

## **ONE STEP FORWARD, ONE STEP BACK: IRAN'S ECONOMIC POLICY TOWARDS THE SOUTH CAUCASUS AFTER LIFTING THE SANCTIONS**

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### **Abstract**

Following the lifting of the Iran sanctions, certain developments occurred allowing for the possibility to reshape the energy geopolitics towards the South Caucasus and spark energy cooperation.

In the frameworks of the Armenian-Iranian and Georgian-Iranian relationships, there are some common concerns and conflicts of interests that stem from both internal and external factors. Each side has had to consider a series of delicate international issues in their dealings, which does not exclude the role of the economy, and particularly the energy sector.

This research analyzes current Iranian economic policy towards the South Caucasian states (particularly towards Armenia and Georgia,) and seeks to answer the following: how economic relations are affected by diplomatic relations, how Western influence in Georgia and Russian involvement in Armenia effect these bilateral relations, and what the prospects are for economic partnerships between Armenia and Iran, and between Georgia and Iran in the energy sector.

### **Introduction**

Historically, the South Caucasus was and still is a key region for Iran.<sup>1</sup> After the collapse of the Soviet Union and the creation of newly

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<sup>1</sup> Djalili M.-R., *Iran and the Caucasus: Maintaining Some Pragmatism*, The Quarterly Journal, V. 1, Issue 3, 2002, p. 49

independent states in the South Caucasus, Iran was practically obliged to be as active as possible in the region due to its particular geopolitical and geo-economic position. To this end, Iran considers the role of competitive foreign actors such as Russia, Turkey, and the United States in its efforts to draft a plan.

Simultaneously, “South Caucasus-Iranian relations are influenced and shaped not only by the regional context but also by Russian-Iranian, US-Iranian, and European-Iranian relations.”<sup>2</sup> Iranian foreign policy toward the South Caucasus states can be characterized by the following predominant issues: 1) The recognition of Russia’s interests in the Caucasus and Central Asia, 2) The presence of Western powers in the Region, 3) Complicated relations with Azerbaijan, and 4) Competition with Turkey according to regional security problems.

During Ali Akbar Hashemi Rafsanjani’s presidency (1989-1997,) Iran considered Central Asian and Caucasian regions as the spheres of economic activities<sup>3</sup>. In Mohammad Khatami’s presidency (1997-2005,) these regions were announced as spheres of Iranian civilization and culture.<sup>4</sup> In contrast to the latter ones during the Ahmadinejad’s rule (2005-2013) they became an imminent arena not for cultural and economic but for political actions<sup>5</sup>.

Despite the strategic change in Iranian foreign policy of the country, it is clear that Iran could not “overcome the presence” of the main political actors in the region such as USA and Russia.

Unlike his predecessors, the current Iranian president Hasan Rouhani delivers Iran’s will to unite political, economic, and cultural aims in order to act in a more sophisticated manner towards other players, including the

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<sup>2</sup>Rondeli Al., *Iran and Georgia – Relations could be closer*, Georgian Foundation for Strategic and International Studies, 2014, p. 5

<sup>3</sup> Niakooee S.A., Ejazee E., *Foreign Policy and Economic Development: Iran under Rafsanjani*, *Iranian Review of Foreign Affairs*, Vol. 5, No. 3, 2014, pp 195-197

<sup>4</sup>Ekhtiari Amiri R., Khorshidi M. and Soltani F., *Duplicate of domestic behavior in Iran’s foreign policy arena during Khatami presidency*, *Elixir Soc. Sci.* 38, 2011, pp 4077-4078

<sup>5</sup> Obucina V., *Social Populism and the Future of the Islamic Republic of Iran*, *Croatian Political Science Review*, Vol. 52, No. 4-5, 2015, p. 168

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South Caucasus.<sup>6</sup> This new political strategy is demonstrated by the signing of the Joint Comprehensive Plan of Action (JCPOA) in 2015, which creates new possibilities after the full lifting of U.N., U.S., and EU economic sanctions against Iran.<sup>7</sup> Simultaneously, it generated new prospects for bilateral relations with Georgia, Armenia, and Azerbaijan (Iran-Azerbaijani economic relations are not covered in this paper.)

