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## How Syria, Ukraine and Gaza are transforming power dynamics in the Caucasus

In 2017, Iran, Turkey and Russia met in Astana in a bid to determine the future of the Syrian Arab Republic without Western participation. As a byproduct of this episode, they started to develop a strategic policy understanding between themselves regarding the Levant: especially Syria, Lebanon and Iraq. Since then, the war in Ukraine has broadened Iranian, Russian and Turkish cooperation to include the Caucasus. No longer able to ensure regional security but in need of effective sanction bypasses, Russia's diminished profile created scope for a tighter web of economic partnerships between itself, Iran and Turkey. Using their 2017 Astana collaborative playbook, these three countries have now embarked on a process of creating new value chains, infrastructures, transport routes and regulatory arrangements in the Caucasus, which are no longer grafted onto the global liberal market economy but intend to form a subsystem of their own. The aim is to turn the Caucasus into an economic hub that ties the three partners together. This requires the establishment of stable security relations. The unresolved issue of control over southern Armenia's Syunik region, a tense relationship between Iran and Azerbaijan and the war in Gaza are important tests for the nascent economic arrangements between Russia, Turkey and Iran. The brief intends to help Western policymakers understand the impact of sanctions on Russia/Iran, and of their support for the Israeli destruction of Gaza, on the prospects for stability and growth in the Caucasus.

### Introduction: Sanctioned economies unite

The war in Ukraine eliminated Russian fears of secondary US sanctions being used against it due to its dealings with Iran. Together, Russia and Iran now form an 'arch of sanctions' from the Baltic Sea to the Persian Gulf. This new geo-economic reality is significant for Tehran because Russian objectives of establishing an independent monetary system, energy market and parallel supply chains outside the purview of Western regulatory frameworks can help

break Iran's isolation. Iran can now leverage its geography to facilitate a land-based Russian economic pivot to the Middle East and the Indian subcontinent that bypasses both the Persian Gulf and the Suez Canal. Tehran's reinvigorated 'Look East' narrative pivots on a south-to-south highway that connects the Baltic Sea with the Middle East and India. These grand plans are not just rhetoric. Russia was Iran's largest foreign investor in 2022, surpassing the UAE and

China.<sup>1</sup> Moscow has also identified investment projects in transport infrastructure to the tune of US\$1.3bn, which it would like to fast-track. Trade with the Eurasian Economic Union (EEU) area has been growing, and by the end of 2023 Iran had concluded a fully-fledged Free Trade Agreement with Russia that reduces tariffs for goods to zero.<sup>2</sup> With Russia as a relative ‘newcomer’ in the world of sanctions evasion, Iran also acts as mentor in assisting Russia to bypass and illicitly use existing financial and trade networks.<sup>3</sup>

Russian demand and investment also have a regional impact that bolsters the Turkish and South Caucasus economies. Turkish trade with Russia increased by almost 40 per cent in 2022, while Ankara also gained privileged access to Russian markets for tourism, agricultural commodities, industrial goods and construction materials. Furthermore, Turkey has boosted its own competitiveness by gaining access to Russian fertiliser, oil and gas at competitive prices. Additionally, an April 2023 Asia Development Bank report indicates that Armenia’s GDP grew by 12.6 per cent in 2022, Georgia’s by 10.2 per cent and Azerbaijan’s by 4.6 per cent.<sup>4</sup> In short, Russia’s need for access to finance and technology, as well as energy and commodity markets, matches Iranian needs and geography in a manner that has positive economic benefits for Turkey and the Caucasus.

However, continuation of this economic growth trend and exploring the Caucasus’ new economic potential requires stable security arrangements. With this in mind, the brief examines both the

emerging strategic framework for regional security governance between Russia, Turkey and Iran. It also examines how the Israeli military campaign in Gaza creates additional pressures on these players. The brief intends to help Western policymakers understand the impact of sanctions on Russia/Iran, and their support for the Israeli destruction of Gaza, on the prospects for stability and growth in the Caucasus.

