

# Turkish and Iranian interests and policies in the South Caucasus

By **Evanthia Balla**

## ■ Executive summary

The South Caucasus, situated as it is at the crossroads of Eurasia's major energy and transport corridors, continues to play a vital role in the world's security affairs. After the end of the cold war the South Caucasus emerged as a key region in the geopolitical contest among regional and global powers. The South Caucasus states of Armenia, Azerbaijan and Georgia are constantly performing a balancing act in their relations with the U.S., Russia, Turkey and Iran. Armenia has developed strong political and economic ties with Iran in order to counter the Turkish-Azerbaijani axis. Azerbaijan seeks to reinforce its links with the West, especially the U.S., as its main extraregional source of diplomatic and economic support, while it remains cautious towards both Russian and Iranian ambitions in the region. Especially after the 2008 war with Russia and the loss of its provinces of Abkhazia and South Ossetia, Georgia has reinforced its links to Western powers and structures while strengthening its ties with Turkey. Both Turkey and Iran are trying to increase their influence in the region, while promoting their national interests in the international arena.

## Turkey's interests in and policies towards the South Caucasus

Turkey has a growing economy that achieved an 8.5% growth rate in 2011 and a gross domestic product (GDP) that reached almost \$1.125 trillion in 2012 (CIA, n.d.). Turkey is strategically important because it acts as a natural link to markets in the Caucasus, Central Asia, the Balkans and the Gulf region. Turkey is also a gateway to energy resources such as natural gas and oil pipelines in its neighbourhood. As such it is wrong to assume that Turkey shares Western approaches and policies in all matters concerning its East-facing policy. Turkey has demonstrated strategic and regional autonomy that is sometimes distinct from U.S. goals and interests in the region.

Since the end of the cold war Turkey has worked towards a policy of rapprochement with the three new republics in the

Caucasus, pursuing regular mutual high-level visits and promoting initiatives for stability and co-operation in the region. In March 1991 President Turgut Ozal visited Azerbaijan and regular flights started between Istanbul and Baku. In the same year the Turkish ambassador in Moscow, Volkan Vural, undertook the first official visit to Armenia by a Turkish diplomat, to discuss the improvement of bilateral relations.

The Caucasus Stability and Co-operation Platform announced in 2008, the Protocol on the Establishment of Diplomatic Relations, and the Protocol on the Development of Relations signed with Armenia in Zürich in 2009 make the enhancement of security and stability in the region a part of Turkish diplomatic efforts.<sup>1</sup> There have been some international efforts to solve the stalemate in the Nagorno-Karabakh conflict with Turkish participation, e.g. the

<sup>1</sup> Protocols available at the Turkish Ministry of Foreign Affairs' official website: <<http://www.mfa.gov.tr/relations-between-turkey-and-armenia.en.mfa>>. The ratification process has currently been suspended by Armenia, mainly because of Turkey's refusal to move forward without preconditions, due to the dispute over the enclave of Nagorno-Karabakh.

Madrid Principles developed by the Organisation for Security and Co-operation in Europe's Minsk Group. However, Turkey has never been actively involved in the peacebuilding process dealing with the Nagorno-Karabagh conflict and its position is considered to be pro-Azerbaijani. Indeed, since 1993 Turkey has closed its borders with Armenia, thus supporting its ally Azerbaijan over the Nagorno-Karabakh stalemate.

The complexity of Turkey's relationship with the three South Caucasian states makes a "zero-problems policy" rhetoric difficult to put into practice. In reality, economic relations between Turkey and Armenia are limited by the closed land border and the lack of diplomatic relations between the two countries due to some unresolved issues, such as the Turkish denial that the mass killings of Ottoman Armenians in 1915 constituted a genocide and Turkey's support for Azerbaijan, primarily over the Nagorno-Karabakh dispute (*The Economist*, 2011).

Unlike Turkey's relations with Armenia, its relations with Azerbaijan and Georgia remain strong and vital. A number of energy and communication projects tie these countries to Turkey. These regional projects include the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline, the Baku-Tbilisi-Erzurum natural gas pipeline and the Baku-Tbilisi-Kars railway (Starr & Cornell, 2005). Interestingly, Turkey is also one of the main suppliers of arms to Azerbaijan and Georgia and possesses military facilities in both states. Both Azerbaijan and Georgia consider Turkey as a link to the West and particularly to Western international structures such as NATO.

Yet down through history an anti-Turkish stereotype has been cultivated in Georgian society. It is true that in the past the Muslim Ottomans threatened Georgian nationhood more than the Christian Russians did. However, Turkey is currently Georgia's biggest trading partner. The two countries have recently signed a visa-free agreement by which their citizens can cross the border with only domestic identity documents. In addition, Georgia's new government under Bidzina Ivanishvili has committed itself to a pro-Western policy like that of his predecessors. Turkey could be a key partner for bringing Georgia closer to NATO and remains Georgia's friendliest neighbour (De Waal, 2012).

Turkey's value to NATO, on the other hand, has increased following the Arab Spring, and particularly the civil war in Syria and Iranian support for President Bashar al-Assad. Additionally, Turkey agreed to host part of the U.S.-European missile defence shield, a radar system to protect against ballistic missiles launched by so-called rogue states (mainly Iran and North Korea). This development reinforces Turkish geostrategic importance for its Western allies but foments Russia's opposition: Russia views the planned system as targeted against it.

Indeed, Turkey has played an active role in security issues and a leading role with regard to regional economic development and integration that could lead to stability and peace in the South Caucasus. However, energy policy and the influence associated with it will continue to determine Turkish choices in the region case by case. Therefore it seems that Turkey will pursue even closer co-operation with Azerbaijan and Georgia in terms of developing trade and energy relations, while simultaneously adopting cautious policies towards conflict zones, thus maximising its relevance for the region.

