

The Armenia-Iran Relationship

Strategic implication for security in the South Caucasus Region

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Abstract

For more than 20 years, **the Islamic Republic of Iran has appeared as the main and most reliable ally of the republic of Armenia.** Since Iran recognized Armenia's independence on December 25, 1991, the two countries have strengthened their political relationship on many occasions and have committed themselves to realize numerous common projects in the economic field.

At first sight, such alliance between the beacon of the "Global Islamic revolution" and a Christian nation religion can appear as deeply unnatural. **Looking at it more closely, it responds to a very specific concern, namely to oppose the building of a geopolitical axis running westwards from Baku to Washington.**

For Armenia, **this alliance is a way to circumvent economic sanctions taken by Azerbaijan and Turkey since the beginning of the occupation of Azerbaijani territory by Armenian force.** Moreover, it allows Yerevan to diversify its energy supplies and to position itself as the central element of a North/South axis that would both open the "Warm seas route" to Russia and the European markets for Iran.

In Tehran view, **the special relationship with Armenia offers a way to evade international sanctions and pursue its nuclear ambitions.** It is aimed at struggling against largely imagined Azeri "irredentism" and at weakening Azerbaijan as part of the competition for Caspian Sea's hydrocarbon resources. **Taking a position into the Caucasus lastly allows Iran to oppose the involvement of the United States and of the European Union in the region and to respond the strategic ambitions of its traditional foes: Turkey and Israel.**

The present report will therefore show that Iran and Armenia have developed a hidden agenda to **undermine efforts undertaken by the international community to bring stability to the region and to achieve a peaceful settlement of the Nagorno-Karabakh conflict.** Similarly, this strategic choice is indicative of **Iran's will to use the Caucasus as a battlefield of a proxy war with the United States and the European Union in the framework of its nuclear program.**

I. The unlikely alliance between Islamic republic and Armenia

For more than 20 years, the Islamic Republic of Iran has appeared as one of the main and most reliable allies of the republic of Armenia. Iran recognized Armenia's independence on December 25, 1991¹. Since then, the two countries had neither border or economical disputes nor ethnical or religious rivalries. Moreover, their successive leaders welcomed the strengthening of their relationship on many occasions and committed themselves to realize numerous flagship projects in the fields of transport and energy. Their bilateral trade has been expanding steadily for several years now, as the two countries dismantled barriers for their respective goods. Iran also made unsuccessful mediation attempts into the Nagorno Karabakh conflict between Armenia and Azerbaijan. It is also worth mentioning that tens of thousands of Armenians live in Iran, where they enjoy a certain amount of political and religious protection.

At first sight, such alliance between the beacon of the "Global Islamic revolution" and the first nation that adopted Christianity as a state religion can appear to us as paradoxical, or even as deeply unnatural. However, looking at it more closely, it responds to very specific internal, economical and geopolitical concerns:

For Armenia, this strategic alliance is a way to circumvent the economic embargo imposed by Azerbaijan and Turkey since the outbreak of the full-scale Nagorno-Karabakh War in 1992. Moreover, it allows Yerevan to avoid being completely dependent on Moscow. The alliance will also open access to Iranian hydrocarbon reserves and diversify natural gas supplies for Armenia. Lastly, securing a southern alliance would position Yerevan as a central element of an axis that would both open the "Warm seas route" to Russia and the European markets for Iran.

In Iran's view, the special relationship with Armenia offers a way to break the international isolation of the regime. Iran's strategic positioning in favour of

¹ Ministry of Foreign Affairs of the Republic of Armenia
<http://mfa.am/en/country-by-country/ir/>

Armenia is also due to ongoing tensions with Azerbaijan over a supposed Azeri irredentism and the struggle for the Caspian Sea's resources. Taking a position into the Caucasus lastly allows Iran to oppose America's involvement in the region and to respond the strategic ambitions of its traditional foes: Turkey and Israel.

Beyond such general considerations, this report aims at underlining the deep roots of the Armenia-Iran alliance and its consequences for peace and regional stability. From this standpoint, it will highlight the close geographical and historical links that brought the two nations closer together despite their religious differences. The report will also review and analyse the conditions under which Tehran and Yerevan formed their alliance in the 1990s, and which tangible economic benefits they received from it.

We'll lastly attempt to overcome placard politics, in order to identify which strategic objectives are behind the demonstrations of friendship made by both countries' leaders. Each of the two partners plays an important role in the diplomatic process put in place by the other to ensure its role in the Greater Caucasus region. Their hidden agenda could indeed undermine the efforts undertaken under the authority of the OSCE Minsk Group on the peaceful settlement of Nagorno-Karabakh conflict. Similarly, Armenia could offer Iran a way out to evade international sanction, hence delaying the solving of Iran's nuclear issue.

II. The Iranian Armenian community

Around 100,000 of Armenians are living nowadays in Iran, most of them in Tehran². Moreover, the Armenian Apostolic Church of Iran has between 100,000 and 250,000 adherents, which make it the most important Christian minority in the country. According to Armenians who remained in Iran after the Islamic revolution, their relation with the government is good and they are entitled to a

² Figures taken from Armenia Diaspora.com, "Armenian population in the world", available at: <http://www.armeniadiaspora.com/population.html> [Last accessed September 3, 2012]

number of rights and protections, including a guaranteed representation in the parliament and in the local councils³.

There are more than 200 churches across the country. Christmas has an official recognition although it is not a national holiday, and it is not uncommon to see decorated Christmas trees in the streets of north-western Tehran during the holiday season⁴. The Iranian-Armenians have their own football, basketball and swimming teams and have private establishments known as the “Ararat clubs in Tehran, Kish and Isfahan, in which Islamic law does not apply. It is however important to note that Muslims are prohibited to enter the premises of Ararat infrastructures⁵. In the same way, witnesses have complained about a worrying increase in cases of harassment outside Christian premises. According to these reports, Revolutionary Guards are taking up positions in front of churches, asking for the identity papers of worshipers in order to discourage religious conversion⁶.

The Armenian community owns several media bodies which enjoy a certain degree of independence. Alik is the historical daily newspaper of the Armenian community⁷. Created in 1931, it is the country’s second oldest newspaper after the Persian daily Ettela. It marked its 80th anniversary on August 23 2011 in a celebration attended by many representatives of the government⁸. The group

³ Gareth M. Winrow, “Azerbaijan and Iran”, in *Regional Power Rivalries in the New Eurasia: Russia, Turkey, and Iran*, ed. by Alvin Z. Rubinstein and Oles M. Smolansky, New York, ME Sharpe, 1995, vol. 1, pp. 93-111, (p.98)

⁴ Staff of the Los Angeles Times and of the Carnegie Middle East Center, “Iran: 'Tis the season, also in the Islamic Republic”, *Babylon & beyond, Observations from Iraq, Iran, Israel, the Arab world and beyond, The Los Angeles Times on the Web*, Dec. 19, 2008, available at: <http://latimesblogs.latimes.com/babylonbeyond/2008/12/iran-tis-the-se.html> [Last accessed September 3, 2012]

⁵ Immigration and Refugee Board of Canada, Iran: “Armenian” or “Ararat” Club in Tehran, including its address, whether it issues membership cards, and whether it has had any confrontations with Islamic fundamentalists (1994-1998), 1 February 1999, IRN31139.E, available at: <http://www.unhcr.org/refworld/docid/3ae6ac668.html> [Last accessed September 3, 2012]

⁶ U.S. Congressional Research Service, Iran: Ethnic and Religious Minorities (RL34021; Nov. 25, 2008), by Hussein D. Hassan, Federation of American Scientists, p.8, available at: <http://www.fas.org/sgp/crs/mideast/RL34021.pdf> [Last accessed: Sep. 3, 2012]

⁷ “Alik” website available at: <http://www.alikonline.com/> [Last accessed: Sep. 3, 2012]

⁸ “Tehran-based Alik Daily marks 80th anniversary”, Panarmenian.net, Nov.24, 2011, available at: <http://www.panarmenian.net/eng/news/84728/> [Last accessed: Sep. 3, 2012]

enjoys government's support and is receiving assistance from the ministry of Culture⁹. The group owns a publishing company and printing factory. It has also opened talks with the government for the opening of a TV channel. Alik is the only Armenian language daily in Iran, but the community has also the literary, cultural and social weekly Arax. It is published in Tehran, Isfahan and North eastern Iran, where the majority of the Armenians are living. Arax' website is published in both Armenian and Persian yet the magazine is only published in Armenian¹⁰.

This policy also aims to attract a certain amount of sympathy from the Armenian diaspora in Europe, Russia and the United States. The contacts between the Armenian Iranian community and the Republic of Armenia have facilitated the cooperation between the two countries. Both communities in Iran and in Armenia indeed back each other in trade, energy security, and economics. Thus, it is fair to say that the presence of the Armenian community in Iran is an important element of Tehran's diplomatic strategy in the Caucasus region.

III. Growing trade partners

A. "Effective cooperation" in every sphere of the economy

As highlighted by the Armenian ministry of foreign affairs, the two countries have established close ties in all spheres and promoted "effective cooperation" in the fields of energy, sport, nature protection, health care, agriculture, education, science, culture as well as in the interprovincial relations¹¹. In 2009, Iran and Armenia have signed 8 memorandums of understanding concerning

⁹ Sadeq Dehqan, "'Alik' Upholds National Interest", *Iran Daily*, Mar. 16, 2011, p.7, available at: http://www.iran-daily.com/1389/12/25/MainPaper/3919/Page/7/MainPaper_3919_7.pdf [Last accessed: September 3, 2012]

¹⁰ "Arax" website available at: <http://araxmag.blogspot.be/> [Last accessed: September 3, 2012]

¹¹ Ministry of Foreign Affairs of the republic of Armenia, *Bilateral Relations with the Islamic Republic of Iran*, Updated in 17 May 2012 available at: <http://mfa.am/en/country-by-country/ir/> [Last accessed: September 3, 2012]

various joint economic projects, including the construction of a hydropower station on the Araxes River, a new trans-border power line and an oil pipeline¹².

Tehran and Yerevan have also announced on multiple occasions the opening of negotiations on a free trade agreement that would boost Armenian exports towards Iran, which are still undermined by strict custom barriers¹³. Another fundamental project is the agreement for the building of a 470-kilometer railway line circumventing the Azerbaijani exclave of Nakhichevan and ensuring a secure access for Iranian goods towards the Black Sea and for Armenia towards the Persian Gulf¹⁴. This relation also includes travelling facilities for people, mainly in the fields of sport and tourism. Tourism in Armenia is indeed highly promoted in Iran and Vice Versa¹⁵.

As we will analyse the fundamental implications of the Iranian-Armenian relation further in the present report, this chapter will seek to describe the development of their economic relationship in all other significant sectors. On Sunday April 29, 2012, Iranian President Mahmoud Ahmadinejad proposed to “Preparing conditions for free trade activities” at the border, emphasizing on the mutual importance of the economic ties between the two countries¹⁶. They are also willing to improve the cooperation in infrastructure, development of railways and a joint construction of the oil refinery.

¹² “Armenia calls for boosting all-out relations with Iran”, *Payvand Iran News*, Apr. 14, 2009, available at:

<http://www.payvand.com/news/09/apr/1154.html> [Last accessed: September 3, 2012]

¹³ Iran, Armenia mulling free trade agreement, *Tehran Times*, Dec.25 2011, available at:

<http://www.tehrantimes.com/economy-and-business/93896-iran-armenia-mulling-free-trade-agreement-> [Last accessed: September 3, 2012]

¹⁴ Tatul Hakobyan, “In five years, Armenia, Iran to be connected by rail”, *The Armenian reporter*, Apr. 10, 2009, available at:

<http://www.reporter.am/go/article/2009-04-10-in-five-years-armenia-iran-to-be-connected-by-rail> [Last accessed: September 3, 2012]

¹⁵ Arpi Makhsudyan, “Armenia Offers Iranian Tourists Breath of Fresh Air”, *Mianeh.net*, Nov. 3, 2010, available at:

<http://mianeh.net/article/armenia-offers-iranian-tourists-breath-fresh-air> [Last accessed: September 3, 2012]

¹⁶ “President Ahmadinejad Urges Facilitated Trade Ties between Iran, Armenia”, *Fars news Agency*, Apr. 29, 2012, available at:

<http://english.farsnews.com/newstext.php?nn=8101301567> [Last accessed: September 3, 2012]

B. Facts and figures

Currently, the government of Armenia could ratify the agreement on a free trade zone within the Commonwealth of Independent States (CIS) as soon as September 2012¹⁷, and is also working on a comprehensive trade agreement with the EU¹⁸. Although privatisation continued during the 2003-09 period, most of the enterprises are still public-owned, in particular in health care, education, and military activities.

The volume of trade exchanges between Iran and Armenia had increased steadily for the last 20 years, reaching the level of 1 billion USD in 2010¹⁹. The two countries also significantly improved their transport routes. Today, Iran remains one of Armenia's biggest economic partners, although the latter has diversified economic opportunities after its accession to the World Trade Organisation (WTO) on February 5, 2003²⁰. However, Armenia's modifications in tax and trade administration as well as in fight against corruption have been ineffective and the economic downturn led to sharp decline in tax revenue, forcing the government to accept loan packages from Russia, IMF and other financial institutions²¹. For example, the current loans disbursed by the International Bank for Reconstruction and Development (IBRD) in favour of Armenia amounted to 216,565,258 USD from) by March 2012, while the current

¹⁷ Armenia to ratify free trade zone agreement with CIS in fall, *PanARMENIAN.Net*, Aug. 28, 2012, available at:

http://www.panarmenian.net/eng/news/120767/Armenia_to_ratify_free_trade_zone_agreement_with_CIS_in_fall [Last accessed: September 3, 2012]

¹⁸ European Commission - Press release, "EU launches free trade negotiations with Armenia", Feb. 20, 2012, available at:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/150&format=HTML&aged=0&language=EN&guiLanguage=en> [Last accessed: September 3, 2012]

¹⁹ "Iran, Armenia trade volume to hit \$1 billion: FM", Islamic Republic News Agency, available at: <http://irna.ir/ENNewsShow.aspx?NID=30731516> [Last accessed: August 27, 2012]

²⁰ World Trade Organization, "Republic of Armenia and the WTO", available at: http://www.wto.org/english/thewto_e/countries_e/armenia_e.htm [Last accessed: August 27, 2012]

²¹ Central Intelligence Agency, *The World Factbook page on Armenia, section: Economy*, updated on Aug. 24, 2008, available at:

<https://www.cia.gov/library/publications/the-world-factbook/geos/am.html> (Last accessed: August 27, 2012]

International Development Association (IDA) credits disbursed for Armenia was \$1,253,418,586 for the same period²².

The import-export relation with Iran is particularly noticeable in the statistics. According to the Directorate General for Trade of the European Commission, Iran is the fourth major trade partners of Armenia. In 2010, the Armenian exports towards Iran amounted to 65,1 million euros (8,3% of the total amount of Armenian exports) while imports amounted to 151 million euros (5,3% of total imports)²³.

A more refined analysis of the import-export figures between the countries underlines a particular cooperation in mineral fuel, oils and artefacts of iron and steel²⁴. The variety of activity sectors concerned by the bilateral cooperation is a clear indication of the rapid development of trade relations between Iran and Armenia. Besides the huge portion of exports in iron, steel, mineral fuels and oil, Iran is also increasing the export of food and beverages, consumer goods and industrial supplies. This shows that the country is interested in maintaining its role as one of the main export and import partner of Armenia in these various sectors²⁵.