## Economic cooperation and geopolitical stability

The economic potential of the Caucasus has been boosted by the war in Ukraine and is contingent on functional and predictable security arrangements in the region. As to Ukraine, Western analysis has tended to focus on transactional security cooperation between Russia and Iran, such as the delivery of Shahed and Mohajer drone systems and, potentially, short-range missiles. In return, Moscow has agreed to offer Iran an opportunity to gain access to strategic technologies such as enhanced digital surveillance systems, attack helicopters, missile defence systems and fifth generation fighter jets.

There is, however, also a more strategic security framework in the making. As Russia vacates its historical role as guardian of the ‘pax Russo’ in the Caucasus, a concert of countries is seeking to take its place: Turkey, Azerbaijan, Iran and, once more, Russia, albeit in a reduced capacity. They mean to gradually replace bilateral tensions and mutually exclusive objectives with clear, functional red lines and better demarcated zones of influence. At present, such efforts remain largely paper intentions, however, as especially the relationship between Iran and Azerbaijan remains conflicted.

The following sequence of events illustrates the recent state of play more clearly: The 2020 trilateral statement that ended the Second Karabakh War (2020) envisioned a specific role for Russian peacekeepers to safeguard transport routes between Karabakh and Armenia (the Lachin corridor) in addition to serving as guarantors of overall regional stability.

- 1 Andrew England, Najmeh Bozormehr, ‘Iran’s Finance Minister highlights surge in investment from Russia’, *Financial Times*, 23 March 2023, <https://www.ft.com/content/c43f7f85-87c3-49f6-85cb-446d1de2bfc6>.
- 2 Ilya Roubanis, ‘Russia’s invasion of Ukraine: the geopolitical significance of the war’s impact on regional supply chains’, the Foreign Policy Centre, London, 28 July 2023.
- 3 The United Arab Emirates represents another critical node in the new semi-licit and semi-illicit web of financial and trade transactions that is being spun.
- 4 Asian Development Bank Outlook, April 2023, <https://www.adb.org/sites/default/files/publication/863591/asian-development-outlook-april-2023.pdf>.

**Figure 1 The geo-economic and geo-political geography of the southern Caucasus from 1994 until 2020-2023**



Source: Wikivoyage

However, Russia did not undertake this role in accordance with the terms of the statement and its regional profile diminished as a result. Its war against Ukraine presumably decreased Russian interest and resources. In fact, Moscow reprioritised the significance of its partnerships in the Caucasus, which amounted to downgrading Armenia and upgrading Azerbaijan because of the latter’s greater economic and logistical value.

As a result of diminished Russian oversight, Azerbaijani troops were able to move into Armenian territory between May and September 2021, occupying strategic positions along key transport arteries in the south next to the border with Iran. In September 2021, Azerbaijan’s President Aliyev formulated a claim over southern Armenia by referring to Article 9 of the trilateral statement, stipulating that Armenia must ensure ‘security of transport connections between the western regions of the Republic of Azerbaijan and the Nakhichevan Autonomous Republic’. On this basis, Azerbaijan claimed the right to a ‘Zangezur corridor’ that would link Azerbaijan and Nakhichevan. Baku framed this obligation as equivalent to the Lachin corridor that connected Armenia with Nagorno-Karabakh.

When the Azerbaijani military incursion reached its final stages in 2021, only 29 km of Armenian territory separated Azerbaijan from its exclave Nakhichevan. Adding insult to injury, Azerbaijani troops also seized control over the Lachin corridor in August 2022 as well. First, Baku disrupted energy supplies, and then shut down all movement of people and trade in goods between Armenia and Karabakh. Between June and September 2023, the population of Karabakh reached a point of exhaustion, creating a situation that was ripe for a military fait accompli.<sup>5</sup> Indeed, in September Azerbaijani troops breached the contact line and the Lachin corridor opened one last time to allow an exodus of the Armenian population of Karabakh. At the end of September 2023, the Lachin corridor no longer existed. Russia’s implementation of its mandate turned out to be an empty shell.

5 ‘Azerbaijan accuses Russia of failing to fulfil Karabakh deal’, Aljazeera, 16 July 2023, <https://www.aljazeera.com/news/2023/7/16/azerbaijan-accuses-russia-of-failing-to-fulfil-karabakh-deal>.  
Lilit Shahverdyan, ‘Nagorno-Karabakh under total blockade’, Eurasianet, 23 June 2023, <https://eurasianet.org/nagorno-karabakh-under-total-blockade>.