This research framework will analyze the following concepts: (1) Iranian economic policy towards the South Caucasian states (particularly towards Armenia and Georgia) and how the economic relations are affected by diplomatic relations, (2) How Western influence in Georgia and Russian involvement in Armenia effect these bilateral relations; and (3) Perspectives for cooperation in the energy sector and identifying potential for economic partnerships between Armenia and Iran, and between Georgia and Iran.

### **Georgia-Iranian bilateral relations from the economic perspective**

Among the South Caucasian states, Georgia has the least developed relationship with Iran due to its lack of a shared border.<sup>8</sup> Furthermore, diplomatic relations were not very strong in the past as a result of Georgia's Western orientation.

During the Mohammad Khatami, Mahmoud Ahmadinejad, and Hassan Rouhani presidencies (2004-present,) in Iran and after the Rose Revolution in Georgia (November 2003) high-level visits between the two countries no longer took place. However, during this period, high-level exchange visits with Armenia and Azerbaijan repeatedly occurred.

Nevertheless, current Georgian diplomacy attempts to improve its relations with Iran in order to gain a power balance in the region.

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<sup>6</sup>*Iran's policy in the South Caucasus: Has Rouhani changed anything?*[https://guevents.georgetown.edu/event/irans\\_policy\\_in\\_the\\_south\\_caucasus\\_has\\_rouhani\\_changed\\_anything\\_9873#.WBBNxOWLTMw26.10.2016](https://guevents.georgetown.edu/event/irans_policy_in_the_south_caucasus_has_rouhani_changed_anything_9873#.WBBNxOWLTMw26.10.2016)

<sup>7</sup> Joint Comprehensive Plan of Action, <http://www.state.gov/e/eb/tfs/spi/iran/jcpoa/26.10.2016>

<sup>8</sup> Geostat-National Statistics office of Georgia, Georgian exports by countries/Georgian imports by countries 1995-2015 [http://www.geostat.ge/?action=page&p\\_id=134&lang=eng](http://www.geostat.ge/?action=page&p_id=134&lang=eng) 26.10.2016

At the same time, Iran's economic policy towards Georgia is also promising. Iranian professor Mohammad Reza-Jalili wrote on the importance of Georgian-Iranian joint participation in international projects, stating:

*“Unlike Armenia and Azerbaijan, Georgia does not have a direct border with Iran, but it is the only country in the region with the open sea passage. Georgia should try to use this potential by turning its territory into the transport and communications nerve center. Such a prospect will not leave indifferent even Iran.”*<sup>9</sup>

Today, the situation seems promising in this direction. In 2014 during the meeting with the new ambassador of Georgia to Iran, Rouhani stressed:

*“We appreciate our contacts with Georgia. Your country represents for Iran an entry into the Black Sea ports, especially to Batumi that has for us paramount value. In this regard, it is difficult to overestimate the importance of laying a railway line from Iran to Georgia.”*<sup>10</sup>

Georgia's policy towards Iran differs from Armenian and Azerbaijani foreign policy in a plethora of ways. While not adhering to the Russian diplomacy security system, Georgia seeks to gain closer ties with the European Union and NATO.

On the other hand, the current Georgian government indicates that it is trying to balance relations with Russia, the EU, and NATO. While the government and the main opposition are committed to Georgia's pro-Western trajectory, for the first time in decades, the vote may result in one of the small pro-Russian parties to be elected to parliament.<sup>11</sup>

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<sup>9</sup> Djalili M., *Iran and the Caucasus: Maintaining Some Pragmatism*, The Quarterly Journal, Volume 1, Issue 3, p. 49-57, 2002, <http://procon.bg/bg/node/2878>

<sup>10</sup> ژر بیسجمهور: توسعہ خطا ہنایر انگر جستانہنفعکلمنطقہاست

<http://isna.ir/fa/news/93020201446> 14.10.2016 (*President: The development of Iran-Georgia railway is in the interest of the entire region*)

<sup>11</sup> Georgia elections: Georgian Dream party faces off UNM,

<http://www.aljazeera.com/news/2016/10/georgia-votes-key-parliamentary-election-161008042014237.html> 26.10.2016

Georgia's foreign policy trajectory can be found in the developments of EU-Georgia relations. For the near future (2014-2020,) the key goal is defined as "to bring Georgia closer to the EU" bilaterally.<sup>12</sup>

However, Georgia has made several important strides toward deepening relations with Iran as a counterbalance to the threat of Russia and other powers. Generally, Russia lost its credibility and political influence in Georgia, unlike the situation with Azerbaijan and Armenia, despite still having instruments for influence.