C. Increasing economic dependence

These facts and figures underline the tremendous importance of the trade relations between Iran and Armenia for the latter's economic survival. The

²² The World Bank, Data on Armenia available at:

<http://data.worldbank.org/country/armenia> (Last accessed: August 27, 2012)

²³ Directorate General for Trade of the European Commission, Bilateral relations statistics, Armenia, Mar. 21, 2012, available at:

http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113345.pdf [Last accessed: August 27, 2012]

²⁴ Mehdi Hosseiny Naveh, "Trade relations between Armenia and Iran", *Journal of Finance and Economy*, N ° 11 (137) / November 2011, available at:

http://www.armef.com/pdfs/Mehdi_Hosseiny_Naveh_1.pdf [Last accessed: August 27, 2012]

²⁵ The concerned sectors are : Mineral fuel and oils; Artifacts of iron, iron or steel; Plastic materials and objects made from them; Cast iron, iron and steel; Rock, metal, welding and ash; Glass and glass products; Animal or vegetable fats and oils; Edible skin of fruits and hard fruits; Artifacts of stone, plaster and cement; Inorganic chemical products; Different vehicles with the exception of railway vehicles and trams; Soap; Salt, sulfur, soil and rock; Vegetables, edible plants and tubers Zyrkhaky; Nuclear reactors and boilers; Ceramic products; Paper and paperboard; objects made of paper pulp; Various food products; Organic chemical products
Ibid.

country has often looked forward to be less dependent on Russia and to protect itself from the wary relationship with Azerbaijan. In turn, Armenia became more dependent upon Iran over the years to import and export goods vital for its economy. The economic indicators show the intensification of Iran's relations with Armenia. Moreover, the presentation of the Free Trade Agreement (FTA) by Iran to Yerevan is another attempt to boost these ties.

However the agreement has not yet been finalized until now, as Armenia appeared to be reluctant because Iran is not prepared to introduce zero customs dues in trading with Armenia²⁶. Nevertheless the agreement if reached will boost trade turnover between the two countries and enhance the commercial and economic ties. In the future, it is not ruled out that Iran will try to surpass Russia as Armenia's main foreign partner.

The strengthening of such relationship is also of prime importance for Tehran. Despite increased revenues linked to the rise in the world oil prices, Iran's GDP growth remained stagnant in 2011 due to international sanctions, government mismanagement, and endemic underemployment²⁷. The reliance on oil provides the majority of government's revenues and therefore the economy is marked by statist policies. Hence, establishing itself firmly as an actor of a tri-partite economic relation with Armenia and Russia is one of the very few solutions for Iran to reduce its dependence on oil and to afford it costly policies of food and energy subsidies.

²⁶ "Armenia Denies Finalizing Free-Trade Deal With Iran", *Radio Free Europe/Radio Liberty*, Sept. 15, 2010, available at:

http://www.rferl.org/content/Armenia_Denies_Finalizing_FreeTrade_Deal_With_Iran/2158401.html
[Last accessed: August 27, 2012]

²⁷ Central Intelligence Agency, The World Factbook page on Iran, section: Economy, updated on Aug. 24, 2008, Available at:

<https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html> [Last accessed: August 27, 2012]

IV. Iranian gas exchanged for Armenian electricity

A. Armenia energy needs and sources of supply

Armenia is neither a producer of oil nor of natural gas so is highly dependent on imported hydrocarbons. The main suppliers are Russia and Iran but fuel produced from oil is also imported from Bulgaria, Romania and other countries in the Middle East. Russia owns about 80% of the country generating capacities and therefore Armenia is extremely dependent on Russia. The Argel Gyumush (Sevan-Hrazdan Cascade) hydroelectric power plant and the Hrazdan thermal power plant (the largest in the South Caucasus) were given to Russia as part of payment of national debt²⁸. In April 2006 the 5th block of the Hrazdan Heat Power Plant was sold for \$248.8 million to Gazprom²⁹ that also controls the Armenian section (Meghri-Kajaran) of the Iran-Armenia gas pipeline³⁰.

Therefore diversification of natural gas sources and supply routes is of paramount importance for the country also because of increasing tariffs for Russian gas (increased in April 2006, January 2009 and April 2010)³¹. For this reason in December 2008 was completed the construction of the Meghri-Tabriz pipeline delivering natural gas from Iran to Armenia. The 142-kilometre pipeline connecting Tabriz (Iran) with Meghri (Armenia) has a delivery capacity of 2.3 billion cubic meters per year.

From the beginning, Russia became involved in the construction of this pipeline and Gazprom invested \$200 million and later purchased the section in the

²⁸ Haroutiun Khachatrian, "Gas Prices Prompt Armenia to Debate Alliance with Russia", *Eurasianet.org*, Jan. 29, 2006, available at: <http://www.eurasianet.org/departments/insight/articles/eav013006.shtml> [Last accessed: September 3, 2012]

²⁹ "5th Block of Hrazdan Heat Power Plant Sold to Gazprom for \$248.8 Million", *PanArmenian.net*, Apr. 7, 2012, available at: <http://www.panarmenian.net/eng/news/17239/> (Last accessed: September 3, 2012)

³⁰ Lusine Badalyan, "Interlinked Energy Supply and Security Challenges in the South Caucasus", *Caucasus Analytical Digest* No. 33, Dec. 12, 2011, p.4, available at: http://hawk.ethz.ch/serviceengine/Files/ISN/135318/ipublicationdocument_singledocument/ad2b371a-4257-43d0-94d6-3848409fc236/en/CaucasusAnalyticalDigest33.pdf [Last accessed: September 3, 2012]

³¹ Expert group of the Analytical Centre on Globalisation and Regional Cooperation, "Armenia's energy policy and security", *Euro Atlantic Quarterly*, January 2011, available at: <http://eaq.sk/clanok/2011-01-08-armenia-s-energy-policy-and-security> [Last accessed: September 3, 2012]

Armenian territory via the ArmRosGaz Company (45% owned by Gazprom, 10% by Itera and the remainder by the Armenian energy ministry)³². Gas deliveries were expanded after the April 2010 completion of the Yerevan Thermal Power Plant. Most Iranian gas is used to fuel the Hrazdan power station, and the electricity produced there is exported back to Iran³³.

B. Precarious and threatened facilities

Since Turkey and Azerbaijan imposed an economic blockade on Armenia by closing the borders since the armed aggression of Armenia and the occupation Azerbaijani territories, the country's energy imports relied on Georgia and Iran. This situation threatened gas deliveries making difficult the lives of households during the 1990's given the very harsh weather conditions in the Caucasian winter. Moreover, the 2008 Georgia war proved the instability of the country's main energy corridor, especially when the Verkhny Lars checkpoint on the Russo-Georgian border, the only overland connection between Armenia and Russia, was closed. A first pipeline project was launched in 2002. On March 19, 2007 Iranian President Mahmoud Ahmadinejad and former Armenian president Robert Kocharyan inaugurated a pipeline linking the Iranian city of Tabriz to the Armenian province of Sardarian.

Iran's energy deliveries to Armenia allowed Yerevan to circumvent the Azerbaijani and Turkish sanctions policy carried out through closing the borders. Moreover, it has reduced Armenia's reliance on Russia, while helping Iranian gas to get to Europe. The two countries have therefore invested millions of dollars in energy projects, making sure that Armenia won't be hit by an energy shortage during a diplomatic crisis, hence undermining Baku and Ankara in the peace process negotiations.

In exchange, Armenia is providing electric energy produced by hydroelectric power plants, thereby breaking the international embargo that has been imposed on the Islamic Republic. As we will discuss later in this report, Armenia has become an important partner for Iran's diplomacy in the region to improve

³² Lusine Badalyan, op.cit. (Dec. 12, 2011), p.4

³³ Ibid.

its economic links and to hinder Turkish and American influence in South Caucasus³⁴.

C. Increasing cooperation with Iran in the energy sector

The two countries, perceiving themselves besieged in their neighbourhoods, fostered cooperation establishing a border corridor, reducing and then eliminating transnational movement constraints like visas or trade permits. According to the head of the Armenia-Iran Chamber of Commerce (another product of this cooperation), in 2010 bilateral trade was at \$310 million, up 50 percent from the previous year. 818 companies had Iranian capital in Armenia, Russia in the same year had 1,000 companies operating in the country³⁵. The two countries cooperate not only in gas and electricity but also in area like hard-industry, pharmaceuticals, mining and petrochemicals³⁶.

According to the CIA World Fact book, Iran in 2011 was the fourth larger exporter to Armenia, with a share of 6.5% (after Russia, China and Ukraine) and the third major importer with 9.8% (after Russia and Germany)³⁷. The centrepiece of the bilateral cooperation is a planned 365-kilometer-long oil pipeline linking Tabriz to the southwestern Armenian town of Yeraskh. It will be capable of delivering 1.5 million litres of gasoline and diesel daily and is scheduled to be completed by 2014. Experts at the Armenian Energy Ministry estimate that this pipeline will save the country up to 30% per year in energy costs³⁸.

³⁴ Congressional Research Service, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications* (RL33453; Jun. 15, 2012), by Jim Nichol, Federation of American Scientists, available at: <http://www.fas.org/sgp/crs/row/RL33453.pdf> [Last accessed: September 3, 2012]

³⁵ Emanuele Ottolenghi, "Iran's Armenian Connection", *The Weekly Standard, The Blog*, Apr. 16, 2012, available at: http://www.weeklystandard.com/blogs/irans-armenian-connection_637088.html [Last accessed: September 3, 2012]

³⁶ Dave Stebbins, Nicholas Cavellero, Courtney Gates et al., *Defense Institution Building in the Caucasus to Promote Regional Stability*, Columbia School of International and Public Affairs for the RAND corporation, p. , available at: http://www.sipa.columbia.edu/academics/workshops/documents/FORPUBLICATION_RANDCorp_Report.pdf [Last accessed: September 3, 2012]

³⁷ Op. Cit., Central Intelligence Agency, The World Factbook page on Armenia, section: economy

³⁸ Gayane Abrahamyan, "Armenia: Yerevan Wants to Open Up to Iran", *Eurasianet.org*, Jan. 26, 2012, available at:

Armenia would save approximately \$15-20 per barrel and transportation costs would be 3-4 times less than now³⁹. A 470-kilometre long railway will connect the two countries giving Armenia access to the Persian Gulf. A free trade area and a trade centre were set up in July 2012⁴⁰. Besides two hydropower plants are under construction on the River Arax financed by the Iranian government. Armenia will pay the loan by supplying electricity to Iran⁴¹.

<http://www.eurasianet.org/node/64910> [Last accessed: August 25, 2012]

³⁹ Op.cit, "Armenia's energy policy and security"

⁴⁰ Naira Hayrumyan, "What Boosted Armenia-Iran Relations", *Lragir.am*, Jul. 7, 2012.

<http://www.lragir.am/engsrc/politics26883.html>

⁴¹ Ibid.

V. Shared geopolitical interest: Yerevan in a frantic search for a regional ally

A. Risk of isolation during Nagorno Karabakh war : In need of allies to achieve war goals

Military victory at all prices and international recognition of the de facto Armenian control over the disputed territory have been the main priority of the government until now. For that reason, Armenia's first non-communist president Levon Ter-Petrossian, who had been himself a leading member of the "Karabakh committee" in the 1980s⁴², considered the issue as a major element to ensure the survival of Armenia as an independent state. Yerevan has always denied the involvement of its national army, and Nagorno Karabakh has never been officially annexed into the republic of Armenia. In fact, the war however resulted in the expansion of the Armenian territory to the detriment of Azerbaijan.

During the first part of the conflict, none of the parties had a professional army on its own. Hence, both Armenia and Azerbaijan have relied on paramilitary units to achieve their military objectives, while the Soviet Army took an increasingly passive role over the years. After 1991, there has however been credible testimony of the involvement of unlisted members of Russian Special Forces (Spetnaz) in the conflict, although it was denied by Russian military hierarchy⁴³. In any case, it appeared soon that Armenia would benefit from the tacit support of Moscow. Interestingly, Moscow and Yerevan signed a military cooperation treaty just shortly before the removal of Azerbaijani president Elçibey in 1993⁴⁴. The latter had adopted a vehement anti-Russian and pro-Turkic attitude which partly prompted Russia to stand by Armenia in the

⁴² Nicolas Tavitian, "An irresistible force meets an immovable object: The Minsk Group negotiations on the status of Nagorno Karabakh", Woodrow Wilson School Case Studies in International Diplomacy 1/00, p.1, available at:

<http://www.princeton.edu/research/cases/minsk.pdf> [Last accessed: September 28, 2012]

⁴³ Svante E. Cornell, *The Nagorno-Karabakh Conflict*, Report no. 46, Dept. of East European Studies, Uppsala University, 1999, p.55, available at:

http://www.silkroadstudies.org/new/inside/publications/1999_NK_Book.pdf [Last accessed: August 28, 2012]

⁴⁴ *ibid.* p.37

conflict. Although it remained committed to its special relationship with Armenia, one has to note that Russia adopted a much more balanced position in the conflict after the rise to power of President Heydar Alyev in Baku.

Meanwhile, as a result of closing borders by Turkey and Azerbaijan since the aggression and the occupation of Azerbaijani territories, Armenia also needed to secure at least one alliance on its own borders. Thus, Iranian aid was directly delivered to Nagorno Karabakh, allowing the Armenian militias to continue the fighting and to secure victories on the field. Although Tehran attempted in some occasions to be the mediator in the conflict, its actions during the war were significant in securing the present situation. The geopolitical situation gave little choice to Armenia: forging an alliance with the beacon of the “Global Islamic Revolution”, even at the risk of attracting the anger of Washington.

B. Karabakh nationalists take power in Yerevan

The constitution of Armenia was adopted in 1995 after a nationwide 16 parties to have participated in the process were the ultra-nationalist Dashnaktsutiun (Armenian revolutionary federation), Social Democrat Hunchakian Party and the Ramkazar-Azakatan party, all coming from the diaspora⁴⁵. The constitution guarantees the fundamental rights and freedoms necessary for democratic elections. Recent political developments have however given reasons to fear a steady and inexorable flow towards the installation of a violent authoritarian regime, as illustrated by the disputed 2008 presidential election⁴⁶. According to the OSCE, every election held since 1993 was “characterized by serious flaws and generally failed to meet international standards”⁴⁷. Since then the Council of Europe gave several training via the Venice Commission, which has signalled the need for improvement in the new electoral code, “in order to ensure full

⁴⁵ Ibid. p. 250

⁴⁶ Cf. supra VI.C

⁴⁷ Organization for Security and Co-operation in Europe, *Republic of Armenia, Presidential election 19 February and 5 March 2003: Final report*, Warsaw, Apr. 28, 2003, p. 3, available at: <http://www.osce.org/odihr/elections/armenia/14054> [Last accessed: September 4, 2012]

compliance with OSCE commitments, Council of Europe and other international standards for the conduct of democratic elections”⁴⁸.

The most significant evolution of the Armenian political landscape since the end of the years 1990s however remains the progressive monopolisation of the power by politicians ailing from Nagorno Karabakh. To recall, the first democratically elected president of Armenia, Levon Ter-Petrossian, was forced to resign after he allegedly agreed to make concessions to Azerbaijan regarding the conflict⁴⁹. He was replaced in 1998 by his Prime Minister Robert Kocharian, the former president of the unrecognised Nagorno-Karabakh Republic (NKR)⁵⁰. Among his first decisions was the end of the ban over the ultra-nationalist Dashnaktsutiun⁵¹, who was considered as a threat for national security by his predecessor. Moreover, President Kocharian took advantage of the deadly parliament shooting on October 27, 1999 to consolidate his power and to strip the legislature of its prerogatives once and for all⁵².

Another consequence of the Parliament massacre – in which 8 politicians, including Prime Minister Vazgen Sarkisyan and Speaker of Parliament Karen Demirchyan, were killed by a commando led by Dashnaktsutyun activist Nairi Hunanyan⁵³ – was the freezing of the negotiations over the status of Nagorno

⁴⁸ European Commission for Democracy Through Law (Venice Commission) and OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR), *Joint final opinion on the electoral code of Armenia adopted on 26 May 2011*, Opinion No. 611 / 2011, CDL-AD(2011)032, Strasbourg, 17 October 2011, p. 19, available at:

[http://www.venice.coe.int/docs/2011/CDL-AD\(2011\)032-e.pdf](http://www.venice.coe.int/docs/2011/CDL-AD(2011)032-e.pdf) [Last accessed: September 4, 2012]

⁴⁹ Op. cit., Charlotte Hille, p. 251.