Tehran's reaction to Baku's manoeuvres has, however, been firm. Its red line is Azerbaijan's intention to establish control over the Armenian-Iranian border since this would cut the two countries off. It would also enable Azerbaijan to establish an uninterrupted link between Turkey and the Caspian Sea, as well as undermining Armenia's deterrence posture by cutting its logistical link with Tehran. Instead, Tehran favours the existing route, which links Azerbaijan with its exclave, the Nakhichevan Autonomous Republic, via Iran, which enables Iran to act as broker and rule-maker between the three countries. Iran has made it clear that it is willing to intervene militarily if pressed.

In response to military drills along the Iranian border between Turkey, Azerbaijan and Pakistan in September 2021, Iran's Islamic Revolutionary Guard Corps (IRGC) initiated large-scale exercises, including amphibious crossings of the Aras river that separates Nakhichevan, southern Armenia and southern Azerbaijan from northern Iran; heliborne and parachute operations; nocturnal strikes; and the simulated seizure of major transport routes as well as elevated terrain.<sup>6</sup> In response to the advance of Azerbaijani troops in southern Armenia in September 2022, Iran mobilised 50,000 troops.<sup>7</sup>

In September 2023, the Iranian military mobilised once more along the border with Armenia. In brief, Tehran's message to Turkey and Azerbaijan has consistently been 'you can have Karabakh, but not southern Armenia (the Syunik area).' Hence, the Syunik region is the litmus test for the concert of countries that seeks to manage the post-Russian 'imperial' status quo. It appears that Azerbaijan and Turkey have grudgingly accepted Iran's position in order to maintain stability, at least for now.

### ... and then there was Gaza

The Hamas attack against Israel on 7 October did not happen out of the blue but follows, among other things, the Abraham Accords, a 16-year blockade of Gaza and Israel's continuing occupation of the Palestinian territories. Especially the blockade has been vehemently criticised by Turkey, which also hosts some of Hamas' political leaders. Iran sponsors two forces that regularly threaten Israel: Hamas and Hezbollah. As a result, both countries align easily against Israel and are capable of setting aside any differences they have in Syria and Iraq.

As the Israeli military campaign of total destruction in Gaza unfolds, the fact that Azerbaijan, Turkey's ally, maintains good relations with Israel, but not with Iran, has come into starker relief. Tehran has accused Azerbaijan several times of facilitating Israeli action from its territory.<sup>8</sup> An Israeli attack against nuclear installations in Isfahan in January 2023 was

6 Vali Kaleji, Sergey Markedonov, Kerim Has, 'The breakdown of the status quo and the international dimension of the Nagorno-Karabakh crisis', Valdai Club, 18 January 2022, <https://valdaiclub.com/a/highlights/iran-s-perceptions-and-concerns-of-border-tensions/>. Abbas Qaidari, 'Iranian war games on the border with Azerbaijan were really a message to Israel', Atlantic Council, 8 October 2021, <https://web.archive.org/web/20221202053201/https://www.atlanticcouncil.org/blogs/iransource/iranian-war-games-on-the-border-with-azerbaijan-were-really-a-message-to-israel/>. Golnaz Esfandiari, 'Explainer: What's Behind Fresh Tensions on the Iran-Azerbaijan Border?', Radio Free Europe/Radio Liberty, 1 October 2021, <https://www.rferl.org/a/iran-azerbaijan-military-drills-border/31488035.html>.

7 'Maj General Bagheri: we will not tolerate changes in borders of regional countries', Iran Press, 22 September 2022, <https://iranpress.com/content/66756/maj-gen-bagheri-will-not-tolerate-changes-borders-regional-countries>. Chris King, 'Iran deploying around 50,000 troops to the Armenian border', Euroweeklynews, 16 September 2022, <https://euroweeklynews.com/2022/09/16/breaking-iran-deploying-around-50000-troops-to-the-armenian-border/>.

