

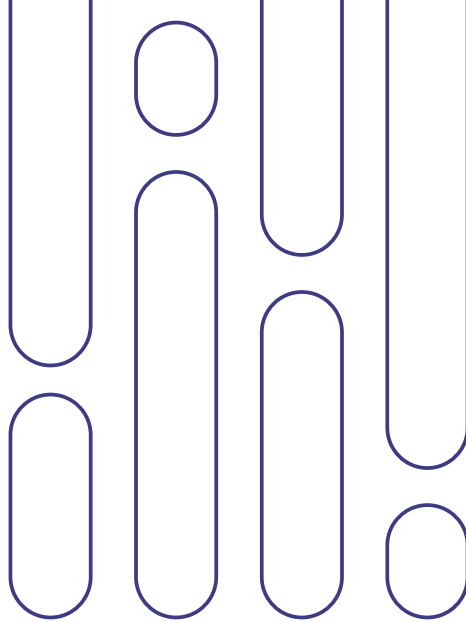
POSITION PAPER

Renewed Armenia- Azerbaijan Clashes and the Iranian Calculus

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The agreement to foster peace in the Nagorno-Karabakh region signed between Armenia and Azerbaijan — two former Soviet satellite states — in 2020 has not prevented renewed armed clashes over the region. This region is inhabited by an Armenian Christian majority and is the subject of a century old dispute. In the second escalation since the signing of the peace agreement, which forebodes the possibility of reigniting the dispute, the two sides announced on April 12, 2023, that [seven](#) of their soldiers were killed during the exchange of fire. This escalation was preceded by deeply strained ties after an Azeri lawmaker was shot dead near his home in Baku. Azeri media outlets accused Iran of involvement in the killing.

The regional and international parties — who have an interest in rekindling the dispute between Baku and Yerevan — play a prominent role in fueling the dispute and diverting the course of the peace agreement. Iran is one of these parties. It backs the Christian-majority Armenia against the Shiite-majority Azerbaijan which is backed by Turkey, Iran's strongest rival in the Caucasus, in light of geopolitical, security and economic considerations. Officially and publicly, Iran has thrown its weight behind Armenia, in addition, it is backing Armenian separatists in the disputed region who are opposed to the outcomes of the Karabakh peace agreement. On April 12, 2023, Iran's Supreme National Security Council Secretary Ali Shamkhani met with his Armenian counterpart Armen Grigoryan. During the meeting, Shamkhani stressed his country's opposition to any changes on the border in the South Caucasus. He also expressed Iran's concern about the possibility of the Zangezur corridor — which Baku is seeking to set up — cutting across its land border with Armenia. This meeting took place against the backdrop of renewed clashes between Baku and Yerevan, days after mounting tensions between Baku and Tehran over the former opening an embassy in Tel Aviv and expelling four Iranian diplomats on accusations of planning a coup.

The developments in the context of the dispute between Baku and Yerevan on the one hand and the deterioration in relations between Baku and Tehran on the other raises questions about the true motives behind the swift resurgence of the dispute between Armenia and Azerbaijan despite the signing of several agreements to end it. Questions also arise about the nature of the cooperation between Tehran and Yerevan in comparison to the contentious issues between Tehran and Baku. The current escalation also raises questions concerning Iran's motives behind offering continual support to Armenia, especially given that Tehran has signed a rapprochement agreement with Saudi Arabia to restore diplomatic ties and ease regional tensions. Finally, there are questions regarding the most salient challenges facing Iran in case it desires to prioritize the Caucasus in the coming period to strengthen its clout and accumulate levers in this vital sphere.

The True Motives Behind the Renewed Clashes Between the Two Sides

The swift reigniting of the dispute between Baku and Yerevan over the Karabakh region — contested for over a century — has become a significant feature of the conflict (see Map 1). This is despite the fact that several agreements have been signed to bring the dispute to a halt, which raises concerns about the possibility of a third war between the two countries after two previous rounds of fighting that left thousands dead, wounded, homeless and displaced. The first dispute broke out in 1992 while the second round of fighting took place in 2020. Thus, the following lines will review the true motives behind the continuous armed clashes between Azerbaijan and Armenia:

- **The disputants adhering to a zero-sum game:** Historical experience indicates that there is a record of bitter and complicated hostility between the parties to the dispute. This has resulted in the two parties adopting a zero-sum game, which precludes

any bargaining effort to settle the decades-long dispute. Each of the two sides claim control over the Karabakh region, not to mention the ethnic, religious and political disputes. This explains the continuation and renewal of the dispute, with the same degree of intensity over a long period of time as well as the existence of local, regional and international elements to the dispute. The longstanding dispute sometimes conflates into an exhausting war due to each party embracing a zero-sum game attitude. An Armenian majority — vehemently opposed to living under Baku’s control — lives in the region.

