

Restoring Trust between Azerbaijan and Iran

Implications for the Region and Outside Actors

Ruslan Suleymanov

In 2023, relations between Azerbaijan and Iran faced their most serious test in history. The attack on Azerbaijan's embassy in Tehran led to an unprecedented decline in contacts between the two neighboring countries. However, the presence of common, primarily economic, interests has always encouraged Baku and Tehran to seek common ground and overcome crises. In January 2024, I had a chance to visit Iran and converse with various local analysts; this informs the contents of this IDD Analytical Policy Brief, as do conversations with various experts and retired diplomats in Baku.

My conclusion is that, in general, recent developments in relations between Azerbaijan and Iran indicate a gradual overcoming of difficulties, but mutual mistrust still remains. However, the new geopolitical reality in the region, which emerged after the end of the conflict over Karabakh, and steps taken by Armenia's attempt to turn towards the West gives Baku and Tehran more space to engage in a process of normalization predicated on the further development of cooperation in various fields, with an emphasis on connectivity projects of mutual interest.

Ups and Downs

On 27 January 2023, the Azerbaijani embassy in Tehran was subject to an armed attack, resulting in the death of one employee and the injury of two others. Expressing concerns about security issues, Azerbaijan actually had to lower the level of diplomatic relations and evacuate its embassy staff to its consulate general in Tabriz.

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Soon thereafter, Azerbaijan declared four Iranian diplomats to be *persona non grata*; this was reciprocated by Iran, as per standard diplomatic practice. In parallel with this, Azerbaijani intelligence services identified spy networks affiliated with Iran several times during 2023, taking appropriate measures.

As a result, trade, economic, and other contacts between the two neighboring states, which had developed quite rapidly in recent years, went downhill last year.

Thus, according to the latest [information](#) from Azerbaijan's State Statistical Committee, trade turnover between the two countries for January-October 2023 amounted to \$394.9 million, which is 3.2 percent less than for the same period in 2022.

This took place against the fact that over the last 10 years, [trade](#) between Baku and Tehran had reached a new level. In 2012 the volume of trade turnover was \$263.7 million, but in 2022 it was already \$506.2 million. This represents an increase of almost 200 percent.

Stumbling Blocks

Without a doubt, the Second Karabakh War caused a lot of concern among the Iranian leadership due to the fact that the balance of power in the South Caucasus has sharply shifted in favor of Azerbaijan.

However, Tehran's creation of tensions on the Iran-Azerbaijan border through military exercises in September 2021 and October 2022 did not bring the expected results, but only revealed the limited influence of the Iranian side in the region.

Nevertheless, Baku's antiterrorist measure in September 2023, which brought a definitive end to the conflict over Karabakh, did not result in *any* sharp reaction in Tehran. The conclusion to draw from this is that Iran has now come to terms with the region's new geopolitical reality.

In the wake of this military operation, contacts between officials from Baku and Tehran began to intensify. Thus, in November 2023, in Tashkent, on the sidelines of the 16th summit of the Economic Cooperation Organization, a meeting was held between President Ilham Aliyev and his Iranian counterpart, President Ebrahim Raisi.

Among the main problems in relations between Baku and Tehran today, three can be identified.

First, the closeness of the relationship between Azerbaijan and Israel, which causes concern in Iran. "Tehran sees this as a threat to itself," as international security expert from Tehran University Dr. Abolfazl Bazargan told me recently.

However, Iran probably also has no choice but to come to terms with the sovereign and independent foreign policy of Azerbaijan.

“The Azerbaijani government is building relations with Israel based on the country’s national interests. And such relationships are very important. Baku will not change its foreign policy to please someone,” A retired senior Azerbaijani diplomat told me recently, adding that, in his view, Baku will not allow itself to be used by any third country against any other state.

The *second* problem for Tehran is related to the presence of a large number of ethnic-Azerbaijanis on Iranian territory, as detailed in a [recent book](#) by Brenda Shaffer. According to statements from the Iranian side, Baku can allegedly use this factor to support “separatist sentiments” in the north of the Islamic Republic.

That being said, Azerbaijan cannot simply abandon its concern for the millions of ethnic-Azerbaijanis living in Iran, who, by the way, are even deprived of the opportunity to study their native language. On the other hand, as I was able to personally verify in Tabriz, Baku’s influence on ethnic-Azerbaijanis is hardly as widespread as is sometimes reported. The latter is seen in some circles in Baku as an omission—particularly seen against the backdrop of the perception that Turkish influence is gaining momentum every year. Ethnic-Azerbaijanis in Iran, in addition to being exposed to Turkish “soft power” in the form of soap operas and music, see Türkiye as a more attractive place to immigrate.

