

# South Caucasus in the focus of Middle Eastern powers

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## **Foreword**

The turbulent events of the recent years have brought a number of dramatic changes to the geopolitics of South Caucasus. Azerbaijani triumph in the 44-day war, the newly found importance of the Middle Corridor and North-South route that have made this region stand out for its connectivity options, numerous effects of the war in Ukraine have all shaped the ways the three Caucasian countries see themselves and interact with the world. Among these changes, one has been somewhat off the radars: the growing clout of the Middle Eastern politics over the region. As the Western capacity to project its influence has declined and sanctions-hit Russia has stuck in the Ukraine quagmire, regional powers, primarily Türkiye, Iran, Israel, Saudi Arabia and UAE, have been able to expand their influence and bring the South Caucasus closer to the Middle Eastern orbit. So, in this report, we have decided to explore the policies of the five aforementioned countries in the region, the dynamic interplay of their interests and their implications for the future.

## **Türkiye's Geopolitical Footprint in the South Caucasus**

*Simona Scotti*

The year 2023 marked the centennial anniversary of the founding of the Turkish Republic. This occasion served not merely as a moment of reflection, but also as a testament to the country's evolving foreign policy landscape. Rooted in a rich tapestry of ancient civilizations, imperial legacies, and intricate diplomatic engagements, Türkiye's historical narrative provides a foundational context for its current geopolitical pursuits. However, the dawn of its centennial coincides with a discernible recalibration in its foreign policy orientation, responding to the shifting sands of global geopolitics. Observing a perceived decline in Western global dominance, Türkiye strategically maneuvers within an increasingly multipolar international arena. Under President Erdoğan's leadership, Ankara has embarked on a trajectory marked by assertiveness and pragmatism, cultivating strategic relationships while expanding its regional footprint.

With the presidency of Erdoğan, Türkiye has strategically positioned itself in an increasingly multipolar international arena. This strategic shift is particularly evident in Türkiye's intensified engagement with the South Caucasus, a focus that gained momentum following Erdoğan's re-election in May 2023. The country, drawing on its rich historical ties, has expanded its soft power in the South Caucasus and Central Asia, with a notable emphasis on reinforcing relationships with Turkic-speaking nations, especially Azerbaijan. The ruling Justice and Development Party (AKP) has played a crucial role in solidifying Türkiye's presence in the region, weaving a narrative that emphasizes Turkic unity intertwined with Islamic elements. This strategic approach assumes added significance against the backdrop of Russia's diminishing regional influence due to its conflict with Ukraine, as well as of escalating international pressure on Iran.

The appointment of Hakan Fidan, a distinguished figure from Türkiye's intelligence community, as the Minister of Foreign Affairs, has stirred discussions about potential shifts in the nation's foreign policy. Fidan's elevation comes at a critical juncture for Türkiye as it grapples with balancing its orientation between the West and Russia. With over twelve years of experience heading the National Intelligence Organization (MİT), Fidan has played a pivotal

role in enhancing Türkiye's influence across the South Caucasus. It was under his leadership at MİT that Türkiye forged closer ties with Azerbaijan during the Second Karabakh War, thereby solidifying Türkiye's footprint in the region. His appointment suggests Türkiye's intent to solidify its regional influence, positioning itself prominently alongside Russia and Iran.

While Türkiye has successfully augmented its diplomatic and economic influence across the Caucasian chessboard, particularly at the expense of Moscow, challenges persist. Notably, ties with Armenia, frozen since 1993 and complicated by Türkiye's support for Baku in the Karabakh conflict, present both opportunities and pitfalls. Recent developments in this dispute offer a maneuvering space for Turkish decision-makers, but the complexities of the situation pose potential challenges for Türkiye's foreign policy agenda in the region.

Nowadays, Türkiye's primary geo-political objectives in the South Caucasus involve diminishing the influence of the West and Russia - as well as Iran - through bolstering its own presence, creating direct commercial pathways to Azerbaijan and neighboring Central Asian Turkic countries, and normalizing relations with Armenia.

### **Türkiye-Azerbaijan evolving military alliance**

The military relations between Türkiye and Azerbaijan stand as a cornerstone in their diplomatic ties, evolving significantly over the past three decades. Initially centered on officer training for the Azerbaijani army, the cooperation expanded into joint military exercises and collaboration in defense sectors. Four foundational agreements have shaped the military cooperation between Ankara and Baku, with the inaugural accord inked in 1992. The apex of this partnership came with the signing of the Shusha Declaration on Allied Relations in June 2021, marking a transformative moment in their military alliance. Indeed, unlike the previous agreements, the Shusha Declaration elevated the Turkish-Azerbaijani bilateral relations to the level of a military alliance, laying the foundation for deeper strategic cooperation and solidifying their commitment to shared defense objectives.

The military partnership between Baku and Ankara emerged as a crucial factor in the Second Karabakh War. Türkiye's support, including the use of Bayraktar TB-2 and Akinci drones,

MAM-L-type laser-guided bombs as well as the training of Azerbaijani officers, significantly contributed to the Azerbaijani victory. Apart from that, Azerbaijan throughout the recent years has acquired a number of weapons of various use, from missiles belonging to the types “Qasirgha”, “Kaplan”, “TR-107” and others, rocket fire systems “T-122 Sakarya”, “Kobra” armored vehicles, etc. Post-war, the Shusha Declaration marked a shift from a strategic partnership between Ankara and Baku to a comprehensive alliance. This accord facilitated the restructuring of the Azerbaijani army according to Türkiye's military model. New military units, commando brigades, and a National Defense University were established to align with Turkish Armed Forces standards.

Although the ceasefire agreement concluding the Second Karabakh War initially excluded any designated role for Türkiye, as it was brokered under Russian auspices, subsequent negotiations between Putin and Erdoğan led to a pivotal decision - the establishment of the Turkish-Russian Joint Monitoring Center in the village of Qiyamaddinli, situated in Ağdam, a territory reclaimed by Azerbaijan following the conflict. Inaugurated on January 21st, 2021, the center, overseen by a Russian admiral and a Turkish general, has a capacity for hosting up to 60 troops from each country. Primarily tasked with monitoring and reporting activities related to the adherence to the ceasefire agreement, the center operates within a specific framework. The Turkish contingent reports instances of Armenian violations to the Russian peacekeepers, while the Russian side communicates Azerbaijani infractions to the Azerbaijani Ministry of Internal Affairs. It is important to note, however, that the center lacks a preventive role and is not authorized to intervene during ongoing violations.

Despite these limitations, the establishment of the center serves as a tangible representation of Türkiye's growing influence in the South Caucasus, a region historically regarded as the Russian backyard. This development holds significance on three fronts. Firstly, it signifies Türkiye's re-emergence in the region after a century, harking back to the days of the Ottoman Empire. Secondly, it advocates for a regional balance in which security dynamics are entrusted to local actors rather than external powers. Lastly, it serves as a noteworthy indication of Russia's acknowledgment and acceptance of Türkiye's expanding role, both in Karabakh and across the broader South Caucasus.

As anticipated, another crucial aspect of the strong military alliance between Türkiye and Azerbaijan involves the comprehensive training initiatives provided by the Turkish army to Azerbaijani officers and soldiers. The primary objective is to elevate the proficiency and capabilities of the Azerbaijani armed forces to meet the standards set by Türkiye and NATO. This collaborative effort extends beyond training, with both countries routinely conducting joint military exercises, surpassing 20 such exercises in the year 2022 alone. Moreover, a decision was made in 2021 to deploy four Turkish generals to Azerbaijan. Among the notable appointments, Bahtiyar Ersay assumed a prominent role as the head of operations for the land forces within the Azerbaijan Task Group Command, and within a year of this appointment he transitioned to the position of adviser to Azerbaijan's minister of defense.