Map 1: Nagorno-Karabakh Conflict



Source: James Laforet, “War Engulfs The Nagorno-Karabakh Region as Armenia and Azerbaijan Renew Violent Attacks,” *OWP*, November 12, 2020, accessed May 8, 2023, <https://bit.ly/44Bceoh>.

- **Azeri-Armenian settlements lacking mutual satisfaction:** All the agreements signed between the two sides over the course of the longstanding dispute lack mutual satisfaction. This includes the 2020 agreement to end the dispute in a region that is hit hard with ethnic disputes. The two sides, or one of them or even the indirectly involved parties (those backing one of the disputants) end up dissatisfied with the

compromises reached. Thus, the settlements become short-lived — unlike those in which all parties are satisfied, which ensure greater longevity and prevent the rekindling of the dispute.

All the settlements reached between the two sides have been rather fragile. They are quickly bypassed and breached by one or both of the parties. This is because settlements are usually in favor of the stronger party, hence the losing party works to unravel them and make up for its losses and concessions which it was forced to accept while expressing its disapproval. As a result, settlements are fragile and tensions can erupt at any moment in time. When looking at the 2020 agreement to settle the dispute in Karabakh, for example, we find it was not acceptable to Azerbaijan in the same way as the 1994 ceasefire agreement was not acceptable to it, thus creating fertile ground for the dispute to flare up once again.

Armenian dissatisfaction is dangerous when one considers the displeasure of the Armenian people as well as the separatists who live in the disputed region. The separatists believe that they are the rightful owners of the land that they have been controlling since 1994 while the 2020 agreement forced Armenia to concede vast swathes of its land. Anger and tensions have been simmering in Armenia since the signing of the agreement three years ago, with the Armenian people considering it a humiliation as Armenia was forced to make many concessions to Azerbaijan, which they deemed intolerable.

• **Peace deals filled with loopholes:** Not only the agreement signed in 2020 but also the majority of the preceding agreements are full of loopholes, which allow for the possibility of rekindling the dispute. For example, the 2020 peace agreement obliged Armenia to withdraw from the Azerbaijani counties surrounding Karabakh. However, the agreement does not provide a clear plan on how to move forward to set-

tle the dispute over who controls the region that is internationally recognized as Azerbaijani territory but actually controlled by Armenian separatists. This is the agreement's most vulnerable loophole, since it represents a constant justification for reigniting the dispute, which actually happened after the signing of the 2020 agreement.

Moreover, the agreement includes a proposal that only further complicates the matter between the two sides. It is the proposal to establish the Nakhchivan Corridor to link Azerbaijan and the Nakhchivan region, an Azerbaijani autonomous region but separated from Azerbaijan by an Armenian region called Zangezur (see Map 2). The proposal is a source of concern to Armenia and its backer Iran because of economic, commercial and geopolitical considerations. The corridor would obliterate the Armenian land border with Iran while providing Turkey, Azerbaijan's strategic ally, with an opportunity to create a vast geographic linkage to Europe as well as security and economic linkages which run counter to Armenian interests.

Map 2: The (Nackchivan) Zangezur Corridor



Source: "Russia Reports Progress In Talks On Armenian-Azeri Transport Links," June 9, 2022, May 7, 2023," *The Armenian Mirror-Spectator*, <https://bit.ly/3NMgtaA>.

•**Calculus of regional actors:** The calculations of regional and global actors in the Azeri-Armenian dispute are crucial in deciding the trajectory, intricacies and duration of the dispute. The most striking aspect is that these parties hold the biggest sway over the conflict between Baku and Yerevan. This is because the countries involved in the Caucasus, such as the United States, Europe, Russia, Iran, Turkey and Israel, have pragmatic, geopolitical, strategic, security, economic and commercial interests in the region.

The interests of these actors differ as well as their calculus toward the two disputing parties in particular and the Caucasus in general. These countries side with one of the adversaries to the conflict in line with their respective interests. This external support from regional and international players is used as leverage during negotiations to reach a settlement, taking into account the interests of these external parties at the expense of the interests of the disputants. These actors — both regional and international — fan the flames of the conflict in a way that serves their respective interests or to undermine the interests of their rivals, particularly when they realize that their interests, whether currently or in the future, could be harmed. Thus, the calculations of external actors, particularly those dissatisfied with the 2020 agreement's outcomes, is a primary factor in the reactivation of the dispute between Baku and Yerevan.