In this regard, Baku and Tehran could make efforts to simplify the visa regime. At present, Iranian citizens can stay in Türkiye for up to 90 days, but only 15 days in Azerbaijan (the same regime applies to Azerbaijani citizens visiting Iran). “A simplification of the visa regime between Iran and Azerbaijan could significantly facilitate relations,” political analyst and associate professor of international relations at the University of Isfahan Ali Omidı told me recently.

The *third* contentious issue in relations between Baku and Tehran is the closeness of Armenia-Iran relations. Azerbaijan will never forget Iran’s support for Armenia during the First Karabakh War and at certain times thereafter.

At the same time, the Iranian side insists that its close contacts with Yerevan cannot be to the detriment of relations with Baku. “Iran strives for friendly relations with both Armenia and Azerbaijan. The rapprochement between Tehran and Yerevan on some issues does not mean ignoring the interests of Baku,” said Omidı.

In fact, Iran’s revision of relations with Armenia is due at least in part to the fact that, recently, Yerevan has been actively drifting towards the West, especially France, which has even begun supplying weapons to a country that has much more strategic significance to Tehran than it does to France. This cannot but worry Iran, as it appears to be part of

some sort of an influence play by one of the West's most active members. Armenia, which has long been an outpost of Russia in the South Caucasus (as well as an ally of Iran), is now seen increasingly by its two closest partners as wanting to become a conduit of the interests of Western capitals.

This way of thinking has, understandably, driven Tehran (and Moscow) to move somewhat away from Yerevan, which in turn opened the door for Tehran to seek a gradual overcoming of difficulties with Baku. This should not be surprising: the Iranian side has always been sensitive to the presence of any external actors in the region.

Alternative Transport Route

The events of September 2023 generally forced Tehran to reconsider its approach and move towards rapprochement with Baku, especially concerning transport communications.

Thus, on 6 October 2023, Azerbaijan and Iran [signed](#) a memorandum of understanding to build a railway that will connect the main part of the country with Nakhchivan through the territory of the Islamic Republic. This document became an addition to the memorandum of understanding on the establishment of new communication hubs passing through the territory of Iran, which was [signed](#) between Baku and Tehran in March 2022.

In fact, this route—known in some circles as the Araz Corridor, in reference to the river that forms much of the border between the two countries—becomes an alternative to the Zangezur Corridor through Armenian territory, which was outlined in the [trilateral statement](#) signed by the leaders of Azerbaijan, Armenia, and Russia on 10 November 2020.

Aliyev [confirmed](#) that in the framework of the route through Iran, “the construction of the first bridge in the direction of Aghband has already started and a second bridge is planned in the direction of Ordubad.” At the same time, he added, if the path through Armenian territory is still not open, Baku “is not going to open [...] border with Armenia anywhere else.”

As Azerbaijani political scientist and Ph.D. in economics Ilgar Velizade emphasized to me recently, the route through Iran cannot be considered as some kind of concession. “The development of communications with Armenia depends on politics. However, the issue of transport communications between Baku and Tehran has been depoliticized,” the expert pointed out.

The Araz Corridor largely neutralizes Iran's concerns about the Zangezur Corridor, as well as mitigating the effects of an increase in Türkiye's influence in the region.

Also, it is important to recall that Baku and Tehran have a successful record of building transport communications along the border. In June 2021, for example, the parties [signed](#) an agreement on the joint construction of a bridge across the Astarachay river. Against all odds, this bridge was eventually [opened](#) at the end of 2023.

As a matter of fact, shifting the main connectivity route from Armenia to Iran could suit even Russia, which many consider to be a supporter of the Zangezur Corridor. After all, Russia first of all needs to restore the railway connection with Iran and Türkiye, which existed during Soviet times.

In addition, Moscow also benefits from this route in the context of the Western-led sanctions and export restrictions regime and its threat against Russian security and commercial interests in the Black Sea, which remains a theater of operations in the conflict over Ukraine. The Turkish posture towards the Straits can also be seen in this light, from the Kremlin's point of view. Russia now sees it as being extremely important to have permanent and unimpeded access to the markets of developing economies.

Thus, the Araz Corridor is not seen as a replacement for the Zangezur Corridor, but as an alternative or complementary route. This is about securing strategic options in the context of uncertainty regarding Armenia's strategic trajectory and its commitment to the peace process with Azerbaijan and the normalization of relations with Türkiye that is expected to follow. As Turkish Transport Minister Abdulkadir Uraloğlu [said](#) in January 2024, the construction of the connectivity infrastructure at the center of which stands the Zangezur Corridor project, can be completed by 2028. This would provide direct land communication between Ankara and the countries of the Turkic world, beginning with Azerbaijan (and then, via the Caspian connection, to countries like Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, and, ultimately, China).

At the same time, the issue of duties and taxation within the context of the Araz Corridor remains open. The Iranian side has not yet indicated its position on this issue. Baku obviously remains a supporter of the maximum simplification of the taxation system.