Türkiye's eastward shift, highlighted by its burgeoning influence in Central Asia, marks a significant geopolitical development. The strong partnership between Türkiye and Azerbaijan has emboldened Ankara to extend its reach beyond the Caucasus. Initiatives such as the Council of Turkic States and gas pipeline agreements with Azerbaijan mirror Türkiye's commitment to deeper engagement in Central Asia. Additionally, Ankara's enthusiastic endorsement of the Zangezur transport corridor, aiming to connect Azerbaijan's mainland with Nakhchivan, promises to enhance regional connectivity and potentially link Europe with Central Asia and China via Türkiye. Furthermore, Türkiye's emergence as a provider of advanced military technology, evidenced by the widespread adoption of Turkish UAVs across Central Asia, challenges Russian hegemony in the region. These interests in Central Asia are the driving force behind Türkiye's increasing assertiveness and presence in the South Caucasus.

### **Turkish-Armenian Relations: A Path to Normalization?**

Armenian-Turkish relations have been characterized by a complex interplay of historical, political, and territorial factors. Despite being the first country to recognize Armenia's independence from the USSR, Türkiye has struggled to establish formal diplomatic relations with its neighbor. The lack of diplomatic relations between Armenia and Türkiye is attributed to various factors, including Armenia's demands from Türkiye to recognise the mass murder of Armenians during World War I as genocide, the influence of the diaspora, territorial disputes



raised by Armenian nationalists against Türkiye, and demands for the revocation of the Treaty of Kars and the enforcement of the Treaty of Sèvres. However, from the Armenian perspective, the primary reasons for this impasse stem from Türkiye's adversarial approach towards Armenia, with the embrace of pan-Turkic ideology and its expansionist ambitions, which are perceived as hostility directed against Armenia.

The lingering shadow of the Karabakh wars, during which Ankara staunchly supported Azerbaijan's territorial integrity, has long posed a significant obstacle to reconciliation. Türkiye has consistently linked the prospect of normalization with Armenia to the condition of Armenian withdrawal from Karabakh and other occupied territories. In recent years, however, there have been notable attempts to thaw the frosty relations between the two countries. In 2008 and 2009, a diplomatic effort known as "football diplomacy" took place, using the sport to connect Yerevan and Ankara. This initiative involved two matches between the countries' national teams, one held in Yerevan and the other in Bursa. These matches played a significant role in laying the groundwork for the signing of the 2009 Zurich Protocols, which aimed to enhance diplomatic relations between the two countries. Though these protocols were never ratified and were officially canceled by Armenia in 2018, the initiative demonstrated that rapprochement was not entirely out of reach. The aftermath of the Second Karabakh War saw renewed diplomatic efforts, with Turkish and Armenian foreign ministers meeting in 2022 to discuss "normalization without preconditions".

The year 2023 marked a significant turning point in Turkish-Armenian relations. Following a devastating earthquake in Türkiye, Armenia sent rescue workers and humanitarian aid, prompting the exceptional opening of borders that had been closed since 1993 for a two-day period. This gesture of solidarity was reinforced by a visit from Armenian Minister of Foreign Affairs Ararat Mirzoyan to Türkiye, where he met with his Turkish counterpart Mevlut Çavuşoğlu. Furthermore, Nikol Pashinyan's attendance at Erdoğan's re-election ceremony signaled a willingness to engage in dialogue and cooperation.

The potential normalization of relations between Türkiye and Armenia holds several advantages for Ankara. Firstly, it could serve to limit Russia's influence in the region, which has already been on the decline. Secondly, it would represent a significant diplomatic achievement for Erdoğan's foreign policy, bolstering Türkiye's international standing as a

mediator, particularly in light of its involvement in the Ukraine crisis. With the events of September 2023 providing an opportunity for Türkiye to assert itself as a key player in the preservation of regional stability, the prospect of normalization offers a pathway towards greater cooperation and mutual benefit for both nations.

### **Türkiye-Georgia relations in the shadow of Russian influence**

The military dimension of the relationship between Georgia and Türkiye has gained momentum, with joint exercises and significant military equipment transfers between the two countries. In terms of training, Turkish-Georgian military cooperation has reached a notable level, characterized by regular joint military exercises in both bilateral and multilateral platforms. Their collaboration extends beyond bilateral efforts, as Türkiye and Georgia frequently engage in multilateral military exercises with Azerbaijan. The latest such endeavor was the "Eternity 2023," a computer-assisted command and staff exercise hosted by Azerbaijan in October 2023. Looking ahead to 2024, the three countries are poised to conduct a joint exercise specifically focused on cybersecurity.

Turkish military assistance holds significance for Georgia's defense capabilities. In July 2022, the Georgian Defence Ministry declared that the Georgian Defense Forces would be equipped with NATO-standard armored personnel carriers, complete with their associated equipment and subsystems, following the signing of a deal between the defense ministry and the Turkish company ASFAT. Furthermore, Georgia's Aviation and Air Defence Command received, at no cost, two units of airfield specialist equipment and spare parts intended for UH-1H Huey helicopters from Türkiye in December 2022, while in January 2021 the Georgian Defence Ministry announced Türkiye's donation of laser rangefinders and various engineering equipment, allocated to various combat and engineering regiments. The annual joint Caucasus Eagle exercises further deepen the coordination of Special Operations Forces among Azerbaijan, Georgia, and Türkiye.

Beyond military cooperation, the economic ties between Georgia and Türkiye have become substantial. Türkiye serves as Georgia's main trading partner, with a turnover exceeding USD 2.8 billion. The Baku-Tbilisi-Kars (BTK) railway, connecting Azerbaijan, Georgia, and

Türkiye, stands out as a critical infrastructure project, facilitating the flow of goods and people. However, the potential development of the Zangezur transport corridor could alter the dynamics, impacting Georgia's role as a transit link.

Georgian-Turkish relations, while characterized as cordial, carry a certain geopolitical complexity due to the regional dynamics, particularly the shadow of potential Russian aggression against Georgia. The economic ties, especially through the BTK railway, represent the pivot of the partnership. However, the nuanced nature of the relations is evident in Türkiye's cautious approach, balancing its support for Georgia with a consideration of its relations with Russia. Indeed, while the partnership with Türkiye is beneficial for Georgia, it also acknowledges its limitations, especially concerning NATO membership aspirations and potential Russian aggression.

## **Conclusion**

Türkiye's strategic maneuvering in the South Caucasus presents wide opportunities for expanding its influence in the region. However, it must delicately balance its interests with those of other key players. Turkish-Russian relations hold particular importance, as Türkiye seeks to enhance its presence in the region without antagonizing Russia, recognizing it as a crucial partner and a more dependable ally compared to the West. While Türkiye aims to bolster its presence in the South Caucasus, it cannot afford to treat Russia as an adversary.

Anyway, Türkiye's steadfast rise as an influential regional power poses a direct challenge to Russian influence in the region. This shift is driven by both domestic factors, such as Türkiye's aspirations for regional leadership, and external dynamics, including Russia's economic decline and the aftermath of the Ukraine conflict. Consequently, the outcome of Russia's military actions in Ukraine holds significant implications for the future trajectory of Central Asia and the South Caucasus, with a potential Russian defeat paving the way for enhanced security and diversification of partnerships in the region.

The longstanding rivalry between Iran and Türkiye adds another layer of consideration, and Ankara's increasing influence in the South Caucasus, solidified by Türkiye's military alliance

with Azerbaijan, is a significant concern for Iran. Additionally, the cooperation among Azerbaijan, Türkiye, and Israel has evolved into an overtly anti-Iran coalition, posing serious repercussions for Tehran and effectively limiting Iran's influence in regional affairs.

In addition to these complex dynamics, it is crucial to acknowledge Türkiye's dual interests in the South Caucasus. As the only NATO member with immediate borders in the region, Türkiye serves as a significant player in ensuring regional stability and security. Its NATO membership positions Türkiye as a frontline state, actively engaging in efforts to uphold the Alliance's interests and objectives in the region. However, Türkiye's role extends beyond its role in NATO. As a regional power with its own strategic motivations, Türkiye often pursues policies that may diverge from its agenda, particularly in recent years, leading to occasional friction with its NATO allies, notably the United States. While it remains committed to the Euro-Atlantic collective security framework, Türkiye also seeks to assert its own regional interests and influence.