Iran in Light of the Thorny Issues Between Azerbaijan and Armenia

The violent clashes between Azerbaijan and Armenia are viewed with concern by Iran since the two countries are regarded as its geopolitical extension in Central Eurasia (Central Asia and the Caucasus). The dispute creates challenges as well as possibilities for Iran, drawing it closer to Armenia rath-

er than Azerbaijan, which has strained relations with Iran because of Baku's ties and alignment with Israel, Iran's arch-foe, and the West (Europe and the United States). Tensions also occur as a result of Azerbaijan's secular government, which is open to the West and poses a danger to Iran's conservative ruling system.

Iran and Issues of Cooperation With Armenia:

An array of internal and external factors determine the course of Iran-Armenia ties, primarily the following:

- Mutual strategic importance: While Iran views Azerbaijan as a source of threat in a vital sphere, it views Armenia as its northern flank and having geo-strategic importance. Armenia serves as a market for selling Iran's products, particularly oil, a tool to counter Turkey's growing clout in the Caucasus and keep Azerbaijan under constant pressure, thereby deflecting Baku's attention away from Iran and the predicament of the Azeri minority in the country.
- Pushback in response to Baku's alignment with Tel Aviv and Ankara: Azerbaijan's containment is Tehran and Yerevan's mutual goal. Iran agrees with Armenia in denouncing Turkish and Israeli support for Baku. Through forming an effective alliance with Armenia, Iran intends to resist Azerbaijan, Turkey and Israel. Given Baku's growing ties with Turkey and Israel, as well as the historical differences and geopolitical tensions between Armenia and both Azerbaijan and Turkey, Yerevan is left with few options other than increased cooperation with Iran to weaken Baku and deprive it of the conditions/realities that give it dominance.
- Cooperation between Tehran and Yerevan in context of the Eurasian Economic Union: Iran has inked a trade agreement with the Eurasian Economic Union, which is made up of five countries, including Armenia, under which 860 items will be traded between Iran and the union's members. Iran

has also started free trade negotiations with the union. Russia, Kazakhstan, Belarus and Kyrgyzstan are also members of the union. Since 2015, these countries have been the union's primary members. Armenia is the prime negotiator for Iran's full membership in the union.

– The two countries' potential economic interests: According to Iran's long-term objectives, Armenia is of geo-economic significance, particularly as a key trade route and a point of extension of its energy line to the north. Iran also seeks to counter Turkey's economic clout in Central Asia through rapprochement with Azerbaijan. According to the World Bank's data, overall trade between Iran and Armenia has increased in the last two years from \$400 million in 2020 to \$700 million in 2022. However, this is still reflective of a low trade volume but one that is heavily skewed in favor of Iran.

Armenia is classified as a food and energy importer, mainly of natural gas. It in exchange exports minerals, gold, diamonds and tobacco. Armenia gets its gas from Turkmenistan through Iran. Armenia's imports from Iran accounted for 6.6% of its total imports in 2020, while imports from Russia made up 33% of its overall imports, and imports from the European Union accounted for 17%. The rate of its Iranian imports increased to 9% in 2022, indicating that its appetite for Iranian items is growing. Meanwhile, Armenia's exports to Iran did not exceed 2.5% of its overall exports in 2019. In 2022, the rate fell to 2%.

Contentious Issues Between Iran and Azerbaijan

While Iran's relations with Armenia are expanding and improving, relations with its neighbor Azerbaijan are growing tense. Though there are commonalities that may have alleviated tensions, accumulating disagreements have caused schisms which increase the likelihood of further conflict between the two sides. Among the reasons for the two sides'

strained ties are:

– Grievances of the Azeri people inside Iran: The geographical proximity of Iran and Azerbaijan, which share a 700-kilometer common border, is one of the elements influencing the course of their ties. Another aspect is the Iranian Azeri minority. Iran is closely monitoring the emergence of nationalist impulses among Azeris in its territory, as well as their growing interest in Azerbaijan's nationalist-secularist governance model, which contrasts with the conservative Iranian model. This could serve as a stimulus for Iranian Azeris, as well as Iranians in general, to embrace secularism. Iran fears this will have an impact on the Wilayat-al Faqih model of governance.

Domestic tensions in Iran have escalated over the past months against the backdrop of the popular protests that broke out in response to the death of Kurdish woman Mahsa Amini. In this context, the Azeri government has exploited the protests to level criticism against Iran's treatment of its Azeri community. The growing talk about Iran's Azerbaijan Province separating from the country and joining Azerbaijan represents the most dangerous threat to the Iranian political system which contends with ethnic factions and minorities scattered throughout the country.