⁵⁰ Ibid. p.252

⁵¹ Gaïdz Minassian, « L'Internationale socialiste et les partis socialistes exilés du bloc communiste : le cas de la Fédération révolutionnaire arménienne Dashnaktsutiun », In *Revue d'études comparatives Est-Ouest*. Volume 32, 2001, N°3. 1989 comme mouvement social. L'Allemagne et l'Est européen. L'Eurasisme d'extrême droite en Russie. pp. 105-130 (p. 125), available at :

http://www.persee.fr/web/revues/home/prescript/article/receo_0338-0599_2001_num_32_3_3104 [Last accessed: September 4, 2012]

⁵² Armenia: an opportunity for statesmanship, international Crisis Group, Europe Report N°217, 25 June 2012, p.3, available at:

<http://www.crisisgroup.org/~media/Files/europe/caucasus/armenia/217-armenia-an-opportunity-for-statesmanship.pdf> [Last accessed: September 6, 2012]

⁵³ Журнал "Коммерсантъ Власть", №21 (423), May 25, 2001 Страна Наири. Олег Максименко <http://www.kommersant.ru/doc/268457> [Last accessed: September 4, 2012]

Karabakh. One has to note that the killing took place only a few hours after the departure from Armenia of U.S. Undersecretary of State Strobe Talbott who had come to Yerevan to defend the peace plan promoted by the OSCE's Minsk group⁵⁴. These events led to a new impasse in the negotiations, while the proposals were never made officially public. Former Minister of Defence and Prime Minister Serzh Sargsyan, who is also a native from Xhankandi (Stepanakert), succeeded to Robert Kocharian after the contested 2008 election, marking the domination of Karabakh politicians over the country⁵⁵.

C. Key component of Armenia's diplomatic rhetoric

During the first years of the Nagorno-Karabakh conflict, Armenia's position was largely relayed by media around the world, including in the United States, through the actions of the Armenian lobby in Congress. However, the fate of the Azeri refugees, as well as the numerous appeals launched by the international community for the withdrawal of occupying forces in Nagorno-Karabakh, have given more visibility to Azerbaijan. Moreover, the geographical location of Nagorno-Karabakh, which shares no border with Armenia, prompted Erevan to invade a larger part of the Azerbaijani territory to build a corridor with the contested land. Such deliberate and conscious infringements of the International law as well as the humanitarian consequences of the military operations have weakened Armenia's position on the international stage. This led to the adoption of four UN Security Council resolutions calling for the cessation of the hostilities and on the withdrawal of the occupying troops from occupied Azerbaijani districts^{56,57,58,59}.

⁵⁴ Fariz Ismailzade, "The Nagorno-Karabakh Conflict: Current Trends and Future Scenarios", *Istituto Affari Internazionali*, IAI Working Papers 11 | 29 – November 2011 p.5, available at: <http://www.iai.it/pdf/DocIAI/iaiw1129.pdf> [Last accessed: September 4, 2012]

⁵⁵ Charlotte Hille, op.cit. p. 252.

⁵⁶ UN Security Council, Resolution 822 (1993) Adopted by the Security Council at its 3205th meeting, on 30 April 1993, 30 April 1993, S/RES/822 (1993), available at: <http://www.unhcr.org/refworld/docid/3b00f15764.html> [Last accessed 4 September 2012]

⁵⁷ UN Security Council, Resolution 853 (1993) Adopted by the Security Council at its 3259th meeting, on 29 July 1993, 29 July 1993, S/RES/853 (1993), available at: <http://www.unhcr.org/refworld/docid/3b00f15a60.html> [Last accessed 4 September 2012]

For that reason, Armenia also got isolated in the region, and Iran therefore quickly appeared to be the single possible ally for Armenia on its direct border. Despite being an Islamic country with high percentages of ethnical Azeri populations, Iran indeed showed little commitment to help the Azerbaijani refugees crossing the Arax River to flee the Armenian offensives, fearing too much “fraternizing” with its own Azeri population⁶⁰. Iran was still recovering from the 1980-1988 war against Iraq on its western border and had to deal with a tremendous influx of refugees coming from Afghanistan. Consequently, it viewed the outbreak of the Karabakh conflict as a new threat for its internal security, this time coming from the North.

VI. Endangering U.S. assistance programs

A. A long and sustainable partnership

The United States have set up several assistance programs since Armenia became independent in 1991, provided the country with nearly \$2 billion in development and humanitarian aid. The U.S department of State indeed wanted to help the country “during its difficult transition from totalitarianism and a command economy to democracy and open market⁶¹.” USAID has provided a broad range of development programs aiming at ensuring basic humanitarian assistance and supporting economic, political and social transitions. Several mechanisms have been put in place to deliver this financial assistance, but it passed mainly through the October 1992’s FREEDOM Support Act (Freedom for Russia and Emerging Eurasian Democracies and Open Markets)⁶². In 2006, Armenia was also awarded a 235-million dollar “Millennium Challenge

⁵⁸ UN Security Council, Resolution 874 (1993) Adopted by the Security Council at its 3292nd meeting, on 14 October 1993, 14 October 1993, S/RES/874 (1993), available at:

<http://www.unhcr.org/refworld/docid/3b00f1684.html> [Last accessed 4 September 2012]

⁵⁹ UN Security Council, Resolution 884 (1993) Adopted by the Security Council at its 3313th meeting, on 12 November 1993, 12 November 1993, S/RES/884 (1993), available at:

<http://www.unhcr.org/refworld/docid/3b00f16520.html> [Last accessed 4 September 2012]

⁶⁰ Svante E. Cornell (1999), op.cit, p.39

⁶¹ “Background Note: Armenia”, U.S Department of State, Bureau of European and Eurasian Affairs, last modified on 22/03/2012. Available at:

<http://www.state.gov/r/pa/ei/bgn/5275.htm#relations> [Last accessed 4 September 2012]

⁶² Ibid.

Compact” (MCC) designed to reduce rural poverty⁶³. USAID has also allocated 2 million dollars annually for aid to Nagorno-Karabakh⁶⁴.

Aside from development aid, the United States also worked to improve the trade relations with Armenia. In 1992, the two countries also signed an "Agreement on Trade Relations," an "Investment Incentive Agreement" and a treaty on the "Reciprocal Encouragement and Protection of Investment", paving the way for a mutually-beneficial relationship. In 1999, the two countries also set up a bilateral commission that meets annually in order to deepen their economic ties. As of today, around 70 U.S. companies are present in Armenia, and major American firms such as Coca Cola, Microsoft, IBM or Dell are investing in the country⁶⁵. Besides, the Department of State and the Ministry of Energy of Armenia have signed a Memorandum of Understanding on unconventional and conventional energy resource in July 2011⁶⁶.

In the meantime, Armenia has also undertaken several initiatives to foster close ties with the United States. Although it hasn't supported the US-led intervention in Iraq in 2003, Armenia has indeed dispatched a 46-soldier strong peacekeeping unit in Iraq from early 2005 to late 2008⁶⁷. On January 14, 2009, President George W. Bush sent a letter to the office of his Armenian counterpart Serzh Sargsyan, expressing the “deep gratitude of the United States” for this military contribution⁶⁸. In the same way, NATO thanked Armenia on June 22, 2011, “for the decision of extending the service and the number of Armenian peacekeepers within the framework of the international security assistance

⁶³ Millennium Challenge Corporation, “Millennium Challenge Compact with Armenia”, Executive Summary, available at:

http://www.mcc.gov/documents/agreements/032706_armenia_compact_summary.pdf [Last accessed 4 September 2012]

⁶⁴ PanARMENIAN.Net, “U.S. approves aid to Armenia, Karabakh”, Dec. 21, 2011, available at: <http://www.panarmenian.net/eng/news/87160/> [Last accessed 4 September 2012]

⁶⁵ Op. cit, U.S. department of State.

⁶⁶ Ibid.

⁶⁷ “Armenian troops pull out of Iraq: US military”, *AFP*, Oct 7, 2008, available at: http://afp.google.com/article/ALeqM5jJANqGHYly4fh_F3IKdxJh0t1APQg [Last accessed 4 September 2012]

⁶⁸ “Bush thanks Armenia for helping Iraq secure its freedom”, PanARMENIAN.Net, Jan. 14, 2009, available at: <http://www.panarmenian.net/eng/world/news/28071/> [Last accessed 4 September 2012]

force (ISAF) in Afghanistan⁶⁹". According to the latest ISAF figures, there are today 126 Armenian soldiers present in the country⁷⁰.

B. Weight of the Armenian diaspora

According to reasonable estimates, around 1.5 million people of Armenian origin live nowadays in the United States, most of them concentrating in Massachusetts and California⁷¹. This relatively small community has played a major role in the development of the Armenian economy, mainly through joint ventures and charity foundations. One can cite the example of the Lincy Foundation of Las Vegas' billionaire Kirk Kerkorian, which was created in 1989 in response to the Spitak earthquake. The foundation has distributed hundreds of millions of dollars to various charitable programs and economic developments projects until 2011, when it decided to shut down its operation due to the deterioration of the social and political climate in Armenia⁷².

More important for the future of the U.S. – Armenia relationship have been the political activism and lobbying efforts of the Armenian organisations in America. The two Armenian lobbies – the Armenian National Committee of America (ANCA) and the Armenian Assembly of America (the Assembly) – have indeed succeeded to forge solid alliances in Congress, pressing for an increase of the U.S aid to Armenia, for the recognition of the independence of Nagorno-Karabakh and for the criminalization of Armenian genocide denial⁷³. The ANCA, which is an offspring of the Armenian Revolutionary Federation, also worked to block arms deal with Turkey and to prevent any U.S. financing of pipelines

⁶⁹ "NATO Thanks Armenia For Expansion Of ISAF Peacekeeping Mission In Afghanistan", *Yerevanreport.com*, Jun. 22, 2011 available at:

<http://www.yerevanreport.com/74311/nato-armenia-expansion-isaf-peacekeeping-mission-afghanistan/> [Last accessed 4 September 2012]

⁷⁰ Figures taken from the International Security Assistance Force website, section: Troop numbers and contributions, available at:

<http://www.isaf.nato.int/troop-numbers-and-contributions/index.php> [Last accessed 4 September 2012]

⁷¹ Figures taken from Armenia Diaspora.com, "Armenian population in the world", available at:

<http://www.armeniadiaspora.com/population.html> [Last accessed September 3, 2012]

⁷² "Dissolution of Lincy Foundation was politically motivated", *a1plus.a*, 16/02/2011

<http://www.a1plus.am/en/politics/2011/02/16/lincy>

⁷³ Gaïdz Minassian, *Caucase du Sud, la nouvelle guerre froide : Arménie, Azerbaïdjan, Géorgie*, Paris, Autrement, 2007, pp. 92 ff.

facilitating the export of Caspian Sea Oil⁷⁴. The Armenian lobbies haven't been successful in achieving these objectives but are still using a wide range of methods to defend the interests of Armenia on Capitol Hill.

The most significant evidence of the influence of the Armenian lobby over the geostrategic situation in the South Caucasus has been the maintenance of the section 907 of the FREEDOM Support Act until 2002⁷⁵. To recall, this provision prohibits Azerbaijan to benefit from direct US aid; making of Azerbaijan the only former Soviet republic in this case. It was passed in 1992 by the Clinton administration as a response to the Azerbaijani embargo of Armenia and was maintained unchanged until 9/11 despite a strong lobby from oil companies and pro-Turkish organisations in Washington⁷⁶. It is worth mentioning that the section 907 was not in accordance with the "Silk Road Strategy" act passed in 1997 and revived in 1999 to counter the growing Iranian influence in the Caucasus and Central Asia. The section 6 of the act therefore amended Section 907 of the Freedom Support Act "to provide the President with the authority to waive restrictions on assistance to the Government of Azerbaijan if it is in the national interest of the United States of America⁷⁷."

C. Growing U.S. irritation against Armenia

The evolution of the American assistance programs have blossomed regardless of the political conditions and of the democratic achievements of the country. However, a series of incidents have encouraged the United States to reconsider its position towards Armenia, the first being the disputed 2008 Presidential Election, which led to violent clashes between the police and protesters in the

⁷⁴ Ibid.

⁷⁵ See the positions papers issued by the ANCA on the issue of US aid to Azerbaijan: Armenian National Committee of America, Current Issues of Concern to the Armenian American Community, available at:

http://www.anca.org/hill_staff/position_papers.php [Last accessed September 3, 2012]

⁷⁶ FREEDOM Support Act (Enrolled Bill [Final as Passed Both House and Senate] - ENR), S.2532.ENR, 102nd Congress, 2nd session (1992), The Library of Congress "Thomas", available at:

<http://thomas.loc.gov/cgi-bin/query/C?c102:./temp/~c102frjj79> [Last accessed 4 September 2012]

⁷⁷ U.S. Senate, Committee on Foreign Relations, The Silk Road Strategy Act of 1999: Report Together with Minority Views (to accompany S. 579), (S. Rpt.106-45), p.23, GPO access, available at: <http://www.gpo.gov/fdsys/pkg/CRPT-106srpt45/pdf/CRPT-106srpt45.pdf> [Last accessed 4 September 2012]

streets of Yerevan⁷⁸. In reaction to these events, the U.S. Millennium Challenge Corporation (MCC) decided in May 2009 to freeze a 67-million dollar project aimed at rehabilitating rural roads, placing responsibility for this situation on the Armenian government⁷⁹. The Department of State had earlier denounced the irregularities of the February 2008 presidential election, which was described as “significantly flawed” in its Advancing Freedom and Democracy Reports⁸⁰.

Another incident had already disturbed the American-Armenian relationship December 2008. According to a diplomatic “secret” cable leaked in 2010 by Wikileaks, former deputy secretary of State John Negroponte wrote a letter to president Serzh Sargsyan, expressing America’s deep concerns about the transfer of Armenian weapons to Shiite militias fighting in Iraq⁸¹. According to this letter, these transfer to Iran of arms purchased in Bulgaria “resulted in the death and injury of U.S. soldiers in Iraq”. The U.S. embassy in Yerevan later informed the department of State about the “harsh reaction” from the Armenian government to this letter. It added that foreign minister Eduard Nalbandian had claimed that “U.S. actions could force Armenia to abandon complementarity as its foreign policy and choose to align itself with Russia⁸².”

⁷⁸ On this issue, see Human Right Watch’s report “Democracy on Rocky Ground” *Democracy on Rocky Ground, Armenia’s Disputed 2008 Presidential Election, Post-Election Violence, and the One-Sided Pursuit of Accountability*, Human Rights Watch, February 2009, available at: <http://www.hrw.org/en/node/80935/> [Last accessed 4 September 2012]

⁷⁹ “U.S. Cuts Millennium Challenge Aid To Armenia Over Worsening Democratic Practices”, Asbarez, 11/06/2009, available at: <http://asbarez.com/64178/u-s-cuts-millennium-challenge-aid-to-armenia/> [Last accessed 4 September 2012]

⁸⁰ “Advancing Freedom and Democracy Reports, May 2009”, U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, available at: <http://www.state.gov/j/drl/rls/afdr/2009/eur/122891.htm> [Last accessed 4 September 2012]

⁸¹ Harsh reaction from GoAm to deputy Secretary’s letter on Armenian arms transfer to Iran, O 311121Z DEC 08, FM AMembassy Yerevan to SecState WashDC Immediate 8482, Wikileaks, available at:

<http://wikileaks.org/cable/2008/12/08YEREVAN1051.html#> [Last accessed 4 September 2012]

⁸² Ibid.