## **Iran's Shifting South Caucasus Policy Amid Geopolitical Turbulence in the Wider Neighbourhood**

*Mahammad Mammadov*

Iran, together with Russia and Turkey, is one of the key players with remarkable military-economic capabilities to influence the politics of the South Caucasus. Since Armenia, Azerbaijan, and Georgia became independent in the early 1990s, Tehran's regional policy has been predicated on deepening bilateral partnerships and its opposition to radical changes to the regional status quo underpinned by the power distribution conducive to Iranian interests. As in other geopolitical theatres in the wider neighbourhood, the extent of the Western and Israeli presence on its northern flank has been the key variable shaping Iranian threat perceptions. In this context, Russia's hegemonic presence in the region in the last three decades with its neutralising effect on Western encroachments soothed Tehran's concerns, lowering the region's status in its strategic priorities. Mired in economic troubles at home and geopolitical pressure abroad, Iran embraced this relative calm in the north with gusto and diverted much of its capabilities to the Middle East. It partly explains why Iranian leadership has not been ideologically active in the South Caucasus to the extent it has in the Middle East.

Azerbaijan's victory over Armenia in the Second Karabakh War in 2020 and the eventual shift in the region's balance of power in favour of Baku and Ankara put Iran in a disadvantaged position, necessitating a change in its approach to the region. Russia's deployment of peacekeepers to Karabakh, the establishment of the Russia-Türkiye Joint Monitoring Centre in Azerbaijan, and the agreement to open all transport links between Baku and Yerevan, sidelining the route through Iran, served to illustrate how isolated Tehran had become in the new power configuration. Furthermore, Israel's growing influence along Iran's northern borders thanks to the essential role its drones played in the Azerbaijani victory and deepening strategic partnership with Baku triggered a feeling of encirclement, forcing Tehran to recalibrate its South Caucasus strategy. For Iran, it meant further allocation of limited resources to yet another front as part of its regional competition with Israel and Turkey. For the South Caucasus countries, it meant the region's further exposure to the geopolitical developments in the Middle East.

Russia's invasion of Ukraine in February 2022 and the ensuing power vacuum in the South Caucasus emanating from the Kremlin's waning influence created a complex set of opportunities and challenges for the Iranian inroads into the region. On the one hand, the decline in Moscow's regional influence invited greater foreign presence, whether it was the West's growing embrace of Armenia or Turkish-Israeli military engagement with Azerbaijan and Georgia, a situation Iran wouldn't be happy with. On the other hand, shifting tides in Russia-Iran relations in favour of the latter due to Tehran's vital support to Moscow during the ongoing war in Ukraine encouraged Russia to acquiesce to, if not wholly support, Iranian assertiveness in the region. On the back foot in Karabakh, Russians must have gladly watched Tehran declaring its red lines to keep the Azerbaijani-Turkish tandem in check. Interestingly, Iran did not oppose the Western presence close to its borders when the EU decided to send a civilian monitoring mission to Armenia in January 2023.

The gradual emergence of a relatively permissive security environment in the Middle East further contributed to Iran's refocus on the South Caucasus. Normalisation of ties with its arch-rival - Saudi Arabia and some other Arab neighbours came as a relief and enabled Tehran to put forward a more confident regional posture. At the same time, Iran's eastern pivot to closer geopolitical alignments with Russia and China, evidenced by its recent joining the BRICS and Shanghai Cooperation Organization (SCO) to challenge Western dominance afforded Tehran new opportunities to increase its clout in regional affairs. Hamas' October 7 attack on Israel pointed to a shifting landscape for the Iranian positions in the Middle East with serious implications for the South Caucasus countries. Through successful coordination with its so-called Axis of Resistance forces in Iraq, Syria, Lebanon, and Yemen, Tehran succeeded in forcing Israel into defence, indirectly attriting its manpower while consolidating political gains by presenting itself as the guardian of the Palestinian cause and sowing divisions between Israel and its would-be Arab partners. This kind of power projection makes Iran a force to be reckoned with on different fronts, including the South Caucasus.

## Azerbaijan

Azerbaijan plays a major role in Iran's South Caucasus policy due to its size, proximity to Iran, and shared cultural legacy. Baku is Tehran's major economic partner in the region and a strategically located transit country, giving it access to the Russian market. During the last three decades, Azerbaijan and Iran agreed to disagree on different regional issues from their mutually exclusive alignment strategies to potential interference in internal affairs, and this disagreement, except in rare instances, never spilled over to direct escalation between the two countries. Baku has gone a long way to soothe Iranian concerns about the potential destabilisation of its northern regions populated by ethnic Azerbaijanis. Iran, on its side, shied away from the dissemination of its Shiite activism in Azerbaijan where a major part of the Muslim population identifies as Shia. Putting its Azerbaijan policy on pragmatic rails, Tehran did not stand with Azerbaijan in its struggle against Armenian occupation, making many Azerbaijanis question its sincerity as a Muslim neighbour, thus damaging its soft power image in the country. Iranian leadership' support of Azerbaijan's territorial integrity in wording has not won it sympathy in Baku as the latter has been pursuing an increasingly tighter security partnership with Israel, a significant part of its balancing strategy in an increasingly unstable neighborhood.

The Second Karabakh War was a critical juncture for Iran's Azerbaijan policy as Baku broke out of its shell to assert a larger slice of the regional pie thanks to its restoration of sovereign control over the formerly occupied territories. Azerbaijan's growing ties with Türkiye and Israel aroused Iran's ire, while Iran's openly pro-Armenian moves during and after the war brought the bilateral tensions to the surface. Tehran gradually came to see Azerbaijan as a pawn in a wider Western or Zionist plot to isolate it from the region. In one of their social media posts, the Huseyniyyun movement, a part of the Axis of Resistance aiming at a theocratic regime change in Baku likened President Aliyev of Azerbaijan to President Zelensky of Ukraine, alluding to the latter's pursuit of independent foreign policy in close cooperation with the West and third players to the detriment of privileged interests of regional powers, namely Russia and Iran. Iran also views the Zangezur Corridor project which, if implemented, will link Azerbaijan's mainland with its Nakhchivan exclave and Türkiye through Armenian territory as "NATO's Turanist corridor" that would bolster Western footprint on its northern borders while

cutting Iran's territorial access to Armenia. Tehran is also worried that the opening of transport corridors between Armenia and Azerbaijan would sideline it from the geostrategically important east-west transport routes and give Turkey greater access to Central Asia to seek its pan-Turkism agenda in the region.

This far, Iran has resorted to three major pressure tools to tame Azerbaijan's confident regional posturing. Firstly, in the last three consecutive years, Iranian armed forces and Islamic Revolutionary Guard Corpses (IRGC) conducted military exercises near the Azerbaijani borders. Tehran also facilitated the transfer of Indian weapons to Armenia through its territory. According to Azerbaijani media, Iran sent sabotage groups to Karabakh to support separatists in their struggle against Baku. Secondly, the Iranian leadership opted to openly support Armenia in its asymmetric competition with Azerbaijan. The Supreme Leader's office declared the breach of Armenia's territorial integrity as Iran's red line and Iran opened a consulate in Syunik to deter possible Azerbaijani incursions. Last but not least, Iran started to more actively support Huseyniyyun's verbal attacks against Azerbaijani statehood, threatening to weaken the country from within. In all cases, Baku reciprocated at least symmetrically, triggering an escalation spiral in bilateral relations with increasing risks of cross-border clashes.

Although Iran's Azerbaijan policy has recently been highly affected by the hawkish foreign policy line of the IRGC cadres, there are forces in Iranian politics, especially in the Foreign Ministry, who understand the futility of intimidating Baku and the benefits of cooperation. After the Iranian Foreign Minister visited Baku in July 2023 Iran-Azerbaijan relations returned to a stable track as the two sides declared their commitment to keeping differences aside while seeking win-win scenarios, especially in the field of connectivity. After Russia's exclusion from traditional markets, Azerbaijan's and Iran's role as transport hubs for the north-south trade increased. In December 2023, a new highway bridge and modular border checkpoint were opened across the Astarachay river to accommodate the growing exchanges between the two countries. Azerbaijan and Iran also agreed to construct road and rail lines through Iranian territory to connect Azerbaijan's mainland with Nakhchivan and Turkey, an alternative to the Zangezur Corridor offered to Armenia. Yet, despite all recent fanfare, one would be naive to expect further warming of ties between Baku and Tehran as the key structural barriers, namely



the two countries' divergent approaches to regional alignments, among others, are here to stay for some time.

