

THE SOUTH CAUCASUS AND THE GULF:

Overlapping interests and the benefits of enhanced cooperation



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EXECUTIVE SUMMARY

The South Caucasus is at the heart of the Eurasian landmass, sandwiched between two major energy markets: Europe and Asia. It is a region that does not get much attention from policymakers in member states of the Gulf Cooperation Council.

The three countries of the South Caucasus — Armenia, Azerbaijan and Georgia — combined have an economy worth \$110 billion, and a population of approximately 17 million. But what this region might lack in terms of economic might and population, it makes up for in geostrategic location.

If the correct policies were to be pursued, the South Caucasus and the Gulf region could expand their diplomatic, economic and trade cooperation. As the world becomes increasingly multipolar, smaller but more strategic relationships will attract more attention from global powers.

It is therefore in the interests of countries in these regions to seek areas for cooperation, especially where their interests overlap. Policymakers from GCC countries should consider the potential benefits of enhancing relations with the countries of the South Caucasus.

INTRODUCTION

A region of the world that does not get the attention it deserves from policymakers in Gulf Cooperation Council countries is the South Caucasus. This is unfortunate because there is great potential for Gulf nations to expand their diplomatic and economic engagement in the region.

The South Caucasus is at the heart of the Eurasian landmass, sandwiched between Russia to the north, Turkiye and Iran to the south, the Black Sea to the west, and the Caspian Sea to the east. Topographically, the region is separated from Russia by the Caucasus Mountains and from Iran by the Aras River¹.

The three countries of the South Caucasus — Armenia, Azerbaijan and Georgia — throughout history have experienced periods of independent rule, suzerainty by regional powers, or total domination by the Russian, Persian or Ottoman empires. All three were part of the Soviet Union and regained their independence in 1991.

The region is religiously diverse, home to thriving Christian, Jewish and Muslim populations. It is also one of the most linguistically diverse parts of the world.



What this region might lack in terms of economic might and population, it makes up for in geostrategic location



Abu Al-Hasan Ali ibn Al-Hussain Al-Mas'udi, the renowned 10th-century Arab geographer, explorer and historian, was one of the first outsiders to visit and study the Caucasus. Because of the dozens of languages spoken there, he nicknamed the region the Mountain of Tongues (Jabal Al-Alsun)².

Since its constituent countries regained their independence three decades ago, the region has been saddled with conflicts — sometimes “frozen” and at other times “hot.”

Since a short war in August 2008, approximately 20 percent of Georgia’s internationally recognized territory has been under Russian occupation. In the early 1990s Armenia seized control of a significant portion of Azerbaijan, only for the latter to liberate its territory during the bloody and intense Second Nagorno-Karabakh War in 2020.

Armenia and Azerbaijan rekindled in Oct. 2020 their conflict over Nagorno-Karabakh, which started in 1917.
AFP

Combined, the three countries of the South Caucasus have an economy that was worth \$110 billion in 2022 — about the same size as Oman’s — and a total population of about 17 million people.

But what the South Caucasus lacks in economic might and population, it makes up for in its geostrategic location. Located between the Black Sea and Caspian Sea, the region provides an important route for east-west air and ground transit.

It is also located between two major energy-consuming markets: Europe and Asia. And similar to the Strait of Hormuz in the Gulf, the South Caucasus is the location of one of the most important transport chokepoints on the Eurasian landmass: The Ganja Gap³. Unlike the Strait of Hormuz, however, the factors that make the Ganja Gap a chokepoint are geopolitical in nature, not geographical.

THE GANJA GAP

The narrow -60mile chokepoint allows overland trade between Asia and Europe.



Three major oil and gas pipelines flow through the Ganja Gap



Distance: 3,200 miles

Note: Pipeline locations are approximate.
Source: Heritage Foundation research.

ARAB NEWS

Looking at the map, it is clear that there are only three routes for energy and trade to flow overland between Europe and Asia: Through Iran, Russia or Azerbaijan. European relations with both Russia and Iran are in tatters, leaving only one viable transport option for the West: Azerbaijan. This small trade corridor, only 100 kilometers wide, is

known as the Ganja Gap. It is named after Azerbaijan's second-largest city, Ganja, which was an old Silk Road trading post.

Currently, three major oil and gas pipelines flow through the Ganja Gap and, crucially, bypass Russia and Iran: the Baku-Tbilisi-Ceyhan pipeline, the Baku-Supsa pipeline, and the Southern Gas Corridor.



