

Azerbaijan and Iran after the Sanctions: The Pathways of Advanced Engagement and Confrontation

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Note:



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Introductory notes

Situated in the Caucasus, one of the most geopolitically delicate regions of the world, Azerbaijan has always been careful to build relations with its 'big neighbours'. Baku is distinguished for its balanced approach to foreign policy, which tries to manage the balance between the West, Russia, Turkey and, of course, Iran.

Pursuing a 'balanced foreign policy' was and is the only way to navigate the situation - in which nature itself placed Azerbaijan - of Baku maintaining its sovereignty. Therefore, Azerbaijan's foreign policy, which highlights neutrality between parties (in contrast to neighbouring Georgia's and Armenia's policy) and balance, can be called 'specific'.

Even so, Iranian-Azerbaijani relations have a particular specificity, for which there are many reasons. After the Arab conquest (the Islamisation of Iran), Azerbaijanis' role in the history of Iran is not less significant than that of the Persians. For many centuries, the two were part of a single state. Since the Islamisation of Iran in the VII century, the predominant number of the dynasties that have established their own state and ruled in Iran or the region including the territory of modern Iran, have Azeri roots or were ethnically very close to Azerbaijanis. For example, the Qajars - the last Iranian dynasty and one with Azerbaijani roots - were overthrown by the Persian Pahlavi dynasty in 1925.

This factor alone would be sufficient for making Azerbaijani-Iranian relations exceptional. Nevertheless, there are other points.

The Russian-Iranian War, which ended in 1828, resulted in the Azerbaijani people being divided and living on both sides of the river Araks. The Araks had become the new border between the Russian Empire and Qajaran Iran. Russia's Azerbaijan (the present-day Azerbaijani Republic) experienced a completely different development pattern than that of Iran's Azerbaijan: at the beginning, as a part of the Russian Empire, and later - the Soviet Union. While developing in a different political and economic formation allowed Russian Azerbaijan to acquire the features of secularism and become westernized, modern Azerbaijan self-identified itself with a very different set of values than Iran, which underwent an Islamic revolution in 1979.

Despite such close ethno-historical ties, relations between Iran and Azerbaijan have generally been uneven and irregular. Starting from the first days of the disbandment of the Soviet Union and Azerbaijan's regaining its independence, a completely new reality emerged on the northern borders of Iran.

During this period, Iran was suffering from Western imposed sanctions and many 'irregularities' between Azerbaijan and Iran emerged due to Tehran's opposition to the West.

The present abolition of sanctions changes everything; or almost everything. The magnitude of changes is so great that it complicates forecasting Iranian-Azerbaijani relations. The factors creating irregularities, namely Iran's opposition to the West, are still out there. Iran's impending departure from international isolation and acquisition of a new status can greatly facilitate the

positive development of relations, or it may complicate them even more. Even so, the lifting of sanctions creates a new phase in the Iranian-Azerbaijani relationship, with a different set of conditions, which need to be analysed. Taking into account the difficulty of predicting developments in this topic, this article first examines the underlying factors associated with the relationship between Azerbaijan and Iran.

Historical Overview. Factors Shaping the Relationship between the Two Countries

As mentioned earlier, the factors shaping the relationship between the countries concerned have historical roots and by building on them with mutually beneficial, rational economic relations, many disappointments could have been avoided.

In this section, we will review these factors in detail. First, we will consider the historical dimension, and then move on to the religious and ethnic factors. A brief background will help us build up the article and explain current relations. In light of present uncertainties and the difficulty of forecasting developments in the relationship, understanding these factors is an important part of explaining the suggested scenarios.