### **Armenia**

Armenia holds a pivotal place in Iran's South Caucasus policy as a potential change in the balance of power around its borders would directly affect Tehran's security interests. Flanked by Azerbaijan and Turkey, and having land access to Iran, Armenia shares the latter's trepidations about the possible emergence of a strong Turkic unity around its vicinity. It was around this geopolitical reality that the Armenia-Iran partnership took off in the early 1990s. The Iranian route proved to be essential for Armenian access to global markets as Azerbaijan and Turkey closed their borders after Yerevan occupied Azerbaijani territories and the railroad connectivity with Russia through Georgian territory, once a crucial component of the Russia-Armenia trade, became dysfunctional due to domestic instability. Iran also emerged as a reliable gas supplier to Armenia in times of volatility in the global energy markets even if this partnership was limited due to Russian control of the Armenian gas infrastructure. The Iran-Armenia gas pipeline was launched in 2007 and according to the bilateral agreement, Tehran started to import Armenian electricity in return for its gas supplies to Yerevan.

Economically isolated due to Western sanctions, Iran, on its side, found the routes through Armenia attractive for its economic diversification policies. Although the U.S. sanctions on Iran limited Armenia's trade linkages with its southern neighbour, Washington's lax attitude to Armenian compliance with sanctions due to its economic asphyxiation by Ankara and Baku afforded Yerevan certain opportunities to deepen economic cooperation with Tehran. It helped Iran to circumvent the sanctions regime, importing sensitive equipment and goods. Furthermore, Iranians started to use Armenia's financial institutions to conduct financial transactions that otherwise were restricted under the sanctions regime. In itself, the Armenian market is too small to attract Iranian investment but Tehran has come to see Yerevan as a springboard for its economic transactions with major economic power centres. Armenia's access to the EU GSP+ system (expired in 2022) could provide Iranian companies with easier reach to European markets through the Meghri free economic zone. A full-fledged free trade

agreement between Iran and the EAEU signed in December 2023 highlighted Armenia's strategic importance as the only member country bordering Iran, offering it a gateway to a large EAEU market.

The Second Karabakh War in 2020 and Russia's invasion of Ukraine in 2022 necessitated a closer partnership between Tehran and Yerevan even if Iran's unexpected inaction in the face of Azerbaijan's military operations in Karabakh disgruntled Armenia while Yerevan's recent pro-Western pivot caused discomfort in Tehran. As the fault line of the Armenia-Azerbaijan conflict has been shifting from Karabakh to Zangezur, Tehran emerged as the most ardent supporter of Armenia's territorial integrity, presenting its breach as its red line. With Russia's regional sway in decline, Iran moved forward to fill Armenia's security vacuum. Together with the likes of France and India, Tehran offered its services to help deter external pressures on geopolitically fragile Armenia. At the same time, it signalled its willingness to help diversify Yerevan's energy dependence away from Russia. In August 2023, Armenia and Iran signed an agreement to increase Iran's gas exports to Armenia and Armenia's electricity exports to Iran.

Although current power distribution makes Armenia and Iran natural partners, they have diverging interests on certain regionally important issues that may limit deeper cooperation in the short term. Armenian activism to drag the West further into the mediation process irritates Tehran which prefers regional problems to be solved on the regional level. It supports the 3+3 platform to decide the fate of the region while Armenia feels uncomfortable with sharing such a framework with Turkey and Azerbaijan, at least not now when almost all odds are against its favour. Azerbaijan's skillful diplomacy to isolate Armenia from its regional allies, that is Russia and Iran, or its attempts to keep them closer to itself than they are to Armenia further complicates Yerevan's standing in regional politics. Armenia and Iran also diverge on their approach to opening a transportation corridor linking Azerbaijan to Nakhchivan and Turkey. Iran wants the route to pass through its territory while Armenia, as declared in its "Crossroads of Peace" project, offers its transit services. For Iran, a corridor through Armenia would sideline it from regional connectivity while contributing to the further normalisation of Yerevan's ties with Turkey and Azerbaijan. A route through Iran would provide Tehran with levers against Ankara and Baku and retain Yerevan's isolation, thus its dependence on Iran. In the end, the Armenia-Iran partnership in the new realities of the South Caucasus is an

asymmetric one, highly skewed in favour of Iran where Armenia is driven by an urgent need to guarantee its survival while Iran just seeks to strengthen its regional posture to better compete with its regional peer competitors.

## **Georgia**

Georgia's openly pro-Western foreign policy for the most part of the last three decades has been the main factor characterising Iran's approach to relations with Tbilisi even if Tehran went a long way to put bilateral relations on pragmatic rails. For Iranian leadership, Georgia's invitation for a larger NATO presence in the South Caucasus could not bode well for regional stability. As one Georgian analyst succinctly put it, Iran views Tbilisi as a "Westoxicated" neighbour, a country losing its regional identity by having turned into a pawn in Western geopolitics. Tehran has long understood the limitations of its influence over Tbilisi, partly conditioned by the fact that the two countries do not share borders and a common vision for a regional security architecture. For Georgia, the Iranian presence in the South Caucasus could be a balancing tool, if not a very effective one, to prevent Russian dominance of the region, especially against the background of Western inaction during the Russian occupation of Georgian territories in 2008. During the August War, Iran took a balanced position, supporting Georgia's territorial integrity while avoiding openly condemning Russian aggression. Furthermore, Tehran refused to recognize the independence of Abkhazia and South Ossetia. In the post-war period, the Saakashvili government warmed up to a closer partnership with Iran claiming that there was no contradiction between ties with Tehran and the country's pro-Western stance. The Georgian Dream government more or less continued this policy, trying to deepen economic cooperation with Iran, especially through the development of new trade corridors that would help both countries leverage their pivotal location on the crossroads of intercontinental trade routes.

With the geostrategic importance of the East-West and North-South economic corridors back on the agenda thanks to the destabilisation of regional value and supply chains after Russia's aggression against Ukraine, Iran and Georgia emerge as both partners and rivals in the region's Great Railroad Game. On the one hand, Tehran and Tbilisi are invested in the idea of the

development of a functioning trade corridor linking the Persian Gulf to the Black Sea. In 2016, Georgia, Armenia, Bulgaria, and Greece launched the project. Iran joined later and in April 2022, the five countries agreed on the final version of the project even if only Iranian, Armenian, and Bulgarian sides signed the protocol. On the other hand, the opening of a new railroad link between Azerbaijan and Turkey through Iranian territory could decrease Georgia's status as the sole stable transit link in the South Caucasus. Azerbaijan and Iran have already signed a memorandum of understanding on building roads and railways through Iran in March 2023 that will add a new meaning to Iran's place in both regional and intercontinental rail connectivity.

Taking into account Georgia's and Iran's reactions to the recent geopolitical changes in the region and beyond, one could argue that the scope for cooperation between the two will increase in the short to mid-term. Although Tbilisi received candidate status from the EU and at least officially retains its pro-Western course, the multi-vector turn in the Georgian Dream government's foreign policy has become evident in recent months. This gradual change in Georgia's external posture recognising a larger space for pragmatic partnerships with non-Western power centres including Iran, has been most recently exemplified by a strategic partnership agreement with China. For Iran, Russia's eroding influence in the region affords it certain manoeuvring space to fill the vacuum by deepening partnerships with regional countries, including Georgia.

### **In lieu of conclusions**

In a rapidly changing regional and international landscape, Iran's South Caucasus policy has had to go through serious upheavals in recent years, and this trend will seemingly continue as Tehran is close to the epicenter of geopolitical disputes in different directions. Currently, Iranian leadership sees the regionalization of international relations in the South Caucasus as the most efficient way to bolster its regional influence or at least neutralize further Western encroachment on its immediate vicinity. Tehran is also careful that regional cooperation efforts do not lead to a larger Turkish presence at the expense of its interests. With its international linkages diversified and its position in the Middle East more secure, Tehran may find it easier



to expand its outreach to the South Caucasus by using a combination of hard and soft power mechanisms in its geopolitical toolbox. However recent tensions with Azerbaijan along state borders indicated that Tehran is yet to find a proper approach in its dealings with regional neighbors without alienating partners or triggering balancing coalitions against itself. Paraphrasing Bismarck's words on late nineteenth-century Italy's position in the European security architecture, today's Iran in the South Caucasus "has a good appetite, but poor teeth" to impose its writ across the region. Growing domestic unrest and political instability emanating from possible intra-elite conflicts against the backdrop of leadership succession after the death of Supreme Leader Ayatollah Khamenei may also hamper Tehran's geopolitical activism shortly.