8 'Baku to allow Israel to use its airfields to attack Iran – Report', Iran International, 3 May 2023, <https://www.iranintl.com/en/202303057139>. 'US official suspects Israel's hand behind drone strike on Iran factory, Azerbaijan embassy staff shifted to Baku', India Today, 30 January 2023, <https://www.indiatoday.in/world/story/us-suspects-israel-hand-behind-drone-strike-on-iran-factory-azerbaijan-embassy-staff-shifted-to-baku-2327976-2023-01-30>. Jon Gambrel, 'Iran says drone attack targets defense facility in Isfahan', Independent, Sunday 29 January 2023, <https://www.independent.co.uk/news/ap-iran-tehran-azerbaijan-israeli-b2271557.html>. 'Iran Claims Israeli drone was launched from ex-Soviet Republic', Radio Free Europe/Radio Liberty, 27 August 2014, <https://www.rferl.org/a/iran-israel-drone-azerbaijan/26553382.html>.

carried out with small quadcopter drones that were likely smuggled into Iran via Azerbaijan. In brief, Tehran views Baku as enabling Israeli operations.<sup>9</sup> Conversely, Azerbaijan accuses Iran of sponsoring a militant group known as Hoseyniyun, or ‘those loyal to Hossein’ (the third Shi’ite Imam), which has been making inroads into the Talysh community in Azerbaijan since 2013.<sup>10</sup> The group is loosely associated with Hezbollah and can be considered as part of the ‘axis of resistance’. Ehsan Movahedian’s Telegram Channel reported on the visit of Hoseyniyun’s leader to Tehran on 18 October 2023, where he was invited to speak on public television (see Figure 2 below).

Baku considers Iranian sponsorship of this group as a good enough reason to pursue deeper security cooperation with Israel,<sup>11</sup> especially in the context of its competition with Tehran for the hearts and minds of Turkic speaking Shi’a minorities in the Caucasus. Recently, the managing director of the Javan daily, a news outlet linked to IRGC, referred to people living on both sides of the Aras river as **culturally Iranian**.<sup>12</sup> In response, the Azerbaijani information-warfare analyst in Baku, Ali Hajizade, predictably points to dozens of Iranian-sponsored media sources that mobilise support against Azerbaijan and favour the creation of a theocratic state.<sup>13</sup>

**Figure 2 Screenshot from the Iranian public broadcaster featuring the leader of Azerbaijan’s Hoseyniyun group, Tawhidi Ibrahim Begli, warning Israel and its regional allies**



Source: Telegram, 18 October 2023

9 Tzvi Joffe, ‘Azerbaijan arrests group established by Iranian intelligence’, *The Jerusalem Post*, 1 November 2022, <https://www.jpost.com/international/article-721211>.  
 10 Peyman Asadzade, ‘Azerbaijan’s Hoseyniyun: the prospects and challenges of a Caucasus Hezbollah’, 12 June 2023, Middle East Institute, <https://www.mei.edu/publications/azerbaijans-hoseyniyun-prospects-and-challenges-caucasus-hezbollah>.

11 Lilah Shoval, ‘In Azerbaijan, Israel’s defense chief discusses Iran, security cooperation’, *Al-Monitor*, 14 July 2023, <https://www.al-monitor.com/originals/2023/07/azerbaijan-israels-defense-chief-discusses-iran-security-cooperation>.  
 12 Abodollah Ganji Twitter Account, 1 October 2021, Managing Director of the Javan Daily, affiliated to the IRGC. [https://twitter.com/ab\\_ganji/status/1443853234079256583?s=20](https://twitter.com/ab_ganji/status/1443853234079256583?s=20).  
 13 Ali Hajizade, ‘Malignant Iranian Activity in the South Caucasus’, *Jewish News Syndicate*, 4 April 2023, <https://www.jns.org/malignant-iranian-activity-in-the-south-caucasus/>.