In fact, Turkey's foreign minister, Ahmet Davutoğlu, recently claimed that Turkey will work harder in this regard, as history is expected to flow faster in 2013: "We will take steps to distinguish Turkey. Turkish diplomacy will break the habits, will break the mould" (Davutoğlu, 2013).

## Iran and the quest for power

"Reforming the world's affairs and bringing about tranquillity and prosperity requires the participation of all, pure thoughts, and divine and human management" (Ahmadinejad, 2011).

Iran's foreign policy towards the Caucasus seeks basically to diminish the Western influence in the region. Tehran's policy is based on pragmatism, seeking ways to build ties with the South Caucasus countries while placing a special emphasis on stability.

Azerbaijan's early orientation towards Turkey and the West, and its disregard for Russia and Iran have been matters of concern to Iran. The BTC pipeline has broken Russia's monopoly on oil exports and bypassed Iran. Yet over the years Iran and Azerbaijan have been working towards closer co-operation.

The two countries have signed an agreement banning the use of their respective territories for launching an attack on the other and Azerbaijan supports Iran's right to the peaceful use of nuclear technology. In the economic field energy and gas exchange agreements have been dominating Iranian-Azerbaijani relations. The Azerbaijani exclave of Nakhchivan is totally dependent on Iranian natural gas. Average Azerbaijani imports of natural gas from Iran between July 2011 and June 2012 were 26 million cubic feet per day (USEIA, 2012). With the completion of some ongoing projects, the transfer capacity of electricity between Iran and Azerbaijan is expected to increase from 200 to 600 MW. Nonetheless, the core Iranian issue in the region is ethnic tension with Azerbaijan. Indeed, Iran's relations with Azerbaijan could worsen rapidly if there is any Azerbaijani involvement in supporting nationalist feelings among ethnic Azeris in Iran (which account for 16% of the population). In addition, Iran and Azerbaijan experience further tensions, including conflicting claims on maritime and seabed boundaries in the Caspian Sea, and Iran's

support for Armenia's position in the Nagorno-Karabakh conflict.

From the Armenian perspective, relations with Iran are based on common geopolitical objectives. Iran sees Armenia as a key country – a geographically isolated state that can benefit from growing ties with Iran, allowing the latter to reinforce its political stance in the region. Armenia and Iran have agreed to the construction of a third power transmission line connecting the Armenian and Iranian power grids. In 2011 the High Voltage Line Company began the construction of a high-voltage 400 kW transmission line (Arka News Agency, 2012). A gas pipeline from Iran to Armenia was inaugurated in 2007 and discussions were held on the construction of a second one. Infrastructural projects such as the current construction of a highway from Armenia to the Iranian border are also under way. Although Armenia has the deepest ties to Iran of any other South Caucasus state, its role in U.S.-Iranian antagonism is limited. Turkish-Armenian and Armenian-Azerbaijani disputes are more important to regional security and stability for both Iran and the West.

Georgia has the least developed relations with Iran among the South Caucasus states. Iran is not even on the list of Georgia's top ten trading partners (Ministry of Economy and Sustainable Development of Georgia, 2013). The primary Iranian strategic interest in Georgia is to limit U.S. and Turkish influence in the country, deepen economic and trade ties, and ensure stability in a way that does not impact on Iranian security. Georgia sees commercial and strategic possibilities in an improved relationship with Iran. Yet Prime Minister Ivanishvili's attention is mostly focused on the West, viewing the U.S. and European Union (EU) as the best way to enhance Georgia's power and limit Russian influence.

Iran is extremely keen on gaining access to European energy markets by expanding electricity and natural gas pipeline networks through the Caucasus to Europe. However, it remains to be seen how successful Iran can be in achieving this goal, given Russian-Iranian competition on issues such as oil and gas exports, sharing Caspian resources, and securing regional gas markets, and the U.S. interest in containing Iran, mainly its nuclear capability.

In the future, Iran's relations with the three South Caucasus states will continue to develop along the same lines of power politics. Armenia has frozen relations with Turkey and thus Iran offers a good substitute. Iran perceives its Azeri minority as a potential separatist threat, and because the country is currently facing a series of economic and political challenges, a domestic upheaval among its own Azeri population is not desirable. For Georgia, which seeks to minimise its energy dependence on Russia, Iran could be an alternative market.

For the time being, though, Iran will continue to seek the widening of its influence in the South Caucasus and to

prevent conflicts in the region from affecting co-ethnics inside its borders. Iran's strategy rests on both deterrence and competition with the U.S. However, Iran, eager to gain an exclusive sphere of influence, needs to acknowledge its true capacities.

Last but not least, in terms of Iran's relations with Turkey, there have been periods of both collaboration and conflict over the years. Currently, Turkey and Iran have strong economic and energy ties. According to the Turkish Ministry of Foreign Affairs oil and natural gas purchases account for 90% of Iranian exports to Turkey (Cordesman, 2013). Moreover, Turkey does not believe that the continued Western sanctions offer a true solution to the Iranian nuclear weapons problem, and on this basis Turkey has promoted itself as an honest broker between Iran and the West. In the aftermath of the Arab Spring, though, cold relations between the two countries, mainly due to their support of different camps in the Syrian civil war, have made this goal very difficult to achieve. In addition, Turkey's attention has turned mostly to the Middle East, at the cost of its overall policy towards the South Caucasus.

Iran and Turkey do, however, share a common interest in avoiding further turmoil in the region. But in order to best work together towards this goal, both countries have to resolve the divergence between their need to achieve economic co-operation and their conflicting security policies.

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