## **Israel: an Unlikely Power in the South Caucasus**

*Murad Muradov*

South Caucasus, the region that consists of three small countries with very diverse backgrounds in an incredibly tough neighbourhood, is in many respects a natural match for Israeli attempts to expand and diversify its international clout. This fact can probably explain that Tel Aviv's interest in this part of the world has been somewhat disproportionately strong. Of course, the proximity of the South Caucasus to Israel's arch-nemesis, Iran, which has always considered its ambitions in this region historically justified, has been a major factor behind this interest. That's why Azerbaijan since the 1990's became the primary target of Tel Aviv's activities in the region, turning into the part of what experts call the "new peripheral strategy" of Israel, aimed at gaining influence in the countries neighbouring its most bitter rivals. Hence, Tehran has always been worried about the warm ties between Baku and Tel Aviv, displaying fears that their cooperation aims at using Azerbaijani territory against Iran. This discourse became much more vocal since the U.S. invasion of Iraq in 2003, leading to a number of bilateral crises. As early as in March 2012, the-then Minister of Defense Safar Abiyev had to visit Iran to declare that the territory of Azerbaijan would not harbor any anti-Iranian activities of the third countries. Similar statements would then be made on a number of occasions, most recently during the 2023 crisis.

At the same time, relations between the Jewish state and South Caucasian republics have always been a two-way street as the latter needed Israel for a number of reasons. While it has been a significant investor in local economies and provider of much-needed expertise, Israel has also been viewed an important partner capable, due to its special relationship with Washington, of better connecting these countries with U.S. foreign policy and (especially in case of Azerbaijan) projecting their interests in Washington.

While since its foundation in 1948, Israel, immersed in a hostile relationship with almost all its neighbours, seemed to be a Western outlier in the Middle East, this situation has been changing considerably. The recent years' developments, primarily the Abraham accords that normalized Israel's relations with a few Arab countries, significantly contributed to its increasing

integration into the intricate network of Middle Eastern politics. As the Russian invasion of Ukraine triggered Moscow to pursue a further rapprochement with Tehran, which helped it by providing cheap drones and allegedly other weapons, Israel's fears regarding Iran have grown. There are now real prospects that in response, Russia may become more willing to share sensitive technologies, including nuclear arms and advanced air defense systems, with the theocratic regime, dramatically boosting its military potential. Moreover, the rapprochement between Iran and the Gulf states throughout 2023 has also questioned Israel's success in breaking its diplomatic isolation from the Muslim world. Hence, Tel Aviv may now feel an even more urgent need to actively counter Iranian influence in the most vulnerable areas, South Caucasus being among the top priorities.

While a similar process has been gradually bringing the South Caucasus into the Middle Eastern orbit, it means Tel Aviv's dynamic with Türkiye, Iran or leading Arab states will by extension also exert a tangible impact on the region.

As the most strategically significant of the three countries of the region, and the one singularly vulnerable to Iranian expansionist ambitions, Azerbaijan became Israel's crucial partner in the South Caucasus ever since the 1990's. Initially, Israel represented a huge value for Baku due to its capacities of shaping US foreign policies through its reputation as Washington's crucial ally in the Middle East and a powerful lobby it has. Thus, against the background of a strong pro-Armenian bias in U.S., obtaining support in the Israeli-related circles was a major success for Baku which helped to somewhat shift the balance in its favour. On the other hand, close partnership with Azerbaijan has been always estimated in Tel Aviv for its symbolic value: Shi'a-majority country with significant historical ties with Iran that nevertheless distanced itself from Tehran's messianic ideology and didn't hesitate to give permission to the opening of the Israeli embassy in Baku.

Gradually, the two countries considerably deepened their mutually beneficial relationship. Since the launching of the Baku-Tbilisi-Jeyhan (BTC) pipeline in 2005, Israel became one of the major importers of the Azerbaijani oil, while Baku, disappointed with the years of failed diplomatic attempts to resolve its conflict with Armenia, turned to Tel Aviv as the key potential partner in modernizing its armed forces. In the period of 2016–2020, Israel accounted for 69%

of Azerbaijan's major arms imports — a number that represents 17% of Israel's arms exports for that same period. The weapons included the UaV Harop; the Elbit systems SkyStriker loitering weapon system; IAI's Lora, a long-range precision missile; and Israeli-produced Hermes-900 reconnaissance UAVs. All of them were used visibly by the Azeri forces in the 2020 conflict. In addition to this, Israeli company Elta Systems contributed by providing Baku with comprehensive digital mapping of Nagorno-Karabakh, giving Azerbaijani forces a significant operational advantage. After the war, Azerbaijan decided to launch local production of UAVs through a joint venture between its Ministry of Defense Industry and the Israeli company Aeronautics Defense Systems.

Azerbaijan's tremendous success in the 44-day war of 2020 threw light onto the efficiency of the Israeli-produced weaponry that played an important role on the battlefield. It significantly boosted the Jewish state's popularity among Azerbaijanis, and Israeli flags, though not as ubiquitous as Turkish or Pakistani ones, became a staple on Baku's streets. But the Azerbaijani victory was a watershed in a much wider sense as well, since it triggered significant geopolitical shifts in the region; most importantly, it raised the level of tensions with Iran, traditionally suspicious of its northern neighbour's Israeli connections. This polarization endowed Tel Aviv with an excellent opportunity for boosting its influence in the region. Soon after the violent border escalation of September 2022, while Iran held large-scale military drills in October on the border with Azerbaijan, named "Conquerors of Khyber" (the Khyber War took place between Muslims and Jews, so this title clearly hinted to Israel), Benny Gantz, ex-Defence Minister of Israel visited Azerbaijan. Throughout his visit, Gantz emphasized the importance of "maintaining strategic relations between the State of Israel and the Republic of Azerbaijan, mentioning also the context of "the changes in the Middle East following the signing of the Abraham Accords". After the attack on an Azerbaijani embassy in Tehran in January 2023 put mutual relations almost to a halt, Tel Aviv expressed its unambiguous support so Baku. So, though this decision had been taken a few months in advance, the opening of an Azerbaijani embassy in Israel in March 2023 still had a big symbolic meaning.

The Second Karabakh war, where Türkiye and Israel found themselves on one side, also spurred a remarkable normalisation between the countries that had been at loggerheads since 2010- and Baku played an instrumental role in this process. Immediately after the war,



Azerbaijani Foreign Minister Jeyhun Bayramov and Assistant to the President of Azerbaijan Hikmet Hajiyev expressed Baku's eagerness to mediate between Tel Aviv and Ankara. The initiative was then supported by Avigdor Lieberman, the USSR-born politician who is one of the leading figures of the Azerbaijan lobby in Israel. A visit to Turkiye by the Israeli President Isaac Herzog in March 2022, followed by reciprocal visits by the both foreign ministers, helped to warm relations; several months later, the two governments announced that they had fully restored diplomatic relations. Combined with the process of Israel's normalization with UAE and Saudi Arabia, it instilled a hope in Baku that friendly countries in the Middle East would form a more generic bloc capable of keeping adverse influences, primarily from Iran, at bay. Moreover, for Azerbaijan it was very important to ensure such a development since it could effectively prevent the emergence of an anti-Turkish alliance in the Eastern Mediterranean involving Israel, Egypt, Greece and Cyprus- the project which was on the table in 2020.

Recognising the contribution of its partnership with Israel to the victory, Azerbaijan also chose Israeli business among those to participate in the reconstruction efforts in the newly liberated territories. Dozens of Israeli companies have applied to launch their activities there, and many of them are already functioning. These activities include smart village management, green energy, agriculture, construction etc. Israeli companies, such as Mekorot, Baran Group etc., have also taken part in water management activities in the Aghdam region. A desalination plant on the shore of the Caspian is now expected to be built by an Israeli company.

The unprecedented escalation of the Israeli-Palestinian conflict that has been unfolding since October 7 this year, with carpet bombings of Gaza and many thousands of civilian victims, have again brought to the fore once dormant anti-Israeli statements throughout the Muslim countries and made any talks of a further normalisation process unfeasible. So, Ankara has already put its thaw with Tel Aviv on hold until the better times, as the countries recalled their ambassadors amid President Erdogan's condemnatory rhetoric. Given the history of Azerbaijani-Turkish relations, certain pressure on Baku regarding its ties with Israel might materialize as it happened in 2010, when Turkish Ambassador to Azerbaijan Hulusi Kilic stated that Azerbaijan should reconsider its relations with Israel.

However, Baku, despite calling for a two-state solution to the conflict and cessation of hostilities, has not reconsidered its relations with Tel Aviv so far. In an intriguing development, on October 29 it was announced that Azerbaijani state company SOCAR, along with British Petroleum and Israeli New Med Energy, would participate in one of the two consortia set to explore in two areas adjacent to Israel's Leviathan field, one of the world's largest deep-water gas discoveries. Moreover, at the end of October Azerbaijan reportedly shipped a tanker loaded with over one million barrels of crude oil to Israel's southern Red Sea port of Eilat.

Georgia started to actively develop relations with Israel since the early years of its independence. Hence, it established both a diplomatic representation and a Georgia-Israel trade chamber already in the mid-1990s. As the Saakashvili government started to actively rebuild the Georgian army with the ultimate aim of restoring the country's territorial integrity, Israel played one of the key roles in this effort, supplying Georgia with weapons and training its armed forces. And though Tbilisi's military failure in 2008 curtailed this process, Israeli arms manufacturer Elbit Systems would then open a factory in Georgia and defence cooperation continued. Two-and-a-half years later, the Georgian Ministry of Defense entered into an agreement with Israeli military tech firm Rafael to modernize the country's air defense systems. The 2000's also imprinted a lasting sympathy for Israel in the Georgian society that resulted in a broader support for Tel Aviv during its subsequent operations in Gaza.

Just a few months earlier, in August 2023 Georgian Prime Minister Garibashvili visited Israel. Underscoring the importance of deepening the current friendship and cooperation with Israel, he revealed that negotiations on the Free Trade Agreement (FTA) will commence next year to elevate the partnership between the countries to a significantly new level. Georgian Ambassador to Israel Lasha Zhvania remarked that the FTA negotiations were set to begin in 2024, emphasizing that it would increase Israeli investment to Georgia. Aside from boosting Georgian-Israeli economic relations, Garibashvili and Netanyahu discussed increased bilateral cooperation in the fields of security, artificial intelligence, medicine, and tourism. Garibashvili also travelled to Israel in May 2022 to commemorate 30 years of bilateral relations. His delegation included Minister of Foreign Affairs Ilia Darchiashvili and Minister of Defense Juansher Burchuladze. After the October 7 attacks Georgian side immediately condemned it and expressed "solidarity with the Israeli government and people", while the country's

president, Salome Zourabichvili, took to X (formerly Twitter) to express Georgia's "full solidarity with Israel in these difficult moments".

In contrast with its two neighbours, Armenia's relations with Israel have never been particularly strong. In fact, Tel Aviv established its diplomatic representation in Armenia only in 2007 via the Israeli embassy in Tbilisi. The bilateral ties gained momentum since the Velvet Revolution of 2018 brought Nikol Pashinyan's government to power. It decided to open an embassy in Tel Aviv, while the frequency of high-level visits and activities within the framework of the interparliamentary friendship group strongly increased. However, the 2020 war caused a profound setback and Armenian ambassador to Israel was even recalled in protest over Israel's weapons sales to the Baku government. But the war exerted a more long-term influence on the perception of the Jewish state in the Armenian society, exacerbating anti-Semitic tendencies which had been already existing for a long time: Anti-Defamation League's survey in June 2014 had showed that the rate of anti-Semitism in Armenia (at 58%) was the third-highest in all of Europe, and the highest in all of the former Soviet Union and Eastern Europe. After 2020, Israel started to be broadly viewed as a hostile or at the very least, an unfriendly state. Two assaults on the only functioning synagogue in Yerevan happened in Autumn 2023, while the Armenian terrorist organization ASALA pledged to target Israelis around the world.

In general, the future of the larger Middle East will be significantly influenced by the outcomes of Israel's Gaza campaign. If it manages to achieve its goals to eliminate Hamas and create a completely controllable governance regime in Palestine without being targeted in any form by its enemies, starting with Iran, the Jewish state will cement its status as one of the regional power brokers and probably the "Abraham process" will gain further momentum after a short delay. Then we should expect greater activation of Tel Aviv in the South Caucasus and Central Asia and the emergence of a de-facto bloc of the rich Gulf monarchies and Israel. It is harder to predict Türkiye's position in this scenario as electoral considerations would push any Turkish government to take an anti-Israeli stance, although the defeat of Hamas would gradually make it less relevant.

On the contrary, should the conflict get protracted due to a possible involvement of external actors, Israel will probably become increasingly isolated in the Middle East and the re-emergence of a strong anti-Israeli alliance would be highly likely. Then, given the scale of various global challenges faced by the West, the latter's unambiguous support to Tel Aviv may recede as well, unless it can get rid of the conflict by compromising on Palestine. In such a case, the renewed Israel will have mended its relations with the Muslim countries but it is very unclear how a theoretical two-state solution might work and whether it will not turn the Jewish state into a second Lebanon, permanently prone to internal conflicts and this becoming an object of power-mongering by bigger actors.

## **Neither Close, Nor Too Far: Saudi Arabia's Foreign Policy towards South Caucasus**

*Farid Mirzali, Murad Tahmazov*

Enjoying multiple advantages, such as having the second-largest oil reserves in the world, being a member of the G20, and being considered the center of the Islamic world, Saudi Arabia possesses the means and potential required to pursue its interests, not only in its own region but also in places that might seem out of reach, whether in the political or economic sphere. For a long time, Saudi Arabia was regarded as a simple oil-rich country with a fragile economy too dependent on energy prices, allied with the USA to offset its incapability of ensuring safety. However, things have started to change, rendering the assumptions above no longer valid. Riyadh acknowledges how powerful it is thanks to its trillion-dollar economy, vast resources, irreplaceable symbolic position in the Islamic world, and crucial political will for empowerment. Mega projects grouped under the label of “Saudi Vision 2030” and an ambitious foreign policy aimed at rearticulating the geopolitical trajectory of the country are apparent signs of this rapid change through which Saudi Arabia is going.

While being the largest country in the Gulf region and a key regional power in the Middle East, Saudi Arabia should also pay attention to other regions, such as the South Caucasus. Comprising of three countries – Georgia, Armenia, and Azerbaijan, with a total population of approximately 17 million people and a GDP of over \$120 billion, South Caucasus appears to be a small corner of the globe with no great significance. However, taking into account its geographical position linking Europe to Asia, and the tense geopolitical landscape due to neighboring three bigger countries, namely Russia, Turkey, and Iran, there is no reason for Riyadh to avoid joining the competition to gain influence in this small but important region. Given that the once quite close Saudi-US relations have been weakening for several years, with Washington increasingly focusing on rivalry with China and neglecting matters related to the Middle East, and the unipolar world order under US hegemony starting to shake after the eruption of the Russia-Ukraine war, regional actors such as Saudi Arabia are introduced to a larger space for geopolitical activities, power projection, and the search for new alliances and partnerships. To make assertions regarding Riyadh's policies and ambitions in the South

Caucasus, it is necessary to delve deeper into the topic by examining the case of each country separately.

Saudi Arabia's stakes in the region are multidimensional in nature. Economically speaking, trade volumes between the countries in the region and Saudi Arabia are not particularly impressive. Although Azerbaijan used to be Riyadh's primary trade partner, in 2021, Georgia managed to surpass Azerbaijan, exceeding \$100 million in trade with the Gulf's main nation. Additionally, all the three countries are significant destinations for Saudi tourists. Particularly after 2015, the influx of Saudi visitors to the region rapidly emerged, marking a multifold increase in the numbers for all South Caucasian countries.

