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### **Iran's perspective in the South Caucasus**

Iran's international standing is currently under slow, but significant change due to the recently signed nuclear deal with the global powers group of "P5+1". The South Caucasus region will be one of the primary influenced regions by such a sharp turn in the history of Iran. Turning back to the recent history of Iran's foreign policy towards the South Caucasus, it can be seen that Tehran has found itself in unpleasant situation and unprepared to build up effective ties with the countries because of certain objective reasons. Emerged regional conflicts suddenly after the collapse of the Soviet Union between Azerbaijan and Armenia, and in Georgia with its two breakaway territories caused more difficulties for Iran's foreign policy towards the region. The targets put in the beginning for integration into the region has ended up with a defensive and limited position for Iran in the South Caucasus.

Compared to other regional and global powers, Iran was following a defensive policy by offsetting external threats in the region. The Western powers (mainly the US-Turkey-Israel) were presenting a major source of threat to Iran in Georgia and Azerbaijan, where they could allocate their resources and isolate Tehran from the regional energy projects. Thus deepening armed conflicts in the region and other external powers engagement caused a considerable change in Tehran's foreign policy towards the region's countries. A real politic course has been a central foreign policy approach for Iran. This policy is serving to secure its interests, counter adversaries' menace and survive in the isolation situation rather than religious ideology, what can easily explain Iran's solidity with Christian Armenia and entangled relations with Muslim Azerbaijan. This foreign policy course is based on the threat-perception and counter-balancing principles driven from a pragmatic analysis.

During the last two decades, Iran did not have sufficient economic and political resources to play a key role in the South Caucasus. Deepening conflicts and joining of other external powers to the region's political processes made Iran's relations more knotty. The pragmatic and realist politics of Iran came closer to Armenia with its energy project leaving Azerbaijan-Iran relations complicated and fraught in the result of nationalist and pro-western policy of the second Azeri president Abulfaz Aliyev. After a long period of time, Iran will again have a chance to engage in the regional political and economic processes with its significant geographic location and landmass positioning in the east-west route. It must be admitted that Iran will have enough capacity and potential to play an important role in geopolitical process of the South Caucasus due to the growing economy, increasing foreign investment and re-established friendly relations with Western powers. Well-organized and managed economic and political resources will enable Iran to shape an influence-expanding policy rather than defensive and counter-balancing in the South Caucasus. This kind of turn in foreign policy can make Tehran more reliable partner for the region and encourage its contribution for a peaceful resolution of the regional conflicts as it was in the beginning of 1990s.

Rouhani's presidency has brought a new line in the foreign policy of Iran, which will cause also inevitable changes inside the country. This way has been started based on the pragmatic evaluation of the current situation and international power balance with a constructive diplomacy. There is a huge expectation for a new round of Iran's foreign policy towards the South Caucasus region after the successfully accomplished nuclear deal talks in July 2015. Current topics of further developments in the relations are related to an economic cooperation. It is worth to admit that during the decades the religious doctrine could not obscure an actual political scene to the Islamic Republic. This is a reliable fact to predict sober power-calculations of Tehran in the future. After the final consensus achieved by Iran and the UN Security Council members, it is expectable that Tehran's rise in the South Caucasus will mostly harm Turkey's and Israel's interests. From Turkey perspective, Iran's growing economic ties along with the political involvement in the region would pose a potential threat to its interests and can replace Turkey's influence in Georgia and Azerbaijan. Progress of opening to the world and cooperation policy of Iran will have absolutely different economic and political consequences for the northern neighbours.

Iran has already started to export its energy resources to the South Caucasus region via Iran-Armenia natural gas pipeline since 2007. In spite of Russia's state-owned energy giant-Gazprom's monopoly on purchases and sales of natural gas from Russia through Georgia and from Iran, Armenian politicians see this project as a future perspective for energy diversification. This kind of view was also mentioned by the Iranian officials as in case of Iran's ambassador Mohammad Reyisi. The diplomat mentioned several perspective future projects strengthening economic relations between two neighbour countries and connecting the Persian Gulf with the Black Sea with a route through Armenia and Georgia. Compared with a self-interest driven Moscow, Tehran will attract Yerevan more with its global and regional energy projects and can change the political nature of Armenia gradually. The US welcomes the energy diversification policy of Armenia and support further development of this project to counter of Russia's influence in the South Caucasus. But the Armenia-Iran gas pipeline is not large to allow Iran to export its gas to Georgia through Armenia.