Both sides have publicly denied any problems in their relationship, and Hillary Clinton stated that such kind of leaks wouldn't affect U.S. relations with allies⁸³. These incidents however proved that developing a closer alliance with Tehran wasn't without risks for Armenia. Indeed, the increasing tensions around the nuclear program of Iran and the growing strategic importance of the Caspian Sea hydrocarbon resources have changed the priorities of the U.S. policy in the region. As a result, the proposed U.S. budget for the fiscal year 2013 calls for 19% cut in economic aid to Armenia, with \$27,219,000 in Economic Support Fund (ESF) aid for the country⁸⁴. Aram Hamparian, the Executive Director of the Armenian National Committee of America expressed regrets that president Obama's proposed to cut the aid.⁸⁵”

VII. Consequences of the 2008 Georgian War

A. New political order in the South Caucasus

The arrival of Russian tanks into South Ossetia in midsummer or 2008 not only marked the affirmation by Moscow of its “natural right to pre-eminence” in the Caucasus Region⁸⁶. It was also the most decisive stop to the western ambitions in the region since the collapse of the Soviet Union. Less than six months before the military crisis, Georgia and Ukraine were hoping to join the NATO Membership Action Plan in the NATO Bucharest Summit, which would have paved the way for a formal adhesion⁸⁷. August war however sounded the death of these aspirations and demonstrated the incapacity – or the unwillingness – of

⁸³ Eli Lake, “WikiLeaks: Armenia sent Iran arms used to kill U.S. troops”, *The Washington Times* (Web), Nov. 29, 2010, available at:

<http://www.washingtontimes.com/news/2010/nov/29/wikileaks-armenia-sent-iran-arms-used-to-kill-us-t/?page=all> [Last accessed 4 September 2012]

⁸⁴ “President Obama calls for 19% cut in economic aid to Armenia”, *News.am*, Feb. 14, 2012, available at:

<http://news.am/eng/news/93192.html> [Last accessed 4 September 2012]

⁸⁵ Ibid.

⁸⁶ James Nixey, *The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia*, Russia and Eurasia Programme, June 2012, REP RSP BP 2012/03 p.15, available at:

http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0612bp_nixey.pdf [Last accessed 4 September 2012]

⁸⁷ U.S. Congressional Research Service, *Iran: Ethnic and Religious Minorities*, RL34415, Mar.12, 2008, by Paul Gallis (coord.), federation of American Scientists, p. 20 ff., available at:

<http://www.fas.org/sgp/crs/row/RL34415.pdf> [Last accessed 4 September 2012]

the United States to protect its regional allies. Russian troops eventually ended military operations without bringing the Georgian government down as they had already achieved their goals, namely the assertion of the “Putin doctrine”, or the Russian domination over the former republics of the Soviet Union⁸⁸.

Moreover, the war highlighted the fragility of the efforts undertaken in the Caucasus to consolidate the energy independence of the European Union and the security of its oil and gas supply. For several days in August 2008, the only export route of Caspian oil to the Western markets was indeed the Baku–Novorossiysk pipeline (or Northern Route Export Pipeline – NREP)⁸⁹. Although Russian troops did not attempt to take control over the Baku–Tbilisi–Ceyhan, the war delayed the resumption of its deliveries, which had been interrupted by an explosion on August 5 in Turkey⁹⁰. August 2008’s war was the conclusion of a long-lasting conflict between Russia and Georgia, but its consequences were felt far beyond the area.

One should also note that the war marked a turning point for the Russian diplomatic doctrine towards territorial disputes and separatism in the former Soviet Union. In a move that was largely interpreted as an answer to the Kosovo war in 1999, Russian President Dmitry Medvedev indeed recognised South Ossetia and Abkhazia as independent republics on August 26, 2008⁹¹. Although Moscow has repeatedly stated that it would not recognise the independence of Nagorno-Karabakh⁹², Armenia considered the war as a signal of support for its

⁸⁸ Svante E. Cornell, “War in Georgia, Jitters All Around”, in *Current History*, October 2008 – Russia and Eurasia, pp. 307-314 (p.309), available at:

http://www.currenthistory.com/pdf_org_files/107_711_307.pdf [Last accessed 4 September 2012]

⁸⁹ Mamuka Tsereteli, *The Impact of the Russia-Georgia War on the South Caucasus Transportation Corridor*, the Jamestown Foundation, 2009, p.11, available at:

http://www.jamestown.org/uploads/media/Full_Mamuka_RussiaGeorgia.pdf [Last accessed September 4, 2012]

⁹⁰ *Ibid.*, p.13

⁹¹ The President of Russia, Statement by President of Russia Dmitry Medvedev, Aug. 26, 2008, available at:

http://archive.kremlin.ru/eng/speeches/2008/08/26/1543_type82912_205752.shtml [Last accessed September 4, 2012]

⁹² “Foreign ministry: Russia does not recognize Nagorno-Karabakh as independent state”, *Trend*, Jul. 20, 2012, available at:

<http://en.trend.az/news/karabakh/2048720.html> [Last accessed August 28, 2012]

claims. Indeed, the separatist authorities in Xhankandi (Stepanakert) issued a statement welcoming “the fact of recognizing the state independence of South Ossetia and Abkhazia, [which] completely corresponds to the main principles of nations’ right to self-determination⁹³.”

B. Has Yerevan become a pawn of the Russian game?

Armenia had developed a difficult diplomatic relationship with Georgia throughout their existences as independent states. Both countries have indeed opposite views about what should be their relations with Russia and the United States. Over the years, Tbilisi had chosen to align itself more and more openly with Washington. At the same time, Erevan continued to privilege military ties with Moscow, both on a bilateral basis and within the framework of the Collective Security Treaty Organization⁹⁴. We have seen earlier that Armenia has also developed its cooperation with the U.S. and NATO within the framework of partnership for peace and by sending troops in Iraq and Afghanistan. However, it never joined the GUAM organisation, Organization for Democracy and Economic Development, which was increasingly perceived as an anti-Russian bloc uniting Georgia, Ukraine, Azerbaijan and Moldova⁹⁵.

Moreover, the commissioning of the Baku–Supsa and Baku–Tbilisi–Ceyhan oil pipelines as well as the Baku–Tbilisi–Erzurum natural gas pipeline had made of Georgia a key element of the Caucasian energy corridor⁹⁶. In this way, the country permitted Azerbaijan to gain economic weight by exporting hydrocarbons to the western markets and by liberating itself from the need to use Russian transit infrastructure. The energy policy has been a critical factor in Azerbaijan’s state building efforts since 1991⁹⁷. Especially in the context of

⁹³ Office of the Nagorno Karabakh Republic, “The Nagorno Karabakh Republic Welcomes the Recognition of South Ossetia and Abkhazia”, Aug. 27, 2008, available at:

http://www.nkrusa.org/nk_conflict/statements.php?id=16 [Last accessed August 28, 2012]

⁹⁴ Global Security.org, Armenian military guide, section: doctrine, available at :

<http://www.globalsecurity.org/military/world/armenia/doctrine.htm> [Last accessed September, 4 2012]

⁹⁵ Natalia Makarova, “Saakashvili eyes reviving anti-Russian bloc”, *Russia Today*, August 17, 2010, available at:

<http://rt.com/politics/saakashvili-moldova-guam-belarus/> [Last accessed September 4, 2012]

⁹⁶ Lusine Badalyan, op. cit., p.4

⁹⁷ Gaïdz Minassian, op. cit. (2007), pp. 107 ff.

the frozen-conflict over Nagorno-Karabakh, any attempts to undermine Azerbaijan's energy exports might legitimately be seen in Baku as a threat to national security.

According to this approach, the Georgian war was a strategic progress for Armenia, because it has undermined a network of alliances opposed to its own interests. It has also undermined the regional position of Turkey, which risked finding itself at odds with either its historic American ally or with his major Russian trade partner. This led to the suspension of the normalisation process between Erevan and Ankara⁹⁸. Taking advantage of its relative weakening, Russia indeed urged Ankara to separate a potential rapprochement with Armenia from the Nagorno-Karabakh issue⁹⁹. In the same way that it prompted Erevan to relay on the Moscow-Tehran axis to assure its economic supply, the whole situation proved once more it had little choice but to side along Russia in order to strengthen its own position on the regional arena.

C. Reinforcement of Tehran's strategic choices

We discussed it above; Russia's intervention in Georgia in August 2008 was without any doubt the reaffirmation of Moscow's role as the natural leader of the Caucasus region. It also appeared to be a setback for the alliance network forged by the United States and Turkey in the region. Although it didn't prompt Armenia or Iran to recognise the independence of Abkhazia and South Ossetia¹⁰⁰, the war therefore coincidentally strengthened their own regional

⁹⁸ "Armenia suspends normalisation of ties with Turkey", *BBC News*, Last updated Apr. 22, 2012, available at:

<http://news.bbc.co.uk/2/hi/8636800.stm> [Last accessed September 4, 2012]

⁹⁹ Nona Mikhelidze, *The Turkish-Armenian Rapprochement at the Deadlock*, *Istituto Affari Internazionali*, Documenti IAI 10 | 05 – March 2010, P.7, available at:

<http://www.iai.it/pdf/DocIAI/iai1005.pdf> [Last accessed September 4, 2012]

¹⁰⁰ "Iran Not to Recognize Abkhazia, S. Ossetia's Independence Soon", *FARS News agency*, Feb. 7, 2009. Available at:

<http://english.farsnews.com/newstext.php?nn=8711191718> [Last accessed September 4, 2012]

network. Most significantly, the war forced Azerbaijan to find temporary exit routes to export its oil through Russia and Iran¹⁰¹, both Armenia's allies.

It also made Turkey feel insecure for its own strategic interests, prompting the AKP government to rejuvenate its Caucasus Stability and Cooperation Platform initiative (CSCP)¹⁰². Still, the process failed as Russia and Armenia attempted to intensify pressure on Turkey, in order to consolidate their position in Nagorno-Karabakh. Moreover, Armenia pointed out that CSCP couldn't achieve its goals without Iran's participation¹⁰³. It was indeed clear that Armenia had no intention to relinquish its position in the Armenia-Iran-Russia axis or improve the Armenian-Turkish relations to the detriment of its special relationship with Iran. Eventually, the rapprochement with Turkey didn't go much further than the establishment of a "soccer-diplomacy" and the signature of a series of protocols which have gone largely unheeded¹⁰⁴.

While the August 2008 war was considered worldwide as a hugely impressive display from Russian military force, it could also be considered beneficial at first sight for Armenia. However, it called into question Yerevan's strategic goal of maintaining a balanced relationship between Moscow and Washington. In the new political landscape generated by the Russian intervention, Armenia was left with little choice but to consolidate its position in the north-south Moscow-Tehran axis. At the same time, the situation reinforced the validity of Tehran's geostrategic choice of being close to Yerevan in order to secure Moscow support.

¹⁰¹ Mamuka Tsereteli, op. cit., p.11

¹⁰² Eleni Fotiou, "*Caucasus Stability and Cooperation Platform*": *What is at Stake for Regional cooperation?*, ICBS policy Brief n°16, June 2009, p.4. available at: http://icbss.org/media/129_original.pdf [Last accessed September 4, 2012]

¹⁰³ Ibid., p.11

¹⁰⁴ Nona Mikhelidze, op. cit., p.3

VIII. “The enemy of my enemy is my friend” – Tensions between Azerbaijan and Iran

A. Defiance against Turkey

1. Regional equilibrium after the collapse of the USSR

With the Ottoman collapse and soon after the establishment of the Republic in 1923, Turkey ceased to affirm its ambitions in the Caucasus region and in Central Asia. Apart from visits of Süleyman Demirel in Baku and Tashkent – where he was welcomed by huge crowds in the 1960s¹⁰⁵ – Ankara paid no particular attention to the fate of its eastern brothers during much of the 20th century. The only determining factors for the present situation are decisions taken by the Soviet Union to ensure good relationship with Turkey before the Second World War. Among these decisions was the maintenance of Nakhichevan and Nagorno-Karabakh under the rule of the Azerbaijani republic, which was a provision of the “Treaty of Brotherhood and Friendship” of 1921¹⁰⁶.

This state of things has changed drastically after the collapse of the Soviet Union. As soon as 1991, the head of states of the Turkish-speaking republics of Central Asia multiplied visit in Ankara to get the support of their western “big brother”. In turn, Ankara created a “Türk dünyası” (Turkish World) department in its Foreign Affairs ministry¹⁰⁷, and prominent Turkish politicians such as Hikmet Çetin, Süleyman Demirel and Turgut Özal made trips to Baku, Almaty, Bichkek, Tashkent and Ashkhabad in order to develop a partnerships policy¹⁰⁸. Some authors even wrote about the apparition of “neo-turanist rhetoric” in Turkey and in the Turkish-speaking nations of the former USSR¹⁰⁹.

¹⁰⁵ Karpat, Kemal H., «Turkish Soviet relations », in Karpat, Kemal H. (dir.), *Turkey's Foreign Policy in Transition, 1950-1974*, Leiden, Brill Academic Publishers. P.103.

¹⁰⁶ Svante E. Cornell, op.cit. (1999), p.8

¹⁰⁷ Balci Bayram, « Les relations entre la Turquie et l'Asie centrale turcophone 1991-2004 », *Outre-Terre*, 2005/1 no 10, pp. 297-315 (p.301), available at :

<http://www.cairn.info/revue-outre-terre-2005-1-page-297.htm> [Last accessed September 4, 2012]

¹⁰⁸ Henry Ale, “Islam, State-building and Uzbekistan Foreign Policy”, in Ali Banuazizi and Myron Weiner (ed.), *The New Geopolitics of Central Asia and Its Borderlands*, Bloomington and Indianapolis, Indiana University Press, 1994, pp.136-174 (p.157)

¹⁰⁹ Gareth H. Jenkins, op.cit., p.18

In addition, the United States encouraged Turkey to get more involved in the region, to counter a possible rise of the Iranian influence. Hence, the diplomatic landscape since the fall of the Soviet Union tended towards the construction of two networks of alliances opposed to each other: from one part a pro-western horizontal axis linking Baku, Tbilisi and Ankara by drawing a geopolitical East-West line, and from the other part a vertical axis linking Moscow, Yerevan and Tehran by drawing a geopolitical North-South line¹¹⁰. Today, Armenia and Iran therefore consider their role once again as a fence against the growing influence of Turkey in the Caucasus and even in Central Asia.

2. Influence of internal political changes

These strategic directions responded both to international commitments and to the own interests of the local actors. However, a series of internal political developments has brought some significant changes during the 1990s and 2000s. As we have seen earlier, Azerbaijan adopted a more balanced position between Turkey and Russia after the accession of power of Hedar Alyev in 1994¹¹¹. This ideological shift allowed the country to secure better relationship with Moscow, although contacts with Iran remained tense due to disagreements over the Caspian Sea oil resources¹¹².

In a similar way, the electoral victory of the AKP in Turkey marked the opening of a new chapter of the relationship between Tehran and Ankara. After timid beginnings caused by the necessity for the Turkish Islamists to reassure their European and American allies, the government of Recep Tayyip Erdogan made a series of moves intended to improve relations with its eastern Shiite neighbour in the framework of its “zero-problems with the neighbours” policy¹¹³. Since

¹¹⁰ Gaïdz Minassian, « Caucase du Sud : les enjeux de la coopération régionale », in *Politique étrangère*, N°3 - 2002 - 67e année pp. 715-731 (p.722), available at :

http://www.persee.fr/web/revues/home/prescript/article/polit_0032-342X_2002_num_67_3_5217
[Last accessed September 4, 2012]

¹¹¹ Charlotte Hille, op.cit., p.268

¹¹² Cf. supra VIII.C.2

¹¹³ Varun Vira, Erin Fitzgerald and Brandon Fite, “The United States and Iran: Competition involving Turkey and the South Caucasus”, in Anthony Cordesman, Adam Mausner and Aram Nerguizian (dir.), *U.S. and Iranian Strategic Competition*, Center for Strategic & International Studies, March 2012, chapter 9, p.12, available at:

December 2002, Ankara and Tehran multiplied friendship declarations and goodwill gestures, and Turkey even took distances itself from its Western allies on the Iranian nuclear issue, negotiating a “deal” with the participation of Brazil¹¹⁴.

The *Mavi Marmara* incident off Gaza coasts also stirred tensions with Israel, driving Turkey further towards “multidirectionalism”¹¹⁵. It must also be noted that Turkey and Iran had a common interest to fight against Kurdish nationalists after the fall of Saddam Hussein in 2003 and the emergence of the PJAK in Iran¹¹⁶. On the economic level, Turkey increased of its energy import from Iran until 2012 and numerous Iranian companies settled in Turkey, partly to evade the consequences of the international embargo. It is worth mentioning that it coincided with warming attempts between Ankara and Yerevan recounted above¹¹⁷.