The Azerbaijani government reciprocates when it refers to northern Iran as ‘south Azerbaijan’,<sup>14</sup> encompassing major Iranian cities such as Ardebil, Zanjan, Hamedan, Astara and Qazvin. Iran and Azerbaijan are in essence caught up in an inter- and transnationalised version of the classic security dilemma.<sup>15</sup>

Gaza diminishes Turkey’s ability to walk the tightrope between balancing its alliance with Azerbaijan and its regional partnership with Iran. In part this is due to the destructiveness of the Israeli military campaign and its effect on Muslim public opinion, and in part it is due to Iran’s growing involvement in the Gaza conflict via elements of the ‘axis of resistance’ (e.g. the Houthi and Hezbollah). An additional problem for Turkey’s relationship with Azerbaijan is that Tel Aviv maintains good relations with the Iraqi Kurdish KDP and the Syrian Kurdish YPG/PYD, while Ankara is set on containing Kurdish national independence movements, to which its partnership with Iran

is essential.<sup>16</sup> This last tension is likely to increase since the regional dimension of the military campaign in Gaza makes various Kurdish groups more valuable to Israel and the US. The areas they control can provide launch pads for strikes and bases for intelligence gathering against Iran-linked forces throughout the region after all.

Because Ankara’s security priorities stretch across different fronts, it needs to balance its relationship with Iran against that with Azerbaijan. It encourages Tehran’s tolerance for its relation with Azerbaijan by, for instance, allowing Iran’s secret services to [target](#) dissidents in Turkey.<sup>17</sup> Turkey allegedly also serves as a hub for IRGC funding of its activities in Lebanon – via Turkish enterprises.<sup>18</sup> Turkish intelligence is less tolerant of Mossad activities on Turkish soil that aim to counter Iran, however. This state of affairs means that Israel views Turkey as part of the problem rather than as a partner. In sum, the continuation of regional economic cooperation requires Ankara to strike an increasingly precarious balance between its cooperation with Tehran and the ‘one nation, two states’ principle that underpins its relationship to Baku.

## Conclusion: Iran looks for a new security posture in the Caucasus

Iran has tended to view the Caucasus as part of Russia’s sphere of influence. The reduction of Russia’s ability to play the concomitant roles of regional facilitator and guardian of stability – the result of Moscow’s invasion of Ukraine – has changed Tehran’s perception. On the one hand, the Caucasus represents a space of economic opportunity to Iran; on the other

14 Ariel Kogan, ‘Tehran’s new “old fear”: Southern Azerbaijan wants independence’, i24News.tv, 2 March 2023, <https://www.i24news.tv/en/news/middle-east/iran-eastern-states/1677754384-iran-s-new-old-fear-southern-azerbaijan-wants-independence>.

Emil Aslan Souleimanov, Josef Kraus, ‘Iran’s Azerbaijan Question in Evolution: Identity, Society, and Regional Security’, Central Asia-Caucasus Institute & Silk Road Studies Program, Silk Road Paper, September 2017, <https://isdpeu.org/content/uploads/2017/09/2017-souleimanov-kraus-irans-azerbaijan-question-in-evolution.pdf>.

Emil Suleimanov, ‘The evolution of Azerbaijani identity and the prospects of secessionism in Iranian Azerbaijan’, *Connections*, Vol.11, No.1, Winter 2011, [https://www.jstor.org/stable/26326266?searchText=&searchUri=&ab\\_segments=&searchKey=&refreqid=fastly-default%3A22a005c596a51e6dd222dec06ae3a7b0&seq=1](https://www.jstor.org/stable/26326266?searchText=&searchUri=&ab_segments=&searchKey=&refreqid=fastly-default%3A22a005c596a51e6dd222dec06ae3a7b0&seq=1).

Unrepresented United Nations, <https://www.unrepresentedunitednations.org/en/unrepresented-united-nations-directory/south-azerbaijan>.

15 A security dilemma refers to a situation in which measures that increase the security of one actor trigger security measures by another actor to safeguard its own. The ensuing dynamic risks a spiral of security-enhancing actions that end up creating greater tensions. It usually arises from mutual threat perceptions, or simply a lack of insight into the intentions of the security-enhancing actor.

16 ‘Conflict between Turkey and Armed Kurdish Groups’, Center for Preventive Actions, 12 June 2023, <https://www.cfr.org/global-conflict-tracker/conflict/conflict-between-turkey-and-armed-kurdish-groups>.