The recently released information about the Georgia's intention to look over Russian natural gas import option for a reasonable price has given bigger view on the regional cooperation perspectives and controversy. It is worth to admit that the Georgia's energy market has been mostly dominated by Azeri state-owned SOCAR Company since the Georgian-Russo war of 2008, which has affected entire relations between Russia and Georgia. In order to eliminate dependence on Russia, Tbilisi shortage the natural gas from the north neighbour to 10% of transit pipeline of deliver to Armenia, which was replaced by the Azerbaijan. According to the Georgian energy minister's interview, the government is seeking an alternative option for further negotiation about importing Russian natural gas in order to diversify energy sources for a reasonable price. Meanwhile Russia is trying to get to the Iran's energy market first with its giant state-owned Gazprom Company. Moscow is pursuing own interest in the Middle East to prevent the EU's policy to oust Russia from the energy market. In result of deteriorating relations between the EU and Russia, Moscow has got a problem to access to Western technologies and companies to develop own LNG production. Compared with

Russia, Iran has a growing economic condition and resources for co-operating with the international companies to produce LNG.

During the last two years, Russia has succeeded two agreements for cooperation with Iran in several areas. According to the deal Russia will assist Iran in opening up its energy resources to the international market by providing proper equipments and joint construction of power generation. The deal signed in the current year gives Russia a privilege to export its natural gas to Iran's Northern provinces and receive Iranian gas in return from its south terminal. The swap agreement will allow Russia to have access to new technologies sanctioned by the Western powers to develop its own LNG sector and has a share in Iran's energy market. It should be admitted that South Pars is the largest gas field of Iran, which locates in the south of the country on the Persian Gulf and contains 40% of the country's total natural gas reserve. The South Pars gas field is the main natural gas reserve terminal for export for future export plans. At a time of low price for energy sources in the world, Iran would not hurry for any big projects crossing the continent. Regional energy projects seem more realistic for Tehran in its short term strategy. The LNG plants in Iran are unfinished and were left by the European companies in 2012; during the beginning of international sanctions impose

Besides the developing bilateral relations between Russia and Iran, these deals pose certain economic and political means for the South Caucasus states. There are no common economic and political grounds for those states. Any external power intending to have an influence on the region should consider the regional balance of power among conflicting parties. The primary cause of tension is power balance between Azerbaijan and Armenia, which might trigger a new phase of war over the Nagorno-Karabakh. Although the recently signed memorandum by Azerbaijani and Iranian delegation about construction of a railway for carrying of goods, which might be an important step in developing the north-south corridor and linking a new Silk Road from China to Europe, there are still unresolved political issues between the historically close countries. Development of the north-south corridor via one or another route will inevitably affect other party of a conflict.

After lifted sanctions, Iran is working on attracting experienced IOCs to invest in its energy sector in order to upgrade infrastructure for further export projects. Unless the easy-proceeding oil projects, the LNG will need more involvement and technological development for making ready for export. Although Iran has started to build a facility to produce the LNG in 1970s, lack of technologies and an investment made it impossible to obtain. Moscow is interested in investing several lucrative energy (oil gas) projects including their production and export. Iran is the second-largest proved natural gas reserve holder ranking under Russia. Due to the international sanctions and political isolation, the energy sector in Iran has been left undeveloped for many years. It is foreseen to have a change in foreign investment policy of Iran in coming years; however, the production-sharing agreements are prohibited by the Iranian constitution. The international companies have very restricted access to the natural resources of Iran with a limited income. All deals might be done by a buyback contracts. Recently done change in the legislation for energy sector allows foreign investment companies to extend their business in Iran for longer period of time with more percentage of shares. Iran will have an opportunity to use an up to date technologies in development and

production of its energy resources. All process of developing the business conditions in the country and curiousness of foreign companies makes it easier to foresee Iran's economic and political rise, which won't avoid the South Caucasian region.

A new phase of Iran's domestic and foreign policy will inevitably have effects on the neighbour regions including the South Caucasus. Economic growth, upward foreign investment, energy projects and transportation routes would make Tehran a new centre for development and cooperation. Moreover, there is an initial consensus for economic partnership with the Western powers and friendly relations with Russia, what reduces traditional impediments on Iran's attempts for closer cooperation in the South Caucasus. Apart from the aforementioned positive possibilities for bilateral cooperation of the region's countries with Iran, there are some potential political problems, what can lead to confrontation. However, in case of Azerbaijan-Iran relations, it has very fragile ties because of sometimes erupting nationalist feeling of Azeri minority of Iran and their ethnic links with Azerbaijan. It is very sensitive topic for both sides and remains unresolved as it was obvious by the recent demonstration of Iranian Azeris. On the other hand, bilateral relations with Armenia and Georgia remain more reliable and closer, although, Georgia has no any big project yet. But a common factor of Russia's interests and influence for these both countries, which could worsen or decelerate their relations with Iran. Pragmatic politics of Tehran will not skip Moscow's interests in those countries while they have common grounds for joint-action until it is worth. Just as Russia's monopoly on energy sector in Armenia, Iran's politics towards Georgia and Armenia might confront with Moscow very likely. Despite the obstacles mentioned above, there are very strong grounds for closer cooperation perspective between the South Caucasian countries and Iran. Obviously ongoing developments in Iran domestic policy and Iran-US, Iran -EU relations will have a positive side effect on the South Caucasus, which can give an advantage to Iran's soft power in the region.

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