

# Iran and Georgia: Genuine Partnership or Marriage of Convenience?

PONARS Eurasia Policy Memo No. 186  
September 2011

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Since regaining its independence two decades ago, Georgia, a small weak state, has developed close relations with both regional and great powers and aligned with them in order to compensate for its weaknesses. As Georgia is perceived to be a close regional partner of the United States and was the recipient of roughly \$4.5 billion in Western aid over the past three years, recent moves by the Georgian government to establish closer political and economic links with the Islamic Republic of Iran have caused some bewilderment in Western capitals. This memo examines Georgian foreign policy toward Iran and attempts to identify the main causes and motivations for Tbilisi's affiliation with Tehran.

## **The Limits of U.S. Power and a Geopolitical Reality Check**

Soon after independence from the Soviet Union in 1991, Georgia faced serious domestic and international problems that endangered its existence as a sovereign state. The fragility of the country was tested by constant Russian attempts to subjugate and manipulate it, which constituted the greatest challenge to its national security. Consequently, Georgia's initial foreign policy was driven by an interest to ally with other external powers, leading it from a general balancing policy (of checking Russia) to a more specific bandwagoning policy (of joining the West and seeking the direct patronage of the United States). Beginning from the 1990s, Georgia felt it had no choice but to be engaged in an unfolding pattern of alliances involving regional and extra-regional powers.

After the August 2008 war with Russia, as Moscow was trying to weaken and isolate Georgia, Tbilisi was eager to broaden the quantity and quality of its foreign relationships. Rapidly shifting equations in the regional balances of power, as well as from the potential consequences of Russia's unilateral recognition of Abkhazia and South Ossetia, forced Georgia to reevaluate and reshape its regional foreign policies.

The United States had downgraded its security ties with Georgia after initiating its “reset” policy with Russia, making this key U.S. foreign policy accomplishment a mixed blessing for Georgia at best. By then, Georgia had thrown in its “strategic lot” with the United States and the European Union. Close relations with the West were seen as indispensable for Georgia’s development, but some in the U.S. foreign policy establishment questioned whether the United States had any interests in the region that were more than marginal to U.S. national interests. Tbilisi had to adjust its geostrategic calculations accordingly.

The perceived decline of the role of Georgia and the Caucasus region in U.S. foreign policy led to a situation where it became clear that Georgia could not rely exclusively on Western backing for security, making it essential to advance relations with regional states. Close strategic links with Washington provided some legitimate security and defense needs, but they could not continuously ensure its vital security interests and, in some cases, could even limit Tbilisi’s scope for developing relations with rising regional powers. Consequently, the goal of Georgian diplomacy has been to create and promote a suitable balance of power in the region and diversify its foreign policy portfolio, which includes enhancing its relations with Iran. So far, Georgia’s knocking on Iran’s door has been successful.

### **Shared Concerns and Conflicts of Interests**

The South Caucasus, as a source of both opportunity and threat, occupies a major place in Iran’s multiregional foreign policy agenda. After disregarding the Caucasus for decades and being excluded from its geopolitical chess game, Iran decided to cultivate a new relationship with the South Caucasus, including Georgia, hoping to regain its once-potent role as a regional power. Plagued by Western sanctions and with its internal politics in turmoil, Iran is more than uncomfortable having any neighbor allied with its main enemy: the West. Given Georgia’s pro-Western orientation, Iranian officials perceive Tbilisi as a “Westoxicated” regime, subservient to the regional interests of the United States. While not dramatizing publicly the U.S.-Georgian strategic partnership, Tehran fears in particular that Georgia could be used as a staging point for the West in case of a military operation against Iran. The Iranian leadership has constantly voiced its concern to Tbilisi regarding Georgia’s close security partnership with the United States, claiming that strengthening NATO’s position in the region is not the best way to maintain regional stability. Recognizing the limitations on its ability to influence Georgia, however, Tehran has increasingly adopted a pragmatic policy toward Tbilisi better suited to its limited political resources.