3. Back to basics

Yet, many cooperation projects went unheeded and the two countries never developed an alliance. Although Ankara affirmed increasing regional ambitions, it never completely abandoned its former alliances, especially in the Caucasus. The opening of the Baku-Tbilisi Ceyhan pipeline highlighted concurrence with Iranian oil exports. Moreover, Turkey has diversified its sources from import in the last years to answer international sanctions¹¹⁸. The Arab spring has also driven a new wedge between Turkey and Iran. The fall of the Tunisian, Libyan

http://csis.org/files/publication/120309_Iran_Chapter_VIII_Turkey_Caspian.pdf [Last accessed September 4, 2012]

¹¹⁴ “Iran signs nuclear fuel-swap deal with Turkey”, BBC News, Last updated May 17, 2010, available at:

http://news.bbc.co.uk/2/hi/middle_east/8685846.stm [Last accessed September 4, 2012]

¹¹⁵ U.S. Congressional Research Service, *Israel’s Blockade of Gaza, the Mavi Marmara Incident, and Its Aftermath* (RL41275; Nov. 23, 2010), by Carol Migdalovitz, Federation of American Scientists, p.15, available at:

<http://www.fas.org/sgp/crs/mideast/R41275.pdf> [Last accessed September 4, 2012]

¹¹⁶ “Turkey, Iran step up fights on PKK, PJAK”, *Hürriyet Daily News* (Web), Jul. 26, 2011, available at: <http://www.hurriyetaidailynews.com/default.aspx?pageid=438&n=turkey-iran-step-up-fights-on-pkk-pjak-2011-07-26> [Last accessed September 4, 2012]

¹¹⁷ Cf. VII.B

¹¹⁸ Abdullah Bozkurt, “Turkey uneasy with mushrooming Iranian firms, fears clash with allies”, *Today’s Zaman* (WEB), Mar. 4, 2012, available at:

http://www.todayszaman.com/newsDetail_getNewsById.action?newsId=273196 [Last accessed September 4, 2012]

and Egyptian regimes indeed allowed Recep Tayyip Erdogan to demonstrate solidarity towards the Arabian people while affirming his assert its regional ambitions during a triumphant tour in Cairo, Tripoli and Tunis¹¹⁹. Moreover, Ankara and Tehran adopted completely opposite approaches of the Syrian and Bahraini crisis, mainly due to their religious difference.

In June 2012, Turkey's Energy and Natural Resources Minister Taner Yildiz, stated that his country was planning to further reduce the amount of oil it buys from Iran, replacing it with Saudi and Libyan oil¹²⁰. The minister stated that the country's main oil company Tüpras (Turkey's sole refiner and a unit of Koç Holding) had already agreed with Libya on the purchase of one million tons of oil. Moreover, he said that negotiations on the spot purchases of oil with Saudi Arabia are already underway. Taner Yildiz has stressed the point that, if the negotiations will turn to be successful as planned, Turkey will also increase further the volume of its oil imports from Saudi Arabia.

So far, Iran has been meeting up to a third of Turkey's oil demand, or approximately 200,000 barrels of oil per day¹²¹. However, Ankara already cut down imports up to 140,000 barrels per day in May from an average of 210, 000 barrels per day in the first four months of this year. Expressing her satisfaction, U.S. Secretary of State Hillary Clinton announced on June 11 that Turkey would be among 7 countries exempted from financial sanctions for its economic cooperation with Iran, along with India, Malaysia, South Korea, South Africa, Sri Lanka and Taiwan¹²². Taner Yildiz emphasized that the reduction of the

¹¹⁹ Gönül Tol, "Erdogan's Arab Spring Tour", Middle Eastern Institute, Sep.21, 2011, available at: <http://www.mei.edu/content/erdogans-arab-spring-tour> [Last accessed September 4, 2012]

¹²⁰ "Türkiye, İran'a alternatif ham petrol ithalatı peşinde" ("Turkey seeks alternative crude oil imports to Iran"), Posta (WEB), June 12, 2012, available at: http://www.posta.com.tr/ekonomi/HaberDetay/Turkiye_Iran_a_alternatif_ham_petrol_ithalati_pe_sinde.htm?ArticleID=124988 [Last accessed September 5, 2012]

¹²¹ "Türkiye'den İran'a AMBARGO" ("Embargo from Turkey to Iran"), Son Haberler (WEB), March 31, 2012, available at: <http://www.sonhaberler.com/turkiyeden-irana-ambargo-86786h.htm> [Last accessed September 5, 2012]

¹²² Indira A.R. Lakshmanan, "U.S. Exempts India, South Korea From Iran Oil Sanctions", Bloomberg (WEB), Jun. 12, 2012, available at: <http://www.bloomberg.com/news/2012-06-11/u-s-exempts-seven-countries-from-iran-oil-sanctions-1-.html> [Last accessed September 5, 2012]

cooperation level with Iran wasn't linked to possible U.S. sanctions against Turkey, which would have "no legal basis", adding that Turkey had an "independent energy policy¹²³."

B. Iranian fears of Azeri irredentism

1. Apparition of ethnical identities in Iran

The territories making up modern days Azerbaijan were part of the various Persian empires for most of their history, and the name of the country has been used repeatedly in the context of the ancient history of Persia. As we have pointed out above, Iran indeed owes to Azerbaijan one of its most glorious imperial dynasties: the Safavids¹²⁴. Even now, there is a Perso-centrist ideological tendency in Iran demanding the return of Azerbaijan within a single Iranian nation-state, in the name of "historical justice¹²⁵".

From the late nineteenth century and through the first half of the 20th century, Iran increasingly played the card of identity-related nationalism to resist the British and Russian colonial ambitions. The assertion of Persian nationalism movement culminated in the Persian revolution of 1905-1909 and in the installation of the Pahlavi dynasty in 1925¹²⁶. Hence, from being an integral part of a Muslim empire defending global aspirations for most of its history, the Azeri population living south of the river Aras slightly became the main minority of a new nation-state defined first with reference to its Persian identity.

Although precise figures are difficult to gather, it is estimated that around 20 million Azeri are living in present-day Iran. It is to say that around 16% of the

¹²³ *Posta*, op.cit.

¹²⁴ Cf. supra **Erreur ! Source du renvoi introuvable.**

¹²⁵ Nassib Nassibu, "Azerbaijan-Iran Relations : Past and Present", in *Journal of Azerbaijani Studies*, available at:

<http://dSPACE.khazar.org/jspui/bitstream/123456789/172/3/N.%20Nasibli.pdf> [Last accessed September 4, 2012]

¹²⁶ See Edward G. Browne, *The Persian Revolution of 1905-1909*, ed. By Abbas Amanat, Mage Publishers, 2006 and Reza Ghods, "Iranian Nationalism and Reza Shah", *Middle Eastern Studies* Vol. 27, No. 1 (Jan., 1991), pp. 35-45, available at:

<http://www.jstor.org/stable/4283413> [Last accessed September 5, 2012]

overall population of the country is ethnically Azeri¹²⁷. They suffered persecution throughout the 20th century under the Pahlavi dynasty, but most of them reclaimed their place in the Iranian society after the fall of the monarchy in 1979. The Azeri community has a significant economic weight, and several of its members hold important positions in the State apparatus, including in the armed forces. It is worth mentioning that the Supreme leader of Iran, Grand Ayatollah Ali Hosseini Khamenei and former Prime minister and opposition leader Mir Hossein Mousavi are ethnic Azeri's and were both born in the province of East Azerbaijan^{128,129}.

2. Consequences of the soviet collapse

However, the creation of an Independent Azeri state in 1991 led to a disruption of structures and balances of Iran. The continuing discriminations against Azeri culture and the broken-promises of the Islamic revolution called into question the community's attachment to the Iranian State¹³⁰. Moreover, while the country was facing a deep economic crisis after the end of the Iran-Iraq war in 1988, many Azeri saw the new born resource-rich state as an opportunity to improve their life conditions. As soon as 1989, populations living both sides of the border removed the physical barriers between Iran and the Azerbaijani exclave of Nakchivan. There has soon been a rise in economic exchanges and trade between the local populations, who were also quick to build family connections. Added to the accelerated spreading of the Turkish popular culture, this phenomenon prompted the population living along the border to redefine their collective identity, augmenting their self-perception as Azerbaijani¹³¹.

The main fears over the apparition of an Azeri irredentism emerged during the presidency of Abulfaz Elchibey in 1992. The latter indeed led the "Greater

¹²⁷ Op. Cit., Central Intelligence Agency, The World Factbook page on Iran, section: People and society

¹²⁸ The Office of the Supreme Leader, Sayyid Ali Khamenei, Biography, available at: <http://www.leader.ir/langs/en/index.php?p=bio> [Last accessed September 5, 2012]

¹²⁹ "Profile: Mir Hossein Mousavi", BBC News, last updated Jun. 16, 2009, available at: http://news.bbc.co.uk/2/hi/middle_east/8103851.stm [Last accessed September 5, 2012]

¹³⁰ Svante Cornell, op.cit. (1999), p.86

¹³¹ Brenda Shaffer, *Borders and Brethren: Iran and the Challenge of Azerbaijani Identity*, Cambridge, MIT Press, 2002, P.207

Azerbaijan” campaign¹³². After the outbreak of the Nagorno-Karabakh war, the Iranian government received with much displeasure the calls from the Azeri in favour of their brothers driven away from their homes just north of the border. Tehran had indeed hoped to use the conflict as a mean of applying pressure on Baku, within the only limit of avoiding a spreading of the fighting. For this reason, Iran preferred funding internally displaced person (IDP) camps in Azerbaijan, in order to keep away thousands of refugees who had crossed the river Aras to escape the Armenian offensives in 1993¹³³.

The strong Iranian Azeri community – which could have been perceived as an asset to build a strong relationship– has therefore been a deep cause of tension between the two neighbours since 1991. In the same time, hardliners in Tehran claimed that the solution to the Azeri question would be the reunification of southern and northern Azerbaijan into the Islamic republic of Iran. Moreover, the Iranian authorities constantly denied the rights of the Azerbaijani minority to be educated in its own language, insisting on the exclusively Persian nature of the State.¹³⁴

3. An essential component of Iranian-Azeri bilateral relationship

The raise of the national feeling among the Azeri community in Iran resulted in the creation of the National Liberation Movement of South Azerbaijan (NLMSA)¹³⁵. The party had little concrete impact due to the diversity of political demands inside the Azeri community; but many of its leading members were repeatedly prosecuted, and some were sentenced to death¹³⁶. The honorary chairman of the NLMSA, Mahmudali Chehregani, was arrested on several

¹³² Kaweh Sadegh-Zadeh, “Iran’s Strategy in the South Caucasus”, in *Caucasian review of International Affairs*, vol. 2 (1) - winter2008, pp. 35-41 (p.38), available at: http://www.cria-online.org/Journal/2/Iran's%20Strategy%20in%20the%20South%20Caucasus%20by%20Kaweh%20SadeghZadeh_done.pdf [Last accessed September 4, 2012]

¹³³ Svante E. Cornell, op.cit. (1999), p.39

¹³⁴ U.S. Congressional Research Service, op.cit. (2008), p.5

¹³⁵ Svante E. Cornell, *Azerbaijan since independence*, Armonk, N.Y., M.E. Sharpe, 2011, p.323

¹³⁶ Ibid.

occasions and engaged in a hunger strike¹³⁷ before he was allowed to flee to Baku¹³⁸. Azerbaijan also accused Iran of having ordered the killing of Iranian Azeri leader Piruz Dilanci, who was living in Baku¹³⁹. It is lastly worth mentioning that Iran also expressed his deep discontent over the efforts of the Azerbaijani authorities to organize a diaspora through the World Azerbaijani Congress¹⁴⁰.

On the other hand, the number of protests also increased in the late 1990's and in the years 2000, with extremely violent civil unrest incidents in 2000 and 2003 in Tabriz¹⁴¹. Even the relative liberalisation under President Mohammad Khatami has been unsuccessful to bring calm and stability and to end the discrimination against the Azeri community. In 2006, the publication in the Iranian weekly magazine of a cartoon depicting a child talking in Persian to a cockroach speaking in Azerbaijani language set off a wave of protests in the cities of Tabriz and Urmia¹⁴².

In answer, Iran tried to exacerbate the ethnic feeling of the Iranian speaking Talysh minority in the south-eastern part of Azerbaijan¹⁴³, and to recruit agents among this community¹⁴⁴. Tehran also allegedly offered financial assistance to the Islamic Party of Azerbaijan and to radical movements such as the Jeyshullah and the Hizbullah, hence attempting to undermine the authority of the secular

¹³⁷ Amnesty International, Iran: Health concern/Unfair trial - Dr Mahmudali Chehregani, AI Index: MDE 13/011/2000, May 24, 2000, available at:

<https://www.amnesty.org/fr/library/asset/MDE13/011/2000/en/4717bf32-b4ca-495d-8b2d-e7106b55ec88/mde130112000en.pdf> [Last accessed Aug. 30, 2012]

¹³⁸ Svante E. Cornell, op.cit. (2011), p.327

¹³⁹ Ibid., p.323

¹⁴⁰ Ibid., p. 328

¹⁴¹ Ibid., p. 460

¹⁴² "Iran: Azeris unhappy at being butt of national jokes", Integrated Regional Information Networks reports, May 25, 2006, available at:

<http://www.irinnews.org/Report/26910/IRAN-IRAN-Azeris-unhappy-at-being-butt-of-national-jokes> [Last accessed September 4, 2012]

¹⁴³ Kaweh Sadegh-Zadeh, op.cit., p.38

¹⁴⁴ Khazri Bakinsky and Mina Muradova, "Azerbaijan: US-Iran Tensions Cause for Minority Arrests?", *Eurasianet.org*, March 4, 2007 available at:

<http://www.eurasianet.org/departments/insight/articles/eav030507a.shtml> [Last accessed September 5, 2012]

government ruling in Baku¹⁴⁵. Tehran has also constantly refused the opening of an Azerbaijani consulate in the city of Tabriz, the capital of Iran's East Azerbaijan province, until 2004¹⁴⁶. The accession of power of Mahmoud Ahmadinejad in 2005, which marked the end of the "liberal parentheses", caused a new wave of repression against the country's ethnic and religious minorities: Kurds, Balochs, Ahwazi Arabs and also Azeris¹⁴⁷.

C. Struggle for Caspian Sea's resources

1. A crucial geopolitical issue

The Caspian region is an emerging subject in the international geopolitics due to major oil discoveries and planned transportation routes. The Caspian Sea has become both a meeting point and a point of contention between its littoral states: Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan, due to the diverse political, religious and cultural systems of each state. With a surface of 378,000km¹⁴⁸, the Caspian Sea is the world's largest enclosed body of water. It is bounded to the north-west by Russia, to the north-east by Kazakhstan, to the south-east by Turkmenistan, to the south by Iran and to the west by Azerbaijan. Despite its name, there has been a wide controversy between the littoral states over its legal status (is it a sea or a lake?) and its legal regime.