Stronger economic ties with the Islamic Republic could support Tbilisi in its efforts to diversify its economic relationships abroad. According to a set of statistics from 2015, Georgia made significant trade achievements by diversifying its import volumes distributed to Russia and Turkey, which are Georgia's top-ranked import partners. Meanwhile, its export partners are listed as follows:(1) Azerbaijan,(2) Turkey, (3) Armenia, and (4) Russia, leaving Iran behind.<sup>13</sup> Currently, Iranian-Georgian commercial relations can be viewed that any signs of realistic cooperation are not visible due to Iran's previous sanctions and geographical features. Moreover, it is crucial to note the changes in political approximation towards Iran, particularly the fact that by lifting the sanctions, bilateral commercial relations have the potential to develop.

In the case of connecting the Iranian and Azerbaijani railways in Astana via the Georgian railway and ports, it is possible that there will be a significant increase in rail freight turnover. The highway project from Tabriz to Armenia seems important in this context.

As one of the energy powers in the South Caucasus, Iran has the potential to supply Georgia with gas (Iran has the world's second largest gas reserves after Russia). Also, Tehran is eager to find a new customer for energy exports, and to expand its economic ties. When discussing the small

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<sup>12</sup> Implementation of the European Neighborhood Policy in Armenia: Progress in 2014 and recommendations for actions. High Representative of The European Union For Foreign Affairs And Security Policy. Brussels: SWD, 63 final, 2015

<sup>13</sup> Geostat-National Statistics office of Georgia, Georgian exports by countries/Georgian imports by countries 1995-2015 [http://www.geostat.ge/?action=page&p\\_id=134&lang=eng](http://www.geostat.ge/?action=page&p_id=134&lang=eng) 26.10.2016

contract that seals natural gas exports from Iran to Georgia, Alireza Kameli, the managing director of the National Iranian Gas Export Company (NIGEC) emphasized the authorization requirement by the Armenian government in order to finalize the project.<sup>14</sup>

In this context, Iran is obliged to consider the presence of foreign actors, Russia, EU, and NATO, in addressing its relations with Georgia.

This 'Cold good neighborhood' between Iran and Georgia is also reflected in its economic relationship. Despite the proclaimed willingness of establishing closer economic contacts with Georgia, and after considering the gap between the two countries actual and potential economic relations, it is difficult for Iran to compete with Georgia's major political allies – Turkey, the U.S. and the EU.

### **The Prospects of Georgia-Iran Cooperation after lifting the sanctions**

Iranian diplomacy in the South Caucasus, particularly in its dealings with Georgia, is mostly theoretical. It is limited by geography as the two countries do not directly share a border and by the presence of other political actors influence.

Nevertheless, Georgia's favorable geographical position, as well as Iran's rich energy resources and commercial-economic potential promote Georgia to become a bridge between Europe and Iran and if the sanctions are fully lifted, it can plan new projects. Also, it may be considered as a transit point for Iranian energy resources and for the shipping of Iranian cargo toward several destinations. In July 2015, six members of the Iranian Parliament visited Tbilisi to learn more about its economic reforms.<sup>15</sup> Iran's growing interest in Georgia is confirmed by statements from the speaker of the Iranian Parliament and Chairman of the Group of Friends of Georgia, which claim that the nuclear deal will have a positive impact on relations between the two countries.

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<sup>14</sup> Iran to export 40 mcm/d of gas to Georgia, <http://theiranproject.com/blog/2016/07/31/iran-export-40-mcmd-gas-georgia/> 31.10.2016

<sup>15</sup> Iranian MPs Visit Georgia, Civil Georgia, <http://www.civil.ge/eng/article.php?id=28471>, 1.10.16

In addition to the important economic revenues, transportation of Iranian gas to Europe through Georgia guarantees increased security and stability of a transit country.

At the same time, it is crucial to stress that Iran does not have a serious role in the South Caucasus energy sphere. The only stable “energy relation” that Iran has is the relation with Armenia. The connection project of the Iran-Armenia to Georgia, that would enable the gas pipeline to have a further exit to Europe, seems promising. However, execution of this project is complicated by technical and financial problems, and also by geopolitical competition. It will require the involvement of extra regional actors that Iran rigidly opposes. Furthermore, it does not correspond to Russia’s interests. The drop in oil prices does not help planning new pipeline projects. In turn, this cooperative direction cooperation of Iran, Armenia, and Georgia seems unrealistic in the near future.

