

# The New Azerbaijan-Iran Transit Route

## Implications for the Interconnectivity of the South Caucasus

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Situated in one of the most geopolitically delicate regions of the world—right in the heart of the Silk Road region (specifically, in the South Caucasus)—Azerbaijan has always been careful to build relations with its neighboring major powers. Baku is distinguished for its balanced, non-bloc approach to foreign policy, which tries to maintain an equilibrium (if not necessarily an equidistance) between ties with the West, Russia, Türkiye, and Iran, in accordance with its national interests.

Iran-Azerbaijan relations have a particular specificity. Despite periods of tension (and sometimes even hostility) in bilateral relations since 1991, Baku and Tehran are actively building up economic cooperation, both bilaterally and within the framework of international projects. Although recent regional power dynamics have produced shifts in the traditional balance of power in the Silk Road region, Azerbaijan and Iran relations developed in a contradictorial fashion. In the post-September military actions, both states launched a new connectivity project to facilitate trade and economic partnership.

### *The Impact of Geopolitics on Bilateral Relations*

The shift in the regional balance of power after Azerbaijan's victory over Armenia in the Second Karabakh War and Russia's full-scale invasion of Ukraine have led to remarkable changes in Azerbaijan's and Iran's threat perception about each other, fueling a security dilemma spiral. An additional challenge has been Iran's ongoing adverse reaction to the development of a strategic partnership between Azerbaijan and Israel, which began in

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the early 1990s and has been significantly strengthened after 2020. Iran interprets this relationship as a direct threat to its national security, while Azerbaijan views it as an integral part of its multi-vectoral foreign policy strategy.

Indeed, the immediate post-war period can be qualified as consisting of a U-turn in Azerbaijan-Iran relations, as one of the outcomes of the Second Karabakh War was the diminishing, if not the dismantling, of much of Iran's leverage over the region. Iran tried to recover by deepening ties with Armenia, as a counterbalance to the strengthened Azerbaijan-Israel and Azerbaijan-Türkiye axis. However, such a move only triggered anti-Iranian sentiments in Azerbaijan, instead of strengthening Iranian influence.

The main reason behind Iran's then-renewed antagonism toward Azerbaijan was the onset of post-war realities (Tehran had virtually nothing to do in determining these, which must have stung), such as the proposed land route connection between mainland Azerbaijan and its exclave Nakhchivan via Armenia's Syunik province (Azerbaijan calls this the "Zangezur corridor," the traditional Azerbaijani name for this sliver of Armenian territory). The proposed route runs in the immediate proximity of the Armenia-Iran border (along the northern shore of the Aras river), which allegedly "poses a threat" to Iran's national interests. Although Azerbaijan denied Tehran's allegations, Iran steadily switched to bellicose rhetoric against the Baku-Tel Aviv-Ankara axis, citing national interests and concerns.

Nevertheless, contrary to Tehran's expectations, Baku did not adjust its foreign policy strategy accordingly, but rather deepened engagement with Ankara and Tel Aviv, enabling companies from both states to be involved in the massive reconstruction of liberated Karabakh. Indeed, this factor steadily became a source of diplomatic confrontation between Tehran and Baku in the months that followed the end of the Second Karabakh War. However, this confrontation did not grant Iran the upper hand against Azerbaijan, and, therefore, after a bumpy ride—to put it euphemistically—both countries gradually returned to the diplomacy track to restore the pragmatic partnership.

## *New Transit Route Project as a Milestone of Azerbaijan-Iran Relations*

The post-war geopolitical realities in the South Caucasus boosted fears in Iran regarding the onset of new limitations on its soft power in its immediate vicinity. Azerbaijan and Türkiye's plans to establish a new land route via Armenia, bypassing Iran, were viewed in Tehran as a "red line" in the context of its national security. Iran somehow interpreted the reconstruction of a road and rail line through Armenian territory as constituting the loss of its own direct land connection to Armenia, which, in turn, was interpreted as contributing to the country's near isolation from the South Caucasus, since its connection with this region would somehow depend entirely on Azerbaijan—a much less willing (and pliable) partner than Armenia.

In order to ease tensions, Azerbaijan agreed to establish a land route with Iran with the involvement of Georgia in December 2021. As such, an agreement was reached with Azerbaijani and Georgian transportation officials to do a test run of this transit route by March 2022. Nevertheless, this corridor did not become fully operational due to a series of incidents between Azerbaijan and Iran, the details of which will not be discussed here.

In September 2023, however, Azerbaijan slightly adjusted its agenda regarding the Zangezur Corridor project, as the position of Armenia on this matter remained unclear and even hostile. To wit: in the context of the ongoing peace talks, it seems that Armenian objections to the Zangezur assumed two tracks. On the one hand, Armenia has rejected “oversight” of the Zangezur Corridor by Russian Federal Security Service Border Guards (perhaps due to Western, particularly American, pressure)—something to which it had explicitly committed in the 10 November 2020 tripartite statement that ended the Second Karabakh War. On the other hand, Armenia has insisted on imposing a full-on customs and border inspections regime on both of its termini of the Zangezur Corridor (a distance of less than 40 km), rejecting all contemporary models (both Western and non-Western ones) of integrated border management and pre-clearance solutions to facilitate and optimize transport arrangements. As it happens, this too violates another clause of the 10 November 2020 tripartite statement, which refers to the “unobstructed movement of persons, vehicles and cargo in both directions” along this route.