Saudi Arabia might also work towards attracting Azerbaijan to join the OPEC+ membership. By doing so, Baku and Riyadh can cooperate within the framework of OPEC+ to determine the price of oil in accordance with the interests of both countries. Considering the sensitivity of the West, especially the USA, towards rising oil prices, their inflationary consequences, and the additional resources for Russia to strengthen its military industry in an effort to outproduce the West and achieve victory in the Ukraine War, possible coordination between Baku and Riyadh in determining oil production rates, and therefore prices of this precious resource, might be viewed as strategically significant for both the USA and Russia. Azerbaijan has rich experience dealing with Russia, a former colonizer and a current neighbor much bigger and stronger than Baku, without undergoing any confrontations, unlike Georgia or other post-Soviet countries with a history of problematic relations with Moscow. On the other hand, Saudi Arabia is a country that is considered "too important to lose" for the USA, besides being a close ally until recent years when Riyadh decided to rearrange its political alliances. This move was seen as a shift away from the USA, but the country still maintains close ties with Washington. Both sides can cooperate in balancing these two powers and leverage the rivalry between Russia and the USA to their advantage.

From a political perspective, Saudi Arabia has a motivation to maintain close relations with the countries in the region. It is notable that Riyadh established diplomatic relations with Yerevan a while ago, stating the full restoration of Azerbaijani sovereignty over Karabakh was the necessary condition for this to happen. While the lack of diplomatic links with Armenia might have been assumed as a disadvantage for Saudi foreign policy's goal to become more visible



in the region, it also provided Riyadh with more leverage on its relations with Baku, making it a more reliable partner. It's worth noting that the lack of diplomatic relations between Yerevan and Riyadh didn't prevent the two from exchanging official letters or engaging in high-level visits.

After recognizing Armenia, the Saudi government might consider opening an embassy in Armenia, since the conflict between Armenia and Azerbaijan over Nagorno-Karabakh is more likely to get resolved than ever, while the border dispute between them remains a source of tension. However, there is a risk in this decision, other than a possibly negative reaction from Azerbaijan and Turkey. Armenia's once-closest strategic ally, namely Russia, hasn't been getting along well with this small South Caucasus nation lately. This is due to the fact that Armenia is trying to distance itself from Moscow-led organizations such as CSTO (often labeled as 'Russian NATO'), or the Commonwealth of Independent States (CIS). Announcing the establishment of relations under such conditions might have triggered Russia's concern, as it still remains the main big power in the whole region. Also, taking into account Riyadh's good relations with Moscow and the latest invitation by BRICS to join the format led by Brazil, Russia, India, China, and South Africa, Saudi Arabia might prefer to wait for Armenia-Russia relations to become less hostile.

But the fact that Saudi Arabia's decision to establish diplomatic relations with Armenia after the ambassadors of both countries to the UAE signed the related protocol on November, haven't caused any trouble or dissatisfaction in either Azerbaijan, or Turkey, or Russia, indicates that the aforementioned risks are quite low, and Riyadh can feel relatively confident while dealing with Yerevan, since other regional players also acknowledge that Saudi Arabia's relations with Armenia doesn't promise any destructive side-effect for third parties.

Armenia is actively seeking new alliances and partnerships to expand its scope of action in geopolitical terms, and Saudi Arabia is a compelling choice for Armenians due to its financial power and special place among Muslim countries. Armenia might also be useful for Riyadh to signal its displeasure towards Turkey, as it did with Cyprus by opening an embassy in its capital, Nicosia.

As Muslim-majority countries, both Saudi Arabia and Azerbaijan are active members of the Organization of Islamic Cooperation (OIC). In general, the cultural and religious proximity of these two countries provides fertile ground to develop strong political ties. It's not surprising that Azerbaijan was the first South Caucasus country to open an embassy in Riyadh and host a Saudi one. Saudi Arabia's support for the Azerbaijani cause, its humanitarian aid to this newly established country struggling with a devastating refugee and IDP crisis in its early years, and the huge potential for deepening economic relations since both countries rely mostly on their oil and gas industries, provide ample reasons for them to draw closer and build a strategic partnership.

As Azerbaijan regained control over the Karabakh region, and these territories witnessed an exodus of hundreds of thousands of people and massive destruction of their settlements over decades, Baku is actively seeking friendly and trustworthy countries to participate in the massive reconstruction projects needed for a full recovery from the scars of war. With enormous financial resources at hand, Saudi Arabia is a prime candidate for this role. It also serves Saudi Arabia's interests in both economic and political terms. By actively participating in these projects, Riyadh can not only generate substantial revenue but also acquire geopolitical assets in a region where Turkey and Iran, two countries with which Saudi Arabia doesn't always have perfect relations, are already present, and global players like the USA and the EU are seeking to establish a foothold.

It's worth noting that Azerbaijan is the largest country in the region in terms of territory, population, GDP, military power and it enjoys brotherly relations with Turkey, making investment in Azerbaijan geopolitically sensible to maintain a sustainable presence in the South Caucasus. Considering the OIC membership of both countries, the Azerbaijan-GCC Business Forum first held in 2017, and the energy cooperation deal signed in the same year (which also supports the EU's New Green Deal strategy), there is room to increase the level of partnership and the framework for doing so.

Azerbaijan can also be relied upon for countering Iranian interference in the region. While, like Iran, it is a Shia-majority country, Azerbaijani constitution emphasizes secularity as the structural principle of the state. Its population is significantly less religious compared to its southern neighbor, and they tend to downplay madhhab differences between Shia and Sunni

Muslims. As a result, Iran's attempts to use its religious soft power over the Azerbaijani society has mostly fallen short of success. Azerbaijan's close ties with Israel and Iran's support for Armenia, with the latter's borders considered a 'red line' by the Islamic Republic, have resulted in serious tensions between Baku and Tehran, even leading to military drills close to the shared border in 2022. The situation appears less hostile now but is still prone to rising enmity.

The role that Georgia can play in Saudi Arabia's South Caucasus policy is also noteworthy. It is the only country in the region with access to the ocean, which turns Georgia into the region's gateway to trade with the world outside. Although Tbilisi is known for its pro-Western foreign policy since the Russia-Georgia war in 2008 and its desire to become a member of both the EU and NATO, its stance in the Russia-Ukraine war proved different. Tbilisi refused to join the sanctions against Moscow or provide Ukraine with military aid. This neutral positioning of Georgia seems advantageous for Saudi Arabia, a relatively new actor in the region, to foster stable connections with regional countries.

Saudi Arabia might also leverage Azerbaijan's help as a mediator in its normalization attempts with Israel. Although this largely classified normalization process seems to have stalled after the eruption of the still ongoing HAMAS-Israel war on October 7, Riyadh can still consider the possibility of establishing official relations with the Jewish state. In this case, Azerbaijan, a Muslim country enjoying alliance-level relations with Israel, can be seen as a successful example. The only viable risk in this calculation is the discontent of the Islamic Republic of Iran, which, in turn, can harm Tehran's fairly fragile relations with both Azerbaijan and Saudi Arabia. Maintaining stable and close ties with Iran and Israel without risking the 'leader of the Arab world' position is a challenging task for Saudi Arabia. However, this is another topic, and Azerbaijan can only be mentioned as a potential intermediary between Tel Aviv and Riyadh.

Greater Saudi involvement in the region might bring significant financial resources, making all the three countries more prosperous and providing them with a strong regional actor in the Middle East as a partner. It will also introduce Riyadh to new economic and political partners, enhancing its competence in trading and building relations with Central Asian countries, and allowing it to counter other regional and extra-regional players in the 'sphere of influence game.' The unipolarity under the US hegemony might be on the verge of collapse, giving rise to a new, multipolar world order that every responsible geopolitical actor should prepare for.

South Caucasus, located at the crossroads between Europe and Asia and surrounded by much larger countries like Russia, Turkey, and Iran, has become more vital than ever, and Saudi Arabia has all the resources to make itself more prominent in the region. While being the center of attention of various actors is not always a good thing, the South Caucasian countries might view it as an opportunity to boost their significance on the world stage.