It must be argued that due to the shorter route from Turkey, many experts are skeptical about the pipeline passing through Georgia.<sup>16</sup> To support the Georgian route, it can be stated that the Turkish route contains some security risks i.e. the increasing number of terrorist attacks, the Kurdish issue, etc. Additionally, there is the issue of Iranian and Turkish regional competition, within which Iran does not want to make its own energy supplies transit-dependent on Ankara.<sup>17</sup>

On the other hand, regardless of which route will be used for transit, the emergence of alternative gas suppliers for Europe provides an opportunity for Iran to take more principled action regarding its competition with Russia. To this end, Iran's strategy has become more cautious in order to avoid Russian interests and to compete with the predominant Western and Turkish influence. In dealing with Tehran, Tbilisi does not want to endanger its strategic relations with The U.N. and The UK.

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<sup>16</sup> Maisaya V., *Islamic State, Iran and Georgia*, [http://www.for.ge/view.php?for\\_id=40037&cat=2](http://www.for.ge/view.php?for_id=40037&cat=2) 1.10.16

<sup>17</sup> *New Transit Corridor to Europe Bypasses Turkey*, <http://financialtribune.com/archive/2015/10/28/articles/domestic-economy/28928/new-transit-corridor-europe-bypasses-turkey> 1.10.16

Even though lifting of Western sanctions on Iran grants independence to the latter for advancing its position in the South Caucasus, there are a set of explicit obstacles, including the lack of necessary infrastructures, and the opposition of the third parties. Overall, there is a gap between Iran and Georgia in the energy sector for the using this potential to mutually benefit.

### **Armenia-Iranian bilateral relations from the economic perspective**

Over the years, Yerevan and Tehran have built up strong and stable relations. As it is highlighted by the Armenian Ministry of Foreign Affairs Edward Nalbandian, the two countries established close ties and promoted “effective cooperation” in all fields, including the energy sphere.<sup>18</sup> The two countries strategic links have created mutual “sympathy,” and have created a possibility for safe and secure bilateral cooperation.

High-level visit exchanges between neighboring Armenia and Iran took place several times. Armenia plays a unique role in Iranian diplomacy and foreign policy. Within the framework of the 25th Anniversary of Armenia-Iranian Cooperation conference, the representative of Iran stressed, that both in the cases of Armenia and Iran the role of external factors has vital importance for them. Thus, the two countries share a common ideological outlook.

One of the factors of the strategic significance of Armenia is its advantageous geographic placement in the region, excluding the possibility of unification of Turkic-populated territories that threatens Iran’s territorial integrity. It can be one of the factors derived from which Iran wants to see Armenia become powerful and independent.<sup>1920</sup>

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<sup>18</sup> Ministry of Foreign Affairs of the republic of Armenia, *Bilateral Relations with the Islamic Republic of Iran*, Updated in November 2012 <http://mfa.am/en/country-by-country/ir/>

<sup>19</sup> Հարևանների նկատմամբ Իրանի քաղաքականությունը հիմնված է բարիդրացիության սկզբունքի վրա (Iran’s policy towards the neighbours is based on the principle of “good neighbourly relations”), <http://parstoday.com/hy/news/iran-i2491>, 22.11.2016



There are certain preconditions in developing a close relationship between the two countries. Both sides display a willingness to deepen the established relationship and have repeatedly stated that there is serious ground for friendly ties between Iran and Armenia: 1) Both countries have enormous historical and cultural congenialities, and 2) Providing privileges to a neighboring Christian country is mutually beneficial from a security and stability standpoint.<sup>21</sup>

Oftentimes, Armenia seeks to be less dependent on Russia and to protect itself from the wary relationship with Azerbaijan. Armenia is neither a producer of oil nor natural gas; it is highly dependent on imported hydrocarbons. The main suppliers are Russia, which owns about 80% of the country's generating capacities and therefore Armenia is extremely dependent on Russia,) and Iran.<sup>22</sup>