Essentially, Tehran has tried to sell itself as a “protector” of nearby weaker states while promoting anti-hegemonic (anti-U.S.) policies in the region. For instance, the Iranian ambassador to Georgia, Majid Saber, questioning whether the United States was a reliable strategic partner for Georgia during the Russo-Georgian war, said: “No U.S. help was there when you [Georgia] needed it most....Real friendship is demonstrated in hard times.” He thus hinted that only Tehran could be a reliable friend to Georgia. At the same time, it seems that Tehran’s policy is not aimed at forestalling Westernization

in the region, but rather to keep the South Caucasus from becoming a base for U.S. military power. Iran thus pursues a stability-based foreign policy, albeit one that promotes its own economic and strategic objectives and expands its own regional influence.

From Tbilisi's perspective, Iran is considered as a pragmatic radical within the region. The country is also seen as having the potential to play a somewhat constructive regional role as a counterweight to the geopolitical ambitions of Russia. The cooling of relations between Tehran and Moscow over Russia's support to Iran's sanctions has further contributed to this belief. Cautiously accepting Tehran's recent overtures of friendship, Georgians calculate that Iran could potentially be an advocate of Georgia's territorial integrity. Tbilisi remembers the balanced position of Iran during the 2008 war, when it refrained from taking sides. While Iran did not condemn Russia's aggression, Tehran officially supported the sovereignty and territorial integrity of all states and stressed the importance of respecting international norms and agreements. Subsequently, Iran also refused to recognize the Russian-backed separatist regions of Georgia. By doing so, Iran greatly improved its image and prestige in Georgia and somewhat recovered its regional influence, which had been in decline.

Despite talk of a contemporary Georgia-Iran partnership, Tbilisi's dealings with Tehran have not been easy. While stressing repeatedly that its relationship with its neighbor is solely about trade and tourism, Georgian officials have had to consider a number of delicate international issues in their dealings with Tehran, such as the international legality of Iran's nuclear program and its strained relations with the United States and others. In 2008, Georgian-Iranian relations were frozen for almost a year, when Georgia agreed to extradite an Iranian citizen to the United States on charges of smuggling, money laundering, and conspiracy, an action that Tehran assessed as an anti-Iranian act. As Washington did not particularly realize the high sensitivity of this issue for Georgian-Iranian relations, it took for granted Georgia's somewhat risky decision, which caused indignation in Tehran. In order to stabilize the situation, then-Georgian deputy foreign minister Grigol Vashadze visited Iran in January 2010 and met with Iranian President Mahmoud Ahmadinejad. Whether Tbilisi expressed regret to Tehran for the extradition, or offered something else to pacify Tehran, is unknown. Since then, however, Georgian relations with Iran have been stable.

### **Economic Cooperation, Investment, and Bilateral Projects**

As Georgian and Iranian political contacts improved, both sides tried to enhance economic cooperation. Iran is an important trading partner with Georgia, and the relationship between the two countries has been promising in the economic sphere, notably in the energy sector. Desperately seeking a way out of its energy and economic dependence on Russia, Georgia considers Iran as an alternative supplier of energy, and both sides have renewed their drive for an energy partnership. One of the best examples of energy cooperation was the support Tehran provided to Tbilisi during the winter of 2006 when Russia cut off gas supplies to Georgia. Despite major pressure from

Moscow, Iran supplied energy at a low price to Georgia. The Georgian political elite did not forget this and learned a useful lesson of political realism: Iran, which has the world's second largest gas reserves after Russia, is eager to find a new customer for energy exports and to expand its economic ties, even at the expense of straining relations with Russia.

Over the past decade, Tehran has also signed agreements with Tbilisi for elimination of double taxation and encouraging investment in, air, surface, and sea transportation, and customs and trade cooperation. The volume of trade between the two countries has been rising. Seeking to diversify transit routes for its cargo shipments, Iran has an interest in Georgia's transit capacity and considers the country to be a viable alternative route for shipping freight to Europe. It is expected that the visa-free regime between Georgia and Iran, which came into force in January 2011, will help increase trade turnover. As a result of this agreement, Tehran has offered to assist Tbilisi build a new hydroelectric plant, made good on a plan to reopen a long-abandoned Iranian consulate in western Georgia, and sent thousands of Iranian tourists on chartered planes to Georgia's Black Sea resorts.

Even so, and with further investment deals on transportation and energy projects on the table, the West should not be concerned much that Iran is filling a "vacuum" in the South Caucasus. Notwithstanding the declared partnership, there is a huge gap between the actual and potential economic relationship between the two countries. Iran is not on the list of Georgia's key trading partners. According to the Georgian state statistics office, trade turnover between Georgia and Iran declined by 41.5 percent in 2009 to \$36.3 million. The figure climbed again to \$67.2 million in 2010, but in spite of this increase, trade between the two nations still accounts for less than 1 percent of Georgian imports.

**Figure 1: Trade Turnover between Georgia and Iran, 2000–2011**(in thousands of dollars)

| Year                | Export    | Import   | Trade turnover |
|---------------------|-----------|----------|----------------|
| 2000                | 6,801.5   | 5,879.8  | 12,681.3       |
| 2001                | 4,311.4   | 6,315.3  | 10,626.7       |
| 2002                | 3,316.4   | 8,096.8  | 11,413.2       |
| 2003                | 3,426.3   | 6,995.7  | 10,422.0       |
| 2004                | 4,500.7   | 15,157.9 | 19,658.6       |
| 2005                | 4,681.2   | 25,999.8 | 30,681.0       |
| 2006                | 2,699.4   | 40,301.8 | 43,001.2       |
| 2007                | 6,050.0   | 51,732.9 | 57,782.9       |
| 2008                | 10,060.0  | 52,080.0 | 62,140.0       |
| 2009                | 6,425.8   | 29,895.0 | 36,320.8       |
| 2010                | 12, 140.7 | 55,079.5 | 67220.2        |
| 2011<br>January-May | 5,219.3   | 21,122.5 | 26341.8        |

Source: website of the Georgian Ministry of Foreign Affairs and Geostat-National Statistics office of Georgia.

## Conclusion

Some observers are unconvinced that there is a need for Georgia to establish a visa-free regime with Iran, and many worry about its possible implications for the West. However, Georgia's current policy toward Iran is not irrational. Closer relations with Iran, despite extremely tense relations between Washington and Tehran, is an indication of Tbilisi's disillusionment with what it sees as the West's weakening interest in Georgia, as well as its desire to expand its room for maneuvering, politically and economically. Georgia's shrewd game of regional *realpolitik* neither shifts its core foreign policy orientation nor conflicts with its primary goals of integration with the EU and NATO. Even with Tehran and Tbilisi's apparent new partnership, one should not expect to see Iran playing a superior role in the region for the foreseeable future. With unstable relations with Azerbaijan and strategic links with Armenia, the real economic and geopolitical dividends of Iranian diplomacy in the South Caucasus are mostly theoretical at this point. Particularly in dealing with Georgia, Iran has to take into account Russian interests in the South Caucasus and has acted very cautiously not to anger Moscow over its cooperation with Tbilisi. Moreover, Iran's ability to be an influential actor in Georgia is limited by geography (there is no direct border between the two countries) and other factors such as the dominant Western and Turkish influence. Heavy dependence on Western economic and political support does not allow Tbilisi to cross certain red lines in its dealings with Tehran. Georgia, as a NATO-aspirant country, is unlikely to endanger its strategic relations with the United States or its prospects of Euro-Atlantic integration for the sake of improving relations with Iran.

On the whole, it is a reasonable balancing act. Georgia's new Iranian foreign policy seems unequivocally pragmatic and driven by economics and, to some extent, security concerns. With the reflex of a small state, Georgia assessed the changing international political environment and determined that political dialogue with Iran would help strengthen mutual confidence. While trying to maintain a high level of strategic cooperation with the West and simultaneously profit by trade relations with Iran, the Georgian political leadership is aware of the fact that as a small state, Georgia's room for maneuvering and its ability to formulate foreign policy are relatively limited. From Iran's perspective, the advantage of a Georgian-Iranian rapprochement is that Tehran can assert itself more strongly in the region, particularly when Iran does not have unlimited outlets. Taking into consideration Russia's significantly weakened role in Georgia, all this suggests the possibility that Iran's presence on the Caucasian chessboard could end up being a stabilizing force in the volatile South Caucasus. As bilateral relations between Iran and Georgia enter a deeper stage, it remains to be seen how far Iran and Georgia will benefit from their declared friendship.