Armenian PM Nikol Pashinyan visited Tehran on Nov. 1, 2022, to attend the signing of bilateral cooperation documents. AFP



Fiber optic cables linking Western Europe with the Caspian region also pass through the Ganja Gap, as do an important motorway and the Baku-Tbilisi-Kars railway.

In addition, the Gap was strategically important to the US during its military operations in Afghanistan. At the peak of the war in the country, more than a third of

all non-lethal American military supplies, including fuel, food and clothing, passed through it, either by land or air⁴.

In addition to the Ganja Gap, there is also the potential for another transport corridor that could connect the Middle East with the heart of Central Asia, via Türkiye.

As part of the November 2020 ceasefire

agreement that ended the Second Nagorno-Karabakh War, Armenia pledged to “guarantee the security of transport connections⁵” between Azerbaijan proper and its autonomous Nakhchivan region⁶ via Armenia’s Syunik Province. More than two years later, however, a transport corridor connecting these two parts of Azerbaijan is no closer to reality.

With the starting point of the so-called Zangezur Corridor located on the Anatolian Plateau, there is potential for the construction of transit routes and infrastructure that could connect with the Gulf region.

Tehran does not like the idea of the Zangezur Corridor because it would establish another transport route with which Iran would have to compete. Over the summer, Supreme Leader Ayatollah Ali Khamenei tweeted about his concerns regarding “a policy intended to block the Iran-Armenia border⁷.” This was a veiled attack on the proposal to establish the Zangezur Corridor.

ROLE OF IRAN

Iran is one of the established Eurasian powers and therefore sees itself as entitled to a special role in the South Caucasus. Although Iran competes with Russia for influence in the region, Tehran and Moscow also share many of the same goals, such as keeping it free of outside influence, especially from the US, Europe and Turkiye.

Iran’s primary engagement in the South Caucasus is with the two countries on its northern border, Armenia and Azerbaijan.

Iran and Armenia have maintained a cozy bilateral relationship for years. When Iran’s access to many international markets was closed off as a result of international economic sanctions, Armenia was a useful place for Tehran to do business⁸. Talks take place continually between the leaders of Armenia and Iran as part of efforts to boost trade and economic connectivity. Visits by high-level government delegations are commonplace; Iranian President Ebrahim Raisi and Armenian Prime Minister Nikol Pashinyan met in November to discuss increasing economic cooperation⁹.

During the first war in Karabakh, in the early 1990s, Iran was sympathetic to the Armenian cause, as a way to marginalize Azerbaijan’s role in the region. In the aftermath of the second war, Baku is back in



Azerbaijan’s close relationship with Israel makes Iran nervous

control of the section of the border between Azerbaijan and Iran previously occupied by Armenia. This has created a new geopolitical reality in the South Caucasus that Iran is slowly getting used to¹⁰.

In recent months, Iran has become more involved on the ground in the region. In October, for example, Tehran announced it was establishing a consulate in Kapan, a small city in Armenia close to where the Zangezur Corridor would be¹¹.

On the surface, relations between Azerbaijan and Iran mostly seem cordial. Below the surface, however, the bilateral relationship is tense. Azerbaijan’s close relationship with Israel makes Iran nervous¹², while Iran’s close relationship with Armenia is of concern to Azerbaijan.

Azerbaijan is one of the world’s predominately Shiite areas in which Iran has been unable to exert an influence. Tehran has backed and coordinated a few high-profile terrorist incidents inside the country in recent years¹³.

Most recently, in November 2022, authorities in Azerbaijan said they had broken up an Iranian-trained terrorist cell. According to the Azerbaijani government, 19 of its citizens were recruited by “Iranian special services” and taken to Syria and Iran for training¹⁴, with the long-term goal of creating instability inside Azerbaijan.

In recent weeks, Iran has conducted confrontational, and unprecedentedly large-scale, military exercises along its northern border with Azerbaijan.

RECOMMENDATIONS

If the correct policies are pursued, diplomatic, economic and trade cooperation between the South Caucasus and the Gulf region can be expanded. Policymakers from GCC countries should therefore consider the potential benefits of enhancing their relations with the countries of the South Caucasus. There are several things they can do to achieve this:

I Pursue policies to boost economic cooperation and trade.