While only two states have shared sovereignty over its water for most of the 20th century, the collapse of the Soviet Union called into question the *modus vivendi* inherited from the Soviet-Persian Treaty of Friendship of 1921, which gave equal rights to navigation for both countries¹⁴⁹. However, it didn't address

¹⁴⁵ Svante E Cornell, *The Politization of Islam in Azerbaijan*, Silk Road Paper October 2006, Central Asia-Caucasus Institute & Silk Road Studies Program, 2006, p.43, available at: <http://www.silkroadstudies.org/new/docs/Silkroadpapers/0610Azer.pdf> [Last accessed August 30, 2012]

¹⁴⁶ Svante E Cornell, op. cit. (2011), p. 335

¹⁴⁷ European Parliament resolution of 14 June 2012 on the situation of ethnic minorities in Iran (2012/2682(RSP)), available at: <http://www.europarl.europa.eu/document/activities/cont/201206/20120628ATT47832/20120628ATT47832EN.pdf> [Last accessed August 30, 2012]

¹⁴⁸ Global International Waters Assessment, Caspian Sea, GIWA Regional assessment 23, United Nations Environment Programme, 2006, p.14, available at: http://www.unep.org/dewa/giwa/areas/reports/r23/giwa_regional_assessment_23.pdf [Last accessed September 5, 2012]

¹⁴⁹ Charlotte Hille, op.cit. (2010), p.272

the issue of the natural resources apart from fisheries agreements. The two countries signed two additional treaties over Navigation and Commerce in 1935 and 1940¹⁵⁰, in order to address other issues such as oil and gas exploration and drilling. According to the 1940's treaty, the Caspian Sea has been declared as a belonging of the two countries, which have excluded ships flying flags of third states to navigate the sea¹⁵¹. Such a status recognized by the international community provided both countries to have the same rights of navigation and fishing, and up to 10 nautical miles from its coast each party had the exclusive right to use this space.

Caspian's status however became questionable since the collapse of the Soviet Union, although its "successor states" cannot unilaterally abandon the implementation of the past treaties without the adoption of a new agreement between all the littoral states¹⁵². The conclusion of such agreement was however made extremely difficult because all the actors issued opposite claims, mainly regarding their own interest concerning fishing rights and oil and gas reserves. Over the past 3 years, Kazakhstan and Russia signed dozens of documents to address the border dispute, the most important being the Russian–Kazakh treaty of 6 July 1998¹⁵³. Afterwards, the similar agreement was reached between Russia and Azerbaijan and Kazakhstan and Azerbaijan. However, they were never able to agree on the most important "medial line" so far. In the same context, Iran and Azerbaijan have adopted diametrically opposed position in this dispute, hence exacerbating tensions between each other.

¹⁵⁰ Barbara Janusz, *The Caspian Sea Legal Status and Regime Problems*, Chatam House, Russia and Eurasia Programme REP BP 05/02, August 2005, p.2, available at: http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/bp08_05caspian.pdf [Last accessed September 5, 2012]

¹⁵¹ Ibid.

¹⁵² Ibid., p.3

¹⁵³ "Agreement between the Russian federation and the Republic of Kazakhstan on Delineation of the Caspian Seabed for Exercising Sovereign Rights to Subsoil Use", in Igor S. Zonn et al., *The Caspian Sea Encyclopedia*, Berlin, Springer, 2010, p.6

2. Importance for both Iran and Azerbaijan to secure their portion of the sea regarding the presence of oil fields

Securing its share of the sea's energy resources is vital for Azerbaijan, which has based its economic development and political stability on oil and gas exploitation. Up to 90% of Azerbaijan's total oil reserves are related to offshore Caspian Sea oil and gas, which are a key condition for the development of the state, the well-being of its population and, ultimately, to the very existence of the country¹⁵⁴. For these reasons, Azerbaijan is the only of the "Caspian Five" which has constitutionally secured sovereignty over "its" part of the sea¹⁵⁵. Furthermore, this strategic implication of the debate explains why Baku has been to reject Russia and Iran claims concerning the sea status.

According to Azerbaijani energy experts and politicians, the absence of a settlement on the legal status of the Caspian Sea is the product of Iranian comments supporting the Russian position¹⁵⁶. Iran hasn't been able to develop its production of energy resources in the region, most of its industry being located in the South and in the Persian Gulf. In contrast to other countries of the region, it had never announced significant oil findings in its section of the southern Caspian Sea until 2012¹⁵⁷. In consequence, Iran remains committed to the "condominium" approach – it is to say the common possession of the sea, including its natural resources, by the 5 littoral states. If such solution cannot be achieved, Iran would advocate the division of the Caspian into five equal shares (20% each)¹⁵⁸. According to most experts' analyses, a number of major hydrocarbon blocks in the southern part of the Sea are located in such a way

¹⁵⁴ Emmanuel Karagiannis, *Energy and Security in the Caucasus*, Routledge Curzon, 2002, p.15

¹⁵⁵ "Azərbaycan Respublikasının Konstitusiyası" (Constitution of the Republic of Azerbaijan), page 3, 11th section - part two, available at: http://www.azerbaijan.az/portal/General/Constitution/doc/constitution_a.pdf [Last accessed September 5, 2012]

¹⁵⁶ Günel Türksoy, "Xəzərin hüquqi statusu niyə həll olunmur?" ("Why the legal status of the Caspian Sea is unresolvable?"), *Gündelik Baku* (WEB), Apr. 10, 2012, available at: <http://gundelik-baku.com/index.php?newsid=5379#.UDM3ZGCJnLY> [Last accessed September 5, 2012]

¹⁵⁷ Ladane Nasser and Ayesha Daya, "Iran Finds Its First Caspian Sea Oil For More Than A Century", *Bloomberg* (WEB), May 20, 2012, available at: <http://www.bloomberg.com/news/2012-05-20/iran-finds-first-caspian-sea-oilfield-in-104-years-fars-reports.html> [Last accessed September 5, 2012]

¹⁵⁸ Barbara Janusz, op.cit. (2012), p.6

that they will nevertheless remain in junction zones with other states even if Tehran gets a 20% share¹⁵⁹.

These differences in interpretation of the status of the Caspian Sea have led to a serious clash of interests of Azerbaijan and Iran. Baku repeatedly accused Iran of intending to develop unduly oil fields located south of the Astara-Gasan-Kuli line, which Tehran considers as a part of its territory. In turn, Tehran has demanded an official note from Azerbaijan to stop research in the field of Alborz (in Azerbaijani version - Alov), to which Iran has claims¹⁶⁰. Regardless of the validity of these claims, one should keep in mind that both Iran and Russia aims at using these territorial disputes to minimize the growing U.S. influence in the region and keep their grip on oil and gas exports to world markets.

3. Security consequences of territorial tensions

Beyond its rhetorical aspect, the Iranian-Azeri opposition over the Caspian Sea has also produced a certain number of standoffs caused by both Russian and Iranian threats against Azerbaijan's gas and oil infrastructures. On July 23, 2001, an Iranian armed ship forced the Azerbaijani research vessel "Geophysicist-3", which was operated by BP, to leave the Alov area¹⁶¹. Iran's Oil Ministry later issued a statement saying that Tehran would consider invalid any contract made by foreign companies for unauthorized exploration and prospecting in the Iranian sector¹⁶². Another consequence of the incident was the announcement by BP off the suspension of all maritime activity at the Araz-Alov-Sharg field¹⁶³.

¹⁵⁹ M. Yurev, "Позиция Ирана по проблеме правового статуса Каспийского моря" ("Position of Iran regarding the legal status of Caspian Sea"), *CentrAsia.Ru*, Nov. 27, 2009, available at : <http://www.centrasia.ru/newsA.php?st=1259307240> [Last accessed September 5, 2012]

¹⁶⁰ Joshua Kucera, "Iran, Azerbaijan In Tense Caspian Standoff, Cables Show", *Eurasianet.org*, Oct. 4, 2011, available at: <http://www.eurasianet.org/node/64268> [Last accessed September 5, 2012]

¹⁶¹ Joshua Kucera, "The Great Caspian Arms Race", *Foreign policy (Web)*, Jun. 22, 2012, available at: http://www.foreignpolicy.com/articles/2012/06/22/the_great_caspian_arms_race [Last accessed September 5, 2012]

¹⁶² "Iran protest to Baku over oil activities in the Alborz Area", *Iran Presse Service (Web)*, Jul. 23, 2001, available at: http://www.iran-press-service.com/articles_2001/jul_2001/iran_azerbaijan_oil_23701.htm [Last accessed September 5, 2012]

¹⁶³ "Iran Is Accused of Threatening Research Vessel in Caspian Sea", *The New York Times (Web)*, Jul. 25, 2001, available at:

On July 18 2012, an Iranian helicopter aircraft violated the borders of Azerbaijan, circling over the customs building and spreading panic in the village of Istisu¹⁶⁴. Naval tensions and violations of Azerbaijan air space by Iranian planes have been common in recent years. Fears of a war that have arisen following these incidents have therefore pushed Baku towards Ankara to assure that Turkey would take Azeri side in the conflict. In this context, the visit in Baku of the Chief of the Turkish General Staff, General Hüseyin Kıvrıkoğlu in July 2001, only a few days after the Alov incident send a clear message to Iran that Turkey would stand by Azerbaijan in case of conflict¹⁶⁵.

These incidents and mutual displays of force have underlined that the Caspian Sea had been rapidly turning from a geopolitical “backwater” into a new “powder keg” of rivalries involving regional powers. The growing arms race between the littoral states became even more apparent in the summer of 2011, after Russia and Kazakhstan held the “Centre 2011” joint naval manoeuvres in the Caspian Sea¹⁶⁶. Russian military hierarchy called the exercise a “precaution”, saying it was a preparation in case of export of instability from Afghanistan after the withdrawal of NATO troops¹⁶⁷. Whatever was the real objective of these manoeuvres, they have highlighted an extremely worrying trend. The five littoral countries are indeed concealing much of their intentions, hence crating a great scope for misunderstanding that could produce catastrophic

<http://www.nytimes.com/2001/07/25/world/iran-is-accused-of-threatening-research-vessel-in-caspian-sea.html> [Last accessed September 5, 2012]

¹⁶⁴ “Иран нарушил границу Азербайджана” (“Iran violated borders of Azerbaijan”), Haqqin.Az (WEB), July 18, 2012 available at:

<http://haqqin.az/blok/1379-iran-narushil-granicu-azerbaydzhana.html> [Last accessed September 5, 2012]

¹⁶⁵ Zeyno Baran, “Turkey and the Caucasus”, in Idris Bal (ed.), *Turkish Foreign Policy In Post Cold War Era*, Florida, BrownWalker Press, 2004, pp. 269-290 (p. 279)

¹⁶⁶ Pavel Aksenov, “Учения “Центр”: Россия готовится к войне с талибами?”, (“Operation ‘Center 2011’ Is Russia preparing for the war against the Taleban?”), BBC News Russian, Sep. 29, 2011, available at:

http://www.bbc.co.uk/russian/russia/2011/09/110929_russia_drills.shtml [Last accessed September 5, 2012]

¹⁶⁷ Ibid.

consequences. Ironically, their authorities have called for the demilitarization of the Sea, explaining arms build-up by the threats of terrorism or piracy¹⁶⁸.

In practice, we are witnessing in the region a classic case of perception of defensive efforts as offensive. Hence, any move made by one of the actor is immediately regarded as a direct threat by the others. Fearing that Iran will start oil production in its waters, Azerbaijan is for instance seeking U.S or Turkish assistance to guarantee its security. In the same time, Russia and Iran view the greater American involvement in the region as an attack on their strategic neighbourhood. Similarly, Russian commentators have already called for a military intervention if the Trans-Caspian pipeline project is implemented on the initiative of Turkmenistan and Azerbaijan. Competition for the supply of gas to Europe could therefore degenerate also into an armed conflict as Russia warned that ignoring Moscow's position could lead to a "2008 Georgian scenario¹⁶⁹". Such tensions will only increase further, as Iran recently announced that it had discovered in the sea a huge new oil field, which is located in the waters that are reasonably considered Azerbaijani¹⁷⁰.

¹⁶⁸ Joshua Kucera, "Rhetoric on Caspian Demilitarization Doesn't Match the Reality", *Eurasianet.org*, Apr. 28, 2011

<http://www.eurasianet.org/node/63382> [Last accessed September 5, 2012]

¹⁶⁹ Vladimir Socor, "Moscow issues Trans-Caspian Project warning", *Asia Times (Web)*, Dec. 2, 2011, available at:

http://www.atimes.com/atimes/Central_Asia/ML02Ag01.html [Last accessed September 5, 2012]

¹⁷⁰ Ladane Nasser and Ayesha Daya, op.cit. (2012)

IX. Caucasus as a battlefield of an U.S. – Iranian proxy war

A. Alliance used to evade international sanctions

1. Iranian cat and mouse game with the U.N.

One cannot ignore the Iranian nuclear issue when analysing the strategic choices of the Iran with his “near abroad”. As we have seen above, the alliance between Tehran and Armenia has allowed Erevean to circumvent the embargo imposed by Ankara and Baku in the result of closing the borders because of the armed aggression and the occupation of Azerbaijani territories.¹⁷¹ Conversely, the increasing economic involvement of Iran with its northern neighbour is also a mean for the Islamic republic to evade stricter sanctions decreed by the United Nations Security Council, or much tougher sanctions implemented by the United States and the European Union. In response to these sanctions, Iran put in place a “resistive economy” policy aiming at reducing the country’s dependence on oil revenues¹⁷². However, such objective is not realistically achievable in the short to medium term, forcing Tehran to find other ways of assuring its financial survival. Among the easiest ways to do so is the use of vessels flying flags of convenience and of front companies established in third countries not subject to sanctions, in order to export and import sensitive goods¹⁷³.

As an example of these evasive manoeuvres, we have already cited the high number of Iranian-funded foreign companies active in Turkey, which rose for the fifth consecutive month this year in May 2012. According to the report of the Turkish Union of Chambers and Commodity Exchanges (TOBB), which provided the statistics of the companies that were set up and closed down, 86 out of 320 foreign companies that were established in Turkey in May were Iranian-funded¹⁷⁴. These firms have been mostly engaged in the electricity, electronics,

¹⁷¹ Cf. supra IV

¹⁷² Golnaz Esfandiari, “Iran Looks To ‘Resistive Economy’ To Fight Sanctions”, *Radio Free Europe Radio Liberty*, Aug. 12, 2012, available at: <http://www.rferl.org/content/iran-looks-to-resistive-economy-to-fight-sanctions/24674314.html>

¹⁷³ Ibid.

¹⁷⁴ “Number of Iranian-funded companies tops list once again”, *Today’s Zaman* (Web), Jun. 15, 2012, available at:

communications and construction sectors. Numerous Iranian-based companies indeed settled in Turkey to evade the embargo in order to acquire goods and merchandise bound for Iran. However, the implementation of this strategy was made harder due to the decision of countries such as Germany and the United Arab Emirates to diminish their trade with Iran¹⁷⁵.

The opening of trade routes northwards so became a priority means for the Iranian regime to evade international sanctions. As described in paragraph **Erreur! Source du renvoi introuvable.**, Iran's economic involvement in Armenia has increased steadily over the past years. Additionally, Tehran remains committed to a circumstantial alliance with Moscow which has regarded U.S and European measures as an "overt blackmail" and a "crude contradiction of international law". Russia's foreign minister has even warned Washington of a "possible blow to Russian-American relations" if it pursues on this path¹⁷⁶.

2. Growing unease towards sanctions in Erevan

Armenia's economy is deeply dependent on the outside world: worker's remittance from Russia, loans from international institutions and foreign public and private assistance, mainly from the Armenian Diaspora in the United States¹⁷⁷. Although there were several years of steady growth in the beginning of the years 2000, the global financial crisis has severely affected the Armenian economy with the sharp decrease of worker's remittance from Russia and of European and Russian direct investments in the country¹⁷⁸.

In addition, the cost of the Nagorno-Karabakh conflict and the consequences of the Azerbaijani and Turkish economic embargoes are weighing more than ever on the prospects of an economic recovery. In this troubled context, Armenia has

<http://www.todayszaman.com/news-283686-number-of-iranian-funded-companies-tops-list-once-again.html> [Last accessed September 5, 2012]

¹⁷⁵ Ibid.

¹⁷⁶ "Russia Says New U.S. Sanctions on Iran Could Affect Ties", *The Moscow Times* (Web), Aug. 14, 2008, available at:

<http://www.themoscowtimes.com/news/article/russia-says-new-us-sanctions-on-iran-could-affect-ties/466523.html> [Last accessed September 5, 2012]

¹⁷⁷ Cf. supra III.B and VI

¹⁷⁸ Op. Cit., Central Intelligence Agency, The World Factbook page on Armenia, section: economy

been arguing on several occasions that additional sanctions against Iran would undermine its own economy and that it couldn't afford to have a third frontier blocked although it would be "bound to honor mandatory sanctions", as said ex-foreign minister Vartan Oskanian in an interview with Al-Jazeera's "counting the cost" program in November 2011¹⁷⁹.