Energy cooperation plays the largest role in dictating their mutual relations and in constructing and completing a gas pipeline from Iran to Armenia. Although the pipeline was supposed to weaken Yerevan's dependence on Russian gas, it is mostly controlled by Gazprom. Russia has become Iran's main competitor in Armenia's energy market and has successfully pressured Yerevan to reduce the pipeline's diameter in order to prevent Iran from exporting its gas to Georgia and to other countries.<sup>23</sup>

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<sup>20</sup>Բեգիջանյան Է., Իրանի տեղնուղերը Հայաստանում ու Ադրբեջանում (*Iran's place and role in Armenia and Azerbaijan*),

<http://www.lragir.am/index/arm/0/politics/view/115975> 22.11.2016

<sup>21</sup>Իրանի արտաքին քաղաքականության մեջ Հայաստանը հատուկ տեղ է զբաղեցնում (*Armenia has a special place in the foreign policy of Iran*),

<http://www.panarmenian.net/arm/interviews/52822/>, 22.11.2016

<sup>22</sup>Ոլորտի գնահատում. Էներգետիկա, Երկրի գործընկերության ռազմավարություն. Հայաստան 2014-2018 (*Sector Assessment: Energy, Country Partnership Strategy: Armenia 2014-2018*),

<https://www.adb.org/sites/default/files/linked-documents/cps-arm-2014-2018-ssa-02-hy.pdf>

<sup>23</sup>Հայ-Իրանական հարաբերությունները, պատժամիջոցներն ու Ռուսաստանը (*Armenian-Iranian relations, sanctions and Russia*),

<http://www.a1plus.am/1386433.html> 26.10.2016

Thus, the Armenian economy is linked with regional and Russian economic trends. In turn, the economic indicators depict the intensification of Iran's relations with Armenia.<sup>24</sup> In its 6<sup>th</sup> point, the 2014-2025 Strategic Program of Prospective Development of RA discusses the importance of the construction of Iranian-Armenian and Armenian-Georgian electric lines.<sup>25</sup>

### **The Prospects of Armenia-Iran cooperation after the lifting of sanctions**

As previously stated, Iran does not play a serious role in the South Caucasus energy sphere. The only stable “energy relations” that Iran has, are with Armenia. Despite Iran's sanctions, there has always been a tolerant policy towards Armenian-Iranian cooperation by the West, which might consider building Armenian-Iranian relations as a countermeasure against Russia.

The end of sanctions on Iran inevitably shifts the strategic environment in the region, and the U.S. has sent positive signals regarding Iran's potential engagement with Armenia. Particularly, the U.S. ambassador to Armenia, Richard Mills, mentioned that “Armenia could become a platform for U.S.-Iran commercial relations” – thereby acknowledging that Iran may play an important role in reducing Armenia's dependency on Russia.<sup>26</sup> The statement subscribes to the assumption that Iran's ability to alter regional dynamics will provide Armenia with more room to maneuver its vulnerable relations with Russia.

There are some discussions that stipulate Iran and Armenia are planning to build a second pipeline with the capacity to deliver Iranian gas to other countries (the official opening ceremony of the first pipeline was in

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<sup>24</sup>The Armenia-Iran Relationship, <http://www.esisc.org/upload/publications/analyses/the-armenian-iran-relationship/Armenian-Iran%20relationship.pdf>

<sup>25</sup>ՀՀ 2014-2025 թթ. հեռանկարային զարգացման ռազմավարական ծրագիր (*Strategic development perspective for the period of 2014-2025 in RA*), <http://www.gov.am/am/prsp/>

<sup>26</sup><https://www.cacianalyst.org/publications/analytical-articles/item/13343-the-potential-and-obstacles-to-armenia-iran-strategic-relations.html>

2007 with the presence of both side's presidents.)<sup>27</sup> Also, there is a construction agreement on the Iran-Armenia gas pipeline and on the Agarak-Shinuhayr second high-voltage overhead transmission line, which will no longer be valid in eight years, it was signed in 2002 and is effective for 20 years.<sup>28</sup> Furthermore, Armenia and Iran have agreed to construct a third power transmission line connecting Armenian and Iranian power grids.<sup>29</sup> Additionally, the two countries have plans to build a large hydroelectric plant on the Arax River that flows along the Armenian-Iranian border.<sup>30</sup> Infrastructure projects such as the current construction of a highway from Armenia to the Iranian border are underway in order to increase the modest current trade volume of \$105 million between the two countries.<sup>31</sup>

