

Nuclear Deal and Iran-Azerbaijan Economic Ties

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Since 1991, there has been great potential for economic cooperation between the Republic of Azerbaijan and the Islamic Republic of Iran, and following the nuclear deal and the lifting of international sanctions, this has become even more apparent. The collapse of the Soviet Union had a significant effect on the geopolitics of Iran, especially on its northern borders with the Caucasus. However, international sanctions against Iran had been a barrier to expanded economic and political cooperation between Iran and the Caucasus, specifically Azerbaijan. Therefore, it seems likely that the post-sanctions era will see economic and trade cooperation between Iran and Azerbaijan develop rapidly. This article provides an overview of economic relation between these two neighboring states following the Nuclear Deal and discusses the prospects for high-level cooperation.

Keywords: Iran-Azerbaijan, Economic relations, Regional cooperation.



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Introduction

Azerbaijan plays a central and decisive role in Iran's regional policies in the Caucasus, and relations are shaped by a range of different factors including geographical and geopolitical proximity, ethnic and religious commonalities, economic ties, Azeri-speaking communities in Iran, energy resources, and competition between the two countries over energy transit routes¹. Iran perceives Azerbaijan as a mostly Shia Muslim neighboring country with shared heritage. Azerbaijan, on the other hand,

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has always considered Iran as the main issue in regard to its regional policies for political-security, economic, ethnic, cultural, and identity-historical reasons. Iran has sought to influence and play a role in Azerbaijan's post-independence economic, social, and political development. The common linguistic, religious, and historical and cultural heritage offer significant scope for close bilateral relations. In addition, there have also been opportunities for economic cooperation. Since Azerbaijan's independence, economic relations have acquired particular importance in bilateral ties. Several agreements and Memoranda of Understanding have been signed to facilitate bilateral trade, including commercial agreements, investment commitments, for avoiding double taxation, on maritime shipping, customs, land trade, air transport, and consular treaty².

However, the sanctions regime affected Azerbaijan-Iran relations, particularly in regard to trade and banking, due to limits on financial transactions between private traders and state companies on both sides. The nuclear deal reached on 14 July 2015 between Iran and the P5+1 lifted the economic sanctions against Iran from January 2016, providing a major opportunity for long-term large-scale bilateral cooperation and regional developments. As a consequence, bilateral relations entered a new phase. President Rouhani has more meetings held with President Aliyev than any

1 Ismailzade, F. (2016) *A breakthrough in Iran-Azerbaijan relations*. CACI Analyst. Available at: <https://www.cacianalyst.org/publications/analytical-articles/item/13330-a-breakthrough-in-iran-azerbaijan-relations?.html> (Accessed: 19 Feb 2016).

2 Souleimanov, E. and Ditych, O. (2007) 'Iran and Azerbaijan: A Contested Neighborhood', *MIDDLE EAST POLICY COUNCIL*, Volume 14, summer 2007, Number 2. Available at: <http://www.mepec.org/journal/iran-and-azerbaijan-contested-neighborhood> (Accessed: 2007).

other leaders, with frequent visits between the two countries,³ marking the “warmest stage of bilateral relations” since the 1990’s. Accordingly, a dozen agreements and memoranda have since been signed, indicating an increase in economic ties and advanced cooperation. This paper analyzes further prospects for economic relations.

Modern History of Economic Ties between Iran and Azerbaijan

The major barrier to the expansion of economic relations lies in the political relationship between the two countries.⁴ Economic relations between Iran and Azerbaijan span the fields of oil, gas, electricity, customs, commerce, communication, transportation, and construction. Iran-Azerbaijan relations in the field of gas have focused primarily on the Khoy-Nakhchivan gas pipeline, which became operational in December 2005 with a capacity of a million cubic meters.⁵ In November 2006, Iran and Azerbaijan reached an agreement on the construction of two hydroelectric power plants on the Aras River so that the two countries can equally use the Aras river water for hydropower purposes.

It is very important to note that regarding the trade relations, Iran has lost its leading position among Azerbaijan’s trading partners over the past two decades. In November 1995, within nine months Iran became the major trading partner of Azerbaijan by exchanging more than \$180 million worth of goods. During the same period, Russia and Turkey were the second and third largest trading partners of Azerbaijan, respectively. However, this trend was reversed in the later years. In the first four months of 2016, Iran exported \$178 million worth of goods to Azerbaijan, compared to \$232 million worth of exports during the twelve months of 2015. Imports from Azerbaijan have also increased; Iran imported \$15 million worth of goods during the twelve months of 2015. This volume was matched within the first three months of 2016 (exclusively non-energy trade).⁶ Iran, however,

³ Last meeting in Baku on 28th March 2018, you can see more information: <https://en.trend.az/azerbaijan/politics/2878425.html>

⁴ Mehdiyeva, N. (2003) ‘Azerbaijan and its Foreign Policy Dilemma’, *Asian Affairs*, vol. XXXIV, no. III, p. 271.

⁵ Aleksander’s Gas and Oil Connections (2006) *Baku Seeking to Transfer Oil to Persian Gulf*. Available at: http://www.gasandoil.com/news/central_asia/59373a6a9ff8c85092fdce157b1db4a (Accessed: 05 Oct 2006).

⁶ Geoffrey, G. (2006) ‘Coddling the Caucasus: Iran’s Strategic Relationship with Azerbaijan and

no longer ranks among Azerbaijan's top ten economic partners. But given the nuclear deal and the cooperation documents signed during presidential visits in 2016, however, it is likely that Iran will become one of five major economic partners of Azerbaijan by 2020.

The construction of Qazvin-Rasht-Astara railway will connect northern Europe to the Persian Gulf, running from the Finnish border through St. Petersburg and Moscow to Iranian territory, representing one of biggest transit projects between South Asia (India, Pakistan) and Eastern Europe. Iran has supported Azerbaijan's involvement in the North-South corridor, while Azerbaijan endorsed Iran's membership in the Transport Corridor Europe-Caucasus-Asia (TRACECA) initiative⁷.

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Generally speaking, the normalization of Iranian-Azerbaijani political ties would have a significant impact on economic, business and social relations, as well as bringing broader benefits for regional geopolitics. This new chapter in bilateral relations could also bring new business opportunities for the two countries, both of which have suffered from low oil prices.⁸

Prospects for Economic Cooperation in the Post-Nuclear Deal Era

Opportunities for commercial and economic cooperation play a positive and constructive role in burgeoning bilateral ties. Statistical analysis of the current economic relationship demonstrates the improvement in the economic relationship between the two countries.⁹ Economic relations between the two countries have been most prosperous across three areas: transport,

Armenia', *Caucasian Review of International Affairs*, Vol. 1 (1). Available at: http://www.cria-online.org/modules.php?name=1_1 (Accessed: 2006).

7 TRACECA (acronym: Transport Corridor Europe-Caucasus-Asia) is an international transport programme involving the European Union and 14 member States of the Eastern European, Caucasian and Central Asian region. It has a permanent Secretariat, originally financed by the European Commission, in Baku, Azerbaijan, and a regional office in Odessa, Ukraine. Since 2009 the organization has been entirely financed by member countries. you can see more information: <http://www.traceca-org.org/en/home/>

8 Ismailzade, F. (2016) 'A breakthrough in Iran-Azerbaijan relations', *CACI Analyst*. Available at: <https://www.cacianalyst.org/publications/analytical-articles/item/13330-a-breakthrough-in-iran-azerbaijan-relations?.html> (Accessed: 19 Feb 2016).

9 Based on irica.gov.ir

trade and energy. In the transportation sector, 40,000 trucks per year cross Azerbaijan's Nakhchivan and vice versa Iran. In addition, some Azerbaijani trucks traverse Iranian territory to reach Europe and Persian Gulf ports. Air, maritime, and land transport links are active between the two countries. Although the rail link is currently inactive due to the Nagorno-Karabakh conflict, Iran is developing Amirabad port to connect railway networks through wagon transport ships in the Caspian Sea based on the North-South corridor schedule, and is connecting its national railway line to the Azerbaijani city of Astara.

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In the commercial sector, a lot of consumer items have been shipped through both countries' soil. Until this year, Iran has always been among Azerbaijan's top ten trading partners. The volume of Iran's imports from Azerbaijan exceeds Iran's exports to Azerbaijan by a factor of five. Azerbaijan's exports to Iran have been an important source of budget revenue. Iranian goods are both inexpensive and in close geographical proximity for people in the southern regions of Azerbaijan, who rely heavily on these cheaper commodities from over the border. According to the State Statistics Committee of Azerbaijan, electricity exports to Nakhchivan constitute one-fifth of Iran's total exports to Azerbaijan. The Joint Commission on Economic Cooperation between the two countries has operational since 1993. Key economic projects have been scoped, including the transfer of Iranian gas to Nakhchivan, the construction of the Nakhchivan cement factory and KhodaAfarin Dam, and the development of transport networks and pharmaceutical firms. Some of these have been implemented, while others require international investment.

During the years that followed independence, exports of petroleum products comprised 60% of Azerbaijan's revenue. Of this total volume, 75% was sent to Iran, 55% of which Iran directly purchased and the other 20% of which was shipped to Turkey via Iran. However, this percentage has fallen significantly over the years, especially after the opening of the Baku-Tbilisi-Ceyhan pipeline.

Iran's unilateral abolition of visas for citizens of Azerbaijan in

February 2010 and an MOU on Azerbaijan-Iran gas exports¹⁰ are among the new developments which have deepened the relationship during the past year. Iran's economic policy in Azerbaijan, whether under the conservative government of Ahmadinejad or the moderate government of Rouhani, has been responding to mutual national interests.

A review of trade turnover figures over the past 17 years (2000-2017) in four border regions including Astara, Bile Savar, Julfa, and Sanam Balaqi Poldasht shows that the trade balance is in Iran's favor. This is due to the higher volume and value of Iran's exports to Azerbaijan during the first 6 months of 2016 and the fact that the trading volume has increased by 66 percent following the elimination of sanctions. At present, the official figure of non-oil exchanges is \$500 million. However, the trade exchange between Turkey and Azerbaijan, Turkey and Iran, Russia and Azerbaijan, Russia and Iran is much more than Iran and Azerbaijan. However, among the Commonwealth of Independent States (CIS), Azerbaijan has always been the largest importer of current commodities from Iran; while the balance of trade exchanges are mostly positive and it's a win-win game for both countries. This indicates the particular importance of the Azerbaijani market for Iran's wider relations with regional economies.

The establishment of a joint auto-manufacturing plant in Neftchala industrial region in 2016 is a successful example of mutual investments. The plant was agreed upon after a trip to Baku by Mohammad Reza Nematzadeh, the Minister of Industry, Mines and Trade. Shahin Mustafayev, the Minister of the Economy and the Azerbaijani Chairman of the Joint Commission on Economic Cooperation between Azerbaijan and Iran was present at the ceremony of signing the agreements. It was announced during the ceremony that the factory – the result of a \$15 million joint investment by Iran Khodro and Aziorokar - will produce 10,000 cars per year and create 300 new jobs. The agreement, signed in April 2018, states that 25% of the total investment will be provided by Iran's auto-manufacturing factory.¹¹

10 Azernews (2018) 'Azerbaijan to sign MoUs in energy sector'. Available at: https://www.azernews.az/oil_and_gas/126391.html (Accessed: 31 Jan 2018). Azernews (2018) 'Iran voices interest in increasing gas export to Azerbaijan'. Available at: https://www.azernews.az/oil_and_gas/125687.html (Accessed: 18 Jan 2018).

11 Azertag (2016) 'Foundation stone laid for Azerbaijani-Iranian car plant in Neftchala'. Available

The former Iranian Ambassador to Azerbaijan, Mohsen Pakaeen, gave an interview in late 2015 about the perspectives of economic ties after the nuclear deal. He said that he regarded Iran's transit routes as the safest, closest and the most economical transit corridors for Azerbaijan, noting that Tehran-Baku relations are developing and will provide great opportunities for cooperation in trade, transit, tourism and oil and gas during the post-sanction era. He noted that the final stages of the Agreement Act between Iran and Azerbaijan on the construction and operation of Marazad and Ordubad power plants were progressing. He also commented that the two countries enjoy cooperation in the fields of trade, transit, energy and tourism, and that the volume of official non-oil trade reaches about \$500 million. In addition, Iran brings in approximately \$250 million from Azerbaijani's gas swaps to Nakhchivan and \$250 million from investments on Shah-Deniz in the Caspian Sea. The total volume of bilateral economic exchanges is more than a billion dollars.¹²

The lifting of sanctions has clearly affected the development of commercial relations, and particularly in the border regions. Iranian officials have repeatedly called on Azerbaijani businessmen to make investments in various sectors of Iranian economy over the past three years. The money transferring has become free in the process and all parties are benefiting from the nuclear deal. The prospects for economic cooperation are much clearer based on those economic agreements. Azerbaijan, moreover, enjoys improved security along its southern border, which has long been a potential source for global instability¹³.

This paper suggests that in the wake of the nuclear deal, economic cooperation and developments in bilateral relations have occurred primarily in transport, energy, and trade. Sectoral cooperation will now be elaborated upon in detail.

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at: https://azertag.az/en/xeber/Foundation_stone_laid_for_Azerbaijani_Iranian_car_plant_in_Nefch-ala-980347 (Accessed: 06 August 2016).

12 Isna (2015) 'برنامه‌های ایران و آذربایجان برای همکاری‌های اقتصادی و تجاری چیست'. Available at: <https://www.isna.ir/news/94072918774/همکاری-های-اقتصادی-و-تجاری-آذربایجان-برای-همکاری-های-اقتصادی-و-تجاری> (Accessed: 20 Oct 2015).

13 Alili, A. (2015) 'Azerbaijan and Iran after the Sanctions: The Pathways of Advanced Engagement and Confrontation', *Center for Economic and Social Development*, Azerbaijan. Available at: <http://www.cesd.az/new/wp-content/uploads/2016/01/Azerbaijan-and-Iran-after-the-Sanctions.pdf>

Transportation Corridors

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Iran has always sought to capitalize upon its geopolitical position in the region and leverage its influence in its neighbors' strategic policy. Accordingly, it has tried to take advantage of Azerbaijan as one of the axes of the north-south corridor. Completing the south-north international transportation corridor was a critical factor in the deepening of relations of both countries. It should be noted that the last trilateral summit of Iran, Azerbaijan and Russia took place in November 2017 in Tehran where all presidents emphasized the completion of this corridor.¹⁴

This 7200-kilometer corridor links Iran to Russia through Azerbaijan; to Georgian ports¹⁵ and Eastern European countries¹⁶ through Ganja; it connects India with Persian Gulf countries and Azerbaijan through Bandar Abbas, running all the way to Russia, and Northern and Eastern Europe.¹⁷

The important point is that the Iran-Azerbaijan route is a shortcut for transporting cargo. This corridor, known as the "South-West Route", will be a very important transit route which connects all countries along the route economically and commercially. It is considered a key factor in the development and consolidation of political relations among neighboring countries, specifically Iran, Azerbaijan, Georgia, Ukraine, and Poland¹⁸.

One component of the North-South corridor connects Iranian Astara with Azerbaijani Astara, via a short bridge. This was officially opened on March 29, 2018 in the presence of both presidents¹⁹. The Qazvin, Rasht and Astara railway is also under construction, funded by Azerbaijani investment²⁰.

14 Trend (2017) 'Trilateral summit of Azerbaijan, Iran and Russia held in Tehran'. Available at: <https://en.trend.az/azerbaijan/politics/2815748.html> (Accessed: 01 Nov 2017).

15 Shahbazov, F. (2018) 'Baku Pushes New Azerbaijan-Iran-Turkey-Georgia Grouping to Enhance Intra-Regional Cooperation', *Eurasia Daily Monitor*, Volume: 15 Issue: 46. Available at: <https://jamestown.org/program/baku-pushes-new-azerbaijan-iran-turkey-georgia-grouping-enhance-intra-regional-cooperation/> (Accessed: 27 March 2017).

16 Trend (2017) 'Azerbaijan, Ukraine, Iran, Georgia, Poland to continue co-op on South-West route'. Available at: <https://en.trend.az/business/economy/2794097.html> (Accessed: 07 Sep 2017).

17 Interview with Iranian Ambassador in Baku – Mohsen Pakaeen, Tehran 2017

18 Azernews (2017) 'Protocol signed on development of South-West Route'. Available at: <https://www.azernews.az/business/118702.html> (Accessed: 08 Sep 2017).

19 Financial Tribune (2018) 'Iran-Azerbaijan Railroads Officially Linked on March 29'. Available at: <https://financialtribune.com/articles/economy-business-and-markets/83937/iran-azerbaijan-railroads-officially-linked-on-march-29> (Accessed: 03 April 2018).

20 Azernews (2018) 'Iran agrees to borrow from Azerbaijan for Rasht-Astara railway'. Available at: <https://www.azernews.az/business/125585.html> (Accessed: 16 Jan 2018).

Energy Sector

One of the major stress factors in bilateral relations is the energy transit route from the Caspian Sea to Europe. Under the sanctions, Iran believed that Azerbaijan and Georgia had disregarded Iranian energy policies.²¹ Azerbaijan's energy interests and policies (both foreign and domestic) have implications for Iran's national security, and therefore in recent years, Azerbaijan has been central to Iranian policy in the Caucasus. Development and cooperation can facilitate the interconnection and integration of the two national economies, minimizing tensions and confrontation.²²

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In 1995, Azerbaijan officially invited Iran to participate in the Shah-Deniz field development. The same year, Iran agreed, and subsequently, Azerbaijan's purchase of electricity from Iran to supply Nakhchivan provided the foundation for the development of bilateral trade relations. One of the most noticeable energy cooperation were the construction of KhodaAfarin Dam on the Aras River and the start of electricity export from Iran to Azerbaijan through Astara border in 2006.

Azerbaijan is in dispute with Iran over the ownership of some oil fields, including Alborz oil field (known as Alov in Azerbaijan). The issue of Caspian oil and gas transit corridors has always been a key issue between the two countries. In 1990s, a few solutions were presented to transfer Azerbaijan's oil, and formal negotiations were held in the following five cases.

1. Northern pipeline: Baku-Novorossiysk,
2. Western pipelines: Baku-Supsa,
3. South pipeline: Baku-Iran,
4. East pipeline: the line crossing Afghanistan and Pakistan,
5. Southwest pipelines: Baku-Ceyhan.

The Azerbaijan-Iran and Azerbaijan-Pakistan pipelines received widespread attention at the outset. Azerbaijan's oil could be

21 Ebel, R.E. and Menon R. (2000) *Energy and conflict in Central Asia and the Caucasus*. Rowman & Littlefield. p. 181.

22 Kazemzadeh, H. (2017) 'Iran and Energy Cooperation in the South Caucasus: Prospects for the Post-Sanctions Era', *Caucasus Analytical Digest*, No. 92. pp. 3-6. Available at: <https://www.research-collection.ethz.ch/handle/20.500.11850/170362> (Accessed: 25 Feb 2017).

exported through this pipeline and via the Iran-Persian Gulf route to global markets. However, the US opposed this route. Finally, following negotiations between Azerbaijan International Operating Company (AIOC) and the Azerbaijani government on the transfer of Azerbaijan's oil, the proposed routes were reduced to Baku-Novorossiysk, Baku-Supsa, and Baku-Ceyhan. Thus by the end of 2017, Iran supplied approximately 280 million cubic meters of gas to Azerbaijan for use in the Nakhchivan Autonomous Republic. In January-July 2017, the Azerbaijani state-owned SOCAR imported 970 million cubic meters of gas from Iran.²³

Iran's Ambassador in Baku has stated in this regard that cooperation on gas transfer is significant for Iran as the the second supplier of gas resources. There have been joint discussions regarding participation in several projects, including TANAP. Accordingly, during the March 2018 visit by Hasan Rouhani to Baku, the two Presidents held serious talks on joint energy cooperation in the Caspian Sea and the South Caucasus. The Azerbaijani Energy Ministry and the Iranian Oil Ministry signed a Memorandum of Understanding on the Joint Development of Energy Blocks in the Caspian Sea. In April 2018 Amir Hossein Zamaninia, the Islamic Republic's Deputy Oil Minister for International and Commercial Affairs, announced that Iran seeks to form a joint oil company with Azerbaijan, based on the MoUs of recent years²⁴.

Trade Partnership

Azerbaijan imports commodities such as construction materials, textile, home appliances, cars and related parts, and even a high volume of food from abroad. The price and quality of Iranian goods such as agricultural products and construction materials, along with transit of passengers, cargo, and gas valves from the mainland to the Autonomous Republic of Nakhchivan, has provided good conditions for exports of Iranian consumer goods. Iran has also been able to meet some of its import needs via

23 Azernews (2018) '*Iran voices interest in increasing gas export to Azerbaijan*'. Available at: https://www.azernews.az/oil_and_gas/125687.html (Accessed: 18 Jan 2018).

24 AzerNews (2018) '*Iran seeks to form joint oil firm with Azerbaijan*'. Available at: <https://www.azernews.az/business/131272.html> (Accessed: 30 April 2018).

Azerbaijani exports.²⁵

A review of the trade turnover figures with Azerbaijan shows that Iran's exports to Azerbaijan have experienced steady and sustainable growth over the past 15 years. In 2012, for the first time in the last decade, Iran's exports reached over five hundred million dollars; this fell in subsequent years due to the international sanctions.

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According to Iran's Customs Administration, a variety of cement, clinker and potatoes are the country's main export commodities, followed by Bhutan, Petroleum bitumen, and iron or steel bars, respectively. Major exports to Azerbaijan include building skeleton (steel frame) and structural components, granite, tub, shower and plastic basin among plastic material, fresh or dried Mazafati dates, glass sheet, other plastic products, and kitchen appliances.

In addition to Iran's non-oil exports to Azerbaijan, suitcase trade²⁶ is also performed between border of two countries by frontiersman which has a very small share in the total value of our exports to Azerbaijan. According to the available statistics for 2014-2015, Astara Customs is in the first place with 25.3 million USD of exports, followed by Bile Savar Customs with 12.3 million USD, and Jolfa Customs in third place with about 6 million USD.

In 2014-2015 period, Iran's major exports to Azerbaijan include hard wheat, sawn wood, waste and scrap iron or tin-coated steel, food industry and other solid residues, cast iron and steel, bran, steel waste and bread waste, cotton with un-carded or uncombed long string, beet pulp, and bagasse.²⁷

Prospects for increased bilateral trade are strong; President Rouhani during his recent visit to Baku urged free trade with Azerbaijan. This can be realized with preferential tariffs for some items as a first step.²⁸

25 Irna (2016) 'روابط جمهوری آذربایجان و ایران در سال 2016 میلادی'. Available at: <http://www.irna.ir/fa/News/82351930> (Accessed: 25 Dec 2016).

26 Suitcase trades which are allowed for customs-free and tax free import are purchased in one country and brought across the border into another country in small packages such as luggage or bags.

27 Irna (2016) 'ایران و جمهوری آذربایجان؛ چشم انداز روشن گسترش روابط'. Available at: <http://www.irna.ir/fa/News/82361299> (Accessed: 26 Dec 2016).