Iran was among the first countries to recognize the sovereignty of Azerbaijan after the disintegration of the Soviet Union. Iran was flattered by the idea of a second Shiite state on its northern border and within its sphere of influence. How Iranian generals offered their services in favour of Azerbaijan during the first years of the Armenian-Azerbaijani conflict over Nagorno-Karabakh is still an interesting topic for backroom discussions in Azerbaijan. One can even encounter witnesses' memories regarding how in the early years of independent Azerbaijan, the portraits of Iranian religious leaders flashed in the waves of nationwide protests. Tehran was eagerly expecting a religious revolution in Azerbaijan, in kind to that of 1979 in Iran, and the accession of Azerbaijan to its 'historic homeland' - to Iran. Iran was very attracted to this idea, which seemed promising and offered it the acquisition of a client state and the opportunity to export the ideas of the Islamic Revolution. The topic was very widely discussed in the Iranian political arena and it was skilfully used in the speeches of several Iranian politicians. Back then, 11 years after the religious revolution, the topic was very relevant for the domestic audience of Iran.

Nevertheless, Azerbaijan was imagining its future in a different direction. Even in the period of political turmoil, which occurred in the first years of independence, the theocratic ideas of Iran were not attractive for most political groups in Azerbaijan. Secular political and social views were entrenched in society, and the religious, social and political values offered by Iran were perceived by many as 'the backwardness of historical development'.

Relations with neighbours were shaped by two major considerations. Firstly, the young Republic of Azerbaijan was the first country in the region to insist on the complete withdrawal of the Russian troops from its territories; it did not wish to continue the presence of another state army within its borders. Additionally, Turkey, which was a NATO member and offered Western values, was considered a much more welcome partner than Iran, with its contrary political and ideological ambitions and intentions.

The complication of Azerbaijani-Iranian relations was further revealed through several events throughout the last two decades. The subsequent events called for the reconsideration of relations between the countries.

In March 1992, Iran, as a country interested in peace and stability at its northern borders, initiated mediation between Azerbaijan and Armenia. Offering its hospitality, Iran invited Armenian and Azerbaijani delegations to Tehran, where a declaration on the resolution of the conflict was signed. Yagub Mammadov, the then-Acting President of Azerbaijan, was visiting Tehran at the same time. Concurrently, on the 8th of May, the Armed Forces of Armenia seized and captured Shusha, a city not only with military-strategic importance, but also considered as a cradle for Azerbaijani music and culture, and populated mostly by Azerbaijanis. In terms of military strategy and moral damage to Azerbaijan, it was more than noticeable.

The fact that these events transpired when the Acting Head of State was abroad at the invitation initiated by Iran and for signing a peace treaty, made matters even more complex. Yagub Mammadov was ousted from his position due to the aforementioned events, and on the 14th of May 1992, Ayaz Mutallibov became president again. Despite Tehran's harsh criticism of Armenia's actions, the capture of Shusha at the time of the signing of a ceasefire agreement had further deteriorated the public image of Iran in Azerbaijan. Even now, Iran justifies itself by claiming the events were arranged by external powers, who were not interested in seeing the role of Iran strength in the region ('Echo' newspaper, 2015). By this claim, they are implying Russia's support for Armenia during the conflict. Nevertheless, as a result - Iran has discredited itself, and not only in its role as a peace mediator.

The following events strained relations even further, for Iran began helping Armenia, albeit not publicly, of course.

Assessing the role of Iran in supporting Armenia, Robert Kocharyan, the second president of Armenia, admitted that there were critical times in which Armenia would have lost its independence without the support of Tehran.

Referring to the strategic relations between Armenia and Iran in his interview with 'Moscow News', Levon Ter-Petrosyan, another former head of Armenia, mentioned that during peace negotiations, the OSCE Minsk Group proposed an option for the exchange of territories between Azerbaijan and Armenia. "Karabakh would join Armenia, and Azerbaijan would get the lands between its mainland and Nakhichevan - Meghri corridor. It is not a speculation. But I would never go for such decision. In this case, we would be deprived from the border with Iran, and in strategic plan, it is more important than Karabakh" - he said ('Moscow News', 2014).

Nowadays, in spite of the amiable words exchanged by the Heads of State in addressing each other, the relations between Azerbaijan and Iran cannot be considered cordial. Azerbaijani-Israeli diplomatic relations are a topic of great significance for Iran's annoyance. There is an unusual background for these relations: after leaving Azerbaijan and moving to Israel, many of the Jews who lived in Azerbaijan in Soviet times and long before, are still particularly affectionate towards Azerbaijan. As a result, there is a very strange unity; there exist excellent diplomatic relations between Israel and Azerbaijan, which is populated mainly by Muslims and would be considered hostile to Israel on account of the Palestinian issue. This fact cannot be ignored by Tehran.

Iran also resents Azerbaijan for attracting foreign companies to develop the oil fields in the Caspian Sea. In 2001, there was an incident between Azerbaijani oil workers and Iranian border services in the Caspian Sea. The problem was solved thanks to the intervention of Turkish fighters, whose air-performances were organised in Baku for the public with a short notice ("Vedomosti" newspaper, 2001) (Armenpress.am, 2001).

As noted earlier, Iran considers Azerbaijan as part of its historical lands. Official Iranian historians refer to the country of Azerbaijan exclusively as the "Republic of Azerbaijan", while according to them, the name 'Azerbaijan' can only be claimed by the inhabitants of Iranian Azerbaijan.

Starting from the second half of the 1990s, both of the countries mutually began looking for each others' vulnerabilities in order to try to gain a leg up in their interactions.

In this context, there are two factors which must be mentioned more specifically in order to better understand the situation between Iran and Azerbaijan: ethnicity and religion.

In Iran there is great number of Azerbaijanis or 'Azeri Turks'; nationalist communities suggest that their number is as high as 40 million. Iran is concerned that nationalist communities in Azerbaijan may gain strong ground among Azerbaijanis living in Iran, which could lead to the disintegration of the country.

In turn, Iran also has the potential for destabilising Azerbaijan from within. The increasing prevalence of greater religiosity as embodied by the wider-spread wearing of the veil could influence the political situation in Azerbaijan. Teheran is interested in gaining further popular support by supporting religious groups in Azerbaijan close to Iran.

Due to the fact that Iran and Azerbaijan have a lot in common, both of sides are capable of substantially hurting each other. The history of Iranian-Azerbaijani relations is full of such examples. As such, lifting sanctions can trigger different pathways for the development of relations.

The Pathways of Advanced Engagement and Confrontation

It would oversimplify the issue to build the scenario development showcasing possible relationships between Iran and Azerbaijan based solely on oil prices. As one would expect, oil and the price of oil (or how they are going to be affected by the agreement on Iran's nuclear program) are important factors in Azerbaijani-Iranian relations. Nevertheless, there are other points, which should be taken into consideration. Based on the information provided above, we will present how relations can develop in both negative and positive ways.

Pessimistic scenario

As the current relations between the countries have a gloomy background, the pessimistic scenario should be highlighted first. The negative scenario is built on the assumption that Iran would use its resources to impose its own ambitions on Azerbaijan once it gets stronger. After sanctions are lifted, thanks to newfound markets Iran may get richer and could then enact the realisation of its ambitions toward Azerbaijan. To this end, Iran could act in several ways.

First of all - it may help Armenia more than it already does.

Economic cooperation with Armenia is not profitable for Iran if calculations are based on purely on economic profits. Armenia - a country which lacks its own mineral resources, whose borders with Turkey and Azerbaijan are closed and which has no seashore - cannot be a profitable economic partner. In addition, Armenia's population is shrinking (1in.am, 2013) (Express.am, 2015), making its consumer market less attractive. Armenia can be interesting for Iran only as an oppositional party putting pressure on Azerbaijan. The resources, which Iran may acquire as a result of the lifting of sanctions, can be spent on the implementation of joint projects with Armenia. These projects have not been implemented thus far due to lack of Iranian funds and while Armenia could not get aid for them from international investors and donors. The project for building infrastructure (both road and railway communication) did not seem cost-effective for international investors, as Armenia, with its limited capabilities, is in conflict with Azerbaijan. An isolated Armenia on its own could not guarantee the transfer of a sufficient amount of goods via the planned roads. Another option, which considered transportation of goods using communication lines to Russia via Georgia, was also unviable because of the conflict between Georgia and Russia (and the latter's unrecognised Georgian satellites).

Now, when Iran is not bearing the burden of the sanctions, it would have the means to invest in economically unprofitable projects only for political reasons.

Not only investments but also dialogue with Armenia over these projects may cause back-splash from Baku and lead to a further deterioration of diplomatic and economic relations.

Another important area in which Iran can take advantage of Azerbaijan is to further fortify pro-Iranian groups in Azerbaijan.

In this case, one should not forget about the factors stipulating the relations between Iran and Azerbaijan: religion and ethnicity.

Iran is probably the only country that has the potential to blow up Azerbaijan from within. Since both investing in immensely unprofitable projects in Armenia and also military action against Baku are economically unfavourable, investment in pro-Iranian communities in Azerbaijan is an alternate method, which can strongly influence the domestic political situation in the country.

There were speculations surrounding the cancellation of the 2012 Eurovision Song Contest in Baku because of the threat from Azerbaijani religious communities. Despite that, Baku was able to maintain domestic security and keep these communities under control. The year of 2011 was probably the most active year in this regard. Some members of the religious community beat police officers in a public outcry, the first such case in Azerbaijan. The government responded by arresting the leader of the Islamic Party of Azerbaijan, Movsum Samedov, and five activists of the party who were particularly active during the demonstration (Eurasianet.org, 2011).

Nevertheless, there are other 'weapons' in the arsenal of Tehran: ethnic minorities in Azerbaijan, in particular the Talysh. The Talysh are Iranian-speaking ethnic minorities living in the border regions of Azerbaijan and Iran. In the early 1990s, some of their representatives were politically active, unsuccessfully attempting to establish their own state. Nowadays, Azerbaijan suspects Iran of sponsoring a radio station in the Talysh language from the territory of Armenia and Nagorno-Karabakh, controlled by Yerevan.

A country, which is politically and financially investing in such a case, indeed, cannot be favoured by Baku.

Another area that should be reviewed is the increased role of Iran in the conflicts in the Middle East. It is expected that Iran will openly attempt to counterbalance the religious and terrorist groups tied to some of the ruling families in Saudi Arabia. The feud between the Saudis and the Iranians has a long history. By making a deal with Iran, Washington thereby gave Tehran a chance to balance the situation in the Middle East and tame Saudi ambitions.

In this aim, Iran would require the support of Azerbaijan, whose population mainly has a Shia-Muslim background. Azerbaijan has always preferred to remain neutral, which in this case, can be another reason for Tehran's great anger.

In the end, by acquiring a new status and supremacy in the region, Iran will enjoy comparatively more resources. So far, it is not clear what share of these resources will be allocated to spend in Azerbaijan.

Nevertheless, we must take into account the fact that the signed agreement on the nuclear deal will also have an impact on the economy of Iran. This creates new opportunities for pushing the Iranian economy into reforms and building favourable conditions for an optimistic scenario.

Optimistic scenario

In the long-term, the positive scenario for relations between Azerbaijan and Iran depends on the liberalisation and deregulation of the Iranian economy. For now, the existing economic and political model in Iran, with its social programs and other budget spending, is similar to the economic model of the former Soviet Union, although Iran labels it as 'liberal'.

The public and economic regulatory mechanisms, implemented by the government in Iran, make the country's economy less similar to existing western liberal-democratic models of society and economy. Iran may consider itself and label its economy as 'liberal', but the heavy regulatory measures dictate the opposite.

Particularly, it does not adhere to the needs of international investors.

For example, if an international investor wants to invest in Iran's oil industry, based on the existing legislation and regulatory mechanisms, the necessary equipment must be acquired from the local producers. International companies are allowed to buy equipment outside of Iran only if there is no local production. Additionally, a certain share of the work force should also be employed from Iran, among many other restrictions.

The signed agreement regarding the Iranian nuclear program is expected to change the current situation.

Iran desperately needs foreign investment. This means Iran has to please international investors and undertake reforms to deregulate the economy and make it more liberal in the Western understanding.

This is the point where changes are expected to take place. Economic reforms in the country cannot be undertaken without changes to the current political institutions and foundations. At the moment, the oil business of Iran is under the supervision of the Revolutionary Guards. Any reforms in the oil sector will lead to a decrease in their influence. An important political-military and ideological institution in Iran, such as the Army of the Guardians of the Islamic Revolution, will not remain idle in the face of such a situation. Reforms in other areas will have the same consequences for other politically powerful groups in Iran. Since Iran needs reforms - there is no other option. All of this, all the current power structures in the country, will gradually encounter political changes.

Usually, controlled and strictly regulated economic models are a suitable tool for policy-makers to achieve their own objectives. As such, Tehran is capable of rapid interventions in the economic cooperation between Iran and other countries, which is unusual for liberal-democratic regimes.

Iran is expected to become more rational in its economic and political ambitions after envisioned reforms. Hence, Iran will not be able to ignore its northern neighbour, whose economic potential is about 80 per cent of the economic potential of the entire South Caucasus.

All of this will create opportunities for the development of bilateral relations. Transport infrastructures such as a railroad passing through Astara (Azerbaijan), should join the existing railway networks of Russia and Iran. The project, which is the part of the ‘North-South’ transport corridor, will be a vital part of the integration of the transport and information highways of Russia, Azerbaijan, Iran, India and Oman. With limited political ambitions, this project is more than feasible.

Construction of a railway between Azerbaijan and Iran will also contribute to improved connections with the Nakhchivan Autonomous Republic, an Azerbaijani exclave, which is surrounded by Iran, Turkey and Armenia.

The first signs of the optimistic scenario are already visible. Right after reaching an agreement with Western countries regarding its nuclear program, official representatives of Iran invited their Azerbaijani colleagues to Iran to discuss the future of post-nuclear cooperation. The government delegation of Azerbaijan, led by Shahin Mustafayev, the Minister of Economy and Industry, visited Iran at the beginning of August 2015. The delegation also included representatives of the State Oil Company of Azerbaijan, the Central Bank, the Ministry of Communications and High Technologies, ‘Azerenergy’ JSC, ‘Azerbaijan Railways’ CJSC, the Caspian Shipping Company, the State Agency for Alternative and Renewable Energy Sources and businessmen from different sectors.

In conclusion to this section, it should be noted that the positive development of relations between Azerbaijan and Iran is attainable and depends on the speed and quality of reforms in Iran. The agreement reached by E3/EU+3 is a good platform to push for such reforms in Iran.

As it was mentioned above, these changes will gradually transform policy and bring about structural changes in the existing domestic situation in Iran. These changes will, in turn, be beneficial for bilateral relations with Azerbaijan.

Conclusion

The history of relations between Iran and Azerbaijan has a particular specificity, impacting all stages of the development of bilateral relations. The agreement reached on Iran's nuclear program creates a new stage in the relationship between Azerbaijan and Iran.

The magnitude of the changes in the region makes the forecasting of the development of bilateral relations between Iran and Azerbaijan a very difficult task; namely, too many variables exist. In this context, the only possible way to accomplish the task is by analysing the factors stipulating the relations between the countries thus far, and forecasting the development of other factors separately; which was done in this article.

This paper has tried to predict the development of bilateral relations based on both negative and positive scenarios.

All-in-all, Azerbaijan is going to win from the deal reached on the nuclear program of Iran. First of all, Azerbaijan feels secure, for the potential source of global instability at its southern borders has been alleviated; this is a positive factor for the development of relations.

The economic and political reforms in Iran are inevitable under the pressure of the international community. As explained in the article, it will only benefit Azerbaijani-Iranian relations.

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