“At Least Help Smooth Out the Contradictions”

The economy remains a key driver in Azerbaijan-Iran relations. In this sense, the importance of such routes as, for example, the International North-South Transport Corridor (INSTC) project jointly with Russia becomes particularly relevant. “Even during the most difficult periods of our relations with Tehran, cargo supplies along this route did not stop,” notes Velizade.

As Russian Deputy Prime Minister Alexey Overchuk recently [emphasized](#), the importance of the INSTC will increase, taking into account the current instability in the Red Sea.

In May 2023, Russia and Iran entered into an agreement within the framework of INSTC on the joint construction of a 160-kilometer section of the Rasht-Astara road between Azerbaijan and Iran, which will provide through passage to Iranian ports located on the Persian Gulf. The total cost of the project is 1.6 billion euros. An interstate loan in the amount of 1.3 billion euros will be allocated for its construction. According to this document, Moscow and Tehran will jointly finance the design, construction, and supply of goods and services.

It is expected that the Rasht-Astara line will be built with the participation of Moscow and Tehran, and the Astara (Iran)-Astara (Azerbaijan) line will be built with the participation of Moscow, Tehran, and Baku. Construction work is still ongoing.

“Joint economic projects together with Russia, if they do not help solve problems between Baku and Tehran, will at least help smooth out the contradictions,” as Bazargan put it to me recently.

Diplomacy Above All

In parallel with economic projects, diplomacy remains a good tool for normalizing Azerbaijan-Iran relations. In this regard, according to the retired senior Azerbaijani diplomat, the 3+3 format (Armenia, Azerbaijan, Georgia + Iran, Russia, Türkiye) or, as a former high-ranking diplomat puts it, “3+2+1” (given the specific position of Tbilisi), deserves special attention, for it has a huge potential, first of all from economic and transportation point of view.

The last meeting in this format took place in October 2023 in the Iranian capital. In December 2023, Russian Foreign Minister Sergei Lavrov [indicated](#) that the platform was “becoming increasingly promising.”

Equally, more frequent and higher-level contacts between Tehran and Ankara will also contribute to the normalization of relations between Azerbaijan and Iran. Raisi’s recent visit to Türkiye, which resulted in the signing of ten bilateral agreements, showed a friendly mood in Iranian-Turkish relations. This, in particular, means that Tehran is gradually abandoning its harsh rhetoric concerning what some of its officials have called the “pan-Turkic threat” in the South Caucasus.

All in all, the issue of investigating the attack on the Azerbaijani embassy remains on the bilateral agenda. In August 2023, Azerbaijan’s Prosecutor General Kamran Aliyev visited Iran, where he was assured that the investigation into the attack on the embassy was in full swing. Then, in September 2023, Azerbaijan’s presidential adviser Hikmet Hajiyev, [said](#) that the country was receiving “positive signals from Iran.”

At some point, the embassy attacker’s punishment will be carried out. Until then, it remains too early to talk about restoring trust between Azerbaijan and Iran.

Be that as it may, both Azerbaijan and Iran have come to the realization that predictability and the absence of threats stand as the basis of mutually beneficial relations. The resolution of the Karabakh issue, as well as Armenia's turn towards the West, has contributed to the active rapprochement between Baku and Tehran. Russia's interest in implementing new projects also plays an important role.

Strategic Interests

In fact, at the end of 2023, a geopolitical shift began to occur in the region. Azerbaijan and Iran should seize this moment to put their mutual grievances behind them, restore trust, and develop a relationship that undoubtedly has enormous potential to advance mutual interests. This does not mean the countries are moving toward a strategic partnership—the baseline contradictions between the two neighbors prevent this; but it does demonstrate that the actualization of the parochial ambitions of individual Western powers like France can have deleterious effects on the advancement of the strategic ambitions of the West as a whole in this increasingly important part of the world.

The foregoing opens up a question that does not seem to have been asked in the relevant decisionmaking circles with the level of seriousness it deserves: how effective can increased Western support for Armenia be if Azerbaijan, Iran, Russia, and Türkiye do not see it in their interest to play along with Yerevan's flirtation with that same West? Put differently, is increased Western support for Armenia really about helping Armenia, or is it about something else? The [assessment](#) provided by Orkhan Baghirov in the Winter 2023-2024 edition of *Baku Dialogues*—"Armenia's substantial and strategic economic reliance on Russia [...] is evident across trade, energy, food security, transport, and various other vital sectors"—strongly suggests that something else may be at play. This in turn raises the question of the motivation of leading Western powers in at least two important issues: *one*, helping to complete the peace process between Armenia and Azerbaijan, and *two*, supporting regional cooperation initiatives in a way that advances not only the interests of the countries of the Silk Road region as they themselves understand them. Surely, this last would require a proper, dispassionate assessment of the weight of the respective roles of Armenia and Azerbaijan in furthering Western connectivity ambitions in that part of the world.