28 Irna (2018) 'Iran's Rouhani urges free trade with Azerbaijan'. Available at: <http://www.irna.ir/en/News/82873645> (Accessed: 29 March 2018).

Conclusion

Given the overview provided in this paper, it can be predicted that relations between Iran and Azerbaijan will grow and deepen in the post-Nuclear Deal era. The visit by President Rouhani to Baku in March 2018 demonstrates the strength of political relations at the highest level. However, the majority of obstacles and challenges persist, and require both countries to reconsider their political behavior.

Realism in foreign policy can increase cooperation and trust-building measures between the two countries. Regular consultation between officials will avoid misunderstanding and enable more realistic and comprehensive analyses.

The Iran-Azerbaijan economic relationship requires greater mutual trust at all levels. Clearly defining their respective foreign policy positions will help to prevent the negative effects on their relations with third-party countries. Iran and Azerbaijan have the capacity to broaden their relationship in all aspects, and to establish a strategic friendship as both presidents have emphasized in official meetings.

A few days after the nuclear agreement, Shahin Mustafayev, the Minister of Economic Development of Azerbaijan, visited Iran, carrying a letter from President Ilham Aliyev. In fact, Azerbaijan was the first regional country to send its economic delegation to Iran. There have been many high-level talks between the two countries, including: visits by both presidents, the visit by the Head of the Supreme Assembly of the Nakhchivan to Tabriz, twenty ministerial trips, about two dozen trips of other officials, the visit by the governors of East Azerbaijan and Gilan provinces to Azerbaijan, the visit by the governor of West Azerbaijan to Nakhchivan, the eleventh Joint Economic Commission meeting in Tehran, the ninth Conference of Border Guard Commanders, the joint meeting of Border Guard Commanders of Iran, Russia, and Azerbaijan in Baku, and the signing of more than twenty cooperation pacts. After the lifting of the sanctions, the President Ilham Aliyev visited Iran in February 2016, and President Hassan Rouhani visited Baku in August 2016; overall 18 cooperation pacts were signed, providing a strong foundation for relations. Many experts believe that these visits are indicative of a substantial increase in trust and political will in regard to the development of Tehran-Baku ties.

In the energy sector, the close collaboration between the State Oil Company of Azerbaijan (SOCAR) and the National Iranian Oil Company, including meetings between their CEOs, is also noteworthy. During these trips, many documents (including a Memorandum of Understanding for adopting Nanotechnology in the Oil Industry) were signed, and Azerbaijan and Iran created a Special Working Group of Deputy Ministers regarding investment. In 2015, the third meeting of the Gas Exporting Countries was held in Tehran, and Azerbaijan, supported by Iran, was accepted as the monitoring member of this organization. Other achievements in the energy sector during 2016-2018 include: Iran and Russia's power grid interconnection through Azerbaijan, signing a Memorandum of Understanding for electricity transmission via Azerbaijan, and initiation of hydroelectric power plants and renewable energy projects.

The development of bilateral relations in 2016-18 has served the interests of both parties in many fields, an example of win-win diplomacy. This has strengthened the political will to further expand relations and support one another's interests. Ongoing progress in this direction will stabilize the ties between the two countries, to the benefit of the stability and development of the region as a whole.

At the end, it should be noted that since President Trump announced that he would re-impose sanctions on Iran which had been lifted as part of the Nuclear Deal, we have to wait for new impacts on Iran's trade exchanges with other countries, including Azerbaijan. The effects are not yet clear, since the European Union still requires itself to support the trade relations of the European countries with Iran. Europe is unlikely to impose its own sanctions on Iran now, given that it believes the deal is working. If the US weren't too strict about its secondary sanctions, Iran's most important trading relationships would remain intact so long as Tehran adhered to the deal's nuclear limits — giving it more incentive to adhere by them. I think at least a few months should be left out of the current situation, then we can have a more detailed analysis toward the impact of the US's withdrawal from the nuclear deal on the economic ties between Iran and Azerbaijan.