As the global economy slowly starts to grow in the aftermath of the COVID-19 pandemic, there will be potential for GCC member states and the countries of the South Caucasus to increase economic engagement and trade.



Armenia fired missiles on Oct. 4, 2020, at Azerbaijan's second largest city, Stepanakert. AFP

Policymakers should be examining the possibilities now so that they are ready when the economic climate is right.

2 Use Turkiye as an interlocutor for the region.

The countries of the GCC should consider working more closely with Ankara to advance diplomatic and economic interests in the South Caucasus. Throughout 2022 there was a lot of progress made by the UAE and Saudi Arabia in efforts to improve their bilateral relationships with Turkiye. Ankara also has an important energy, trade and transit role to play in the South Caucasus. All sides should recognize the benefits of working together to create an economic, trade and energy policy for the region that can benefit all.

3 Coordinate and consult with regard to Iran.

Iran has repeatedly shown itself to be a meddling and troublesome neighbor for both the Gulf and South Caucasus regions. Enhanced consultation, and possibly even coordination, between certain Gulf states and countries in the South Caucasus would help to improve regional stability and push back the malign Iranian influence.

4 Consider opportunities to play a peacemaking role.

Even though relations between Armenia and Azerbaijan remain tense, there is potential for a long-lasting peace and diplomatic normalization that could bring much stability and economic prosperity to the South Caucasus. With Russian influence in the region on the decline, and a lack of initiative and attention from Brussels and Washington, the Gulf states that have a tradition of brokering peace deals, such as Saudi Arabia, Qatar and Oman, might consider hosting talks between Yerevan and Baku. A Gulf state could be seen as an honest, external broker capable of spearheading a new approach and injecting new energy into the negotiations.

CONCLUSION

As the world becomes increasingly multipolar in nature, smaller regions of strategic importance will receive more attention from global powers. It is in the interests of the countries in these regions to find areas with potential for cooperation, especially when their interests overlap. The countries of the South Caucasus and the Gulf are perfect examples of this.

FOOTNOTES

1. The 1828 Treaty of Turkmenchay between Imperial Russia and Persia, which ended the Russo-Persian War (1826–1828), made the border between the two powers the Aras River.
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3. Coffey, L. and Nifti, E. (Foreign Policy, 2018). Why the West Needs Azerbaijan. <https://foreignpolicy.com/2018/05/28/why-the-west-needs-azerbaijan/>
4. Ramani, S. (Washington Post, 2016). Three reasons the US won't break with Azerbaijan over its violations of human rights and democratic freedoms. <https://www.washingtonpost.com/news/monkey-cage/wp/2016/01/20/3-reasons-the-u-s-wont-break-with-azerbaijan-over-its-violations-of-human-rights-and-democratic-freedoms/>
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6. Nakhchivan is an Azerbaijani exclave nestled between Iran, Armenia and Türkiye.
7. Khamenei, A. (Twitter, 2022). "We are pleased to see #Karabakh return to Azerbaijan. Of course, if there is a policy intended to block the Iran-Armenia border, the Islamic Republic will oppose it, for this border is a 1000s-year-old connecting route." https://twitter.com/khamenei_ir/status/1549367329435303938
8. Charbonneau, L. (Reuters, 2012). Exclusive: Iran looks to Armenia to skirt bank sanctions. <https://www.reuters.com/article/us-iran-sanctions-armenia/exclusive-iran-looks-to-armenia-to-skirt-bank-sanctions-idUSBRE87K05420120821>
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10. Coffey, L. (Arab News, 2020). Iran the big loser in Nagorno-Karabakh war. <https://www.arabnews.com/node/1762626>
11. Gavin, G. (Foreign Policy, 2022). Iran Is Filling Armenia's Power Vacuum. <https://foreignpolicy.com/2022/12/01/iran-armenia-azerbaijan-conflict-russia-nagorno-karabakh-syunik/>
12. Azerbaijan and Israel enjoy a very close relationship. The Azerbaijani city of Qirmizi Qasaba is thought to be the world's only all-Jewish city in the world outside Israel. Azerbaijan also provides Israel with 40 percent of its oil
13. The Associated Press. (The New York Times, 2012). Azerbaijan: 22 Held as Iranian Agents in a Terrorism Plot, Officials Say. <https://www.nytimes.com/2012/03/15/world/asia/azerbaijan-22-held-as-iranian-agents-in-a-terrorism-plot-officials-say.html>
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