However, Armenia faces some challenges that limit the potential to strengthen its partnership with neighboring Iran. Another crucial issue is the *de facto* subordination of a number of state institutions, and a large part of that is due to the political-oligarchic elite to the Kremlin. Moreover, a number of agreements already bind Armenia to Russia primarily via the EEU and CSTO, precluding any tangible breakthrough with Iran without Russia's approval. Currently, monopolistic company "Armenia-Gazprom" (led and operated by Russia since 2013) has the authority to decide the thickness of imported Iranian gas, and whether or not to import, thus creating unequal competitive conditions.<sup>32</sup>

There are three sides in present-day Armenia-Iranian energy relations, where Russia is the main actor in decision-making. In this regard, it is viewed that in such counterproductive conditions, unproductive energetic

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<sup>27</sup> Bilateral Relations, Trade and economic relations,

<http://www.mfa.am/en/country-by-country/ir/>

<sup>28</sup> Official News <http://www.gov.am/en/news/item/79/>

<sup>29</sup> *ibid*

<sup>30</sup> *ibid*

<sup>31</sup> Armenia deepens ties with embattled Iran, <http://www.eurasianet.org/departments/insight/articles/eav072806.shtml> 18/10/2016.

<sup>32</sup> Հայ-Իրանական հարաբերությունները, պատժամիջոցներն ու Ռուսաստանը, (Armenian Iranian relations, the sanctions, and Russia) <http://www.a1plus.am/1386433.html> 10.10.16

plans originated from Russian policy and interests towards Armenia, not from the existence of Iran's sanctions as made evident by the removal of the sanctions.

Therefore, deepening relations with Iran as a potential regional counterbalance and diversification of natural gas sources and supply routed is of paramount importance for Armenia to limit tariffs on Russian gas from withdrawing Russia from the region.

### **Potential Balance of the Third Side Influence in the Region by Iran**

After the lifting of sanctions, Iran is able to fully return to the international "team" and develop or deepen political, economic, and other relations with countries, notably with the South Caucasus states (including Georgia, which had previously avoided intensive contacts with Iran.)

In addition, due to increased availability of large financial resources after the lifting of the sanctions, the Islamic Republic will have an easier time planning large-scale partnership objectives in the region.

Iran has traditional geopolitical interests towards the Region, which is driven by the following factors: 1) As a primary part of Iranian foreign policy, Iran seeks to show to the world that it can assume the role as a leader in the facilitating dialogue between Christian and Muslim civilizations, 2) In trying to develop increased cooperation with Armenia, Georgia, and Russia, Iran seeks to achieve its long-term goal, which is to become a springboard towards Europe in order to create cooperation ties for the future, 3) Iran as an energy producing and exporting country aims to create a variety of energy routes (in contrast to the routes through Azerbaijan and Turkey,) and in this sense, Iran is trying to export its energy resources via new directions.

Iran is extremely sensitive about the appearance of any external players in its neighborhood in The Caucasus. Iranian authorities are absolutely convinced that the problems of the Caucasus can be solved only by the countries in the region, stipulating that the presence of non-regional players in the region such as the U.S. or the U.K. only worsens the situation. With regards to conflicts, Iran considers that only regional actors

(Russia, Turkey, Iran, Azerbaijan, Georgia, and Armenia) must be involved, and Western powers should be excluded.

Logically, the common bond of Shi'a Islam should have brought Iran and the Republic of Azerbaijan closer. However, the secular government of Azerbaijan is concerned with the potential growth of Iran's influence among its Shia population, which has caused an estrangement between the two countries.

On the other hand, the convergence of Georgia and Armenia with Iran does not correspond to Russian interests and Russian officials. In the Georgian case, Tbilisi tried several times to 'show' Iranians that Georgia is an ally of the U.S. and it will be used by Americans in case there is military action against Iran.<sup>33</sup> In turn, current quadrilateral energetic cooperation with Iran-Armenia-Georgia-Russia opens a new path for the development of mutual economic ties to take place.