Meanwhile, several senior Iranian representatives visited Armenia in order to consolidate the good relations which already exist between the two countries. On November 8 2011, Iranian foreign minister Ali Akbar Salehi emphasized the need to boost further their bilateral trade and advocated the establishment of a visa-free travel regime¹⁸⁰. During a visit in Yerevan on December 23, 2011, Iranian president Mahmoud Ahmadinejad and its Armenian counterpart Serzh Sargsyan also delivered a joint declaration "on the right of all nations to use peaceful nuclear energy"¹⁸¹. Moreover, the two heads of state confirmed their commitment to complete the construction of the planned gas pipeline linking Tabriz to the Armenian city of Yeraskh¹⁸².

Beyond the celebrations of mutual friendships between two neighbors and close economic partners, the statements made by Mahmoud Ahmadinejad in Yerevan demonstrate the frantic need for Teheran to secure markets for its oil production. For its part, Armenia must remain prudent towards its western financial backers without jeopardizing a flourishing bilateral economic relation. In this context, the announcement of new international sanctions has been a serious cause of concern in Yerevan. Many indeed fear that financial measures such as the freezing of the assets of the Iranian central bank could undermine

¹⁷⁹ "The euro trigger" in Counting the cost (Television program), Al Jazeera (Web), Nov. 26 2011, available at:

<http://www.aljazeera.com/programmes/countingthecost/2011/11/2011112683748936679.html>
[Last accessed September 5, 2012]

¹⁸⁰ Giorgi Lomsadze, "Iran's Love Mission to Armenia", *EurasiaNet.org*, Nov. 9, 2011, available at:
<http://www.eurasianet.org/node/64483> [Last accessed September 5, 2012]

¹⁸¹ "Iranian media concludes Ahmadinejad's visit to Armenia: 'Tehran and Yerevan have good ancient, cultural relations'", *Times.am*, Dec. 24, 2011n available at:
<http://times.am/?l=en&p=3274> [Last accessed September 5, 2012]

¹⁸² Gayane Abrahamyan, "Armenia: Yerevan Wants to Open Up to Iran", *Eurasianet.org*, Jan. 26, 2012, available at:
<http://www.eurasianet.org/node/64910> [Last accessed September 5, 2012]

Tehran capacity to meet its commitments regarding the financing of infrastructure projects¹⁸³. In the same time, Armenian energy minister Armen Movsisian stated that private investors could commit until 100 million of U.S. dollars in the project given its potential profitability¹⁸⁴.

3. Are the United States turning blind eye?

While announcing new sanctions against Iran last August, the U.S. provided a list of financial institutions suspected of helping Tehran to evade previous international measures¹⁸⁵. U.S. Under Secretary for Terrorism and Financial Intelligence David Cohen targeted two specific companies: the Chinese bank Kunlun and the Iraqi bank Elaf. He also said that sanctioning these companies would serve as a “warning to other banks around the world that they should refrain from doing business with the Iranian regime¹⁸⁶.” “The message to banks worldwide should be clear. If you provide financial services to designated Iranian banks -- if you process significant financial transactions for those banks -- you will face U.S. sanctions no matter where you are located,” he said¹⁸⁷. To recall, US sanctions can target investments and related interactions with Iranian financial institutions, such as the Central Bank of the Islamic Republic of Iran¹⁸⁸.

In the meantime, Washington insisted on the importance of expanding sanctions on the purchase of Iranian petrochemical products. As we have already mentioned in the present report¹⁸⁹, U.S. President Barak Obama successfully pushed for Turkish Prime Minister Recep Tayyip Erdoğan to cut Turkey’s oil

¹⁸³ Ibid.

¹⁸⁴ Ibid.

¹⁸⁵ “U.S. Announces New Sanctions against Iran”, *Radio Free Europe – Radio Liberty*, Jul. 31, 2012, available at: <http://www.rferl.org/content/new-us-sanctions-on-iran/24662781.html> [Last accessed September 5, 2012]

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

¹⁸⁸ Carol E. Lee and Keith Johnson, “U.S. Targets Iran’s Central Bank”, *The Wall Street Journal* (Web), Jan. 4, 2012, available at: <http://online.wsj.com/article/SB10001424052970204720204577132923798499772.html> [Last accessed September 5, 2012]

¹⁸⁹ Cf. supra. VIII.A.3

imports from the Islamic Republic by 20 percent¹⁹⁰. Moreover, Turkish Minister of Foreign Affairs Ahmet Davutoglu stressed the importance of the annihilation of the weapons of mass destruction (WMD) in the Middle East countries and called the UN Security council to intervene and to take over the authority over the issue¹⁹¹. Meanwhile, Ankara has introduced an action plan to replace its dependency on Iran, opening negotiations with Libya, Saudi Arabia and Iraq and confirming its commitment to work with Azerbaijan for the Trans Anatolian gas pipeline project (TANAP)¹⁹².

As one can see, the United States and the European Union are extremely concerned about the need to press its allies to enforce international sanctions against Iran. It seems however that Western powers have taken a measured position towards the country on this subject. According to a cable published by Wikileaks, the U.S embassy in Yerevan noted as soon as 2006 that “the critical energy links between the two counties [Iran and Armenia] and Armenia's geopolitical situation” would make “extremely difficult” for Armenia to honor UNSC sanctions¹⁹³. Far more than expressing – even confidentially - comprehension for the Armenian need of Iranian energy, some local analysts have pointed out U.S has no interests in seeing Russia strengthened its grip over energy deliveries to Armenia – and far beyond this, to the European Union¹⁹⁴.

¹⁹⁰ Abdullah Bozkurt, “Turkey disengages from Iran”, *Todays Zaman* (Web), Apr. 30, 2012, available at:

http://www.todayszaman.com/columnistDetail_getNewsById.action?newsId=279020 [Last accessed September 5, 2012]

¹⁹¹ Ministry of Foreign Affairs of the Republic of Turkey, Opening Remarks by Mr. Ahmet Davutoğlu, Minister of Foreign Affairs of the Republic of Turkey at The Fourth Ministerial Meeting of the Non-Proliferation and Disarmament Initiative, 16 June 2012, Istanbul, available at:

http://www.mfa.gov.tr/opening-remarks-by-mr_-ahmet-davutoglu_-_minister-of-foreign-affairs-of-the-republic-of-turkey-the-fourth-ministerial-meeting.en.mfa [Last accessed September 5, 2012]

¹⁹² Marie-Martine Buckens, “Ankara and Baku sign deal on TANAP”, *Europolitics.info*, Jun. 27, 2012, available at:

<http://www.europolitics.info/ankara-and-baku-sign-deal-on-tanap-art338309-40.html> [Last accessed September 5, 2012]

¹⁹³ Armenia’s potential reaction to USUN sanctions, cable 06YEREVAN1701, FM AMembassy Yerevan to SecState WashDC 4545, Wikileaks, available at:

<http://wikileaks.org/cable/2006/12/06YEREVAN1701.html#> [Last accessed September 4, 2012]

¹⁹⁴ Gayane Abrahamyan, op.cit. (Jan. 26, 2012)

This situation could however change in the near future, as a intelligence report shown to Reuters News agency and dated May 2012, said that Armenian banks were among the main targets of Iranian in its search for "convenient" locations to develop alternative banking relationships"¹⁹⁵. If its confirmed by official inquiries, this information could lead Washington and Brussels to take further action against several Armenian financial institutions in follow-up to the adoption of the new sanctions.

B. Struggle against a Western-led Caucasus

1. Western powers enter the Caucasian scene

Throughout the Soviet Era, the Caucasus was a minor issue in worldwide geopolitics. Moscow's grip over the region had frozen old ethnical and religious rivalries, whereas the sclerotic bureaucratic apparatus neglected the Caspian Sea's hydrocarbon reserves¹⁹⁶, which had been the motor of the Russian industrial expansion in the first years of the 20th century and the major culprits of the Battle of Stalingrad¹⁹⁷. Moreover, the friendship treaties concluded with Iran had durably settled water-sharing issues, depriving the region from its geopolitical interest¹⁹⁸. With the independence of the Caucasian states, new actors entered the regional stage¹⁹⁹, each of them having its own geopolitical priorities and strategies. A new power struggle is therefore taking place in the region, influence the positioning of the main actors regarding local conflicts.

Since 1991, the main aims of the U.S and European regional policies were to open new energy roads in order to diversify the Europe's gas supply and to break Russia's monopoly on hydrocarbon transit from the Caspian Sea and Central Asia. This strategy found its full expression with the approval of the

¹⁹⁵ Louis Charbonneau, "Exclusive: Iran looks to Armenia to skirt bank sanctions", *Reuters*, Aug. 21, 2012, available at:

<http://www.reuters.com/article/2012/08/21/us-iran-sanctions-armenia-idUSBRE87K05420120821>
[Last accessed September 5, 2012]

¹⁹⁶ Jacques Fontanel, « Le gaz et le pétrole : Un instrument de développement économique de l'Azerbaïdjan », in Fazil Zeynalov et Jacques Fontanel (dir.), *Azerbaïdjan : Un pays aux ambitions européennes*, Paris, l'Harmattan, 2011, p.126

¹⁹⁷ Gaïdz Minassian, op.cit. (2007), p.107

¹⁹⁸ Cf. infra VIII.C

¹⁹⁹ I.e. the United States, the European Union, Turkey, the Arab petro-monarchies of the Gulf, China, Pakistan, etc..

“coloured revolution” in Georgia and Kirghizstan. In Azerbaijan, the first symbol of this policy was the conclusion of the “contract of the century” between the National Oil Company of SOCAR and a consortium of 10 international companies led by British Petroleum²⁰⁰. The other cornerstone of the Western strategy in the region is the 1,768 kilometre-long Baku–Tbilisi–Ceyhan (BTC) *pipeline*, which started to deliver oil to the Western markets in 2006, bypassing Russia and Iran²⁰¹.

Beyond the issue of oil, the commissioning of the BTC marked the confirmation of Azerbaijan’s ties with Europe. Since it gained independence in 1991, Azerbaijan has indeed chosen to emphasize on European values rather than playing the card of Islamic brotherhood with Iran. From a purely financial perspective, Iran could have been a logical way out for Azerbaijan’s oil due to its energy needs in the North and to its well-developed refining and export infrastructures in the South²⁰².

Strong political, religious and strategic divergences have gradually moved away Iran and Azerbaijan from each other. Baku has now been recognised as a privileged international partner for the United States and the European Union. It has also joined international organisations such as the OSCE in 1992²⁰³ and the Council of Europe in 2001²⁰⁴, much to the displeasure of Iran. In this context, it is not surprising that the mediation efforts proposed by Tehran in the Nagorno Karabakh conflict were seen in Baku as a manoeuvre to favour Armenia,

²⁰⁰ Jacques Fontanel, op.cit. (2011), p. 136

²⁰¹ S. Frederick Starr and Svante E. Cornell (ed.), *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, Central Asia-Caucasus Institute & Silk Road Studies Program, 2005, p.43, available at:

²⁰² Energy Information Administration, *Country Analysis Briefs, Iran*, last updated Feb. 17, 2012, available at:

<http://www.eia.gov/countries/cab.cfm?fips=ir> (last accessed September 5, 2012)

²⁰³ Organization for Security and Co-operation in Europe, *Participating States*, available at: <http://www.osce.org/who/83> (last accessed September 5, 2012)

²⁰⁴ Council of Europe, *country profile*, available at: <http://hub.coe.int/web/coe-portal/country/azerbaijan> (last accessed September 5, 2012)

especially after Armenian forces captured Shusha and Lachin despite commitments to a cessation of hostilities²⁰⁵.

2. Containment of Iran

One of the main reasons behind Iran's alliance with Russia and Armenia is the conviction that Washington's objective in the Caucasus theatre is to implement a hostile policy. Until 2011, Iran was encircled by a "pearl necklace" of U.S. or allied forces military facilities located in the Middle East and in Central and South Asia. The end of the American withdrawal from Iraq in December 2011²⁰⁶ and the planned withdrawal from Afghanistan²⁰⁷ brought the situation back into balance, but the 10 first years of the global war on terror had a deep impact on the way Iranians think and act. As we have already underscored, Iran perceives its northern border as a threat for its own security since the collapse of the Soviet Union in 1991. Combined with the instability factors arising from the Nagorno-Karabakh conflict, the risk of having a U.S. military presence in the region is unacceptable for Tehran.

In Iran's view, choosing to support Christian Armenia rather than fellow-Shiite but pro-Western Azerbaijan is therefore a logical choice, although it may have been motivated by its own paranoia. An excellent illustration of this state of mind is provided Iran's supreme leader Ayatollah Ali Khamenei, who was blamed for encouraging the outbreak of Azeri ethnic unrests in Tabriz and Urmia in 2006²⁰⁸. It is also worth mentioning that Iran is regularly blaming the United States for troubles involving ethnic minorities, including Kurds on the

²⁰⁵ "Iran Manoeuvres for a role in Karabakh", *Caucasian review of International Affairs, Caucasus Update*, Issue 66, Apr. 5, 2010, available at:

<http://cria-online.org/CU - file - article - sid - 86.html> (last accessed September 5, 2012)

²⁰⁶ "Last US troops withdraw from Iraq", *BBC News*, Dec. 18, 2012, available at:

<http://www.bbc.co.uk/news/world-middle-east-16234723> (Last accessed September 5, 2012)

²⁰⁷ "Obama Orders Start to US Troop Withdrawal From Afghanistan", *ABC news*, Jun. 22, 2001, available at:

<http://abcnews.go.com/Politics/president-obama-orders-start-us-troop-withdrawal-afghanistan/story?id=13908291#.UEdvJNbE-eE> (Last accessed September 5, 2012)

²⁰⁸ Jean-Christophe Peuch, "Iran: Cartoon Protests Point To Growing Frustration Among Azeris", *Radio free Europe/Radio Liberty*, May 31, 2006, available at:

<http://www.rferl.org/content/article/1068797.html> (Last accessed September 5, 2012)

Iraqi border²⁰⁹, the Arabs in the south-western Khuzistan Province²¹⁰ and the Balochs along the Pakistani border²¹¹.

Azerbaijan was also the target of the Iranian paranoia, although it had passed a law forbidding the presence of foreign troops on its soil and has constantly demanded the departure of all foreign troops from the South Caucasus²¹². However, it has developed a good relationship with NATO through the partnership for peace and is actively cooperating in U.S counter-terrorist initiatives in the region. This seems to be enough to stir up the Iranian anxiety, causing a new breakdown in the relationship between the two countries in the first part of the year 2012.

There were some positive trends over the past years, including the opening of an Azerbaijani consulate in Tabriz in 2005, after a visit of Iranian President Mohammad Khatami to Azerbaijan in August 2004²¹³. Tehran has from time to time been careful to maintain a more pragmatic approach with its neighbour, as demonstrated by the swap deal allowing gas deliveries to Nakhchivan²¹⁴. However, as will be explained below, several incidents and controversies prompted Iran to take retaliatory measures against Azerbaijan, such as the coming into force of a visa regime for Azerbaijani citizens, including those who will visit Nakhchivan by passing through the Iranian territory²¹⁵. This will once

²⁰⁹ Ibid.

²¹⁰ Ibid.