## **UAE's Interests in the South Caucasus**

*Nika van Gelder*

The United Arab Emirates (UAE) is becoming an increasingly active power in the South Caucasus and has announced numerous investments planned for the upcoming years. This expanded cooperation can benefit all parties both economically and politically, while also having the potential to bolster innovation, technological development and fighting climate change. Furthermore, deepening ties between the UAE and the countries of South Caucasus have an impact on the geopolitical context of the Caspian region.

### **Geopolitical implications**

The South Caucasus is located between a number of regional powers that loom large in the UAE foreign policy agenda and the abovementioned Emirati policies should therefore be discussed in this context. These powers are primarily Iran and Türkiye, which both had significant rifts with the Emirates up until recently when their ties underwent a significant warming.

In 2016 Abu Dhabi froze its diplomatic relations with Iran, after the attack on a Saudi diplomatic mission in Tehran, but did not follow the other Gulf States in breaking all relations. Kuwait, Bahrain and Saudi Arabia broke all diplomatic ties with Iran, withdrawing their ambassadors from Tehran and the latter two also expelling all Iranian diplomats from their territory. The UAE opted to replace its ambassador by an officer-in-charge and allowed Iranian diplomats to stay in a reduced number. This relatively moderate approach could be explained by the fact that Iran is among the UAE's top trade partners. Even though the volume of the bilateral trade decreased during the years of strained relations, it still amounted to \$11 billion at its lowest. The reengagement between the two states started after the attacks in May and June 2019 in the Gulf of Oman on several oil tankers and the Houthi attacks on Saudi energy sites. However, this was not the only trigger, but a part of a series of events, including the Covid-19 epidemic and the end of Trump's presidency and his foreign affairs approach, which

all increased the need of closer cooperation since these factors were a threat to or caused a change in the region's economic or security order.

The rift between the UAE and Türkiye started with the onset of the Arab Spring, caused by ideological and political differences between the two states. Türkiye expressed its sympathy towards the uprisings and formed bonds with several actors of political Islam, e.g. the Muslim Brotherhood in Egypt. The UAE, on the other hand, cracked down on the Al Islah, a party ideologically linked with the Muslim Brotherhood. The normalization of the relations between Abu Dhabi and Ankara started in earnest from 2021 onwards. As several high-profile diplomatic visits have been paid by both sides, multiple agreements have been signed, while in the aftermath of the 2023 Türkiye-Syria earthquake the UAE contributed significantly to the relief aid efforts, improving the relationship even further.

The UAE has a number of shared interests and goals with Iran and Türkiye, which can only be secured by cooperation, not competition. One of the reasons why the UAE has been rebuilding its diplomatic relationships with these two states could be that it is looking for new regional partners in an effort to challenge Saudi Arabia's regional leadership. Moreover, experts point to the Emirati ambition to rebrand its reputation as a conciliatory actor in the region and an ingenuous conflict mediator. However, on several issues the states still take opposite sides, which has the potential to hamper a successful partnership. The biggest contradictions can be found in domestic conflicts, with Türkiye and the UAE supporting opposite sides in Syria and Libya, and Iran and the UAE in the same situation in the ongoing Yemeni civil war. There have been no signs for now that geopolitical differences trump economic interests, but it is important to keep this scenario in mind.

### **Renewable energy**

The renewable energy company Masdar, a subsidiary of a state-owned Emirati investment company, has invested significantly in renewable energy projects in all the three countries of the South Caucasus in the last few years and has opened an office in Baku in 2023. Masdar has signed agreements to develop the 200-MW Ayg-1 solar plant in Armenia, expected to be operational in 2025, the 100-MW GEDF plant in Georgia and the 230-MW Garadagh plant in



Azerbaijan, expected to be put into operation in October this year. The ties between Azerbaijan and the UAE are undergoing an expansion, particularly in the energy sector, with agreements on wind power and green hydrogen projects. Moreover, they are not only limited to renewable energy, as the UAE owns a 30% stake in the recently explored Absheron gas field. President Aliyev had a meeting with President Al Nahyan this year, during which the topic of renewable energy was an important point of discussion. The topic of sustainability was also mentioned during the visit of Ararat Mirzoyan, the Foreign Minister of Armenia, to Abu Dhabi. Georgia's Prime Minister also visited the UAE last year, the focus of these talks being on possible investments and trade opportunities, discussed in more detail in the next section.

These renewable energy projects are important for all states to diversify their energy mix. Moreover, they provide Armenia and Georgia with an opportunity to boost their energy security. Azerbaijan has its own traditional resources, but renewable energy projects are necessary to reach its commitment to have at least 30% of its electricity generated from renewable sources by 2030. The UAE has successfully diversified its economy, as the oil sector's share in the GDP had fallen from 46.9% in 1980, to as low as 16.75% in 2019, and the aforementioned investments should be seen as a part of its diversification campaign.

### **Trade and other investments**

The UAE has grown into an important trade partner for Armenia after the Second Nagorno-Karabakh War in 2020, becoming one of its top trading partners besides Russia and China. This increased cooperation with Armenia can be regarded as a step in this anti-Turkish alliance, because in the aftermath of the Arab Spring UAE wanted to curb the growth of the Muslim Brotherhood in the region and also its sponsors, Türkiye and Qatar. In September 2023 a business forum was held in Yerevan attended by more than 100 Emirati companies and over 200 companies from Armenia, signaling that both countries see the opportunities to boost their trade and investment cooperation. During this forum it was highlighted by the Armenian Minister of Economy Vahan Kerobyan that the trade turnover between the two states had exceeded \$1 billion in 2022 and that in the first 7 months of 2023 the figure amounted to \$870 million, which would mean a 300% increase if the trend continues in the remaining months.

Furthermore, it has been recently announced that two strategic investment projects between Armenia and the UAE will be implemented. It concerns the aforementioned 200-MW Ayg-1 solar plant and the creation of Fly Arna Armenian National Airline, a project by the Armenian National Interests Fund (ANIF) and Air Arabia. This airline has been operational since last year and new flight routes are planned.

At this moment there is less trade between Georgia and the UAE, but that is set to change after the signing of a Comprehensive Economic Partnership Agreement (CEPA) between the two states in October 2023. The aim of this CEPA is to triple the countries' non-oil trade from \$481 million to \$1.5 billion in five years. The trade turnover had already increased before signing this deal, with exports from Georgia to the UAE rising by 80% to \$32.2 million and imports having grown by 71% to \$244.4 million. This CEPA symbolizes broadening of the relationship between Georgia and the UAE, the latter is already the sixth-largest global investor in Georgia, with large investments in real estate. The Abu Dhabi Group invested in the rebuilding of the former Institute of Marx, Engels and Lenin into a five-star hotel and Rotana, an Emirati hotel chain, has announced plans to open a resort in the sea-side town Gonio.

Outside of the investments in the renewable energy sector, there is little data available on trade and other investments between Azerbaijan and the UAE. This can be explained by the fact that there is significantly less trade between these two states, especially compared to the other states in the South Caucasus. The trade turnover has increased 21% in the first 7 months of 2023 compared to the same period of the last year, which amounts to \$58.5 million. The main thing this number shows is that there are enough opportunities through which the bilateral relations can be strengthened even further if both states are interested.

A start was made during COP28 in Dubai in 2023 where Emirati sovereign wealth fund ADQ and an Azerbaijani sovereign wealth fund established a joint venture of \$1 billion to invest in major sectors. Furthermore, on 9 January 2024 the UAE president Al Nahyan visited Azerbaijan. There were talks about COP29, which will be held in Azerbaijan this year, and several Memoranda of Understanding (MoU) have been signed. This included a MoU on investment cooperation in energy projects, especially in electricity transmission projects, but it also covers new areas such as rooftop solar projects, green hydrogen, green ammonia and the export of green energy. Further a MoU for academic cooperation between ADA University and

the Anwar Gargash Diplomatic Academy and a Framework Agreement on Strategic Partnership to strengthen Azerbaijan's potential for renewable energy sources were signed.

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