Recent cooperation opportunities and the current progress between Iran and Russia indicate that the leaders of Iran gave the highest priority to Russian relations.<sup>34</sup> The pragmatism of Iranian politics towards Russia contradicts even the most fundamental principles of the Iranian constitution, as previously mentioned: "defense of the rights of all Muslims without allying any hegemonic power."<sup>35</sup> To Tehran, the strategic and economic benefits of a constructive relationship with Moscow were too valuable to risk for the uncertain gains of assisting its coreligionists.<sup>36</sup> The reason of this bilateral potential cooperation is mostly driven by the

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<sup>33</sup>Sanikidze G., *Turkey, Iran and the South Caucasus: Challenges for Regional Policy after the 2008 August War*, Issue No: 02, 2011, pp. 78-89

<sup>34</sup>Geranmayeh E., Liik K., *The new power couple: Russia and Iran in the Middle East*, 2016, [http://www.ecfr.eu/publications/summary/iran\\_and\\_russia\\_middle\\_east\\_power\\_couple\\_7113](http://www.ecfr.eu/publications/summary/iran_and_russia_middle_east_power_couple_7113)

<sup>35</sup>Ehteshami A., Zweiri M., *Iran's Foreign Policy: From Khatami to Ahmadinejad*, Berkshire: Ithaca Press, 2008, XII.

<sup>36</sup>Maloney S., *Iran's Long Reach: Iran as a Pivotal State in the Muslim World*, Washington, D.C.: US Institute for Peace Press, 2008, p. 36.

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commonalities of their wider view of creation and maintain a “multipolar” world.<sup>37</sup>

However, the Russo-Iranian relations are fragile due to existent mutual distrust and ongoing conflicts that either are unresolved or will be difficult to resolve. There are several factors to consider in light of the new U.S. government under the Trump Administration.

Therefore, Moscow is opposed to the significant presence of any other regional power.<sup>38</sup> In turn, Iranian-Russian relations were primarily like “a marriage of convenience and a matter of mutual commercial benefit.” Neither side demonstrated any desire for a long-term commitment; both countries seemed suspicious of the other and were willing to take opposing positions (i.e. Caspian demarcation, pipeline strategies, and relations with particular Caspian states) when it suited immediate interests.<sup>39</sup> For example, previous experiences have shown that Russia did not want Central Asia’s oil and gas to be exported via Iran. Russia was unhappy with Iranian natural gas exports to Armenia and Georgia.

On the other hand, in opposition to the Moscow’s and Tehran’s interests, this multipolar ideology faces the greatest foreign obstacle in light of the U.S., which is always committed to the principle that will hamper any kind of hegemony in the region. This ideology is primarily aimed against the activation of Iran.

The recent political conditions concerning the U.S. presidential campaign and the end result of the election with the Republican candidate (November 8, 2016) also are concerning as it is a basis for potential negative changes of these regional economic relations. These relations are mostly attached to international relations and the reason being that the

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<sup>37</sup> Geranmayeh E., Liik K., *The new power couple: Russia and Iran in the Middle East*, 2016, [http://www.ecfr.eu/publications/summary/iran\\_and\\_russia\\_middle\\_east\\_power\\_couple\\_7113](http://www.ecfr.eu/publications/summary/iran_and_russia_middle_east_power_couple_7113)

<sup>38</sup> Hunter Sh., *Iran’s Foreign Policy in the Post-Soviet Era: Resisting the New International Order*, Santa Barbara: Praeger, 2010, p. 106.

<sup>39</sup> Keddie N.R., Matthee R. (eds). *Iran and the Surrounding World interactions in Culture and Cultural Politics*. Seattle and London: University of Washington Press, 2002, p.365

Trump administration has many options to bring significant pressure to bear on Iran.

### **Conclusions**

In the framework of the Armenian-Iranian and Georgian-Iranian relationships, there are some shared concerns and conflicts of interests that stem from both internal and external factors. Each side has had to consider a series of delicate international issues in their dealings, which does not exclude the role of the economy, particularly the energy sector.

The bilateral relations of these countries has been promising in the economic sphere, notably in the energy sector. For Armenia and Georgia, Iran can be considered as an alternative supplier of energy while taking into account that Iran always looks for a variety of energy routes guided by its own interests in the region. In the common willingness to liberate energy and economic partnerships, both sides have renewed their drive for energy cooperation.