17 Menekse Tokyay, ‘Iranian dissident journalist Moradi “abducted” in Turkey’, *Arab News*, 6 June 2022, <https://www.arabnews.com/node/2097376/middle-east>.

18 ‘The Turkish connection: how Erdogan’s confidant helped Iran finance terror’, *Politico*, 8 December 2022, <https://www.politico.eu/article/sitki-ayan-recep-tayyip-erdogan-terrorism-hezbollah-iran-turkey-lebanon/>.

hand, Iran needs to re-imagine its own security posture and safeguard its red lines. The invasion of Ukraine has given Russia, Iran and Turkey a stronger base of common interests to identify and undertake joint diplomatic, security and economic initiatives.

The Israeli invasion of Gaza has further accelerated this process due to the anti-Israel views that dominate among the political establishment of all three countries. Moscow's political rhetoric on Gaza is shifting towards Hamas in alignment with that of Turkey and Iran. Putin's emotive comparison of the siege of Gaza with the Nazi siege of Leningrad was telling in this regard.<sup>19</sup> In turn, Turkey seeks to position itself as a 'guarantor' of whatever security arrangement may come out of the present crisis in Gaza. Finally, Iran pursues a 'look East' policy, with an important economic dimension that helps to finance its 'axis of resistance' in the Levant but also its activities in the Caucasus. One can argue that the crisis in Gaza has given the incipient Russian-Turkish-Iranian triangle a boost. Born out of the Astana process during the Syrian civil war, this emergent triangle has gradually grown and now cautiously extends to include the southern Caucasus.

Yet, relations between Tehran, Moscow and Ankara remain fraught. The testing ground for their new partnership is Syunik, in south Armenia. Their ability to adjudicate competing Azerbaijani, Armenian and Iranian interests in this area will show whether transnational arrangements of convenience can become a stable and more mature partnership. Azerbaijan's relationships with Turkey and Israel are key points of friction. Under normal circumstances, these parallel

partnerships provide Baku with strategic advantage in both the military and diplomatic sense. Ankara can accept an independent Azerbaijani policy, as long as there is no conflict with its own interests. The war in Gaza, however, complicates Azerbaijan's ability to be on friendly terms with Israel and Turkey at the same time, particularly since Tehran demands to be recognised as a regional 'rule-setting' power on a par with Russia and Turkey.

Another point of tension is the nascent security partnership between Iran and Armenia. Confidential interviews with Armenian and Azerbaijani diplomatic sources suggest that Iran has been the only reliable transit route for arms supplies to landlocked Yerevan, at least since the Second Karabakh War (2020). Moreover, Iran appears willing to continue to act as a conduit for Armenian arms supplies from India, its main suppliers for the past two years.<sup>20</sup> Iran's three military mobilisations along its border with Armenia also signalled clearly to Azerbaijan and Turkey that Tehran does not intend to accept further changes in the territorial status quo. As Iran views Azerbaijan as a security risk due to its alleged facilitation of covert Israeli action, closer military collaboration with Armenia offers a possibility to build a security posture centred on deterrence. It risks creating friction with Turkey, however.

All told, the war in Ukraine turned the Caucasus into an economic opportunity but also rendered its security landscape more fluid. While the core stakeholders work together to manage this fluidity, they have not yet clearly worked out their roles. The war in Gaza adds both new pressures and incentives to this semi-stable mix.

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19 Mathias Hammer, 'What Russia hopes to gain from the Israel-Hamas Conflict', *Time*, 30 October 2023, <https://time.com/6329850/hamas-gaza-russia-putin-israel/>.

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20 See: Yavel Kazimbeyli, 'India Sends Weapons to Armenia Through Iran: Reports', *Caspian News*, 27 July 2023, <https://caspiannews.com/news-detail/india-sends-weapons-to-armenia-through-iran-reports-2023-7-27-17/>.

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[www.clingendael.org/cru](http://www.clingendael.org/cru)

[cru@clingendael.org](mailto:cru@clingendael.org)

+31 70 324 53 84

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### About the author

**Ilya Roubanis (PhD)** is an analyst and columnist who covers the Caucasus, the Black Sea and Turkey.