– Azerbaijan's foreign relations: Improved relations between Baku and Tel Aviv have been identified as one of the factors contributing to the deterioration of Iran-Azerbaijan relations in recent years. Iran accuses Israel of establishing a foothold on its shared border with Baku, raising Iranian concerns regarding Israel's influence over Baku's policies toward Iran. Tehran has repeatedly warned Baku against seeking Israeli protection. However, Iranian threats to Azerbaijan reached unprecedented levels following the [visit](#) of Israel's former Minister of Defense Benny Gantz to Azerbaijan in October

2022 and the signing of many security and military agreements between the [two countries](#). Furthermore, Azerbaijan's Foreign Minister Jeyhoun Baeramov visited Tel Aviv in late March 2023 for the opening of his country's embassy. This comes after Azerbaijan appointed its [first ambassador to Israel](#), reversing a decades-old policy of not having a diplomatic mission in Israel. Iran considers this new policy as posing a threat to Iranian national security, this is a consideration that cannot be neglected.

Azerbaijan also retains strong ties with Turkey, which worries Iran as it remains wary of Turkish intentions to build a network of interests running from the Caucasus to Central Asia. This is in addition to Turkey's position in the Baku-Yerevan dispute, with Ankara pushing for changes in the region's geopolitical makeup. These threats, combined with Israeli threats and interests, will pose a serious and complicated problem for Tehran, which fears that this region will become another lever in the policy of besieging, encircling and imposing economic sanctions on it from all sides — not to mention the crises it is facing in Iraq, Syria, Afghanistan and Pakistan.

Iranian Aims Behind Providing Continual Support to Armenia

Despite the ethnic, sectarian, and cultural commonalities between Iran and Azerbaijan, Iran has long supported Christian-majority Armenia. This perplexing relationship, which contravenes even the Iranian ideological worldview, may be the most profound definition of Iranian interests and pragmatism. The following lines lay out the most critical Iranian calculations that led Tehran to support Armenia:

- **Security calculus:** Iran's support to Armenia is related to security calculations. Azerbaijan is a secularist, nationalistic, strong and prosperous country, which is appealing not

only to Iranian Azeris (living in northern Iran, accounting for 16%-20% of the total population, occupying vast swathes of the south and outnumbering the population of Azerbaijan itself) but also for the entire Shiite Iranian population. Iran fears the autonomy demands by nationalist Iranian Azeris. Therefore, Iran's support for Armenia against Azerbaijan limits communication between Iranian Azeris and the people of Azerbaijan, thus preventing the revival of their independence aspirations. The Azeris of northern Iran declared their independence in 1945, with the former Soviet Union's help, and took Tabriz as their capital, but the Iranian army intervened forcefully and crushed this separatist attempt.

In light of the hostility between Azerbaijan and Iran, the latter fears that Azerbaijani territory could be used as a military base to wage any future ground or aerial attack on it. Therefore, it is in the interest of Iran that the disputed region falls under Armenia's control.

- **The economic calculus:** Iran maintains strong economic ties with Armenia. The latter is considered among the major importers of Iranian energy, particularly oil and gas. Yet the two countries have boosted cooperation to include other items/sectors such as steel, medicine, mining and petrochemicals.

- **Ideological calculus:** Iran views Armenia as a toothless ally since it is a Christian country that poses no danger to it in terms of offering a model of governance that is appealing or a catalyst in the Sunni-Shiite historical sectarian standoff. Rather, Iran views Armenia as an ally through which it can put pressure on Azerbaijan and Turkey, the secularist Shiite and Sunni powers.

Iran views itself as the epicenter of Shiite Islam and believes in Wilayat-al Faqih as the rightful doctrine for the entire Shi-

ite community inside and outside its territories. Therefore, Azerbaijan existing outside the framework of Iran's version of Wilayat al-Faqih is — for the Iranian elite — a deeply sensitive issue. Thus, the strategic alliance between Tehran and Yerevan is a tool to put pressure on Baku, which is not done to spite it but because of its policies that reflect no concern for Iran's interests.

- **Pragmatic calculus:** The Wilayat al-Faqih doctrine provides the supreme leader with significant flexibility to handle issues with the outside world as long as his policies benefit the Shiite community — even if his policies breach the sect's basic tenets. He has the ultimate right to terminate the performance of hajj, prayer or payment of zakat if he perceives a danger to the sect's interest. This pragmatism has also been applied in international relations. This allows an understanding of the strategic relationship between the Twelver Shiite Iran and Christian Armenia, which is at the expense of the relationship between the two brotherly countries: Shiite Iran and Shiite Azerbaijan.