As a consequence, the Armenian authorities have pushed a post-war narrative about the upcoming ‘occupation of Syunik by Azerbaijan,’ which has gone so far as to claim that Azerbaijan is preparing to invade and annex this part of Armenian territory so as to be able to build the Zangezur Corridor without the involvement of Armenia. Indeed, this narrative has been deliberately promoted in various Western media outlets, which led to baseless hysteria, the onset of an anti-Azerbaijani campaign, and even a statement on 15 November 2023 by U.S. Assistant Secretary of State for Europe and Eurasia James O’Brien that “a transit corridor created [...] by force or with the involvement of Iran will, I think, be met with a very strong reaction [...] and would not be acceptable.”

In this regard, Armenia’s uncompromising posture on the Zangezur Corridor has led Azerbaijan to pursue complementary options with regards to its implementation, for at least two reasons. First, it is in the national interest of Azerbaijan to establish a land route, consisting of both road and rail, between mainland Azerbaijan and its Nakhchivan exclave (such a land route existed for centuries and was destroyed by Armenia during the First Karabakh War). Second, Azerbaijan is committed to playing what amounts to an indispensable role in fostering regional connectivity by expanding the scale and scope of what is colloquially called the Middle Corridor. This “more for more” strategy requires both modernizing existing routes (e.g., Azerbaijan-Georgia-Türkiye) and supporting the construction of new ones (Azerbaijan-Armenia- Türkiye and Azerbaijan-Iran-Türkiye).

Uncertainly regarding Armenia’s willingness to agree to terms regarding the Zangezur Corridor and the strategic importance of providing multiple route options for

transportation providers (“more for more,” as noted above) are but two of the reasons that led Azerbaijan and Iran to launch a diplomatic thaw in June 2023.

Thus, in July 2023, a joint meeting of the Azerbaijani and Iranian economic cooperation commissions met in the Iranian border town of Astara to discuss issues related to the development of regional and international transport communications and the importance of continuing efforts related to the development of the transit potential of the region.

This was followed by a decision to begin talks on the basis of the 11 March 2022 Memorandum of Understanding that foresaw inter alia the establishment of a new road and rail link along a parallel southern route to the Zangezur Corridor, which would loop around and hence bypass Armenia. As a result, on 5 October 2023, Azerbaijan and Iran laid the foundation of what is called in some circles the Aras (or the Aghband) Corridor—a new transit route connecting Azerbaijan to Nakhchivan and Türkiye via Iran. This route is to be financed by Azerbaijan and overseen by Iran and will include a motorway and a railway. The entire infrastructure work is expected to be finalized within the next three years.

Against the background of these and similar developments, President Ilham Aliyev met with Iranian President Seyyed Ebrahim Raisi in Tashkent on 9 November 2023 on the margins of the Economic Cooperation Organization summit. Notably, this meeting was held in a positive atmosphere, with the Iranian president stating that “we are [...] very happy that Karabakh returned to its ancestral territory after many years. This is Azerbaijan. Azerbaijan was able to restore its territorial integrity. [...] We observe that the situation in the areas of transport and transit is improving day by day. [...] The Aghband route over the Araz River and the ongoing projects implemented there in agreement with each other meet the interests of both countries. This guarantees transport links between Azerbaijan, Iran and Nakhchivan and eliminates concerns in this area.”

## Conclusion

For Azerbaijan, the latest diplomatic thaw with Iran means it can focus on the successful completion of the peace process with Armenia and eliminate a potential source of escalation in its immediate neighborhood. Putting relations back on pragmatic rails could help both Azerbaijan and Iran make better use of strategic opportunities offered by the new geopolitical realities in the region.

For Iran, goodwill diplomacy is a viable option to tackle complex issues within and beyond the region. Tehran appreciates that it will not benefit from continuing a policy of political and diplomatic confrontation with Azerbaijan—a country that has consistently been a reliable trade partner and key transit country for its sustainable relations with Russia within the North-South Transit Corridor (INSTC). As Aliyev put it to Raisi in Tashkent, “I am happy that as a result of the interaction of Iranian and Azerbaijani

representatives, we agreed on the passage of railway and motorway routes along the south bank of the Araz River. I am sure that this project will be completed in a shorter span of time and become another direction of the North-South Transport Corridor. As a result, we will have two routes: the one over the Astara River and the other one over the Aghband area. Both routes will help cement brotherly relations between Iran and Azerbaijan and be accessible for our neighbors and partner countries.”

At the moment, it seems that bilateral economic relations will gain more impetus in the coming months within the framework of the new transit route project covering various spheres of cooperation.