²¹¹ Kourosh Ziabari, "Is US Sponsor Of Terrorism As Iran Claims? – OpEd", Eurasia Review, Nov. 6, 2012, available at:

<http://www.eurasiareview.com/06112011-is-us-sponsor-of-terrorism-as-iran-claims-oped/> (Last accessed September 5, 2012)

²¹² Elkhan Mehtiyev, "Some aspects of U.S.-Azerbaijan relations", in Michel Makinsky et Laurent Vinatier (dir.), *l'Azerbaïdjan : Au centre d'enjeux globaux*, Eurorient n°28, Paris, L'Harmattan, 2008, pp. 9-30 (p.14)

²¹³ Shahin Abbasov, "Iran-Azerbaijan Relations: On a Better Footing After Khatami's Baku Visit", *Eurasianet.org*, Aug. 9, 2004, available at:

<http://www.eurasianet.org/departments/insight/articles/eav081004a.shtml> (Last accessed September 5, 2012)

²¹⁴ "SOCAR does not intend to abandon Swap Gas supplies from Azerbaijan to Iran", Public Finance Monitoring Center, Aug. 17 2010, available at:

http://www.pfmc.az/index.php?option=com_content&view=article&id=390:socar-does-not-intend-to-abandon-swap-gas-supplies-from-azerbaijan-to-iran&catid=1:latest-news (Last accessed September 5, 2012)

²¹⁵ "Iran's visa regime for Azerbaijani citizens came into force from yesterday", APA, 06/12/2012

more threaten the precarious regional security situation and undermine the prospect of peace in Nagorno-Karabakh, especially in time of rising tensions with Armenia. .

3. Terrorist and Islamist threat

Another point of contention between Iran and Azerbaijan is the participation of Baku in the U.S.-led global war on terror. According to the country reports on terrorism issued by the United States Department of State, Azerbaijan “actively opposed terrorist organizations” and “had some success in reducing the presence of terrorist facilitators” in the country²¹⁶. In March 2012, a few weeks ahead of the Eurovision song contest, Azerbaijani authorities indeed arrested 22 suspected terrorists allegedly trained in Iran to carry out an attack in Baku²¹⁷. A similar case had already emerged in 2007, when 15 members of an alleged Iranian network had been convicted for spying and recruiting Azerbaijani nationals²¹⁸. In turn, Tehran arrested two Azeri nationals on espionage charges in May. They were released 3 months later, “at the request of high-ranking Azeri officials”²¹⁹.

Iran was already regarded as a threat and a destabilizing factor for Azerbaijan during the final years of the Soviet Union, with the initial warning signs of an Islamist political breakthrough in the republic. After the independence, Iran has been the main support of the emergence of radical Shiite groups in Azerbaijan. Iranian mullahs indeed preached against president Elçibey in Iranian-sponsored mosques near the border and in the area of Nardaran, on the Absheron

<http://en.apa.az/news.php?id=176678>

²¹⁶ U.S. Department of State, office of the coordinator for counterterrorism, Country Reports on Terrorism 2011, Jul. 31, 2010, available at:

<http://www.state.gov/j/ct/rls/crt/2011/195543.htm> (Last accessed September 5, 2012)

²¹⁷ “Azerbaijan arrests '22 Iranian spies'”, *The Telegraph* (Web), Mar. 14, 2012, available at:

<http://www.telegraph.co.uk/news/worldnews/middleeast/azerbaijan/9144424/Azerbaijan-arrests-22-Iranian-spies.html> (Last accessed September 5, 2012)

²¹⁸ Ibid.

²¹⁹ “Iran Frees Two Azeri ‘Spies’”, RIA Novosti, Sep. 4, 2012, available at:

<http://en.rian.ru/world/20120904/175770964.html> (Last accessed September 4, 2012)

Peninsula²²⁰. The Iranian goal was to gain leverage against the secular and pro-western policy promoted in Baku²²¹.

This policy materialised through financial assistance to Islamist groups and parties such as the Islamic Party of Azerbaijan and the Jeyshullah and Hizbullah radical movements²²². In 1999, 14 members of Jeyshullah were arrested for their involvement in the murder of the chairman of the Azerbaijani Association of Psychics, Etibar Erkin, and his two sons²²³. In 2000, authorities accused the Hizbullah and arrested 7 suspects for the assassination in 1997 of the historian and Vice-President of the National Academy of Sciences Ziya Bunyadov²²⁴.

Still today, despite measures to fight against the Islamization process; the Iranian influence remains strong due to cultural and social organisations in southern regions (in Massali, Lankaran and Jalilabad); in the Absheron peninsula (in the area of Nardaran) and in numerous internal displaced persons camps²²⁵, showing that Iran hasn't move away from the idea of using political Islam to influence its northern neighbour and counteract the westernisation of the country.

C. Protection against an Israeli-Azerbaijani alliance

1. A strategic partnership "below the surface"

Relations have steadily improved in recent years between Azerbaijan and Israel, leading to a growing volume of trade exchanges and to the alleged signature of security agreements. Azerbaijan has indeed become Israel's top trade partner in the Muslim world and its second largest oil exporter after Russia²²⁶. Since the early 1990s, strong trade ties were developed between the two countries united

²²⁰ Svante E. Cornell, op.cit. (2006), p.43

²²¹ Ibid.

²²² Cf. infra IV.B

²²³ *Azerbaijan: Independent Islam and the State*, Crisis Group Europe Report N°191, Mar. 25, 2008, p.2, available at: http://www.crisisgroup.org/~media/Files/europe/191_azerbaijan_independent_islam_and_the_state.pdf (Last accessed September 5, 2012)

²²⁴ Ibid. p.8

²²⁵ Svante E. Cornell, op.cit. (2006), p.43

²²⁶ Alexander Murinson, *Iran Targets Azerbaijan*, BESA Center Perspectives Paper No. 110, June 23, 2010, available at: <http://www.biu.ac.il/SOC/besa/docs/perspectives110.pdf> (Last accessed September 5, 2012)

by the perception of being surrounded by enemies. As soon as 1994, the Israeli telecommunication operator Bezeq massively invested in Azerbaijan²²⁷. Since then the economic relationship became soon more and more tied. Israel is the second largest customer for Azeri oil, shipped through the BTC pipeline. According to U.N. figures, exports from Azerbaijan and Israel increased from US\$ 2 million to \$323 million between 1997 and 2004²²⁸.

In 2011, Azerbaijan exported to Israel some 2.5 million tons of oil²²⁹. The State Oil Company of Azerbaijan (SOCAR) last autumn signed a deal to acquire the 5% stake in Med Ashdod, Israel's offshore oil field²³⁰. Trade ties focus also on agriculture, technology, healthcares and water conservation. In February this year, the two countries signed a \$1.6 billion arms agreement involving the selling of drones, anti-aircraft and missile defence systems to Azerbaijan by state-run Israel Aerospace Industries²³¹.

Azerbaijan has increased its importance for Israel, especially since the deterioration of the Turkey-Israel relationship due to the killing of nine Turkish citizens' members by Israeli commandos in the May 2010's Mavi Marmara incident²³². In a 2009 cable, later released by WikiLeaks, sent to the State Department's headquarters by the U.S. embassy in Baku, Azerbaijan's President Ilham Aliyev was quoted as saying that his country's relationship with Israel was as an iceberg: "nine-tenths of it below the surface"²³³.

²²⁷ Rhonda Spivak, "Oil, cell phones and mountain Jews: what fuels Azerbaijan's good relation with Israel?", *WinnipegJewishReview.com*, available at: http://www.winnipegjewishreview.com/article_detail.cfm?id=164&sec=6 (Last accessed September 5, 2012)

²²⁸ Ilya Bourtnan, "Israel and Azerbaijan's Furtive Embrace", *The Middle East Quarterly*, Vol 13, Issue 3, summer 2006, pp. 47-57, available at: <http://www.meforum.org/987/israel-and-azerbaijans-furtive-embrace>

²²⁹ Shahin Abbasov, "Azerbaijan: SOCAR to Use Israeli Oil Field as Proving Ground", *Eurasianet.org*, May 8, 2012, available at: <http://www.eurasianet.org/node/65374>. (Last accessed September 5, 2012)

²³⁰ Ibid.

²³¹ "Israel signs \$1.6 billion arms deal with Azerbaijan", *Haaretz* (Web), Feb. 26, 2012, available at: <http://www.haaretz.com/news/diplomacy-defense/israel-signs-1-6-billion-arms-deal-with-azerbaijan-1.414916>. (Last accessed September 5, 2012)

²³² Cf. Supra VIII.A

²³³ Mark Perry, "Israel's Secret Staging Ground", *Foreign Policy* (Web), Mar. 28, 2012, available at:

2. The airfields issue

Iran considers the Azerbaijan-Israel alliance as a major threat, because it has turned its northern border into a weak point that could allow Israeli spies to infiltrate its territory. In February Iran's foreign ministry also accused Baku of providing a corridor for Mossad to kill Iranian nuclear scientists²³⁴. Moreover, International media recently made the assumption that Israeli war planes could use Azerbaijan as a platform for possible strikes against Iran nuclear facilities.

The allegations first emerged in an article published in March by Foreign Policy magazine, which caused uproar in the region. The article, quoting U.S. diplomats and intelligence officers speaking on condition of anonymity, said that Azerbaijan had granted Israel access to its airbases on Iran's northern border making easier an Israeli attack on Iranian nuclear facilities²³⁵.

Having the access to such airfields would mean for Israel that its F-15 and F-16 fighter bombers could bomb Iran's nuclear facilities simply landing in Azerbaijan. That would make an Israeli strike much more possible because the main logistical problem, the refuel of the aircrafts during the 2,200-mile trip from Israel to Iran and back, would be solved. Following the article the Azerbaijani defence ministry strongly denied such a possibility. The U.S. Republican Jewish Coalition accused the Obama administration of having leaked this information to the press to hinder a possible Israeli strike against Iran²³⁶.

3. Battlefield of a cover war

A proof of the Iranian willingness to fight such hidden conflict was provided in March, when 22 people were arrested on charges of preparing terrorist attacks

http://www.foreignpolicy.com/articles/2012/03/28/israel_s_secret_staging_ground?page=full (Last accessed September 5, 2012)

²³⁴ "Iran summons Azeri ambassador for suspected links with Israel's Mossad", *Al Arabiya* (Web), Feb. 12, 2012, available at:

<http://english.alarabiya.net/articles/2012/02/12/194252.html> (Last accessed September 5, 2012)

²³⁵ Mark Perry, op. cit. (Mar. 28, 2012)

²³⁶ Alex Kane, "Democratic Jewish group attacks Mark Perry for report on Israeli access to Azeri airspace", *Mondoweiss*, Apr. 15, 2012, available at:

<http://mondoweiss.net/2012/04/democratic-jewish-group-attacks-mark-perry-for-report-on-israeli-access-to-azeri-airspace.html> (Last accessed September 5, 2012)

against the United States and Israeli embassies²³⁷. According to Azerbaijani authorities they were recruited and trained by the Iranian Revolutionary Guards. In February other suspected terrorists were arrested for allegedly working for Iran's secret services and their proxy Hezbollah. In January three men were arrested for plotting to kill two teachers at the "Chabad Or Avner" Jewish school in Baku²³⁸. Once more, these thwarted terrorist attacks were apparently planned in retaliation for the killing of Iranian nuclear scientists by alleged Mossad members.

In the Iranian view, Azerbaijan has become identified as a battlefield in the global covert war fought against the Israeli secret services. The closer relationship between Israel and Azerbaijan has indeed raised the Iranian perception that this nexus could represent a major security threat in the future. This perception of this threat could therefore contribute to stir up some tensions between the two countries and prompt new incidents in the near future. Besides, the situation once more demonstrates that the alliance networks in Caucasus are going far beyond traditional religious lines. In the context of the Nagorno-Karabakh conflict and of the competition with Iran and Russia for the control of oil export routes, the Jewish State of Israel indeed appears as an important ally for Muslim Azerbaijan. Moreover, siding with Israel bears all the hallmarks of Baku's commitment and dedication to western values.

²³⁷ CF. supra IX.B

²³⁸ "Azerbaijan Arrests Iran backed Attack Plotters", *This Day Live*, mar. 14, 2012, available at: <http://www.thisdaylive.com/articles/azerbaijan-arrests-iran-backed-attack-plotters/111470/> (Last accessed September 5, 2012)

X. The consolidation of a Moscow – Yerevan – Tehran axis to the detriment of peace

In the introduction of this document, the following question was raised: can we call a paradox the alliance of a deeply Christian state such as Armenia and the Islamic Republic of Iran? After reviewing the interests of Iran and Armenia in the context to achieve geopolitical objectives of leading power centres in the region and to obtain strategic superiority, it may be stated that this alliance addresses rational and perfectly identifiable concerns, the main one being an intense hostility to Azerbaijan. Hence, the difference of religion has become blurred, making room to an extensive relationship. This has been made all the more possible thanks to the survival of a well-integrated Armenian minority in Shiite Iran. Shortly after the dissolution of the Soviet Union, this virtual bridge was completed by the construction of an actual new bridge over the Aras River.

As it has been highlighted in this report, Armenia and Iran have become since then crucial economic partners. Over the years, many infrastructure projects have been added to the bridge, allowing the two partners to break each other's isolation in the context of an extremely troubled regional security complex. These links have saved the country from strangling at the height of the war for Nagorno-Karabakh and have opened the warm seas route for Armenia's goods and services. At the same times, Iran benefited from its relationship with Armenia to gain access to the Black Sea and to circumvent international sanctions imposed on its energy and banking sectors. The consolidation of a strategic axis running north towards Moscow had become an issue of critical importance to both countries.

From the energy standpoint, Armenia, being isolated in joint energy projects with Azerbaijan and Turkey, had no alternative but maintaining good relations with Iran for geopolitical and economic reasons. This necessity became even more binding after the 2008 Georgia War, which has brought into light the fragility of the northern energy corridor. For the Iranian side, the extended access to Gazprom-controlled energy facilities in Armenia is seen as a valuable

asset in the heightened competitive situation with Azerbaijan over oil resources. However, it can be expected that Iran's efforts to enhance further geopolitical relations with Armenia might in future increase the contradictions with the Islamic world, which could further undermine its relationship with fellow OPEC members.

At the same time, the overwhelming importance of the Nagorno-Karabakh issue in Armenian politics came together with Iranian fears over the magnitude of the revival movement of the Azerbaijanis living south of the Aras River. The common feeling of vulnerability has further strengthened the strategic importance of the partnership between the two countries. Paradoxically, it also led the government of Armenia to jeopardize its ability to get support from the West despite the ongoing efforts made by Armenian diaspora networks, most notably in the United States. On the contrary, the sequence of international events caused by the Iranian nuclear crisis have strengthened the Western and secular identity preferred by Azerbaijan since independence.

In the same way, the improving relationship between Azerbaijan, Turkey and Israel – although it is based upon objective economic and political factors – is perceived in Tehran as an unacceptable threat, prompting a further rapprochement with Armenia. More generally, Armenia Iran and Russia seem to have agreed to prevent the United States and its ally to build a strong presence in the region, with the risk of preventing a possible achievement of the Nagorno-Karabakh's "package solution" proposed by the OSCE. An important section of the plan indeed provides the deployment of a peace-keeping force which could include Western troops. Iran strictly opposes such deployment, considering it would pose a serious threat to its national security given its tense relations with Washington²³⁹.

²³⁹ "Iran Opposes Any U.S. Peacekeeping Role For Karabakh", Radio Free Europe/Radio Liberty, available at: http://www.rferl.org/content/Iran_Against_Any_US_Peacekeeping_Role_For_Karabakh/2081078.html (last accessed September 5, 2012)

In Conclusion, it is arguable that the strategic positioning of Tehran and Yerevan aims to side by Moscow in order to oppose the westward strategy drawn up in Baku. There are historical and practical reasons for such an approach, as Moscow and Tehran cannot accept the strengthening of an east-west axis lying between the Mediterranean and the Caspian Sea. So far, Armenia has been able to maintain a good relationship with the United States and Europe, including the European Union, the Council of Europe and the OSCE. As demonstrated in this report, the involvement in the Iranian “cat and mouse game”, as well as fundamental democratic issues, has raised numerous questions in Washington, Brussels and Strasburg.

Beyond this, one can legitimately fear the long-term consequences of the strengthening of the Yerevan-Tehran axis. At first sight, such policy can be considered to be in line with both countries political, strategic and economic interests. However, it is seriously compromising the international efforts made to resolve both the Nagorno-Karabakh conflict and the Iranian nuclear issue. In the long run, this strategy can only threaten peace and stability in the entire region, to the detriment of all its actors, including Armenia itself.

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