The Problems Posed by Iran's Growing Presence in the South Caucasus

Despite Iran's interest in ensuring a strong presence in the Caucasus, there are several problems facing it in general and in Azerbaijan in particular. These problems are as follows:

- **Azerbaijani orientations toward Iran:** Though the two countries are Shiite with shared geographical borders, the structure and orientations of their political systems are diametrically opposed to one another. Azerbaijan describes itself as a secular country while Iran is a theocratic and sectarian country. Azerbaijan puts emphasis on its Turkish nationalist and ethnic identity, leaning heavily toward Turkey and the West — Europe and the United States. Iran, meanwhile,

views the West as a direct source of threat to its interests. This is in addition to the harmony between Azerbaijan and Iranian Azeris, which poses an additional challenge to Iran, especially given that Iranian Azeris view the Azerbaijani model of governance as appealing. It is certainly better for them (to live under such a model of governance) instead of enduring the harsh economic circumstances inside Iran. Additionally, Azerbaijan is a strong rival for Iran in the context of energy exports.

- **Israeli presence in Azerbaijan:** The growing Israeli presence in Azerbaijan poses a direct challenge and threat to Iranian security. Iran considers the presence of Israel, its arch-foe in the Middle East, on its border with Azerbaijan to be a security challenge and reflective of tireless efforts to encircle it in its immediate environment through taking advantage of ties with a neighboring country. Israel is the chief threat to Iranian regional clout and plays a prominent role in the international mobilization to prevent Iran from acquiring nuclear weapons or developing ballistic missile capabilities. Israel's presence in Azerbaijan has significantly grown since the Second Nagorno-Karabakh War in 2020. Israel played a major role in supporting Baku against Yerevan in the war.

- **Expanding Turkish clout in the Caucasus:** The expansion of Turkish clout in Azerbaijan poses a challenge to Iran from two angles: the first is that Iran fears Turkey will exploit the separatist tendencies of Iranian Azeris. The second is the Iranian concern about the growing Turkish presence in the Caucasus. These two factors strengthen the clout of Turkey, Iran's regional rival, at the expense of Iranian interests. The ethnic bonds shared by Turkey and Azerbaijan are stronger than those between Iran and Azerbaijan — according to the Azerbaijani nationalist position — which has prompted the Iranians to change their religious discourse toward Azerbai-

jan in order to contain it.

There is another dimension that could curb Iran's role and increase Turkey's clout in the Caucasus if it was to materialize. It is the shared desire between Turkey and Azerbaijan to establish the Zangezur corridor, which would deprive Iran of the customs revenues generated in the past from Turkish trucks that transited through it to reach Turkmenistan and Azerbaijan. However, the biggest blow to Iran will occur when a railroad is established as part of the corridor between Turkey and Azerbaijan via Armenia. At this point, Turkey's clout in the South Caucasus will increase at the expense of Iran's.

Conclusion

The foregoing facts reveal the significance of the developments on Iran's northern borders. There are growing challenges as well as opportunities for Iran to strengthen its clout in the South Caucasus. This is a possibility as the global actors — Russia, the United States and China — have their hands tied in Ukraine and are involved in a battle for global leadership away from this region, which many expect will be a potential fault line at some point. The dangers for Iran include the growing Turkish and Israeli roles in Azerbaijan and the potential repercussions of this presence on its ambitious projects in its Lebensraum. There are opportunities that Iran could exploit to enhance its clout in the South Caucasus and shore up its ability to compete against the backdrop of the growing Turkish and Israeli roles and the preoccupation of the global actors outside this region. Iran is also expected to benefit from the restoration of relations with Saudi Arabia, accordingly this will take some burden off its shoulders; being preoccupied with tensions and disputes with countries in the Middle East. Iran, as a result, can have the space to play a bigger role in Central Asia and the Caucasus in general.

Therefore, it is likely that this arena (the Caucasus and Central Asia) will be Iran's priority in the coming period until new shifts take place that will impact the order of Iranian priorities once again.

In addition, the aforementioned facts demonstrate that Iran's policy in the Caucasus is a genuine and clear example of its pragmatism-ideology dichotomy, with it leaning toward one of the two approaches depending on its interests. If pragmatism works and allows Iran to achieve its goals, it will prioritize it over its ideological considerations, as reflected in its efforts to maintain its presence in the Caucasus. Armenia is a Christian country, but Iran maintains close ties with it while antagonizing its coreligionist Azerbaijan.

