turkish territory is the EU, if the European policy towards the transit states gets more stringent and is more effectively coordinated, the Turkish policy makers can run the risk of being tied up with their own desirable plan to join the EU.

The energy problems confronting Turkey can be only resolved through a comprehensive approach. This forces Turkey to follow the policy of sustaining the balance of interests in the region, which simultaneously provides it with the status of a key mediator in the regional political processes and accounts for a multi-vector orientation of the Turkish foreign policy. However, the question of political limits for such diplomatic maneuvering is moved into the domain governed by the state and requirements of the Turkish community as well as the foreign policy resources available in Turkey. Anyway, the scope of Turkey's political influence on the Southern Caucasus states is out of keeping with the small role attributed to it by its NATO allies sometime in the past.

## 2. Iran's Foreign Strategy in the Southern Caucasus

The current policy pursued by Teheran in the Southern Caucasus is largely in line with the Russian interests. It is primarily related to the fact that Iran, similar to Russia, is strategically averse to the NATO expansion in the East. From this perspective, it can be stated that within the framework of the Caspian-Caucasian geographic space, where a bitter geopolitical strife is under way to control new transportation corridors, energy routes and merchandise flows, Iran has acted as a strategic partner of Russia.

The Iranian authorities are motivated to have the Russian military presence in the Southern Caucasus, which is explained by their striving to counterbalance the role played the US and its allies in the region. The Russian-Iranian cooperation embraces a wide spectrum of trade and economic contacts. Since 1997, the Russian companies have been actively engaged in the operations dealing with the Iranian energy market.

After a Russian-Iranian Treaty on the Foundations of Mutual Relations and the Basic Principles of Cooperation was signed in Moscow on 12<sup>th</sup> March, 2001, ample opportunities for reinforcing the bilateral interaction have been opened.

The partnership relations between Russia and Iran in the nuclear energy industry commenced with the signing of an agreement on construction of the Bushehr Nuclear Power Plant (BNPP).

A critical issue on the Russian-Iranian agenda is the military and technological cooperation. However, in this sector, similar to the situation around the construction of the BNPP, Russia has faced a powerful opposition from the US. Nevertheless, during Vladimir Putin's visit to Iran in October, 2007, the leaders of both nations reaffirmed their commitment to developing bilateral cooperation in various sectors, including the nuclear power industry.

*Iran needs to ensure stability along its borders and is concerned with the lack of socio-political stability in the newly independent states, the unresolved ethnic and territorial disputes, uncertainty, and absence of a structured concept underlying their foreign policy. The point is that any dramatic escalation of regional and interstate conflicts can have an impact on the domestic environment in Iran, to a certain extent. To have an adequate idea of Iran's foreign policy strategy, it should be borne in mind that it is a multiethnic nation with its inherent local political problems that are also characteristic of Russia, in many respects.*

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### *Relationships between Azerbaijan and Iran*

Iran, like Turkey, is interested in containing Azerbaijan within the scope of its influence. In this context, a certain success was attained by Turkey, among other things, when Azerbaijan decided to switch over from the Cyrillic to the Latin alphabet, but not the Arabic alphabet, as would have been preferable for Iran.

The problem of "South Azerbaijan", where there has been an upsurge of Pan-Turkist sentiments among the local intellectuals, is one of the factors that can exacerbate the relations between Iran and Azerbaijan. A strong influence exerted by the Western powers on the leaders of Azerbaijan has caused discontent of the Iranian authorities. In its turn, Baku has officially accused Iran of supporting the opposition forces.

Let us remind the reader that on 10<sup>th</sup> December, 2007, several persons were convicted in Baku on charges of planning a forcible seizure of power in Azerbaijan. It was specified that the group members were connected to the Islamic Revolutionary Guard Corps. At the same time, Iran, being a largest trading partner of Azerbaijan, like Russia, is interested in maintaining stability in Azerbaijan. The Iranian initiatives targeting the strengthening of bilateral relations were particularly manifest in 2004-2006. At that period, Teheran, being concerned with Washington's attempts to turn Azerbaijan into a potential combat outpost for a military operation against Iran, began to conduct a more thoroughly measured policy towards Azerbaijan than before.

Considering the relations between Iran and Azerbaijan, we should not forget about the Nakhichevan Autonomous Region of Azerbaijan, which is practically cut off from the main area of Azerbaijan. The sole route available for the delivery of bulky loads to Nakhichevan lies today through the territory of Iran.

*Highlights for Armenian-Iranian Relationships*

For Armenia, Iran is one of the foreign policy primary targets. The Nagorno-Karabakh conflict is viewed by Iran as a serious threat to its domestic and foreign policies. The Iranian leadership could not ignore the empathy entertained by a major part of the ethnic Azerbaijani representatives towards their fellowmen in the North. On the other hand, the Nagorno-Karabakh conflict led to the massive flow of refugees that reached 1,200,000 persons during the war.

Iran had difficulty in conflating the policy of strengthening its relations with Orthodox Armenia and supporting Shiite Azerbaijan in its war against the Armenian side. For this reason, the Iranian leadership announced that, in connection with resolving the Nagorno-Karabakh conflict, it would be guided by the principle of “equidistance” and called for the political settlement of the problem. However, de facto, Iran sided with the Armenian party as far as the Armenian-Azerbaijani confrontation was concerned. It is also worth mentioning that Armenia has been constantly confronted with the challenge of finding the balance between extending its ties with Iran and retaining friendly relations with the US, who has provided substantial economic assistance to it and has been a host nation for a powerful resident Armenian community. Under such circumstances, Yerevan’s striving to resolve Iran’s nuclear issue peacefully seems to be very natural, however, the same cannot be said with respect to Azerbaijan and Georgia, which offered their territories for the construction of US military bases.

The trade and economic contacts between Iran and Armenia have been growing year after year, a simplified procedure for cargo customs clearance has been enacted, a gas pipeline has been put into operation, an agreement has been reached to lay an oil pipeline, a jointly operated oil refinery has been planned for construction on the Armenian territory, two hydro power plants have been scheduled for construction, the construction of a direct railway line has been negotiated etc. Cultural ties have been also widely promoted.

Such dynamics in bilateral relations has been the result of the geopolitical situation that both states appeared to be faced with. Armenia, blocked from the side of Turkey and Azerbaijan, needs to have access to the outer world and to Iran’s mineral resources, meanwhile Iran needs allies to resist the ambitions of the West and arguments to substantiate its claims to the regional supremacy. Iran and Armenia are united also in their common desire to minimize Turkey’s access to and influence on the Southern Caucasus, especially in Azerbaijan.

### *Georgia through the Prism of Iran's Foreign Policies*

The Iranian-Georgian relations have a very limited magnitude. It is primarily related to the fact that Georgia has demonstrated its pro-American course very conspicuously. However, against the backdrop of higher tensions in the Russian-Georgian relations, there is a tendency towards expanding ties between Teheran and Tbilisi. Georgia's interest in diversifying energy routes with a view to reducing its dependence on Russia in that sector has prompted the Georgian leadership to approach Iran more and more often. It is noteworthy that the Baku-Tbilisi-Erzurum natural gas pipeline that is in operation has reduced Georgia's dependence on the Russian natural gas only partially. The Georgian authorities try to use the country's geographic position for the purpose of transporting the Iranian gas to the European nations. It is hoped that it would be possible to extend the functional Iran-Armenia gas pipeline to Georgia. In October, 2006, a Memorandum on Cooperation regarding Transmission of Iranian Electric Power to Georgia through the territory of Azerbaijan was signed. Nevertheless, the trade and economic collaboration between Teheran and Tbilisi has been pursued at a very limited level. As stated hereinabove, this is related to the explicitly pro-American and pro-NATO orientation of the current Georgian leaders.

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Thus, Iran's policy in relation to the newly independent states in the Caucasus after the end of the "Cold War" can be characterized as constructive and not burdened with any ideological considerations. Iran proved to be a responsible partner during the conflicts in Chechnya and played a positive role in the resolution of the Nagorno-Karabakh clashes in 1992.

### **Final Word**

In conclusion, it should be noted that over the recent two decades, Turkey and Iran have attained impressive results in establishing and advancing their trade, economic, political, and cultural, and other ties with the states of the Southern Caucasus. In many respects, they have assumed competitive roles, however, both have demonstrated their common striving towards stabilizing the political situation in the region. Contemplating on their influence on Azerbaijan, it should be borne in mind that Iran has two critical advantages over Turkey. First, if a land plot around Nakhichevan with an area of several kilometers is not taken into consideration, then Turkey has practically no boundary with the Azerbaijan. Currently, the surface traffic between the two states is maintained

through Iran and Armenia. Second, Iran's traditional connections with the Transcaucasian peoples, as opposed to the Turkish-Armenian relations, are not burdened with the sense of past grievances and insults.

It is also worth mentioning that despite all existing controversy between Turkey and Iran, there has been a recent trend towards fostering mutually beneficial trade, economic and, other contacts in evidence. One of the vitally important factors that can be conducive to drawing the positions of the two nations closer together is the issue regarding the transportation of both Caspian and Iranian hydrocarbons.