To summarize, it can be argued that despite the promising steps towards deeper energy cooperation both between Iran-Georgia and Iran-Armenia, they share the common fate in the way that they are not independent in their decision-making processes. At the same time, these partnerships cannot be realistic unless it does not refer to all of the spheres of relations. In other words, there is a need to find a comprehensive approach, otherwise, it will only exacerbate the existing gap.

The elimination of the sanctions was a phenomenal breakthrough in the Iranian history that will change the region and likely the entire world. It is crucial to understand that from the regional standpoint, there were no bilateral "independent" relations between the South Caucasian independent states and Iran without sanctions. Now, it is difficult to further predict possible developments of these relations in light of an "unambiguous" Iranian policy. Particularly, these developments are driven by the new political reality and, of course, foreign factors.

In this regard, it is interesting to note the optimistic viewpoints of a number of local (Iranian, Armenian, and Georgian) analysts and researchers

who are convinced that Armenian-Iranian and Georgian-Iranian relations are on a track of unprecedented progress.

It is a unique notion to convince these states (SC's states and Iran) that hold the optimistic vision which generates results. On the contrary, they outline non-binding action plans that maintain that the external actors will influence the current situation for their own potential profit.

To conclude, it can be stressed that despite the promising steps towards the deepening energy cooperation both between Iran-Georgia and Iran-Armenia, they share the common fate such that they are not independent in their decision-making processes. At the same time, these partnerships cannot develop in reality unless it does not refer to every sphere of influence. In other words, there is a dire need to implement a comprehensive approach because if it does not take place, it will only exacerbate the existing gap.

It is also worth mentioning that in both cases, – the Armenia-Iranian and Georgian-Iranian energy sphere partnerships – there are a plethora of agreements and projects that if implemented, all players will mutually benefit. Nevertheless, the existing projects are extremely dependent on the inner-workings of the "bipolar world."

With regards to cooperation or competition between Armenia and Georgia in the context of economic partnerships with Iran, it must be emphasized that there are no obvious cases of conflict of interests between them. The friendly relationship between Armenia and Georgia provides an opportunity to use the mutual favorable geopolitical conditions to create a stable and safe route linking Iran, Armenia, and Georgia.



**ՔԱՅԼ ԱՌԱՋ, ՔԱՅԼ ՀԵՏ. ԻՐԱՆԻ ՏՆՏԵՍԱԿԱՆ  
ՔԱՂԱՔԱԿԱՆՈՒԹՅՈՒՆՆ ՀԱՐԱՎԱՅԻՆ ԿՈՎԿԱՍՈՒՄ  
ՍԱՆԿՑԻԱՆԵՐԻ ՎԵՐԱՅՈՒՄԻՑ ՀԵՏՈ**

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***Բանալի բառեր՝** Իրան, Հայաստան, Վրաստան, Էներգետիկ  
համագործակցություն, սանկցիաների վերացում, «երկրներ աշխարհ»:*

Իրանի նկատմամբ սանկցիաների վերացմանը հաջորդած որոշակի զարգացումները Հարավային Կովկասի նկատմամբ էներգետիկ քաղաքականության վերաձևավորման և էներգետիկ համագործակցության նորացման հնարավորություն ստեղծեցին:

Հայ-իրանական և վրաց-իրանական հարաբերությունների շրջանակներում կան որոշակի մտավախություններ ու շահերի բախումներ, որոնք բխում են թե՛ ներքին, և թե՛ արտաքին գործոններից: Յուրաքանչյուր կողմն իր արտաքին քաղաքականությունում՝ ներառյալ տնտեսությունը և մասնավորապես էներգետիկ ոլորտը, պարտավոր է հաշվի առնել որոշակի թվով միջազգային նույր հանգամանքներ:

Սույն ուսումնասիրությունը վերլուծում է ներկայումս Իրանի տնտեսական քաղաքականությունը Հվ. Կովկասում (մասնավորապես Հայաստանում և Վրաստանում), և թե ինչքանով է տնտեսական քաղաքականությունը կախյալ դիվանագիտական հարաբերություններից, ինչպես է արևմտյան ազդեցությունը Վրաստանում և Ռուսաստանի ներգրավվածությունը Հայաստանում ազդում այս երկկողմ հարաբերությունների վրա, ինչպես նաև, էներգետիկ ոլորտում Հայաստան-Իրան, Վրաստան-Իրան երկկողմ հնարավոր համագործակցությունները: